



**OPERATIONAL MODALITIES OF THE
POOLED FOREIGN EXCHANGE
ALLOTMENT SYSTEM**

**SUPPLEMENT TO THE MID TERM MONETARY
POLICY REVIEW STATEMENT**

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1. INTRODUCTION

- 1.1 The country's foreign exchange supply situation remains under pressure due to the combination of export underperformance and the adversities of sanctions imposed on the country.
- 1.2 On the demand side, the bulk of the country's foreign currency requirements for machinery and equipment, spare parts, raw materials, medical drugs, food, fuel, electricity and other critical obligations, continue to go unmet.
- 1.3 Against the backdrop of drying projects financing and balance of payments support, the country is therefore relying on its traditional sources to meet its external obligations.
- 1.4 These developments have resulted in a widening foreign currency gap, which calls for a more comprehensive foreign currency management framework to ensure an efficient allocation of the country's available foreign exchange resources.
- 1.5 Consultations with major stakeholders indicate that, in order to effectively manage and efficiently allocate the scarce foreign exchange resources, there is now need to centralize the management of foreign exchange resources in the economy.
- 1.6 In this regard, the Reserve Bank of Zimbabwe is introducing a **Pooled Foreign Exchange Allotment System**.
- 1.7 **The Pooled Foreign Exchange Allotment System** will restore confidence in the foreign exchange market, as it will also address the limitations of the previous foreign exchange management systems.

2. POOLED FOREIGN EXCHANGE ALLOTMENT SYSTEM

- 2.1 The objectives of the system are to:
 - i. Increase industrial capacity by ensuring availability of foreign exchange to the productive sectors of the economy;
 - ii. Better manage the country's foreign currency resources and enhance allocative efficiency;
 - iii. Redirect foreign exchange activities to the formal banking system, thereby, curbing speculative activities and behaviour;
 - iv. Ensure exporter viability and enable holders of foreign exchange to realize the true and fair value for their foreign exchange through a win-win strategy;
 - v. To cater for other critical needs such as medicals, school fees, business travel and other Government priorities.

- 2.2 Under this framework, all Corporate and Non Governmental Organisations (NGOs) FCAs will be centralized at the Reserve Bank of Zimbabwe.
- 2.3 All Authorized Dealers will be directed to immediately transfer all exporters and NGOs' FCA balances to the Reserve Bank, after apportioning the gross export receipts in terms of the new FCA retention thresholds.
- 2.4 Authorised Dealers will, therefore, only maintain mirror accounts of the corporate and NGOs FCAs.
- 2.5 Utilization of the FCA balances will be based on specific import applications submitted to Exchange Control by the respective exporters through their Authorised Dealers.

3. OPERATIONAL MODALITIES OF THE CENTRALISED FOREIGN CURRENCY ALLOCATION SYSTEM

- 3.1 The Pooled Foreign Exchange Allotment System will involve a bi-weekly allocation of foreign currency to the productive sectors of the economy and other critical areas, through a Centralized Foreign Currency Pool at the Reserve Bank of Zimbabwe.
- 3.2 Foreign currency will be allocated twice weekly, on Tuesdays and Thursdays, to successful applicants, based on the National Priority List that ranks high essential inputs into the productive system.
- 3.3 All foreign currency liquidated in the market through Authorised Dealers and Money Transfer Agencies (MTAs) shall be sold into the pooled allocative fund at the Reserve Bank.
- 3.4 All sales of foreign currency by exporters and other generators of foreign exchange shall be at the official exchange rate, plus the overnight investment return.
- 3.5 All importers and other users of foreign currency, who fall outside the targeted priority list, will buy foreign exchange at the official exchange rate plus the Central Bank's mobilization and carrying costs, as reflected by the over-night investment return.
- 3.6 The targeted **priority list** encompasses the following:
 - NOCZIM fuel
 - Fertilizer imports
 - Grain imports (wheat and maize)
 - Seeds imports
 - Agro-equipment
 - ZESA power imports
 - Dairy Industries
 - Drinks and Beverages (except for beer)
 - Bakeries
 - Millers for maize meal, flour and stock-feeds
 - Sugar producers

- Oil expressers – cooking oil, margarine and others
- Soaps, detergents, and other toiletries
- Poultry and piggery producers
- Meat processing/ Abattoirs
- Fish and other food processing
- Transport
- Mining
- Tourism
- Packaging
- Cement
- Leather and shoe manufacturing
- Other Government priority payments, including debt service, and
- Other priority areas.

3.7 Requests for foreign currency will be tendered through Authorized Dealers, stating the amount of foreign exchange they wish to buy, and the purpose of the request.

3.8 The Reserve Bank will continue to issue Exchange Control Authority number (ECAN) and approve all the requests in accordance with the set priority list.

NEW FCA RETENTION THRESHOLDS

3.9 The Pooled Foreign Exchange Allotment System will be underpinned by the following exporters' FCA retention thresholds.

EXPORT PROCEEDS

3.10 On receipt of 100% gross exports proceeds, the Authorized Dealer shall immediately sell 35% of gross export proceeds into the centralized allocation pool and gets the local currency equivalent. FCA retention now increases to 65%.

3.11 In addition, the Authorised Dealer also credits the exporter's FCA with 65% of the export proceeds and deposits the FCA retentions with the Reserve Bank. Authorised Dealers shall maintain nominal FCA balances in their books.

FCA LIQUIDATIONS BY EXPORTERS

3.12 Exporters will be allowed to hold their FCA balances from the 65% retention for a maximum period of 30 days.

3.13 When the authorized retention period expires, exporters will be required to liquidate their FCA balances into the centralised allocation pool.

TOBACCO PROCEEDS

3.14 Under the new system, 75% of tobacco draw downs will be sold to the centralised allocation pool. Tobacco growers will continue to retain 25% of their foreign exchange in their own FCAs, for a maximum period of 30 days.

LIQUIDATION OF “FREE FUNDS”

- 3.15 All purchases of foreign exchange from other sources, such as tourists, Non Governmental Organizations (NGOs), Embassies, international organizations and individuals shall be sold to the centralised allocation pool.
- 3.16 All remittances from non-resident Zimbabweans shall also be sold to the centralised allocation pool. All these voluntary sales shall be at the official exchange rate, plus the overnight investment return.

OFFSHORE LOANS

- 3.17 External loan draw downs for purposes of financing local operating expenses shall be sold to the centralised allocation pool through Authorised Dealers, at the official exchange rate, plus the overnight investment return.

4. MONITORING OF TRANSACTIONS

- 4.1 To guard against abuse of foreign exchange by importers, Exchange Control will continue to monitor all foreign exchange transactions of Authorized Dealers.
- 4.2 To guard against purchase of funds by both Authorised Dealers and importers for speculative purposes, Authorised Dealers are required to submit a weekly return to Exchange Control, detailing their foreign currency transactions.
- 4.3 To ensure that the foreign exchange allocated from the centralised allocation pool is used for the intended purpose, Exchange Control will inspect the physical presence of all goods imported by applicant.

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