# PRESS STATEMENT

**RE: CLARIFICATION OF RECENT DEVELOPMENTS AND POLICY IMPLICATIONS FOR THE MINING SECTOR OF ZIMBABWE.**

1. Further to my interim Monetary Policy Statement of Thursday, 26 April, 2007 there have been certain fundamental happenings in the mining sector in general and the gold and platinum group metals (PGM) sectors in particular, that call for some further clarification.

2. This statement is meant to address two main issues;
   (a) The recent shortages of foreign currency that caused critical input shortages and subsequently crippled gold production,
   (b) and the reduction of the foreign currency retention for the PGM sector from 90% to 60% as announced last week.

## 3 Foreign Currency Shortages to the Gold Sector

The Reserve Bank of Zimbabwe takes serious note of the gold sector's unintentional restricted access to foreign currency for the importation of critical inputs, over the last few months. This unfortunate phenomenon almost brought the sector to a standstill and could have seriously undermined investors and other stakeholders' confidence in the sector.

3.1 As Monetary Authorities, we would like to assure all stakeholders of the gold sector that:

- All outstanding foreign currency receivable accrued from gold deliveries to the Reserve Bank of Zimbabwe (RBZ) will be honoured **in the very near future;**

- Outstanding applications for importation of critical inputs for the sector are being processed with urgency to ensure the immediate return of the sector to optimal production;

- For the first time in the history of the gold sector since the institution of foreign currency retention, the sector's foreign currency retention regime has been brought in line with that of the entire mining sector. This is meant to spread the burden evenly across the mining sector and thereby lighten the load on the gold sector.

- The 60/40 foreign currency regime together with the increase in the local currency price from Z$16,000/g to Z$350,000/g is meant to ensure that the sector is able to meet its local obligations without having to convert part of the foreign currency retention into Zim Dollars to meet local operating costs.

- Also, as announced, the 40% surrendered to the Reserve Bank will, as applies to other exporters, be surrendered at the official exchange rate of Z$250/1USD plus the Accelerator Factor of 60 referred to in the Monetary Policy Statement.

## 4. Foreign Currency Retention Regime Reduction for the PGM Sector

4.1 On the PGM sector, the reduction of the sector's foreign currency retention from 90% to 60%, in line with the entire mining sector, is meant to create a more stable environment for the entire economy and thus provide the enabling environment for the sector.

4.2 In general, our detailed research has established that, the mining sector, on the average, requires about 30-40% of its foreign proceeds to meet its local input costs.

4.3 This will also ensure that there is enough foreign currency retained for the importation of production inputs, debt service, dividend payment etc without negatively impacting on the sector and the economy.

5. These arrangements, in consultation with stakeholders, will be continuously monitored and whenever necessary, reviewed to ensure their effectiveness for the mining sector to play its critical role in the national economic recovery programme.

6. We hope this clarification will assure all stakeholders of the Reserve Bank's unflinching support for the mining sector which Government considers very strategic.

7. **BANK OUTPAYMENTS TO CUSTOMERS TO REMAIN AT Z$250/1USD**.

Banks are reminded that the official exchange rate was not adjusted. Accordingly, payments out have to be done at the official exchange rate **without** applying the excellarator factor of 60 which applies to RBZ resources mobilized on its behalf by the banking sector.

7.2 This situation is to prevail until further notice and any violations of this provision by any licenced operator will invite serious consequences including withdrawal of one's operating licence.

**G. GONO**
**GOVERNOR**
**30 April, 2007**