



RESERVE BANK OF ZIMBABWE GOVERNOR, DR J.P. MANGUDYA'S PRESENTATION ON THE TOURISM SUPPORT FACILITY

12 JANUARY 2018

Introduction

Importance of the Sector

Tourism sector is an important source of foreign currency for the country. It exports tourism services to visitors. Contributions through **Non-consumptive tourism** (hotels and accommodation) and **Consumptive Tourism** (hunting and food).

The sector falls under the large group classified under distribution, hotels and restaurants which accounts for 11% of GDP.

This sector should grow to around 20% in the medium term.

Foreign currency generation has increased from US\$51 million in 2009 to US\$177 million in 2016. Preliminary figures for 2017 indicates that the sector generated US\$151 million, which is about 5% of merchandise exports or 2.7% of total foreign exchange received by the country in 2017. The country earned total foreign exchange

receipts of US\$5.5billion in 2017, an increase of \$158 million from the US\$5.3billion in 2016.

The sector should aim to contribute around 10% of foreign exchange receipts by year end.

TOURISM EXPORT RECEIPTS FOR THE PERIOD 2009 TO 2017

Year	Consumptive (Hunting) Tourism (USD)	Non-consumptive Tourism Receipts (USD)	TOTAL TOURISM	Merchandise Export Receipts (USD)	Tourism as % of Merchandise Exports
2009	146,615	51,005,486	51,152,101	1,494,965,714	3.4%
2010	6,685,999	91,731,379	98,417,378	2,113,338,628	4.7%
2011	23,253,321	94,389,602	117,642,923	3,036,176,575	3.9%
2012	23,089,345	99,300,289	122,389,634	4,163,323,838	2.9%
2013	19,074,008	126,953,011	146,027,019	4,054,195,368	3.6%
2014	19,004,740	147,469,980	166,474,720	3,287,296,535	5.1%
2015	18,382,576	141,193,082	159,575,658	2,740,647,795	5.8%

2016	27,078,418	150,135,831	177,214,249	2,578,763,862	6.9%
2017	19,131,796	132,032,807	151,164,603	3,159,502,050	4.8%
TOTAL	155,846,818	1,034,211,467	1,190,058,285	26,628,210,365	4.5%

Motivation for setting up the Tourism Support Facility

The Bank put in place a number of **productive sector facilities to promote production, productivity and exports as well as facilities focussing on Financial Inclusion for empowering** various specific groups like women, youth and people with disabilities.

The rationale to create these facilities is to enhance productivity and exports across all the sectors of the economy. **The bedrock of money is production. The stability of any currency throughout the world is anchored or dependent on production of goods and services and on consumer and business sentiment - confidence.**

It is against this context that the Bank, in consultation with the Ministry of Tourism and Hospitality Industry, shall be extending, through banks, a Tourism Development Support Facility. The Tourism sector is a quick win that, if supported well, can transform

faster than other sectors of the economy. It is substantially a foreign generating sector.

The Bank would therefore like to utilize **the huge RTGS balances** which are lying idle in the economy to enhance production. If these funds are gainfully utilised in industry and commerce, employment levels will increase, GDP will increase, foreign currency will increase, fiscal space and taxes will increase, purchasing power and therefore aggregate demand will increase and the economy will perform better.

As a starting point, the Bank has put in place a **US\$15 million Tourism Support Facility**. Maybe due to lack of marketing that facility **has not moved like the other facilities**. Limit is not cast in stone, once this amount is exhausted, the Bank will increase the available facility. Let us see the utilisation and we will oblige by increasing the amount. It's a demand driven facility. The Bank expects the sector to improve its ambiance and scale-up its service offerings from utilising this facility.

Example of **small-scale Gold Facility** administered by Fidelity Printers and Refiners. Started as US\$20 million, increased to US\$40 million and now over US\$80 million has been utilised and the country met its target of 25 tonnes of gold sold through Fidelity Printers and Refiners in 2017 when 24.84 tonnes were delivered to Fidelity by both large and small scale gold producers.

We expect the same from the Tourism sector from the facility whose salient terms and conditions are given below:

Terms and Conditions

Lender	:	Reserve Bank of Zimbabwe
Disbursing Banks	:	All Banks
Purpose	:	Financing Tourism operators
Drawdown	:	Tranches per borrower's request.
Availability	:	Upon signing of the Agreements
Interest Rate	:	7.5% per annum
Tenor	:	Up to 12 months for working capital Up to 3 years for capital expenditure
Repayment Frequency	:	Monthly

Operational Modalities

Applications to go through Zimbabwe Council of Tourism (ZCT) and Zimbabwe Tourism Authority (ZTA) for initial vetting.

The applications are then sent to the bank(s) which will be working with the associations;

ZCT and ZTA together with the chosen bank(s) will be responsible for monitoring the use of the facility while the Ministry of Tourism and Hospitality Industry will oversee all the activities.

Competitiveness of the Tourism Sector

The Reserve Bank is of the firm view that the Export Incentive Scheme which is Government's Strategy to enhance export competitiveness should also be used as an internal devaluation tool or strategy by firms to reduce costs and not to increase their margins.

The Bank has therefore mandated ZCT to review the level of the **Export Incentive** which the Bank can consider to provide to the Tourism sector to ensure that the sector remains or becomes **competitive, especially in terms of accommodation pricing.**

The Bank's expectation is that the agreed incentive has to **translate into competitive prices (comparable to the region) and should not be used for profiteering.** If there is no commensurate competitive pricing, then it becomes **an abuse of Government's good intentions to transform the fortunes of the sector.**

We therefore expect ZCT to be undertaking a **survey on current pricing** with a view to coming up with **a sustainable level of the export incentive.** We want tourists to come to Zimbabwe and get value for money. An increase occupancy levels means increased forex generation for the country and other downstream benefits for the rest of the economy.

Our passion which has become to be our mantra is to enhance production, productivity and exports. We can not continue to consume above production and to have expenditure above revenue. Both are not desirable and sustainable. We therefore need to urgently transform the economy, starting of course with the “quick wins” like Tourism, for the betterment of all Zimbabweans.

MAY GOD BLESS YOU

I THANK YOU.