Making Access Possible

2020

# Zimbabwe

*Financial Inclusion Refresh*

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

FMT FINMARK TRUST

UNCDF Unlocking Public and Private Finance for the Poor

## Making Access Possible

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based analysis feeding into a financial inclusion roadmap jointly implemented by a range of local stakeholders. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. In each country, MAP brings together a broad range of stakeholders from within government, the private sector and the donor community to create a set of practical actions aimed at extending financial inclusion tailored to that country.

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## The cover symbol and artwork

Through the MAP programme, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development. The cover graphic features the Flame Lily (Gloriosa superba), the national flower of Zimbabwe. The flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment.

# Working together to support implementation of Agenda 2030

*Countries are seeking new ways to address complex and interconnected challenges. Fulfilling the promise of the UN Sustainable Development Goals (SDGs) requires multisectoral approaches that bring together expertise from a range of perspectives. By harnessing our comparative advantage and working within the context of our respective mandates, we can collectively make significant progress towards realising the vision of the SDGs.*

Financial inclusion is increasingly positioned as an enabler of broader development goals, in support of the SDGs. More and more countries are including an inclusive financial sector as a key objective in their national development plans, and this tendency is further underpinned by the G20 leadership of financial inclusion, which highlights the ongoing relevance of the SDGs and nationally led financial inclusion efforts. Furthermore, financial markets play a vital role in creating a sustainable future. Access to finance for individuals, SMEs and governments is important to a number of the SDGs, helping to facilitate secure payments, including for basic services and trade; smooth cash flows; offer financial protection; and improve allocation of capital while also enabling investments in many areas.

This MAP refresh, in supporting country efforts, increases the focus on inclusive growth (especially through SMEs and agriculture), access to basic services (energy, health and education), and improving household resilience, as well as gender equality. Increased reliance on technological innovation and digital financial services will help to improve the scale and efficiency of financial inclusion interventions.

This refresh was undertaken by the United Nations Capital Development Fund (UNCDF) to jointly address UNDP's Signature Solution 1, which seeks to work with countries to keep people out of poverty, relating directly to SDG 1: eradicate all forms of poverty, wherever it exists.

The core focus of Signature Solution 1 is helping people get out of – and stay out of – poverty; and hence the analysis and interventions identified help eradicate poverty, such as by creating decent jobs and livelihoods, providing social safety nets, and ensuring access to services such as water, energy, healthcare, credit and financing support for investment in productive assets.

## Partnering for a common purpose

*By combining inspiration, ideas, knowledge and resources with our partners, we become more than the sum of our parts.*

We are committed to empowering investors—public and private alike—with the clarity, insights and tools they need to optimise the positive impact of their investments, closing the gap between high-level principles and financial performance to make a positive contribution to society.

MAP was initiated by the UNCDF and developed in partnership with FinMark Trust. In the SADC region, FinMark Trust is a MAP implementing partner.

FinMark Trust is an independent non-profit trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. The Trust works to unlock real economic sector development through financial inclusion, by gathering and systematically analysing financial services consumer data to provide in-depth insights, and following through with systematic financial sector inclusion implementation actions to overcome market-level barriers hampering the effective provision of services.

### *Note on the use of household data*

Within this document (unless otherwise referenced), demographic, income and financial usage data is obtained from the 2014 FinScope Consumer Survey and the 2019 FinScope MSME survey undertaken in Malawi. A summary report and presentation of FinScope is available as a separate deliverable, and the FinScope dataset is available for future research at https://uncdfmapdata.org.

## Our technical response

*The effective use of a wide range of quality, affordable & accessible financial services, provided in a fair and transparent manner through formal or regulated entities, by all Zimbabweans.*

It called for a MAP study on Zimbabwe, which follows an approach adopted in a range of countries, including Botswana, Democratic Republic of Congo, Lao PDR, Lesotho, Mozambique, Myanmar, Nepal and Thailand. The 2016 MAP diagnostic report for Zimbabwe considered the country context, demand and supply for financial services, and the regulation of these services. The report identified key target groups that would benefit from greater financial inclusion: micro, medium and small enterprises (MSMEs), women, youth, and people living in rural areas (including small-scale agricultural communities).

# Zimbabwe at a glance

2019-2020

*GDP (2019)*

**US$21 billion**

(US$43 billion in PPP terms)

*GDP per capita (2019)*

**US$1,464**

(PPP: US$2,954)

*One of the lowest GDPs per capita among SADC countries*

CONTRIBUTION TO GDP
*agriculture*
**9%**

CONTRIBUTION TO GDP
*education*
**11%**

*Large diaspora*
**1.7 million**
Zimbabweans in South Africa

CONTRIBUTION TO GDP
*education*
**11%**

CONTRIBUTION TO GDP
*wholesale and retail trade*
**19%**

Growth rate not high enough to raise average GDP per capita significantly in coming years.

CONTRIBUTION TO GDP
*mining*
**6%**

CONTRIBUTION TO GDP
*manufacturing*
**12%**

*Mining contribution to export earnings*
**60%**

*Small-scale miners account for*
**65%**
*of gold production*

CONTRIBUTION TO GDP
*MSMEs*
**±60%**
(directly and indirectly)

CONTRIBUTION TO GDP
*remittances*
**8%**

*Inflation rate (June 2020)*
**737%** ANNUAL
**32%** MONTHLY

Implicit electricity subsidy exceeded
**5%**
of GPD in 2014
(Among the highest in Africa)

*Total remittances to Zimbabwe 2020:*
**US $1.7 billion**

*Contribution to government revenue*
**14%**
*donor funding*

# Zimbabwe at a glance

2019-2020

*Total population*

±14.2 million

43% *under 15 years*

*(±6 million)*

## Inequality increased

*0.44*

(2011-2017)

71%

*Population below total consumption poverty line*

US $70 per person per month (2017)

*HDI improved since 2015*

*0.563*

(153/189 countries)

37% *Urban population below poverty line*

86% *Rural population below poverty line*

*EAP/labour force:*

±3.5 million

*1.5 million females*

*2 million males*

32% *employed in formal sector*

34% *employed in in formal sector*

*Internet penetration limited*

*Unemployment*

17%

Strict definition, but in fact informal sector employment is the norm

*Mobile phone ownership|useage*

72%|90%

females

73%|89%

males

*Mobile coverage*

2G

>93%

3G

±84%

4G

±35%

*Youth unemployment*

±21%

(likely underestimated)

*Households with mobile phone access*

88%

# Financial inclusion and access to finance

## Overall financial inclusion goals achieved

*Zimbabwe has achieved the targets set out in the 2016 MAP and NFIS 2016–2020 ahead of time*

Increase proportion of banked adults to at least 60%, and access to affordable and appropriate financial services to 90%

## In terms of access to mobile money, Zimbabwe has high levels of financial inclusion.

**±8 million** *people aged 15 years and older*

**±7 million** *Ecocash (mobile money) active users*

But RBZ prohibition on agent-based financial services (particularly for mobile money) puts many of the financial inclusion gains at risk. Since June 2020, the traditional mobile money model has been curtailed in Zimbabwe.

## Payments

### *Substantial increase in mobile money usage.*

Very significant growth in usage for airtime, bill and merchant payments compared to cash-in and cash-out

Digital payments for goods and services widely used: 23% (2016) → 63% (2020)

Increase of 7 million in bank account ownership for key target groups (MSMEs, women, youth, rural)

| *Bank accounts in 2020:* | *Low-cost accounts 2020:* | *Debit cards 2019:* |
|---|---|---|
| 8.5 million | 5.2 million | 5.6 million |

### *High levels of inflation cited as important reason for failure of new low-income bank account products introduced.*

Important achievement is bank-to-mobile wallet and wallet-to-bank interoperability (Zimswitch). 2% tax on all transfers has caused many customers to opt for cash transactions (although cash shortages are common).

# Financial inclusion and access to finance

## Remittances

*Decrease in formal remittances (2016–2018).*

32% decline in formal remittances

*Use of banks is expensive (high costs) plus documentation requirements are onerous. Resolving access to cash, including foreign exchange, in Zimbabwe is crucial.*

Significant shift towards informal remittances (estimated at 68% by FinMark Trust in 2018), as well as continued foreign exchange market challenges. Some indications this trend is reversing: the RBZ estimates formal remittances increased by 48% between January and October 2020, compared to same period in previous year.

## Savings

*Low-cost accounts uptake increased.*

*Number of low-cost accounts for economically disadvantaged savers increased from 3 million (in 2017) to 4.7 million (in December 2018).*

In terms of 2020 regulations, interest in now payable on mobile money: envisaged to encourage usage of mobile money as well as improving a saving culture within the financially included.

## Credit

*Access to formal credit complicated by lack of collateral.*

*Despite contributing 60% to GDP, MSMEs (most are informal) are largely financially excluded: less than 5% of all banking sector loans and advances in 2017.*

Women's access to general bank credit significantly improved.

US$311 million
DIRECT LOANS TO WOMEN FROM THE BANKS 2017

US$432 million
DIRECT LOANS TO WOMEN FROM THE BANKS 2018

Significant growth in credit-only MFIs. Overall, MFIs served 454,428 customers in December 2019. This is more than double the 202,242 clients in December 2015.

## Insurance

*Healthcare insurance uptake limited.*

±8.4% MEN

±9.5% WOMEN

URBAN 17.2%

RURAL 4.7%

*MSMEs are being targeted for microinsurance.*

1

# The changing environment

# 1.1 Changes in financial inclusion

*The overall goals of the National Financial Inclusion Strategy (NFIS) 2016–2020, based on the 2016 MAP diagnostic report and financial inclusion roadmap[1] – to increase the proportion of banked adults to at least 60%, and access to affordable and appropriate financial services to 90%, by 2020 – have largely been achieved.*

Access to financial services expanded rapidly. The 2014 FinScope Consumer Survey[2] revealed that only 30% of Zimbabwe's adult population made use of banking services as of 2014; the NFIS sought to double this figure.[3] While there is no more recent FinScope consumer data for Zimbabwe, the World Bank's Findex survey shows that access to financial services has expanded rapidly in Zimbabwe since 2014 (see Figure 1). Between 2014 and 2017, when the Findex surveys were carried out, access to accounts overall at a financial institution (at a bank, MFI or SACCO) increased from 17% to 28%. While the starting level (17%) is lower than that (30%) indicated by the FinScope dataset, growth has clearly been significant.

> *The World Bank's Findex survey shows that access to financial services has expanded rapidly in Zimbabwe since 2014.*

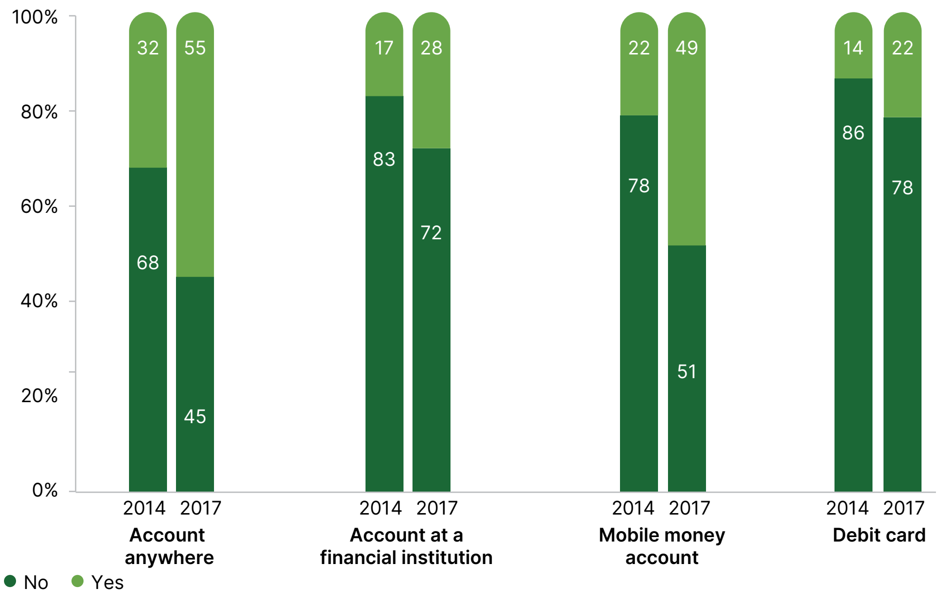


**Figure 1:** Proportion of the population with accounts (2014 and 2019)

Source: World Bank Findex.

**Significant growth in mobile money accounts drove increased account uptake.** Access to any financial services account (at a financial institution, or a mobile money account) increased from 32% to 55% over the period according to the World Bank, reflecting in particular the growth in mobile money accounts (from 22% to 49%).

**Table 1:** Financial Inclusion Indicators (Dec 2016–Mar 2020)

| INDICATOR | DEC 2016 | DEC 2017 | DEC 2018 | MAR 2019 | DEC 2019 | MAR 2020 |
|---|---|---|---|---|---|---|
| **MSMES** | | | | | | |
| Value of loans to MSMEs | ZWL132m | ZWL146m | ZWL170m | ZWL142m | ZWL463m | ZWL1.46bn |
| Number of MSMEs with bank accounts | 71,730 | 76,524 | 111,498 | 99,489 | 116,467 | 121,945 |
| MSMEs loans as % of total loans | 3.57% | 3.75% | 3.94% | 3.87% | 3.92% | 4.66% |
| **WOMEN** | | | | | | |
| Value of loans to women | ZWL277m | ZWL311m | ZWL432m | ZWL429m | ZWL587m | ZWL841m |
| Number of women with bank accounts | 769,883 | 935,994 | 1.736m | 1.815m | 2.152m | 2.251m |
| Loans to women as % of total loans | 7.52% | 7.96% | 10.57% | 13.79% | 15.59% | 4.25% |
| **YOUTH** | | | | | | |
| Value of loans to youth | ZWL58m | ZWL139m | ZWL104m | ZWL282m | ZWL189m | ZWL670m |
| Number of loans to youth | 38,400 | 61,529 | 69,421 | 176,487 | 189,658 | 144,676 |
| Loans to youth as % of total loans | 1.58% | 3.56% | 2.55% | 6.51% | 6.09% | 3.38% |
| **BANK ACCOUNTS** | | | | | | |
| Total number of accounts | 1.49m | 3.07m | 6.73m | 6.91m | 7.62m | 8.46m |
| Number of low-cost accounts | 1.20m | 3.02m | 4.67m | 4.33m | 4.97m | 5.17m |

Source: RBZ, provided in the Ministry of Finance and Economic Development 2020 mid-year budget review and economic review. Note: 'm' is millions; 'bn' is billions.

*Progress on financial inclusion was considered in the 2020 mid-year budget review and economic review, which shows significant gains in respect of number of accounts for the key target groups of MSMEs, women and youth, and overall.*

**Account ownership increased significantly for key target groups – and overall.** The 2016 MAP diagnostic report for Zimbabwe identified key target groups that would benefit from greater financial inclusion: micro, medium and small enterprises (MSMEs), women, youth, and people living in rural areas (including small-scale agricultural communities). Progress on financial inclusion was considered in the 2020 mid-year budget review and economic review, which shows significant gains in respect of number of accounts for the key target groups of MSMEs, women and youth, and overall.[4]

The number of bank accounts grew from just under 1.5 million in 2016 to almost 8.5 million in 2020 (there are 8 million people aged 15 years and older in Zimbabwe), including almost 5.2 million low-cost accounts in 2020 (see Table 1).

There are also approximately as many Ecocash mobile money accounts as there are people aged 15 years and over in Zimbabwe (see also Section 3.2.2).

There is therefore widespread access to transactional account services in Zimbabwe.

Some existing financial inclusion gains under threat, and significant gaps remain. Improved financial inclusion statistics notwithstanding, the Reserve Bank of Zimbabwe (RBZ) recently prohibited agent-based financial services, in particular for mobile money, and this puts at risk many of these gains (see also Section 3.2.2).

MSMEs have high levels of financial exclusion. In addition, it is relatively difficult in Zimbabwe for MSMEs to obtain loans, according to the World Bank's ease of doing business index:[5] Zimbabwe ranks 67th out of 190 countries on this measure (see also Section 2.5).

Relatively limited healthcare insurance coverage. Approximately 9.5% of women were covered by healthcare insurance in 2019, compared to 8.4% of men (see also Section 2.7).[6]

In other words, there remain important gaps in financial inclusion in Zimbabwe.

*The number of bank accounts grew from just under 1.5 million in 2016 to almost 8.5 million in 2020, including almost 5.2 million low-cost accounts in 2020.*

1.2

# Economy, population and growth

Low-income country. Zimbabwe is a low-income country, with a gross domestic product (GDP) of approximately US$21 billion in 2019 (US$43 billion in purchasing power parity – PPP – terms) and a GDP per capita of US$1,464 (PPP: US$2,954).[7]

Very low GDP per capita, low economic growth rate. Zimbabwe has one of the lowest GDPs per capita among Southern African Development Community (SADC) countries (see Figure 2). While Zimbabwe's GDP in US$ has grown at approximately 2% per annum since the previous MAP diagnostic, the per capita growth rate has been only 0.4% in nominal US$ terms. This implies that the economic growth rate in Zimbabwe is not currently high enough to raise average GDP per capita significantly.

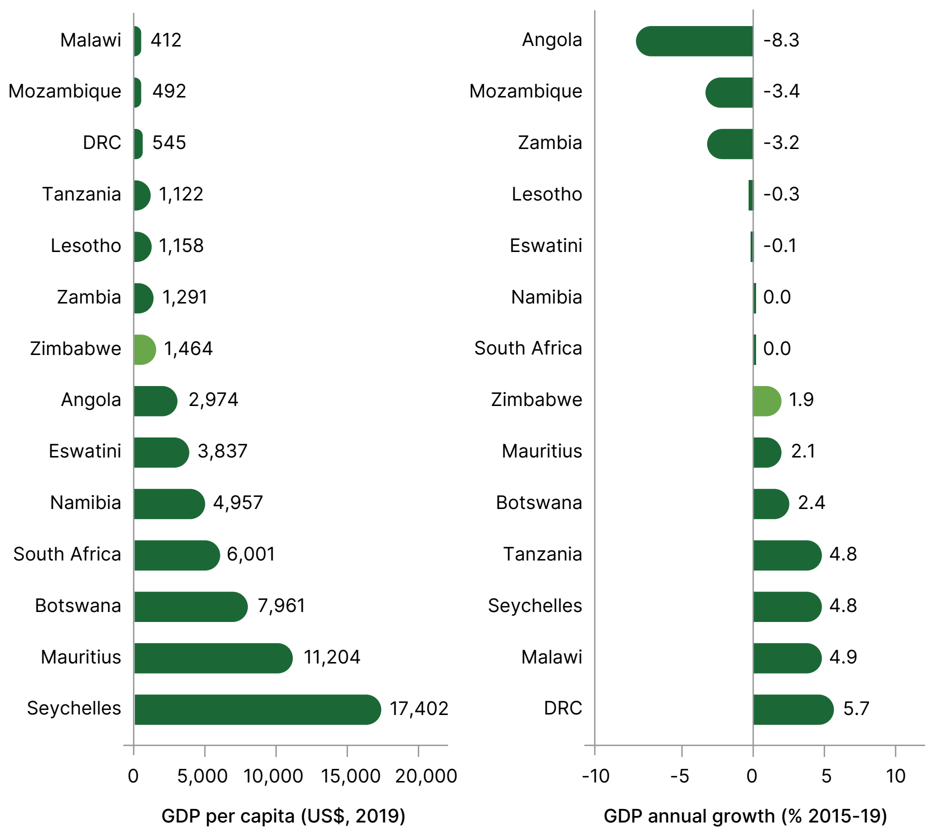


**Figure 2:** GDP per capita in 2019 and annual growth between 2015 and 2019 (SADC)

Source: World Bank, World Development Indicators

HDI improved since 2015. At the same time, the Human Development Index (HDI) for Zimbabwe has increased over time: from 0.543 in 2015 to 0.563 in 2018, with increases particularly in life expectancy at birth (increasing from 59.5 to 61.2 years over the same period), expected years of schooling (improving from 10.3 to 10.5 years), and GNI per capita (measured in 2011 PPP US$ terms) increasing from US$2,226 to US$2,661.[8]

Population has increased since 2014. There were approximately 14.2 million people in Zimbabwe in 2019, up from roughly 13.5 million in 2014, according to Zimstat.[9]

In addition, a large Zimbabwean diaspora. According to estimates from the FinMark Trust in 2018, there are 1.7 million immigrants from Zimbabwe living in South Africa alone, the highest number of SADC migrants in South Africa.[10]

Remittances contribute more than 10% to GDP. Remittances to Zimbabwe amount to approximately US$1.7 billion in 2020, accounting for more than 10% of GDP (Zimbabwe ranks sixth in Sub-Saharan Africa on both scores).[11]

Extremely youthful population. Approximately 6 million people living in Zimbabwe are under 15 years old (43% of the total), and the population is therefore overwhelmingly young.

There is a relatively even spread of population across the 10 provinces of Zimbabwe. With an overall land size of 386,850 km2, Zimbabwe is smaller than neighbouring Botswana (566,730 km2), which has a much smaller population (2.3 million). In 2019, Zimbabwe's largest city, Harare, alone had a population of close to 3.1 million.[12]

EAP decreased since 2014 due to change in definition. Of the 8 million people aged 15 years and older (i.e. 'working-age population'), approximately 3.5 million (43%) were economically active in 2019 (i.e. the economically active population, or EAP). This figure is significantly lower than the 2014 labour force participation rate (LFPR), which was approximately 91%.[13] It is important to note, though, that post-2014 there was a change in the LFPR definitions of labour force and employment.[14]

Unemployment rate increased to 17% in 2019. The unemployment rate according to the strict definition (i.e. unemployed people actively seeking work) was 17% in 2019 (increasing from approximately 5% in 2014).

Three categories of employment. Zimstat uses three categories: formal, informal and household. Of the 2.9 million people employed in 2019, only 930,000 were employed in the formal sector (32%). The largest category of employees is in fact household workers (991,000 employees: 34.1% of employed persons). The informal sector accounts for 33.8% of the employed (980,000 people) in Zimbabwe – an increase from 860,000 in 2014.

Burgeoning informal sector and significant underemployment are important trends. Again, note that the change in the definition of the LFPR excluded large numbers of adults from the EAP, including subsistence agriculture workers,

*There were approximately 14.2 million people in Zimbabwe in 2019, up from roughly 13.5 million in 2014, according to Zimstat.*

and likely underestimates informally employed people. Thus, it is likely that the informal sector is significantly larger than this.

The growing informal sector is a significant trend overall in Zimbabwe. There is also a substantial underemployment problem (see also Section 2.3.1).

Wholesale and retail trade sector significant contributor to GDP. In 2018, the largest contributor to GDP in Zimbabwe was the wholesale and retail trade sector, which made up almost 19% of GDP (see Figure 3). The two other major sectors were manufacturing (12%) and education (11%).[15] Agriculture, hunting, fishing and forestry made up just over 9%. While wholesale and retail trade are increasing in importance over time, manufacturing is declining. The agricultural and mining sectors have been more or less stable in their contribution to GDP over time.

Agriculture is a significant provider of livelihoods opportunities. It is likely that more than a quarter of all adults in Zimbabwe are involved in agricultural activities, including subsistence farming.

MSMEs huge contributor to GDP. MSMEs (most of which are informal) contribute more than 60% of the country's GDP, both directly and indirectly.

Very high levels of inflation undermine financial inclusion gains. Zimbabwe has experienced very high levels of inflation in the past, and periodically allowed

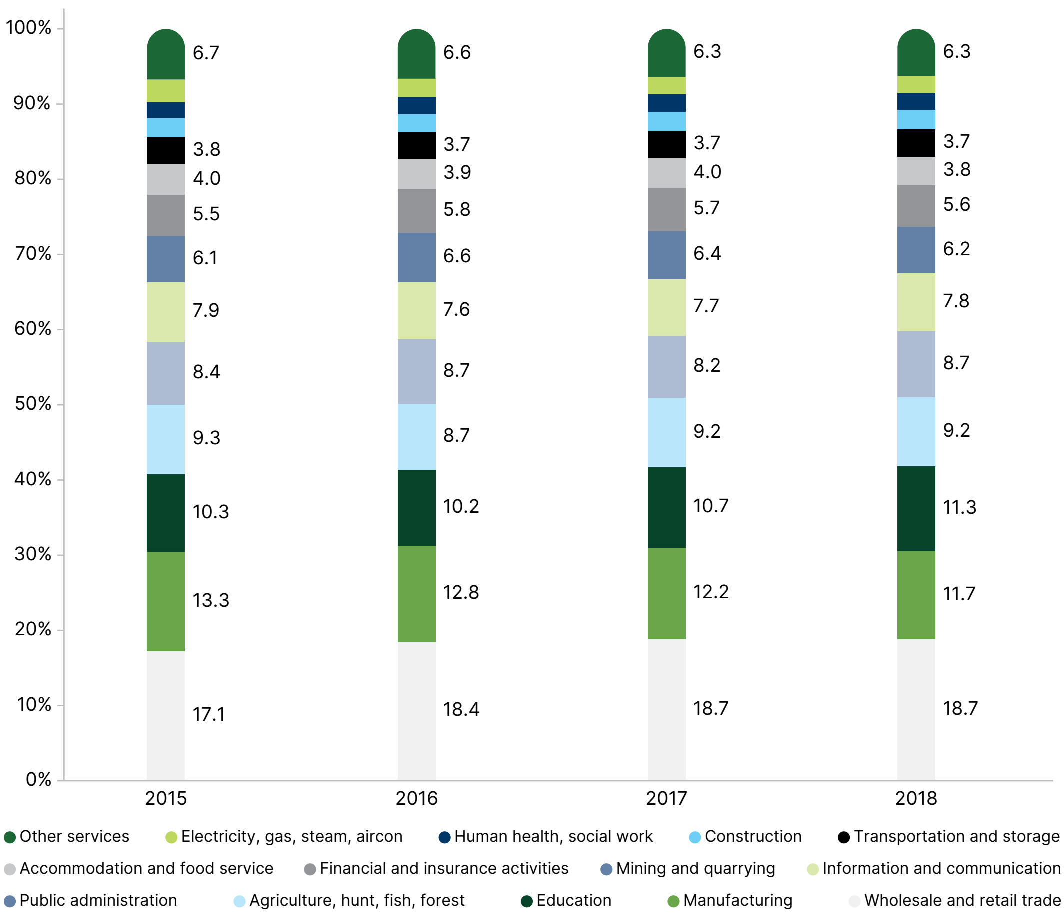


**Figure 3:** GDP in Zimbabwe, by sector (2015-2018)

Source: Zimstat. (2019). Quarterly digest of statistics. Fourth quarter 2019.

the use of foreign currency in addition to the Zimbabwe Dollar (ZWL).[16] In the month of June 2020, for instance, the annual rate of inflation was 737%, and the monthly rate was 32%.[17] Over a similar period, there was a significant exchange rate depreciation, with the RBZ reporting a decline in the ZWL/US$ exchange rate from ZWL10.70/US$ on 30 August 2019 to ZWL83.40/US$ on 31 August 2020.[18]

The exchange rate depreciation had an important impact on financial inclusion: stakeholders submitted to this MAP refresh that various financial inclusion products introduced in previous years failed in the period August 2019–August 2020 due to inflation eroding the value of deposits held in accounts and resulting in high lending costs.[19]

Price and exchange rate stability reportedly improving. The RBZ commented in its *Mid-term Monetary Policy Statement* (August 2020) that price and exchange rate stability is improving, with the parallel market exchange rate premium falling to 15%.[20] Part of the reason for this differential is that there are often significant discounts on US Dollar prices among businesses, in an attempt to hold onto more US Dollars. The US Dollar has temporarily been allowed in certain sectors and industries as a medium of exchange in response to the Covid-19 pandemic.

Donor funding comprises almost 14% government revenue. Zimbabwe relies heavily on donor funding, with grants amounting to approximately 14% of government revenue (approximately ZWL10 billion of total revenue of roughly ZWL73 billion).[21]

Donors play important role in financial inclusion. The UNDP conducts financial inclusion interventions from a livelihoods perspective at community level; a key method of doing this is through supporting community members to set up savings and credit cooperatives (SACCOs) in order to enhance financial access. The intention is to encourage a culture of savings while reducing community reliance on borrowing from the financial sector (which tends to be expensive and inaccessible in Zimbabwe because of would-be borrowers' lack of collateral).


*The UNDP conducts financial inclusion interventions from a livelihoods perspective at community level, supporting community members to set up savings and credit cooperatives in order to enhance financial access.*

The UNDP also supports livelihoods through the Global Environmental Finance (GEF) Small Grants Programme and provides financial training, particularly in terms of enterprise development.

The World Bank is providing technical assistance to the RBZ for the establishment of the credit registry, collateral registry, and warehouse receipt system. USAID provides guarantee facilities for low-cost housing projects.[22] SNV Netherlands Development Organisation also provides market-based, sustainable solutions in smallholder agriculture, energy, water, sanitation and hygiene for low-income groups, paying particular attention to gender equity, opportunities for youth and climate change.

In other words, there are a number of donor-led financial inclusion initiatives in Zimbabwe, and donors will likely continue to play an important role in financial inclusion in the years to come.

# 1.3 Policy and regulation

*The policy and regulatory environment in Zimbabwe is changing, and a range of laws and policies have been introduced to support the economy.*

The key economic planning documents are the Transitional Stabilisation Programme (2018) and the National Development Strategy 1 (2021–2025), issued by the Ministry of Finance and Economic Development.

The RBZ is primarily responsible for financial inclusion and has implemented several reforms in this area.

**Table 2:** Key policies and regulations in Zimbabwe

| POLICY/REGULATION | OVERVIEW |
|---|---|
| FINANCIAL SERVICES | |
| Designation of Zimswitch as national switch (2020) | This intervention means that all mobile money transmission providers and mobile banking providers should connect to Zimswitch as provided for by the regulations. |
| Revised National Gender Policy (NGP) (2017) | Identifies strategies to address problems facing women, including the lack of acceptable collateral (e.g. title deeds) that most financial institutions request when approached for a loan; customary property rights exacerbate this problem, especially in rural areas. The inability to access credit because of the lack of collateral becomes a vicious cycle as credit history is also an important consideration when financial institutions extend loans. |
| Mobile Money Interoperability Regulations (2020) | The 2020 regulations promote infrastructure-sharing and interoperability among existing and new payments systems operators. |
| Microfinance Amendment Act (No. 6 of 2019) | Allows now for only two classes of MFIs (deposit-taking and credit-only), allows the Registrar to regulate deposit-taking MFIs using standards adopted for banks, and establishes the Microfinance Advisory Council. The Act now permits financial leases. |
| Consumer Protection Framework issued by the RBZ (2017) | Provides for equitable and fair treatment of customers, disclosure and transparency, financial education and awareness, responsible business conduct of institutions and authorised agents, protection of customer assets against fraud and misuse, and protection of consumer data and privacy, as well as for complaints handling and redress. |
| Guidelines for Retail Payment Systems and Instruments (2017) | Guidelines to ensure the safety and soundness of the retail payments system, thus increasing confidence in the system; there is an emphasis on electronic systems and the use of e-money. |

| POLICY/REGULATION | OVERVIEW |
|---|---|
| Operational Guidelines for Deposit-taking Microfinance Institutions (2016) | Issued to ensure the safety and soundness of the microfinance sector, promote financial inclusion, ensure that deposit-taking microfinance institutions maintain adequate capital and liquidity, raise awareness on minimum supervisory standards, and adopt transparency and accountability leveraging international best practices. |
| Prudential Standards on Agency Banking (2016) | Provide for a framework for agency banking in Zimbabwe, and aim to facilitate and promote this: the standards are intended to allow for cost-effective banking to promote financial inclusion. |
| National Financial Inclusion Strategy (NFIS) 2016–2020 (2016) | Launched on 11 March 2016 by the Minister of Finance and Economic Development, provides for the RBZ to coordinate implementation of a five-year road map to achieve financial inclusion objectives for the period 2016–2020. The NFIS involves stakeholder consultations, including government ministries, the banking sector, other financial sector regulatory authorities and development institutions. In addition, the NFIS aims to address the existing barriers to financial inclusion, as well as prioritise and address the needs of special target groups, by implementing measures that strengthen financial infrastructure in order to reduce the level of financial exclusion. |
| ECONOMIC, SOCIAL POLICY | |
| Zimbabwe National Industrial Development Policy: 2019–2023 (ZNIDP) | The ZNIDP is supported by a number of pillars: development and strengthening of industrial value chains; agro-based industrialisation; mineral beneficiation and value addition; and export-led industrialisation. The document speaks of the importance of commercialising intellectual property as well as of supporting emerging industries and start-ups and backward linkages with SMEs. Natural advantage-based industrialisation, ICT-led industrialisation, anchor industries and industrial clusters and industrial parks and innovation hubs are also areas of focus. This ZNIDP includes a local content policy, with a strong import substitution focus. |
| Infrastructure Investment Plan (2019) | Has four key aspects: Physical Planning Departments within the state will be capacitated to undertake surveys enabling them to issue title deeds more effectively; fiscal decentralisation, through transfers to provincial councils and local authorities, will target basic infrastructure; informal settlements will be regularised, and marginalised communities will receive more resources; and rural physical infrastructure will be prioritised (meaning targeting, inter alia, feeder roads, education and health facilities, irrigation development and safe drinking water and sanitation). |
| Vision 2030 (2018) | Aims to improve the livelihoods of Zimbabwean citizens, including through good governance, based on the rule of law and respect for human and property rights. It has five cross-cutting themes: governance, inclusive growth, infrastructure and utilities, social development, and macroeconomic stability and financial re-engagement. |
| National Development Strategy 1 (NDS1) (2021–2025) | NDS1 provides the policy framework for institutional reforms and national priorities for the period 2021–2025, to enable Zimbabwe to become an upper middle-income economy under Vision 2030. NDS1 succeeds the Transitional Stabilisation Programme (TSP) launched in 2018. NDS1 aims for macroeconomic stability, economic growth, enterprise development and modernising the economy by means of ICT services. The NDS1 also emphasises improving social safety nets, environmental protection and good governance. |

## PART 1 NOTES

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2 FinMark Trust. (2014). *FinScope Zimbabwe Consumer Survey 2014*, available at: http://www.finmark.org.za/finscope-zimbabwe-consumer-survey-2014/

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6 Zimstat. (2019). MICS.

7 See: https://databank.worldbank.org/source/world-development-indicators

8 See: http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ZWE.pdf

9 See: https://zimbabwe.opendataforafrica.org/fmrahk/labour-force-and-child-labour-survey-lfcls-fact-sheet-2019

10 FinMark Trust. (2018). *SADC Remittance Values and Volumes*, available at: https://finmark.org.za/system/documents/files/000/000/143/original/FMT_SADC_values_volumes_report_CB5_18052020.pdf?1594134149

11 Ratha, D., De, S., Kim, E.J., Plaza, S., Seshan, G. & Yameogo, N.D. (2020). *Migration and Development Brief 33: Phase II: COVID-19 Crisis through a Migration Lens*. KNOMAD-World Bank, Washington, DC. Licence: Creative Commons Attribution CC BY 3.0 IGO, available at: https://www.knomad.org/sites/default/files/2020-11/Migration%20%26%20Development_Brief%2033.pdf

12 See: https://zimbabwe.opendataforafrica.org/hfqnlxc/population-distribution-by-province-sex-and-sex-ratio-zimbabwe-2019-lfs

13 See: https://zimbabwe.opendataforafrica.org/fmrahk/labour-force-and-child-labour-survey-lfcls-fact-sheet-2019.

14 Specifically, Zimstat notes: 'The change in the definition of employment from the adoption of the 19th ICLS on work resulted in the removal of persons doing subsistence agriculture from the employed population, hence a reduction of the total number employed and informal being unmeasured.'

15 Government spending on education was a significant proportion of GDP in 2018: at least 5.9%. However, concerns remain over the quality of the spending, as over 90% of it is wage-related costs.

16 African Development Bank (AfDB), UN & World Bank. (2019). *Joint Needs Assessment for Zimbabwe: Identifying challenges and needs*.

17 See: https://www.rbz.co.zw/index.php/research/markets/inflation

18 See: https://www.rbz.co.zw/index.php/research/markets/exchange-rates/13-daily-exchange-rates/898-aug-2020

19 Stakeholders C and H.

20 See: https://www.rbz.co.zw/documents/mps/2020/MPS--MID-TERM.pdf

21 Ministry of Finance and Economic Development. (2020). 2020 Budget Estimates, available at: http://www.zimtreasury.gov.zw/index.php?option=com_phocadownload&view=category&id=54&Itemid=787

22 Alliance for Financial Inclusion (AFI). (2019). *Gender, women's economic empowerment and financial inclusion in Zimbabwe*, available at: https://www.afi-global.org/sites/default/files/publications/2019-08/AFI_BTG_Zim_CS19_AW_digital.pdf

2

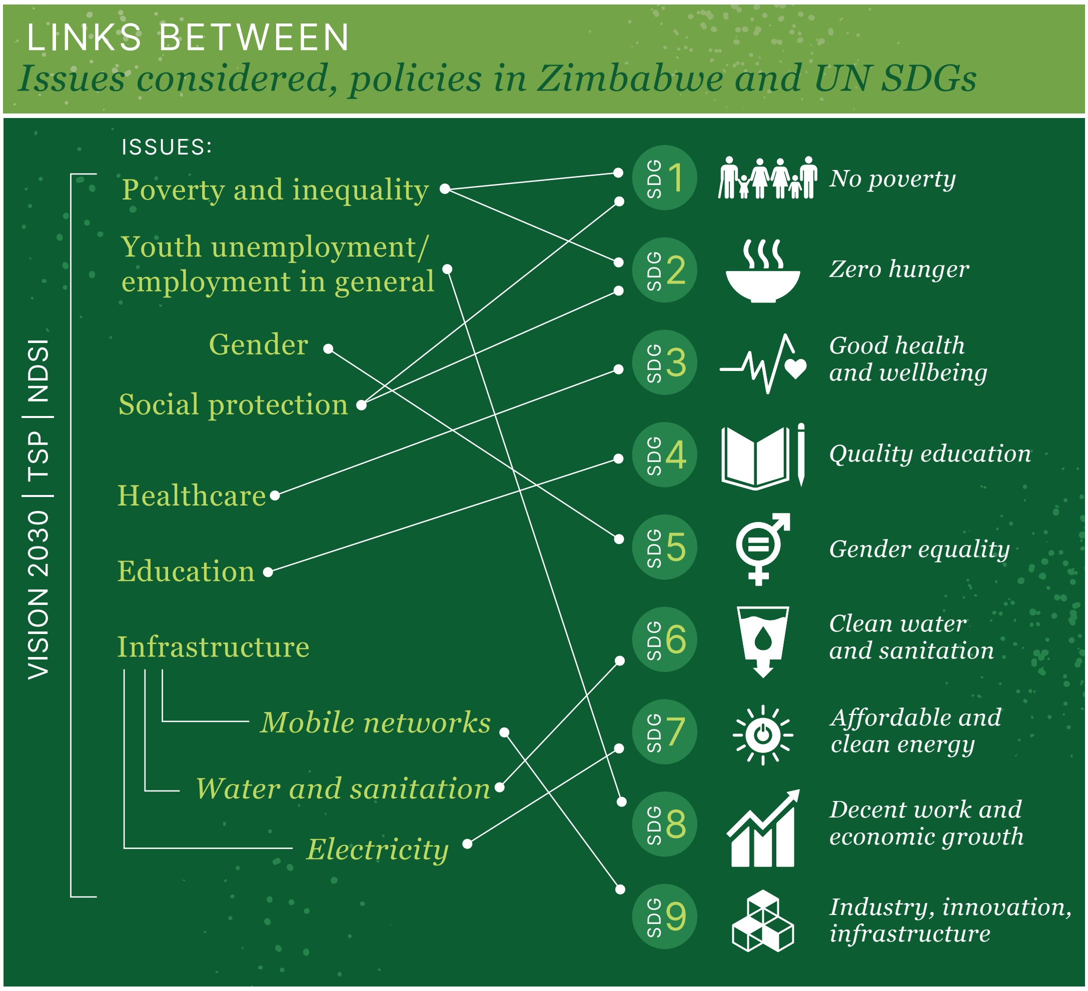
# Financial inclusion and it’s links to social and economic questions

# 2.1 Introduction

*This MAP refresh project involved selecting a number of issues for deeper analysis*

These issues were selected due to (i) their likely impact on human development, (ii) their relationship to government policies in Zimbabwe – in particular the 2018 Transitional Stabilisation Programme and the National Development Strategy 1 (2021–2025), linked in turn to Vision 2030, and (iii) links to UN SDGs.

It is important that the governance structure for the financial inclusion agenda effectively gets reflected across these programmes, particularly the Vision 2030 programme and Transitional Stabilisation Programmes (see also Section 5.2).



# 2.2 Poverty and inequality

> *UN SDG 1.1 aims to (emphasis added): By 2030, **eradicate** extreme **poverty** for all people everywhere, currently measured as people living on less than $1.25 a day.*

Achieving this SDG will require a considerable degree of change in Zimbabwe, since approximately 71% of the population in Zimbabwe live below the total consumption poverty line of US$70 per person per month (upper line), according to the 2017 Poverty, Income, Consumption, and Expenditure Survey (PICES).[1]

Extreme poverty (i.e. living below the food poverty line) increased up to 2017. In urban areas, 37% of people live below the total consumption poverty line, while in rural areas, this increases to 86% of people. Between the 2011/2012 and 2017 PICES there was overall an almost negligible decrease in poverty: from approximately 72% to 71%. At the same time, extreme poverty, which is the proportion of people living below the food poverty line of US$31 per person per month, increased from approximately 23% (in 2011/2012) to approximately 29% (in 2017).

Inequality increased. In the period 2011–2017, the Gini coefficient increased from 0.42 to 0.44.

Extreme food insecurity, and poverty situation has likely worsened since 2017 PICES. The 2017 PICES was carried out during what was a good harvest season due to above-average rainfall; this suggests that the survey underestimates the proportion of people living below the food poverty line. More recently, in 2020, the Food and Agriculture Organisation (FAO) projected approximately 5 million people (almost 40% of the population) would be food insecure in Zimbabwe in the first quarter of 2020, including as a result of the 2018–2019 drought.[2] This is the highest level of food insecurity recorded. It is, therefore, likely that the poverty situation has deteriorated in Zimbabwe since the 2017 PICES.

Financial inclusion crucial in mitigating effects of economic shocks. Economists have documented the important role that financial inclusion, including through greater access to mobile money, plays in mitigating the effects of economic shocks[3] and, in the longer term, increasing per capita income levels.[4] Additional aspects of poverty and inequality in Zimbabwe, and linkages with financial inclusion, are discussed in the sections that follow.

> *Economists have documented the important role that financial inclusion, plays in mitigating the effects of economic shocks and increasing per capita income levels.*

# 2.3 Employment

## Labour force

Labour force decreased since 2014 due to changes in definitions. In 2019, Zimbabwe had a labour force of 3.5 million working in Zimbabwe (i.e. excluding the diaspora of approximately 1.7 million – see also Section 2.3.3): 2 million males and 1.5 million females, according to the Labour Force and Child Labour Survey (LFCLS).[5] This is a substantial decrease from a labour force of 6.6 million in 2014 (3.2 million males and 3.4 million females) and is reflected in an increase in the number of economically inactive people.

However, as already mentioned, post-2014 the definitions of labour force and employment were changed;[6] this resulted in the exclusion of 2 million subsistence agriculture workers.

The labour force is equally split between rural and urban areas: 1.7 million in each area. In rural areas, the largest proportion of the labour force falls into the 20–24-year age group (7%); in urban areas, the largest proportion falls into the 30–34-year age group (8%). Harare has the highest proportion of the labour force (approximately 33%), while Matabeleland North has the lowest (3%).

*The labour force is equally split between rural and urban areas: 1.7 million in each area.*

## Employment trends

As discussed above, Zimstat uses three categories of employment: formal, informal and household.

Formal employment levels are extremely low. Of the approximately 2.9 million employed people in Zimbabwe, only 930,000 are formally employed (32%), according to the LFCLS. To put this into perspective: of the working-age (15 years and upwards) population of 8 million people, only 12% have formal sector jobs.

Household workers are the largest category. The largest category of employees is in fact household workers (991,000 employees – 34.1% of employed persons).

Large increase in informal sector employment numbers. In 2019, 975,880 employed people were employed in the informal sector (33.8% of the employed) – increased from 859,060 in 2014. A further 2 million people worked in subsistence agriculture (excluded from the economically active population of 3.5 million, and the employed, due to the 2019 change in definitions).[7]

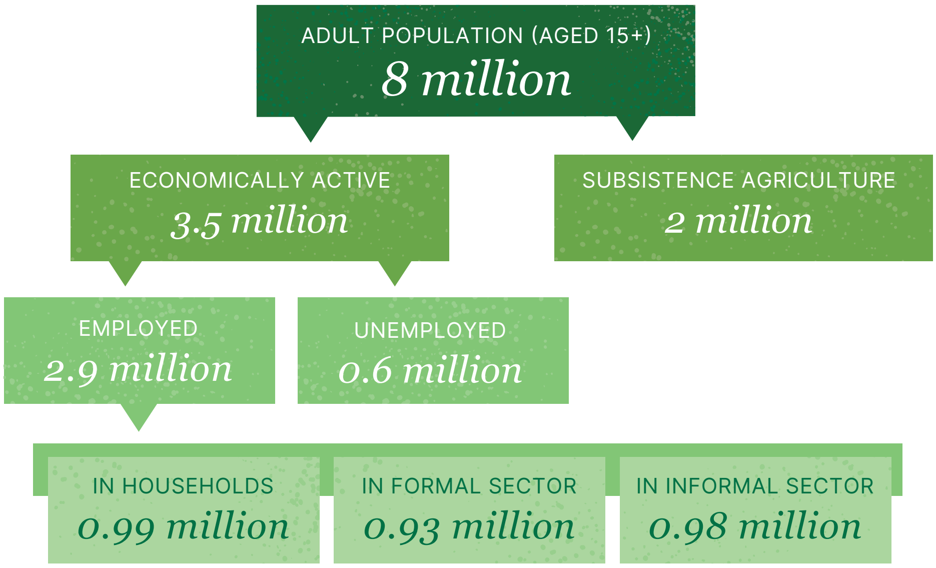



**Figure 4:** Adult population, labour force, and employment in Zimbabwe, 2019 (in millions)

Informal sector is likely larger than official estimates. Given the very low level of formal employment in Zimbabwe and the large working age population, the size of the country's informal sector is large, likely employing larger numbers of people even than indicated in the LFCLS. Figure 4 provides a breakdown of the adult population by employment categories and numbers.

Underemployment is a concern. Underemployment is a concern in Zimbabwe, with employed people working fewer hours than they would prefer.[8] Of the 2.9 million employed population, 1.2 million were underemployed (41%). This problem was especially acute in respect of public utility services, including:

- Electricity, gas, steam and air conditioning supply (64%).
- Water supply; sewerage, waste management and remediation activities (59%).

This suggests there is some capacity to expand these sectors, or at least that there may be skilled people available to do to so. (These sectors are discussed in more detail in Section 2.9.)

By sector (see Figure 5), the majority of the population was involved in retail trade and the sale and repair of motor vehicles and motorcycles (28%).

## *Labour migration*

Cross-border labour migration is an important feature of society in Zimbabwe. For instance, according to estimates from the FinMark Trust in 2018, there are approximately 1.7 million immigrants from Zimbabwe living in South Africa alone, the highest number of SADC migrants in South Africa.[9]

Remittances contribute significantly – but value of formal-channel flows decreased post-2016. Remittances contribute approximately 8% of Zimbabwe's GDP (approximately 75% of Zimbabwean migrants remit funds).[10] However, the

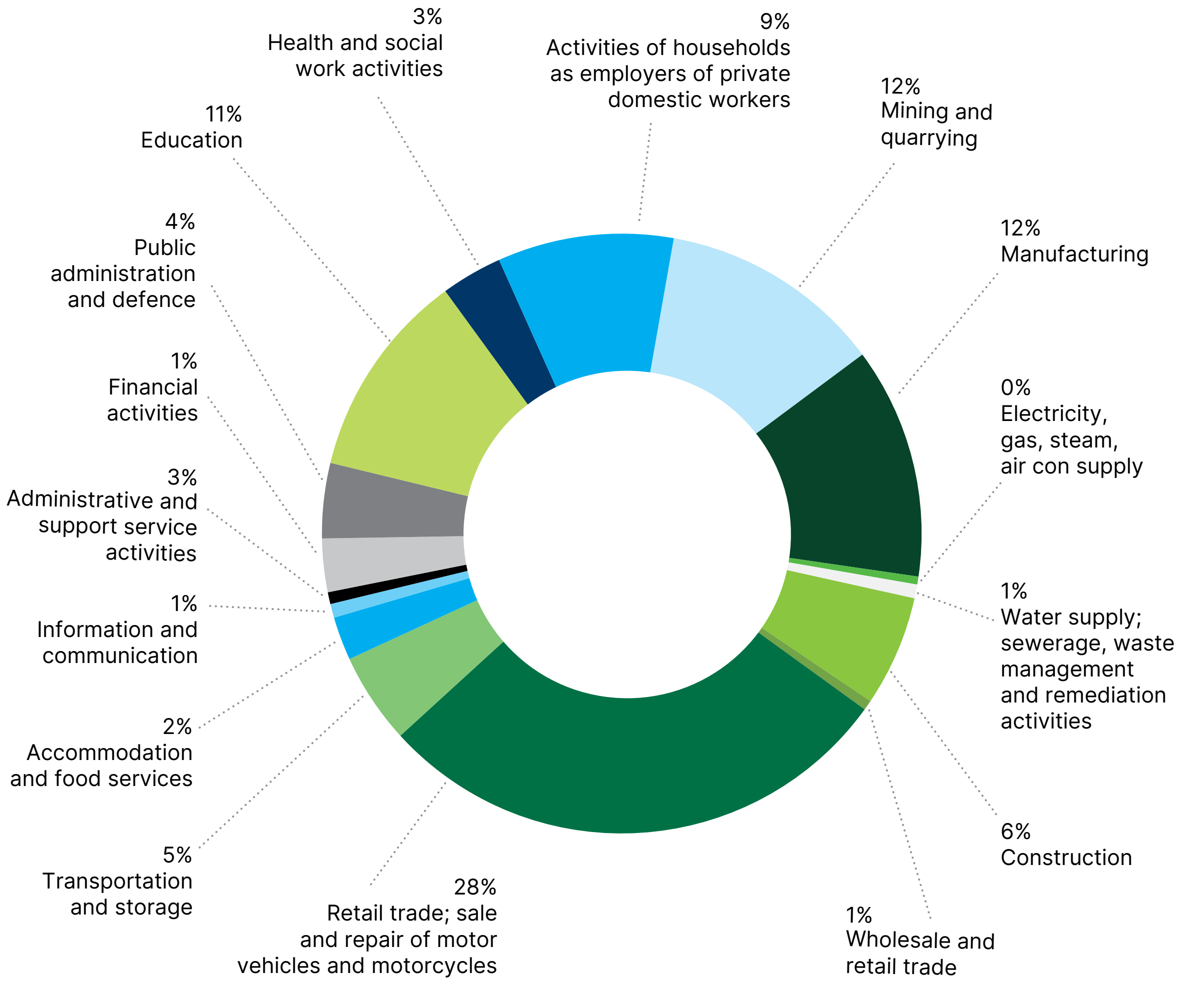



**Figure 5:** Non-agriculture employment in Zimbabwe, by sector (2019)

Source: Zimstat. (2019). *Labour Force and Child Labour Survey Report*.

value of remittance flows via formal channels from South Africa to Zimbabwe decreased by 32% between 2016 and 2018, due to continued foreign exchange market challenges, introduction of bond notes from late 2016, and recent currency shortages. Thus, customers were forced towards informal (cash or in-kind) remittances providers rather than the formal channels that are subject to regulations.[11] This is also no doubt linked to the extent to which migrants are undocumented: 1.4 million out of 1.7 million Zimbabweans living in South Africa, for instance, are undocumented, according to the same 2020 FinMark Trust report, and 85% of undocumented migrants remit informally. (This question, and possible solutions are discussed in more detail in Section 3.2.)

## *Youth unemployment*

> *SDG 8.6 proposes (emphasis added): By 2020, substantially* ***reduce the proportion of youth not in employment****, education or training.*

The youth comprise a substantial proportion of Zimbabwe's population, and this SDG is therefore an important area for development.

Youth unemployment rate of 21% is likely conservative. In 2019, almost 25% of the population were in the 15–29-year age group.[12] The youth unemployment rate has increased over time: from just over 15% in 2014 to almost 21% in 2019.[13] At the same time, it is important to note that due to the change in the labour force and employment definitions, which significantly reduced the size of the labour force by removing subsistence agriculture (increasing employment as a percentage of the labour force), described above, this measure likely underestimates the proportion of people willing to work but unable to find work.

In a similar approach to women and MSMEs, youth were targeted for intervention under the NFIS 2016–2020. As a result, a youth empowerment fund was established (US$10 million).[14]

Increased youth uptake of accounts. Overall, there have been significant gains in the financial inclusion of youth aged 15–24 years, as evident in an increase in the proportion that have accounts at financial institutions (e.g. a bank, MFI or SACCO) and accounts overall (at financial institutions and with mobile money providers) since the 2016 MAP diagnostic (see Figure 6). This suggests some progress in this area, though it would be useful to understand the impact of the youth empowerment fund.

21%

*The youth unemployment rate has increased over time: from just over 15% in 2014 to almost 21% in 2019.*

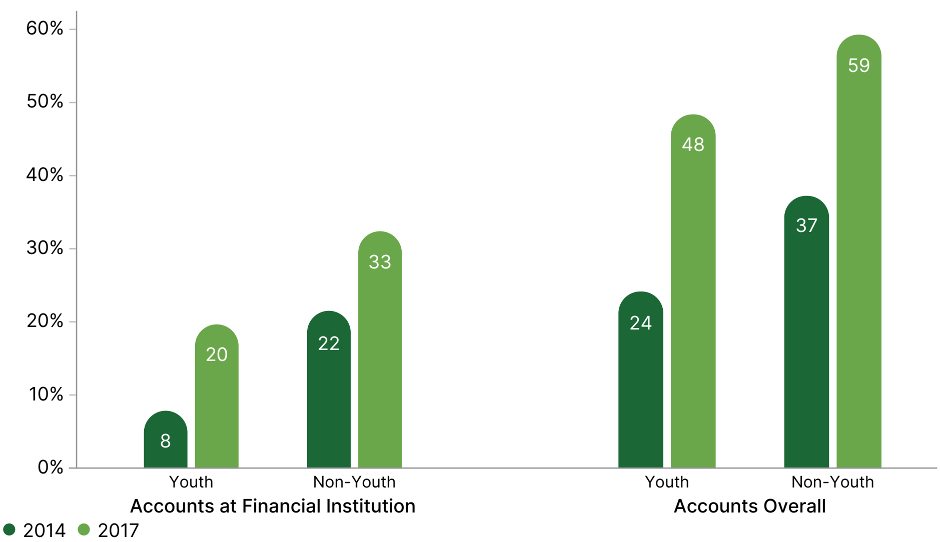



**Figure 6:** Proportions of respondents (youth) with accounts at financial institutions, and accounts overall

Source: World Bank Findex.

# 2.4 Gender-related disparities

> *SDG 5.a is to (emphasis added): Undertake reforms to give **women equal rights to economic resources**, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.*

In Zimbabwe, there are significant limitations in this area, as there are gender-related disparities in terms of education, access to the national identity document (ID), and access to financial services. Overall, the country ranked 126 out of 159 countries on the Gender Inequality Index (GII).[15] Using another measure, the Global Gender Gap, Zimbabwe's score of 0.72 implies a rank of 50th, trailing behind other African countries such as Rwanda (0.82 – 4th) and Namibia (0.78 – 13th).[16] (The sections that follow consider some of the details of these disparities, and financial inclusion responses.)

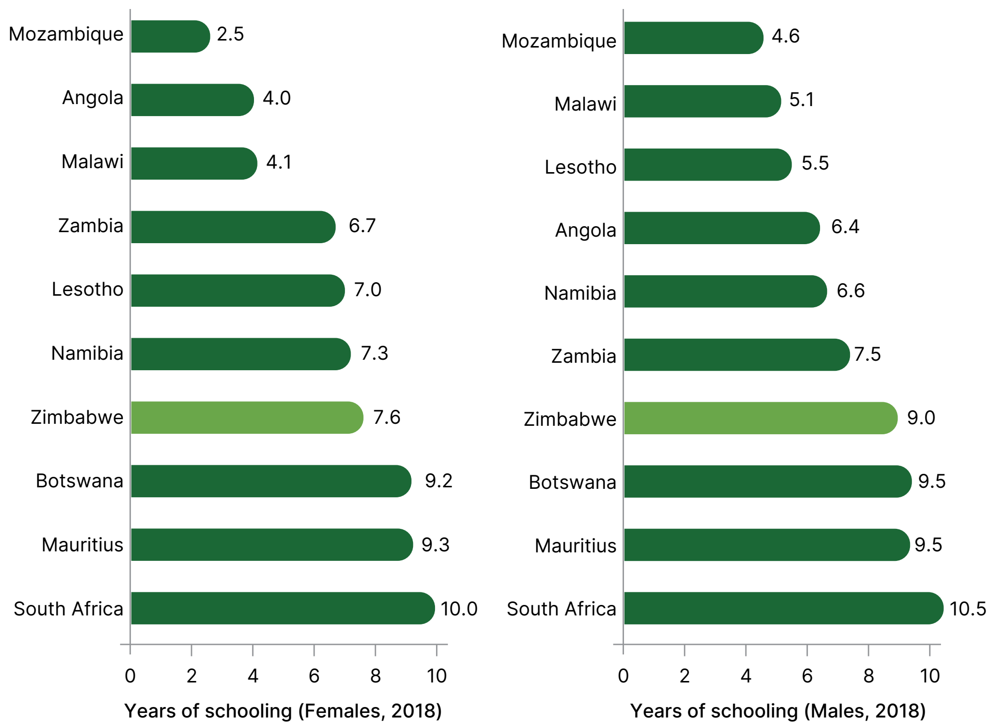



**Figure 7:** Mean years of schooling for males and females in selected SADC countries (2018)
Source: UNDP, Human Development Data, 1990–2018.

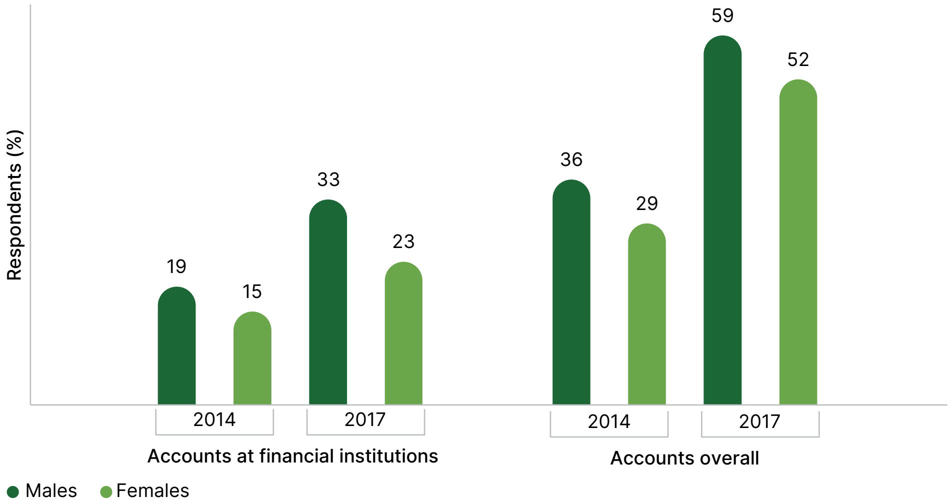



**Figure 8:** Proportion of the population with accounts, by gender (for 2014 and 2017)

Source: World Bank Findex.

## Gender and access to education

Significant gender bias in education. Males receive approximately 9 years of schooling on average and females receive closer to 7.6 years (see Figure 7). This is despite access to primary school being close to universal.[17] Given this reality, any initiatives that consider the financing of education in Zimbabwe need to consider the availability of education for women.

## Gender and access to financial services

Important gender-related disparities in access to financial services. A significantly higher proportion of males (33%) have accounts at financial institutions (e.g. a bank, MFI or SACCO) than females do (23%) (see Figure 8). This gap is, however, significantly lower when considering accounts overall (at financial institutions and with mobile money providers), where 59% of males have such accounts, compared to 52% of females.

Significant progress – yet significant gender gap remains. Significant gains since the previous MAP/NFIS include the fact that there is less of a gender gap once mobile money has been considered and, overall, in respect of account penetration among females. Nonetheless, a significant gender gap remains. This might be linked to the fact that 17% of women had no national ID, compared to approximately 15% of men.[18]

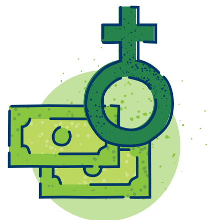
## Gender and access to land

Women's access to land significantly widened. Zimbabwe's land reform programme was introduced in 2000, in order to, among other things, mitigate women's low or limited access to resources through introducing quotas for access to land.[19] Under the land allocation principles, a policy states that women are entitled to at least 20% of all large-scale farming land (more popularly known as 'A2' farming land). In addition, women are eligible to apply for agricultural land in their own right under the A1 village schemes – a departure from the traditional norm in Zimbabwe of women only accessing land through their husbands, fathers or other male relative.[20] These principles have allowed women to gain control over land as a means of production, as well as to use land and other economic resources as collateral for bank credit.

Digital recording of collateral could support expansion of credit. There might be means of further widening this expansion of land use rights by women, including by means of digital recording of collateral, which could perhaps be linked to the current development of the collateral registry.

## *Interventions in support of women*

Banks have established women's empowerment facilities. In order to address the many problems of gender inequality, the RBZ has established empowerment facilities with banks for on-lending to key financial inclusion target groups, such as women.[21] In addition, the majority of the banks in Zimbabwe have established 'women's desks' and units in order to provide better service experiences to female clients, as well as provide tailored products and services to meet women's specific needs. Furthermore, banks have established capacity building and development for businesswomen through free advisory services, infrastructure, trade shows, expos, workshops and conferences, awards and incubation initiatives. These initiatives were able to help women gain easier access to the agency banking programmes that banks introduced to increase contact points with customers. In addition, women, among others, were the beneficiaries of low-cost housing projects administered by banks via USAID-funded guarantee facilities; unfortunately, though, there is no impact assessment review to date in order to gauge the full impact of the project.



*In order to address the many problems of gender inequality, the RBZ has established empowerment facilities with banks for on-lending to key financial inclusion target groups, such as women.*

Women's access to general bank credit significantly improved. In terms of credit, in order to make it more affordable to women, the RBZ and Bankers Association of Zimbabwe (BAZ) agreed on interest rate guidelines for productive lending. Interest rates for productive purposes were reduced from over 30% per annum in 2010 to 6%–12% per annum by December 2017. As a result of this and the other interventions mentioned above, women's access to bank credit improved, with direct loans to women from the banks increasing from US$311 million in December 2017 to US$432 million by December 2018 (39% increase).[22]

Since 2018, Women's Bank has focused on increasing financial inclusion for women. A further intervention has been the establishment of the Zimbabwe Women's Micro-finance Bank (the Zimbabwe Women's Bank), a government-owned deposit-taking MFI that commenced operations in 2018.[23] The aim was to enhance the financial inclusion of women in Zimbabwe. The bank's primary clientele are women, although it is permitted to extend credit to disadvantaged men and other micro borrowers. The bank has expanded its outreach through agencies all over the country by relying on the infrastructure of the Zimbabwe Post Office (Zimpost), which has a presence nationwide, including in rural areas.

**Focus on the vulnerable group women, including in rural areas.** The bank is one of the first of its kind in Southern Africa and all women, including those in rural areas, are its primary target. The bank's products and services include financing small-scale farmers, meeting the financing requirements of cross-border traders, and providing group savings accounts and savings accounts for registered small businesses.

**Women's Bank significantly extended credit to women across all sectors.** From June–November 2018 (i.e. first five months of operation) the Women's Bank opened a total of 38,000 accounts, with account holders spread throughout the country's major provinces.[24] As of November 2018, the bank had issued a total of 490 loans valued at a cumulative US$1 million. The majority of the account holders were women and, in terms of their operations, borrowers represented virtually all sectors of the economy. It is worth noting that this bank differs from other MFIs in that it is a *deposit-taking* institution capable of underwriting a larger volume of loans as its deposit base expands.

**Recommendation to evaluate impact of Women's Bank on financial inclusion.** It would be useful, over the course of the current financial inclusion strategy period, to review the impact of this bank and assess whether it has improved access to financial services, and resulted in better livelihoods, among women.

*Various financial literacy programmes for women, leveraging financial technology and innovation as well as social media platforms, are being implemented.*

## Interventions for financial literacy among women

**Extensive financial literacy initiatives.** Various financial literacy programmes for women, leveraging financial technology and innovation as well as social media platforms, are being implemented by the Women Finance and Development Thematic Working Group of the NFIS.[25] These programmes have enabled banks, as well as other institutions, to reach out to many women. Activities included school visits by banks, which reached nearly 70,000 pupils (girls and boys), while many more were reached through various social media platforms. Financial inclusion literacy programmes on radio and TV reached as many as 6 million listeners, including women.[26]

**Recommendation to considering evaluating impact of financial literacy education initiatives.** It would be useful to understand the impact of the initiatives, including by means of follow-up surveys.

## Summary

Despite the progress made in solidifying women's economic empowerment and financial inclusion, gaps remain to be addressed.

**Bank facilities usage by women continues to be limited.** While perhaps a seemingly straightforward problem, addressing it requires stakeholders to understand a range of interconnected and structural factors: women's lack of access to collateral; the importance of improving the productivity and competitiveness of female-owned businesses; the gender gap in financial literacy; traditional cultural practices that place women at a comparative disadvantage; women's lower literacy rates and educational levels overall; and gender gaps in wages and income.

Impact evaluation needed for women empowerment initiatives. There is a need to assess the quality and evaluate the impact of women-specific financial products and services, in order to determine if they are efficient and/or effective, or if they can be improved further.

Impact assessment and quality evaluation should be expanded to include women empowerment strategies and funds; this will ensure that the most effective strategy is implemented as well as ensuring that funds are used efficiently.

Gender disparity issues must be addressed as part of financial inclusion implementation. According to a case study report by the Alliance for Financial Inclusion (AFI), targeted interventions such as affordable and flexible credit facilities, education and literacy support mechanisms, training, quota systems for women and other regulatory incentives, could help break down the social, cultural and stereotype barriers that remain an obstacle for women's economic empowerment and financial inclusion. Thus, additional research needs to be conducted in order to determine how women's financial inclusion can be improved and to increase women's contribution to poverty reduction and inclusive economic growth.

# 2.5 MSMEs

> *SDG 8.3 aims to (emphasis added): Promote development-oriented policies that support productive activities, decent **job creation, entrepreneurship**, creativity and innovation, and encourage the formalization and **growth of micro-, small- and medium-sized enterprises, including through access to financial services.***

This goal is especially important in Zimbabwe since, in the past decade, Zimbabwe's economy has experienced a significant structural shift due to deindustrialisation and dispersion of large conglomerates into many MSMEs, particularly in the sectors of agriculture, mining, manufacturing and tourism.[27]

MSME sector is huge contributor to GDP – but largely financially excluded. MSMEs, most of which are informal, involve a significant number of women entrepreneurs and play a critical role in economic development through job creation, foreign exchange generation and poverty alleviation. MSMEs contribute more than 60% of the country's GDP, both directly and indirectly. Despite this, the MSME sector receives an extremely small proportion of bank credit (approximately 5% of all banking sector loans and advances in 2020), and the sector is largely financially excluded.[28]

Important to note large proportion of MSMEs are likely informal. As already mentioned, 34% of employed people are employed informally and, given the very low number of people employed (2.9 million out of 8 million adults), the overall informal sector is very large. This is likely linked to the difficulties with starting a business in Zimbabwe (ranks 167th out of 190 countries – see Figure 9) and enforcing contracts (Zimbabwe ranks 169th).[29]

Formalising MSMEs could boost economic growth. The size of the population, the size of the informal sector and the difficulties MSMEs face in accessing business financing suggest a significant opportunity to formalise MSMEs in Zimbabwe, in order to help them grow, and in turn support economic growth overall. This is discussed in more detail towards the end of this section.

Development of MSME sector being targeted. Following the same approach as for the Women's Bank initiative (discussed above), the government is transforming the Small and Medium Enterprises Development Corporation (SMEDCO) into a

> *In the past decade, Zimbabwe's economy has experienced a significant structural shift due to deindustrialisation and dispersion of large conglomerates into many MSMEs.*

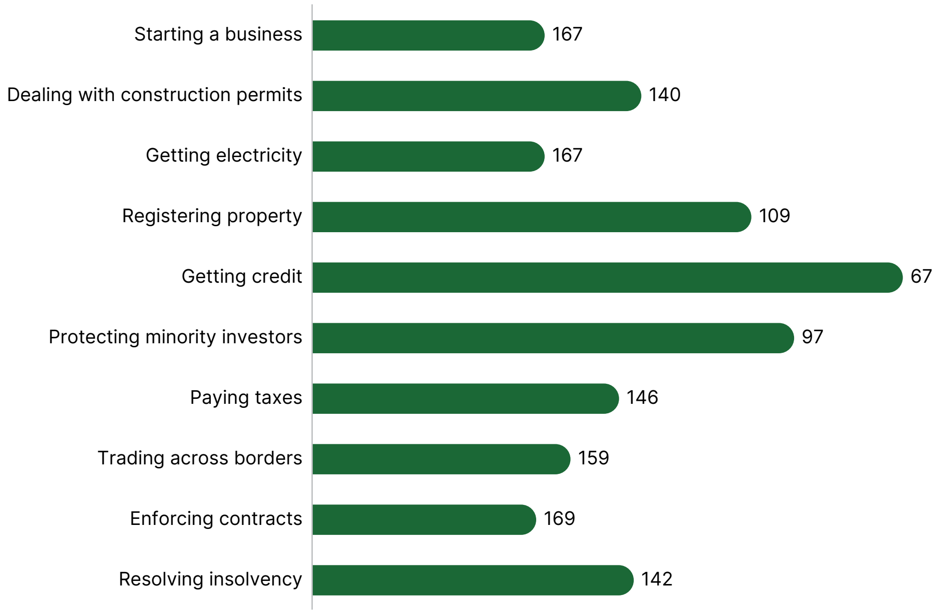



**Figure 9:** Zimbabwe's rank on ease of doing business (out of 190 countries in 2020)

Source: World Bank Ease of Doing Business Index (2019).

full-fledged MFI, in order to allow the institution to play a financial intermediary role for MSMEs and contribute effectively to the development of the sector.[30] An MSME Finance Policy and Agriculture Finance Policy were also initiated to address the financing needs of MSMEs, including those in the agricultural sector (a significant part of Zimbabwe's economy).

Banks rolling out MSME-specific products, services. In response to the RBZ's request to establish specialised units and develop appropriate products and services for MSMEs, most banks have established 'MSME desks' and units through which support programmes and tailored products are being rolled out: invoice discounting, warehouse receipting, credit guarantees, group lending schemes and order financing.

Significant increase in bank loans to MSMEs. As a result, loans to MSMEs, a significant proportion of which are issued to women borrowers, increased from US$/ZWL132 million in December 2016, to ZWL1.46 billion[31] by March 2020.

Significant increase in bank account ownership by MSMEs. The financial inclusion drive for MSMEs has led to an increase in the number of MSMEs with bank accounts: from 71,730 in December 2016, to 121,945 in March 2020 (see Table 1). Many banks are also involved in capacity building and development programmes for MSMEs through trade shows, expos, workshops and conferences, awards and incubation initiatives.

Credit financing risk-sharing acknowledges MSME collateral challenges. Acknowledging the challenge of the lack of collateral on the part of MSMEs, the Export Credit Guarantee Company (ECGC) is assisting MSMEs by underwriting part of their collateral requirement (up to 75%) through the MSME Guarantee, to allow them to obtain loans from banking institutions.[32] This financing mechanism enables the partial transfer of credit risk that banks normally associate with MSMEs.

*The financial inclusion drive for MSMEs has led to an increase in the number of MSMEs with bank accounts.*

Microfinance products and services targeting MSMEs. Furthermore, in June 2017, the Insurance and Pensions Commission (IPEC), along with MFIs, introduced microfinance products and services, housing and insurance under the Micro-Insurance Policy Framework, which is also targeting MSMEs.[33]

Microinsurance banking products and services targeting MSMEs. Banks are partnering with insurance companies to offer microinsurance banking products and services to MSMEs and women-owned enterprises. The Government of Zimbabwe through the Ministry of Women Affairs, Community, Small and Medium Enterprises Development (MWACSMED) updated the MSME policy framework of 2014–2018 to 2020–2024 mainly to promote the formalisation of MSMEs, enhance their growth, and improve their productivity, the quality of their products and their competitiveness.

*Banks are partnering with insurance companies to offer microinsurance banking products and services to MSMEs and women-owned enterprises.*

Wide range of MSMEs funding initiatives. In terms of funding for MSMEs, the following exist:[34]

- A business linkage facility finances mainly agricultural value-chain linkages for MSMEs in manufacturing, value-added ventures and others in value and supply chains. This facility also helps in linking women and MSMEs to big companies through business partnerships.
- The MWACSMED partnered with development agencies and other stakeholders in providing additional financial support to MSMEs.
- The MWACSMED (besides its own MSME Revolving Fund) partnered with the OPEC Fund for International Development (OFID) with the intention of financing small-venture projects and programmes aimed at poverty reduction in Zimbabwe's three provinces of Masvingo, Matabeleland and Manicaland.
- The Common Fund for Commodities (CFC) approved a US$2 million loan to the finance ministry to finance MSMEs in leather value-chain projects.
- UNDP in Zimbabwe has collaborated with the MWACSMED under a project called Peace Building and Increased Access to Sustainable Livelihoods, valued at US$800,000.[35] The fund is accessed by MSMEs in six districts, of Lupane, Insiza, Umzingwane, Mberengwa, Gokwe and Binga, the goal being to transform and strengthen the livelihoods of rural communities, where 70% of women in Zimbabwe reside.
- USAID has a partial loan-guarantee arrangement with banks for MSME finance. However, according to one submission to this MAP refresh, the guarantee has achieved limited success, since it did not fully secure high-risk MSME loans.[36]
- The Financial Securities Exchange (FINSEC) is in the process of putting in place SME exchanges, which can be used to raise funds from the public.[37] The ZSE, however, was not able to launch an SME board (Zimbabwe Emerging Enterprise Market).[38] In addition, the ZSE is working with the Harare receivables exchanges to establish an automated receivables exchange, to the benefit of SMEs.

Recommendation to evaluate impact of MSME-support initiatives. It is evident that a significant number of programmes have been implemented to promote MSMEs and, more specifically, women-owned-and-run MSMEs. However, the implications and the effectiveness of these programmes are yet to be determined. Follow-up analysis should be conducted to determine which strategies work, for future programmes.

Recommendation to study and learn from successes such as turnover-based lending. It is important to note that there are also commercial offerings that target MSMEs. One success in this regard has been turnover-based lending, which does not require security from the client and funds working capital for several months.[39] It would be useful to study such successes in order to share knowledge on this to the financial services sector more broadly.

Recommendation to considering linking bank MSME initiatives with MSME formalisation. A further aspect in respect of commercial banks is that it might be useful to link their activities to the formalisation of MSMEs in Zimbabwe. As already discussed, Zimbabwe ranks 167th out of 190 countries in respect of starting a business (see Figure 9). Stakeholders submitted to this MAP refresh that KYC is a problem for unregistered businesses. For instance, one stakeholder submitted that the following documents are required by banks in order to provide a loan to an MSME:[40]

- Certificate of Incorporation.
- Tax clearance certificate.
- CR14 & CR6.
- Directors' original and clear photocopy of ID (national ID, driver's licence or valid passport).
- Directors' current proof of residence (latest utility bills, letter from employer, headmaster, chiefs, district office).
- Clean Financial Clearing Bureau (FCB) clearance (FCB is a credit bureau sometimes used at the account-opening stage).
- Clean Credit Reference Bureau (CRB) clearance.

The tax clearance certificate must be produced on an annual basis by MSMEs.[41] These document requirements appear to be onerous and might need to be reconsidered. At the same time, there might be an opportunity in this regard to allow formal financial services providers (FSPs), such as banks, to assist with the registration of businesses with government and tax authorities.[42]

*The transaction limits on mobile money services are an impediment to merchant payments, according to at least one stakeholder submission to this MAP refresh.*

Mobile money transaction limits impeding MSME expansion. In addition, the transaction limits on mobile money services are an impediment to merchant payments, according to at least one stakeholder submission to this MAP refresh.[43] The current limits are ZWL5,000 per transaction (approximately US$50 per transaction) and ZWL35,000 per week (approximately US$350 per week), which means, for instance, that e-commerce transactions cannot be completed; this serves to limit the expansion of MSMEs. The RBZ might consider revising these limits upwards.

Foreign exchange threshold excluding most MSMEs. Further constraints reported to this MAP refresh in relation to MSMEs include the lack of credit insurance in Zimbabwe, and limited access to foreign exchange.[44] In respect of the latter, while there is now an SME auction, many smaller businesses need between US$100 and US$500, while the minimum threshold is US$2,500. This limits the availability of foreign exchange for use by MSMEs.

# 2.6 Social protection

> *SDG 1.3 is as follows (emphasis added): Implement nationally appropriate* **social protection** *systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.*

In Zimbabwe, there is limited progress against this goal, despite a range of donor initiatives over the past years.[45]

Large proportion of elderly are at risk. The country's National Social Security Authority (NSSA) collects contributions for the Pensions and Other Benefits Scheme from the formally employed aged between 16 and 65 (approximately 9% of insurable earnings).[46] However, domestic workers and the informally employed are excluded from the scheme. Given the very small number of adults in formal employment in Zimbabwe (less than 1 million, out of 8 million people aged 15 and older – see also Section 2.3.2), this puts at risk a very large proportion of the elderly in Zimbabwe.

Pro-poor targeting seems to be working in Zimbabwe. The social protection system in Zimbabwe largely concerns food assistance, which depends heavily on donor funding, which is volatile.[47] Measures of social protection were assessed in the 2019 Multiple Indicator Cluster Survey (MICS), during which ZimStat surveyed approximately 44,597 household members belonging to 11,091 households, among the approximately 3 million households in Zimbabwe.[48] Approximately 40% of 44,597 household members surveyed in that survey received social transfers or benefits in 2019.[49] Among the two lowest-quintile-wealth households (4,121 households), 51% received social transfers, indicating that pro-poor targeting is working in Zimbabwe. The bulk of this assistance was by means of drought relief, communal gardens or agricultural inputs (approximately 32% of household members received such benefits). A further 7% of household members benefited from some form of tuition or school-related support.

*The social protection system in Zimbabwe largely concerns food assistance, which depends heavily on donor funding, which is volatile.*

Government's sovereign drought risk insurance policy paid out drought relief. Government is set to distribute harmonised cash transfer relief grants to vulnerable households in drought-stricken districts following the purchase of an inaugural sovereign drought risk insurance policy from the African Risk Capacity Limited (ARC Ltd), a specialised entity of the African Union, for the 2019/2020 agricultural season. ARC Ltd is an African intergovernmental mutual insurance facility formed to provide climate-related risk financing mechanisms, enabling timely national responses to climate-related emergencies.

The sovereign drought risk insurance policy for Zimbabwe triggered a payout following the 2019/2020 drought.

Digital processes and data could be harnessed to improve social transfers. There is potential for digital processes to assist with improving the efficacy of social transfers. Digital means of targeting beneficiaries could be used to supplement existing methods: for example, using satellite imagery such as vegetation maps and indices, which can be a proxy for income, particularly in rural areas. Data on household expenditure, which is needed in order to effectively design social cash transfer programmes, could potentially be gathered from digital service providers and from high-frequency telephonic surveys to assess impact. Furthermore, communicating with beneficiaries via digital means could make benefits easier to understand for the public.

Electronic/digital means must be used to reduce social cash transfer (government-to-person) costs. It is imperative that the costs to government of cash transfers be reduced by expanding use of electronic payment channels, including mobile money. The government might use this as an opportunity to increase pressure on the mobile money operators and banks to reduce their prices based on significantly larger economies of scale arising from shifting social cash transfers to digital means or mobile money.

# 2.7 Healthcare

> *SDG 3.8 is to (emphasis added): Achieve **universal health coverage**, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.*

There are signs of improvement in the healthcare system in Zimbabwe over time, with, for example, medical doctors attending 14.8% of live births in 2019, compared to 12.4% in 2014.[50]

Healthcare insurance uptake is limited – and more so in rural areas. However, there is relatively little progress against the SDG for health, in that there is limited healthcare insurance coverage. Approximately 9.5% of women were covered by healthcare insurance in 2019, and 8.4% of men.[51] Furthermore, there are very large differences between urban and rural areas: among women, for example, 17.2% living in urban areas are covered by health insurance, compared to 4.7% in rural areas. This rural/urban divide is similar among men.

Fairly fragile healthcare sector in need of strengthening and expansion. Furthermore, the healthcare system overall is relatively fragile, which the UN has documented as being at risk of being overwhelmed during the course of the current COVID-19 pandemic. There are 1.6 physicians and 7.2 nurses/10,000 people, which is significantly below World Health Organization (WHO) recommendations of 4.45 doctors, nurses and midwives/1,000 people.[52] There are also strikes periodically by healthcare workers that impact on health services. This means that there is a significant need to expand the health sector in Zimbabwe overall.

Consumer financial behaviour offers lessons for FSPs. There is an important link between health insurance and related services. This works in two ways. Firstly, certain financial services and better savings can have a strong positive impact on healthcare, as households are able to invest in health-promoting and preventive health interventions, and have a reduced vulnerability to healthcare shocks.[53] Secondly, better healthcare incentivises individuals to save.

'Mental accounting' and 'commitment mechanisms' possibly useful to emulate in savings products. In relation to saving for health events, a study by Stanford University in rural Kenya found that mechanisms for healthcare savings, including

*There are signs of improvement in the healthcare system in Zimbabwe over time, with, for example, medical doctors attending 14.8% of live births in 2019, compared to 12.4% in 2014.*

a simple locked box and group savings, assisted in creating a structure and commitment mechanism to save. This was due to (i) mental accounting, which separated the healthcare savings from other income and (ii) the commitment mechanism (particularly from group savings structures).[54] FSPs can create health savings products that provide a simple commitment mechanism for healthcare savings to smooth consumption. In addition, the research suggests there is potentially a need for health insurance or income protection products aimed at a lower-income market.

Medical aid sector not very well regulated, and sector statistics are scant. In Zimbabwe, there are currently a number of medical aid societies regulated by the Ministry of Health and Child Care, though there is a proposal to move their regulation to IPEC.[55] There is currently very little information on sector statistics, and so it is difficult to assess the impact of the medical aids. It will be useful in the coming years, as the regulation of the sector evolves, to improve transparency in the sector and study the possibilities for expanded access to healthcare via competing medical societies. It may also be worth considering the Rwanda example, which has a range of community-based healthcare funders that collect premiums and work with healthcare providers to bring about close-to-universal coverage there.[56]

# 2.8 Education

> *SDG 4.3 is to (emphasis added): By 2030, ensure equal access for all women and men to* ***affordable and quality*** *technical, vocational and tertiary* ***education****, including university.*

Country scores well on education metrics – though gender disparities a concern. Zimbabwe is making significant progress against this goal. For instance, Zimbabwe has the highest proportion of the population aged 25 and over that have a secondary school education in Africa (over 50%), and has among the highest average number of years of schooling in Africa (over 8 years; see also Figure 7).[57] The quality of education is also high. While average years of schooling drops below 6 after adjusting for test scores, Zimbabwe remains among the highest-ranked African countries for number of years of schooling. At the same time, there is a need to emphasise education for females in Zimbabwe, given their lower average number of years of schooling (see also Section 2.4.1).

> *Over 50% of the population in Zimbabwe, aged 25 and over, have a secondary school education, which is the highest proportion in Africa.*

There is significant expenditure on education. A relatively high proportion of non-food consumption expenditure in Zimbabwe goes to schooling (5%): this was unchanged between 2011 and 2015 (which is the latest available data).[58] Private expenditure accounts for almost 20% of overall expenditure on education in Zimbabwe, which is relatively low compared to other African countries (Zimbabwe is in the bottom third of countries ranked by the ratio of private-to-government expenditure on education).

Significant role for financial inclusion to improve remittances services. Given the large role that remittances play in Zimbabwe (see also Sections 2.3.3 and 3.2.3), it is important to note that education is an important area of expenditure of remittances in Africa.[59] And the ability to spend remittances on services like education is an important aspect of using formal remittances providers, which are lower cost, more reliable and faster than informal providers. In a 2018 focus group discussion on remittances from Botswana to Zimbabwe, for example, an interviewee said:[60]

> *The only problem with Ecocash is that your relatives cannot access cash, so they end up using it to buy groceries in shops and pay for services in Zimbabwe. They can pay for school fees, electricity and other needs but without accessing hard currency.* (Gaborone Suburb 1)

This suggests that reducing the costs of remittances, and expanding the availability of means of receiving remittances, may be a useful means of sourcing funds for education. It is also important, in this regard, to ensure greater competition between traditional banking service providers and digital financial services (DFS) providers. For instance, one focus group discussion participant in Botswana participating in the same study as above commented that:

> *I have used bank transfer, it is effective, but the charges are higher. It also takes longer. I have used it to pay fees for my son in boarding school in Zimbabwe. It takes longer to reflect in the account of the recipient.* (Maun CBD 1)

While it is important not to overemphasise the results of focus group discussions, particularly relating to remittances on a relatively narrow corridor between Botswana and Zimbabwe, the indications are that there is (i) an important link between education and remittances, and (ii) a greater need for competition between the ecosystem of remittances providers, including banks and digital service providers (see also Section 3.2.3.)

2.9

# Basic services and infrastructure

*This section considers the links between basic services and infrastructure and real-world outcomes, including the social impact of basic services on people.*

Three areas of infrastructure are highlighted for discussion, based on the 2018 Transitional Stabilisation Programme & Vision 2030, and the UN SDGs: mobile network infrastructure; water and sanitation; and electricity.

*Mobile phone uptake and usage is extensive in Zimbabwe, with almost 15 million subscribers in Q1 2020 – an increase from just under 13 million in Q1 2016.*

## *Mobile network infrastructure*

Room for growth in mobile penetration despite significant demand for mobile phone usage. Mobile phone uptake and usage is extensive in Zimbabwe, with almost 15 million subscribers in Q1 2020 – an increase from just under 13 million in Q1 2016. At the same time, a significant proportion of these consumers likely have two SIM cards: in the 2019 Multiple Indicator Cluster Survey, only 72% of women and 73% of men reported *owning* a mobile phone,[61] while a significantly higher proportion reported *using* a mobile phone in the previous three months: 90% of women, and 89% of men; this is likely due to the fact that, at the household level, 88% of households had at least one member that owned a mobile phone in 2019 (up from 84% in 2014).[62] There is, therefore, significant demand for mobile phone usage though there is room for growth in mobile penetration overall.

Three MNOs – but one dominates. Zimbabwe has three main mobile network operators: Econet, NetOne and Telecel. Econet is by far the largest, with almost 70% of subscribers in Q1 2020 (an increase from just over 52% in Q1 2016), more than 80% of voice traffic and approximately 67% of Internet and data traffic in Q1 2020.[63] Econet reports coverage of more than 93% of the population with 2G services in 2019 (77% of the land area in 2019, compared to 70% in 2016), almost 84% with 3G and almost 35% with 4G.[64] These reported coverage levels are consistent with the very high levels of household penetration of mobile phones. Basic network coverage is thus extensive and growing in Zimbabwe, though Internet access is more limited.

Need for increased telecommunications competition, reduced costs to consumers. Mobile networks play a key role in the development of DFS and are widely used in Zimbabwe. As already discussed, there are approximately as many Ecocash accounts as there are persons 15 years and older (see also Section 3.2.2). However, there is a question as to how competitive markets are, given Econet's very high market shares in telecommunications services (up to 80%, in respect of voice services) and even higher share of mobile money transactions (more than 90%), discussed in more detail in Section 3.2.2. The government of Zimbabwe is currently seeking transaction advisors from donors[65] to privatise NetOne (together with TelOne, the fixed line operator). This is an important initiative that should be supported in order to bring about lower costs and greater competition in the telecommunications sector in Zimbabwe.

## *Water and sanitation*

> *SDG 6.1 sets out that (emphasis added): By 2030, achieve universal and equitable access to **safe and affordable drinking water** for all.*

This SDG is receiving some attention in Zimbabwe, since water and sanitation is considered an important sector for development in the 2018 Transitional Stabilisation Programme, which targets 90% of urban dwellers having access to safe drinking water by 2024.

Huge water-related revenue losses for government in populous Harare. However, approximately 69% of water supplied in the country's largest city, Harare (population: almost 3.1 million) does not earn any revenue ('non-revenue water').[66] The reasons for non-revenue water likely include physical losses (e.g. leaks) but also non-payment for services.[67] According to one source, there are a large number of customers that do not appear in the customer database.[68]

In 2019, lack of funds resulted in the closure of the main waterworks, since the Harare City Council could not pay for treatment chemicals. In response to this problem, the City Council proposed rolling out prepaid water meters, starting in 2018. However, this has met with strong resistance.[69]

*In 2019, lack of funds resulted in the closure of the main waterworks, since the Harare City Council could not pay for treatment chemicals.*

Furthermore, the current means of payment is at Harare City Council offices where customers must buy a prepaid token.[70] Digitalising this process, including by means of bank or mobile money payment services, would go some way towards improving its efficacy.

It also appears that many existing post-paid meters are not functional, resulting in large volumes of non-revenue water being supplied in Harare.

Recommendation to investigate possible impacts of roll-out of smart, prepaid meters. Upgrading or repairing meters and allowing for remote monitoring would go a long way towards improving the revenues of municipal water utilities. There is, therefore, a need to analyse the impact of the limited existing roll-out of smart prepaid water meters in cities in Zimbabwe, and understand the costs and benefits of rolling out prepaid meters to replace the existing non-functioning ones.

Recommendation to investigate prospects for success of water-related innovations in Zimbabwe. In addition to smart meters, a number of innovations are being piloted in various countries to bring about safer water, including water ATMs,[71] and smart meters for mini-utilities in rural areas[72]. This is no less so in Zimbabwe, where, for instance, water kiosks are being established in Hopley, Harare, a high-density and low income area: in this instance, an attendant at a kiosk sells a token to a buyer, who then uses the token to pay for the service.[73] While it is not clear what the commercial viability of these systems is (they appear to be largely donor funded), it would be useful to understand their prospects for success in Zimbabwe.

Rural location a factor in low levels of sanitation supply. Sanitation is less of a concern in urban areas (where almost 92% of households have flush toilets) than in rural areas (where almost 37% of households have no toilet at all).[74]

FSPs and donors should investigate the viability of sanitation marketing and financial products. Any means of improving access to sanitation in rural areas should be welcomed. There are proposals, for instance, to apply village-level rotating savings and credit cooperative (ROSCA) principles to a water supply and sanitation (WSS) fund, supported by government or donor grants and loans, essentially creating a new line of business (WSS) for the ROSCA.[75] In rural Kenya, a scheme that involved marketing sanitation alternatives to households, together with explaining financing options, resulted in almost 5,000 sanitation systems being built.[76] The bulk of the systems were built using microfinance and microsavings options, including from Family Bank and Sidian Bank in Kenya. The microfinance products require microsavings first, for up to 30% of the investment amount. FSPs and donors in Zimbabwe might be encouraged to provide similar sanitation marketing and financial products.

## *Electricity*

> *SDG 7.1 says that countries should by 2030, ensure universal access to affordable, reliable and modern energy services.*

This SDG is receiving some attention in Zimbabwe, since the electricity sector in Zimbabwe is a key focus area for development. However, there is currently a large gap between energy sent out and production targets (see Figure 10). In 2016, the gap between supply and target was 20%.[77]

Country's implicit electricity subsidy very high. The TSP identifies hydroelectric electricity generation projects in Batoka (1,600MW, jointly with Zambia) and two thermal power units at Hwange (600MW) as priority projects in the next years. However, there is a question as to how funding will be raised for all of the new generation units, given the lack of cost recovery through tariffs in Zimbabwe. The quasi-fiscal deficit, or the implicit electricity subsidy in Zimbabwe, exceeded 5% of GDP in 2014 – among the highest rates in Africa.[78]

> *There is currently a large gap between energy sent out and production targets. In 2016, the gap between supply and target was 20%.*

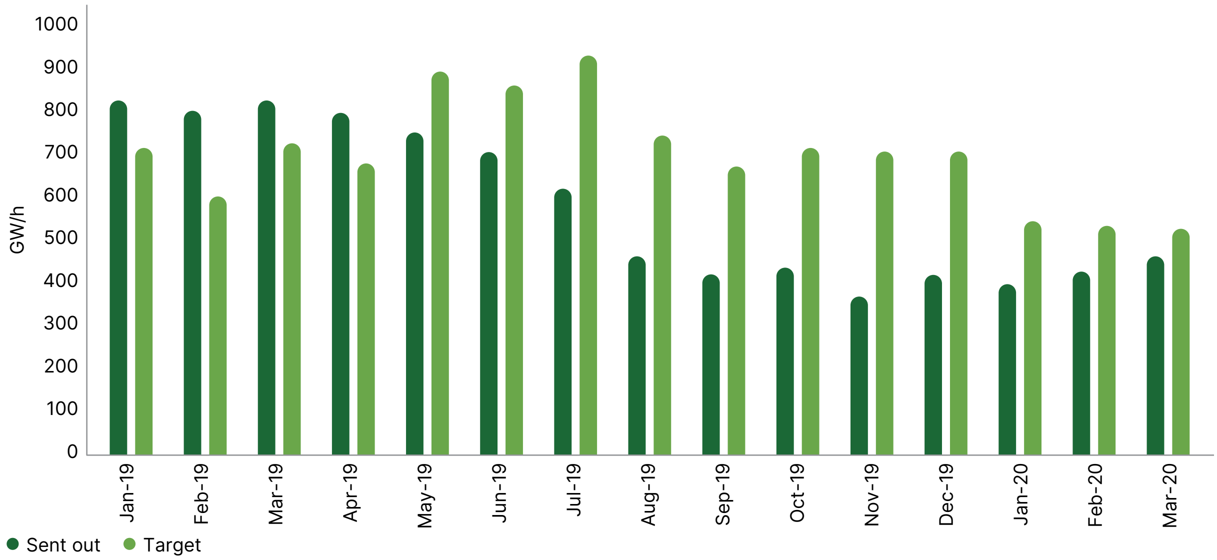



**Figure 10:** Difference between energy sent out and production targets (2019)

Source: Ministry of Finance and Economic Development. *The 2020 mid-term budget and economic review*.

Renewables increasingly becoming more affordable. There is also a very important transformation happening in the energy sector, with the falling prices of renewable energy, particularly from wind and solar sources, together with battery storage, increasingly replacing traditional sources of electrical power.[79]

Energy inclusion and financial inclusion are mutually entwined. It is important to note that access to electricity more broadly unlocks access to other basic services, including information and communications technology (ICT) services, education and healthcare services. Without electricity, it is difficult to expand these services into rural areas. Financial inclusion can facilitate energy inclusion by allowing for access to finance to invest in basic energy needs (such as a solar power system) as well as by making it possible to pay for electricity using digital payments systems.

Energy inclusion in turn boosts financial inclusion. Electricity and the additional services it gives access to in turn unlock access to income-generating/employment opportunities. For instance, MSMEs are more likely to succeed with a reliable electricity supply, and can also develop to supply services to not only the electricity sector but the range of other sectors that need a reliable electricity supply.

In this regard, it is important to note that commercial, mining and industrial customers are also important sectors using electricity in Zimbabwe (see Figure 11). Developing electricity supply thus supports the growth of a whole range of new productive activities.

Significant link between financial inclusion and solar energy. There are a variety of models for this, including pay-as-you-go solar for small-scale solutions such as for four LED light bulbs, a battery and a mobile phone charger offered in a number of African countries, including in Zimbabwe by Econet in 2012.[80] There is

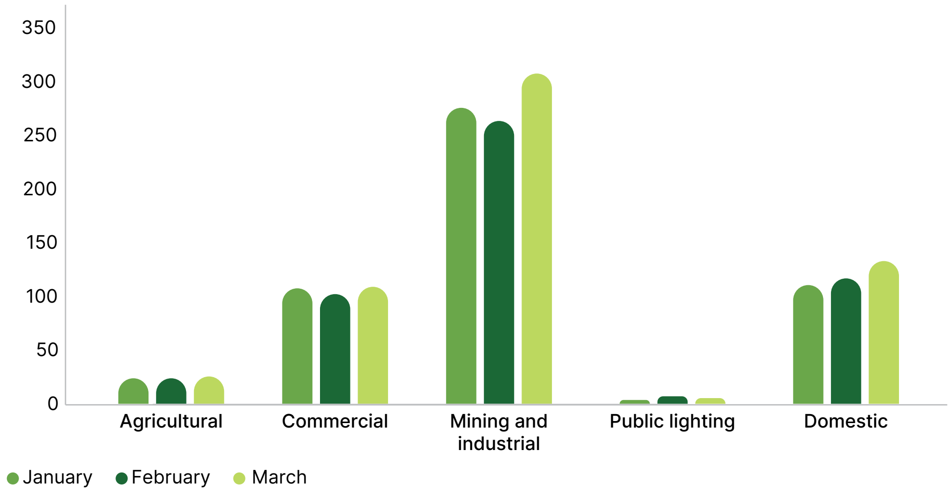



Figure 11: Energy consumption by sector (2020)

Source: Ministry of Finance and Economic Development. *The 2020 mid-term budget and economic review*.

also increasingly financing for larger household installations, from 1.5kW to 15kW residential systems. More recently, firms such as Distributed Power Africa (part of the Econet Africa group) have partnered with banks (including Econet-owned Steward Bank and BancABC) to finance solar installations.[81]

A very important aspect of financing pay-as-you-go solar or even larger residential systems is understanding credit risks and being able to manage these adequately.[82] This emphasises the important role that credit registers and collateral asset registers can play in the development of the energy sector. In addition, SACCOs/ROSCAs may play an important role here, similar to that suggested for sanitation.

Likely greater role for innovative billing and digitalised metering. Electricity bill collection inefficiencies were high in Zimbabwe, at more than 1% of GDP in 2014 – among the highest rates in Africa.[83] This suggests a bigger role for innovative billing solutions in Zimbabwe, including for basic services (utilities). There might be means, for example, to expand payments for basic services via DFS, and there might be an opportunity to digitalise metering in order to improve collections, including as part of the introduction of net metering (to accommodate solar production) in Zimbabwe.

If DFIs were permitted to finance providers of renewables, low-income consumers could benefit. As mentioned above, there is a significant emphasis on traditional, coal-fired power in Zimbabwe. This is despite the worldwide trend towards low-cost renewable energy,[84] which can be supplied sustainably on much smaller scales than utilities typically consider, including to low-income consumers. The mandates of development finance institutions, such as the Infrastructure Development Bank of Zimbabwe (IDBZ) (see also Section 3.2.6), might need amending to enable them to expand access to finance to pay-as-you-go solar and to micro-grid providers. This would help reduce these providers' costs of capital, enabling them to pass on lower-cost financing arrangements to low-income consumers.

*There is a significant emphasis on traditional, coal-fired power in Zimbabwe. This is despite the worldwide trend towards low-cost renewable energy.*

# 2·10

# Summary

*Need for impact assessment of support initiatives, given reality of huge informal sector.*

Zimbabwe has a range of programmes, including financial inclusion programmes, designed to address the youth, women and MSMEs, particularly in rural areas. A range of empowerment funds have been rolled out by the RBZ and loaned out through banks. Specialised desks targeting these customer groups have also been introduced. However, there is a question as to how effective they have been, and their impact needs to be assessed. This is particularly so given the significant informal sector in Zimbabwe. As mentioned above, 34% of employed people are employed informally, and given the very low number of people employed (2.9 million out of 8 million adults), the overall informal sector is very large.

There are significant gender disparities in education, with women receiving much less education than men do. Remittances to Zimbabwe play a very important role due to the large diaspora, and paying for education is an important use of remittances received. The latter are nonetheless expensive to Zimbabwe, not least because of Zimbabwe's presence on the Financial Action Task Force (FATF) grey list. It is important that initiatives to move Zimbabwe off the grey list are prioritised.

The healthcare sector in Zimbabwe is fragile, and the current COVID-19 pandemic threatens to overwhelm the existing health system. Financial products and services that might expand access to healthcare and protect against healthcare-related shocks (e.g. loss of earnings, costs of medicine) need to be considered.

In respect of infrastructure, mobile networks have reasonably wide coverage, though Internet penetration remains relatively limited.

The initiative to reform the water and sanitation systems in Zimbabwe's cities by means of prepaid water meters needs to be investigated and potentially supported, given the large non-revenue water supplies.

The current electricity projects in Zimbabwe need to be assessed, particularly given that they rely extensively on coal despite the substantial expansion of renewable energy. In this regard, initiatives to fund the roll-out of small-scale solar energy products need to be considered.

Again, the very large informal sector needs to be taken into account in this respect, and efforts to formalise particularly MSMEs should be encouraged in order to unlock funding and increase financial inclusion and its attendant benefits for this key target group.

## PART 2 NOTES

1 Zimstat. (2019). *Zimbabwe Poverty Report 2017* (based on PICES).

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3 Jack, W. & Suri, T. (2014). Risk sharing and transactions costs: Evidence from Kenya's mobile money revolution. American Economic Review 104(1), 183–223.

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6 Specifically, Zimstat notes: 'The change in the definition of employment from the adoption of the 19th ICLS on work resulted in the removal of persons doing subsistence agriculture from the employed population, hence a reduction of the total number employed.'

7 There is a discrepancy in the *Labour Force and Child Labour Survey Report* between Tables 7.1–7.6 and 7.8–7.9, which record 975,880 informal sector employees out of the 2.9 million total, while Tables 7.10–7.14 report 2.2 million people working in the informal sector.

8 The 2019 LFCLS defined time-related underemployment as all those employed persons aged 15 years and above who worked for less than 40 hours a week and wanted to work additional hours during the 7-day reference period.

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19 AFI (2019), cited above.

20 See: http://www.fao.org/gender-landrights-database/country-profiles/countries-list/customary-law/en/?country_iso3=ZWE

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26 AFI (2019), cited above.

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29 See: https://www.doingbusiness.org/content/dam/doingBusiness/country/z/zimbabwe/ZWE.pdf

30 AFI (2019), cited above.

31 United States Dollars. Please note that Zimbabwe was dollarised at the time.

32 AFI (2019), cited above.

33 AFI (2019), cited above.

34 AFI (2019), cited above.

35 United States Dollars. Please note that Zimbabwe was dollarised at the time.

36 Stakeholder G.

37 Stakeholder R.

38 Stakeholder S.

39 Stakeholder G.

40 Stakeholder K.

41 Stakeholder M.

42 The links between access to finance and business registration are illustrated in: Campos, F., Goldstein, M. & McKenzie, D. (2015). *Short-term impacts of formalization assistance and a bank information session on business registration and access to finance in Malawi*. The World Bank.

43 Stakeholder O.

44 Stakeholder U.

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3

# National financial inclusion strategy achievements

*It is important to reflect on progress against the 2016 MAP and NFIS 2016–2020, in order to consider what gaps might still exist, and how best to prioritise future interventions. There are a number of ways in which the financial services sector is much better positioned to expand financial inclusion, particularly by means of low-cost branchless banking and mobile money services (see also Section 3.1). At the same time, there are a number of areas where progress has been more limited, especially where regulatory approvals are concerned (see also Section 3.2).*

3.1

# Progress on the 2016 MAP and the NFIS 2016–2020

Financial inclusion expanded, and MAP and NFIS goals achieved. Financial inclusion has expanded significantly in Zimbabwe (see also Section 1.1). In particular, the number of bank accounts grew from 1.5 million in 2016 to 8.5 million in 2020 (there are 8 million people aged 15 years and older in Zimbabwe), including 5.2 million low-cost accounts in 2020 (see Table 1).

There are also approximately as many Ecocash mobile money accounts as there are people aged 15 years and over in Zimbabwe (see also Section 3.2); this suggests that the overall goals of the NFIS 2016–2020 (which were based on the 2016 MAP) – to increase the proportion of banked adults to at least 60%, and access to affordable and appropriate financial services to 90%, by 2020 – have largely been achieved.

Despite the successes, some risks to these achievements. A key risk lies in the prohibition of agent-based financial services, including in relation to mobile money (see also Section 3.2).

In addition, there are a number of activities identified in 2016 that have yet to be implemented or that could be further expanded, including in relation to digital access to the national ID system, the formalisation and financial inclusion of MSMEs, and expanding interoperability between FSPs, including with cross-border money transfer operators (remittance service providers, or RSPs).

The progress in financial inclusion in Zimbabwe can be linked to the 2016 MAP diagnostic and roadmap reports, and the subsequent plan set out in the NFIS (summarised in Table 4).

*The progress in financial inclusion in Zimbabwe can be linked to the 2016 MAP diagnostic and roadmap reports, and the subsequent plan set out in the NFIS.*

In terms of institutional structure, the constitution of the financial inclusion committee in the RBZ was introduced in 2015, and the latter is chaired by the Deputy Governor.[1] This was followed by the establishment of a Financial Inclusion Unit in the Bank Supervision Division. In March 2016, all the actions taken in the previous year led to the launch of the NFIS by the Minister of Finance and Economic Development.[2]

Key target groups identified in NFIS. Among the targets set out in the NFIS are to increase the overall level of access to affordable and appropriate formal financial services from 69% in 2014 to at least 90% by 2020, and to increase the proportion of banked adults from 30% in 2014 to at least 60%, targeting an initial five key target groups with a total of 45 interventions.

## *Initial 5 key target groups*

| MSMEs | Women | Rural communities | Small-scale agricultural communities | Youth |
|---|---|---|---|---|
| 15 INTERVENTIONS | 15 INTERVENTIONS | 4 INTERVENTIONS | 6 INTERVENTIONS | 5 INTERVENTIONS |

Later, people with disabilities were included as an additional target group, and small-scale miners were further identified as a key target group for intervention under the MSME category.

In addition, a range of specific activities were proposed to support the NFIS, in the following areas, associated with approximately 37 activities.

## *Additional areas of focus*

| | |
|---|---|
| *Consumer protection* | 5 INTERVENTIONS |
| *Financial literacy/capability* | 3 INTERVENTIONS |
| *Microfinance* | 11 INTERVENTIONS |
| *Microinsurance* | 3 INTERVENTIONS |
| *Low-cost accounts* | 2 INTERVENTIONS |
| *Simplified KYC/CDD requirements for low-risk customers* | 2 INTERVENTIONS |
| *Credit reference system* | 2 INTERVENTIONS |
| *Collateral registry* | 2 INTERVENTIONS |
| *Credit enhancement programmes* | 1 INTERVENTION |
| *Micro-housing finance* | 2 INTERVENTIONS |
| *Uptake of capital market products and services* | 2 INTERVENTIONS |
| *Infrastructure development* | 2 INTERVENTIONS |

- NFIS also set 96 progress targets. The NFIS considered a range of targets to measure progress (96 in total), measuring usage (74), access (5), quality (6) and impact (11) dimensions (see Table 4). The NFIS has been coordinated by the RBZ over the past years, and the RBZ was responsible for the collection and monitoring of data on financial inclusion, and for monitoring progress on the various activities.

**Table 4:** Key NFIS 2016–2020 progress highlights and challenges

| CATEGORY | PROGRESS HIGHLIGHT | KEY AREA NOT ACHIEVED (INCLUDED IN 2021–2025 MAP ROADMAP) |
|---|---|---|
| INTERVENTION AREA – BENEFICIARIES | | |
| MSMEs (3/10 completed) | • Proposed amendments to the Banking Act incorporate provisions empowering the Reserve Bank to conduct consumer protection supervision.<br>• Progress on a legal and regulatory framework for financial consumer protection (enactment of the Consumer Protection Act).<br>• Review of MSME Policy. | Formal registration of MSMEs. |
| Women (3/6 completed) | • Establishment of a revolving Women's Empowerment Fund.<br>• Establishment of the Zimbabwe Women's Bank.<br>• Establishment of women's desks by banks. | |
| Rural farmers and small-scale farmers (1/2 completed) | • Establishment of a revolving fund to finance agricultural activities. | Increased presence of formal financial institutions in the rural communities. |
| Youth (1/4 completed) | • Establishment of the Empowerment Bank targeting the youth. | Banking institutions to develop appropriate collateral substitutes in order to address the challenge of security among youth borrowers. |
| ACTIVITIES | | |
| Consumer protection and financial literacy (2/6 completed) | • Proposed amendments to the Banking Act incorporating provisions empowering the Reserve Bank to conduct consumer protection supervision.<br>• Progress on a legal and regulatory framework for financial consumer protection (enactment of the Consumer Protection Act). | The development of a coordinated national financial literacy framework. |
| Microfinance (2/8 completed) | • Established the Microfinance Revolving Fund<br>• Amendment of the Microfinance Act. | |
| Insurance (1/4 completed) | • Development of a microinsurance regulatory framework. | |
| Low-cost accounts with low KYC/CDD requirements (1/3 completed) | • Offering by banking institutions and deposit-taking MFIs of low-cost accounts. | Regulatory authorities will continue to ensure appropriate implementation of risk-based KYC/CDD requirements by financial institutions through ongoing orientation programmes.<br>Establish low-cost bank branch models and combine with mobile and electronic delivery channels to enhance accessibility of products and services in rural areas. |
| Credit reference system (1/2 completed) | • Establishment of a credit reference system. | |

| CATEGORY | PROGRESS HIGHLIGHT | KEY AREA NOT ACHIEVED (INCLUDED IN 2021–2025 MAP ROADMAP) |
|---|---|---|
| Collateral registry (1/2 completed) | • Establishment of the collateral registry is in process. | |
| Credit enhancement programmes (1/1 completed) | • Enactment of the legal and regulatory framework covering the credit and collateral registry. | |
| Uptake of capital market products and services (2/5 completed) | • Establishment of an SME stock market.<br>• Establishment of an alternative stock exchange. | |
| Infrastructure development (2/2 partly completed – should be continued in the next national strategy for financial inclusion) | • Promotion of interoperability of payments infrastructure by financial institutions, mobile network operators and payment service providers through Statutory Instrument 80 of 2020. | Financial services and mobile network operators are continuously urged to ensure interoperability of their different platforms and share infrastructure, while competing on service delivery.<br>There is also need for ongoing review of the regulatory framework for financial infrastructure, including payments systems, to ensure smooth functioning of the systems and adequate protection of users. |

Financial inclusion in the sense of bank account ownership has increased significantly. Progress with financial inclusion was assessed in the 2020 mid-year national budget review and economic review, and shows significant progress in respect of number of accounts for each of the key target groups (MSMEs, women, youth, rural population) and overall, with the number of bank accounts growing overall from 1.5 million in 2016 to 8.5 million in 2020 (there are 8 million working-age people in Zimbabwe), including 5.2 million low-cost accounts in 2020 (see also Section 1.1).

*There has been considerable progress in the extension of banking services to the consumers targeted in the NFIS 2016–2020, with the number of women with bank accounts more than doubling.*

## Increased lending to women, youth and MSMEs

There has been considerable progress in the extension of banking services to the consumers targeted in the NFIS 2016–2020, with the number of women with bank accounts more than doubling: from 800,000 in 2016 to 2.3 million in 2020, for example (see Figure 12, first panel). Similarly, the proportion of loans going to MSMEs, women and the youth (three of the five main target groups in the 2016 NFIS) has grown significantly over the period.

Overall, it is unclear whether these gains are due to the NFIS, and this question merits further study.

More recently, in March 2020, there was a decline in the proportion of the value of loans going to women and youth in particular; this may be linked to the Covid-19 pandemic and resulting lockdowns, which negatively affected especially small businesses.

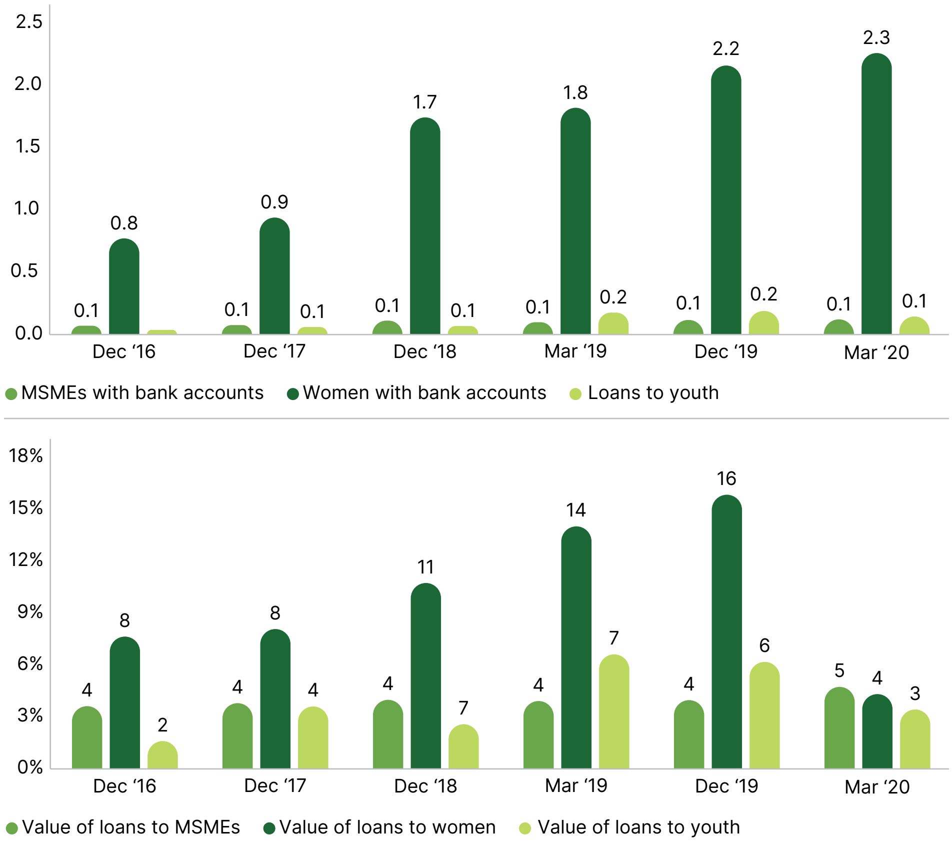


**Figure 12:** Value of loans to MSMEs, women and youth, and number of accounts (2016–2020)

Source: Ministry of Finance and Economic Development. *The 2020 mid-term budget and economic review*.

## Requirements for robust DFS markets

A number of the interventions recommended in the 2016 MAP diagnostic report and roadmap, the NFIS 2016–2020 and in this MAP refresh consider progress in markets for DFS. In this regard, it is worth pausing at this stage to consider the range of building blocks necessary to develop a robust DFS market. Overall these fall into three categories: digital infrastructure; a dynamic and competitive market; and products and services that drive uptake.

### *Digital infrastructure*

Competition in DFS requires suitable infrastructure to encourage provision. This includes ICT connectivity and coverage, a robust payments backbone with a combination of suitable agent networks and a strong payments architecture, and systems that allow for efficient KYC and onboarding.[3] The latter implies, at minimum, a national ID system, but can also include simplified means of ascertaining proof of address.

### *A dynamic and competitive market*

A competitive market enhances innovation, and price competition can be a driver of efficiencies enhancing affordability. There are two key forms of competition:

- Intra-platform competition: Competition between mobile operators for mobile money services and between banks for e-money services plays an important role in enhancing competition within that channel. In instances in which there is existing market power or concentration, features such as interoperability and controls on exclusivity arrangements (for agents or merchants) need to be monitored and in some instances regulated. Where there is vertical integration that changes the incentives for access to an input (e.g. where a dominant mobile operator charges competitors for access to USSD – the Unstructured Supplementary Service Data protocol – and competes downstream on mobile money), this might also need to be regulated in the interests of stimulating competition.
- Inter-platform competition: Competition between types of services such as between digital banking services (e.g. e-wallets), mobile money services and fintech services is also important to minimise market power and stimulate innovation and price reductions. In order to maximise this, interoperability across platforms (such as through switches) and careful regulation to ensure a level playing field across products (e.g. having similar risk-rated regulation for banks and telcos) are important.

*An important achievement in the past years is bank-to-mobile wallet and mobile wallet-to-bank interoperability, enabled by national switch Zimswitch.*

### *Products and services that drive uptake*

In order to have a high uptake, the products provided need to be suitable for the market in terms of affordability and providing for particular needs and gaps in the market. In addition, partnerships that assist in rolling out the offering, such as the subsidised payment of grants through digital services, are supportive of increasing access and introducing people to the digital ecosystem.

Country in reasonable position with regard to DFS. Based on these preconditions, Zimbabwe is in a reasonable position with respect to the provision of DFS, although there is room for further growth and pro-competitive regulations.

## Bank-to-mobile wallet interoperability achieved

An important achievement in the past years is bank-to-mobile wallet and mobile wallet-to-bank interoperability, enabled by national switch Zimswitch.[4] This builds on a range of achievements over time, and links to building robust infrastructures and supporting competition, which are important preconditions for the development of markets for DFS.[5] For instance, Zimswitch has introduced new payment streams: V-payments (online shopping) and ZIPIT (real-time clearing), as well as linking settlements into the real-time gross settlement (RTGS) system and widening out regionally to link local banks into SADC.[6] To date, Zimswitch has a membership of 24 participants, which includes banks, mobile network operators (MNOs) and third-party payment service providers (TPPSPs).[7]

Low transaction limits impractical in high-inflation context. However, the success of at least the ZIPIT real-time clearing service has not reached its full potential due to the low transaction limits, which impedes its use, particularly in a high-inflation environment.[8] Transaction limits need to be reconsidered in this respect.

RTGS system (ZIPIT) has limitations. Furthermore, the RTGS system is very expensive, and costs 1% of the transaction, with a minimum of ZWL350 and a maximum of ZWL750.[9] The RTGS system also does not process transactions on weekends, holidays or after 12pm.[10] These charges and delays need to be reconsidered, or the transaction limit on ZIPIT transfers needs to be increased, or both.

Improved interoperability since September 2020. OneMoney (NetOne), Ecocash (Econet) and Telecash (Telecel) connect to banks via Zimswitch.[11] While OneMoney and Telecash have interoperated with banks for some time via Zimswitch, Ecocash was added in September 2020, having only recently been required to interconnect with Zimswitch.[12] This enables not only bank–Ecocash interoperability but also interoperability between Ecocash, OneMoney and Telecash. Regulations to that effect were gazetted, in respect of the money transmission, mobile banking and mobile money interoperability regulations.[13]

Possible opportunity to expand payments functionality. There may be an opportunity nonetheless to expand the transactional types that are allowed through these payment streams, and improve the infrastructure in this regard.[14]

Interchange fees very high in some cases. The cost of bank-to-bank digital wallet transactions is approximately 1% of the value of transactions, which is very high compared to the Zimswitch interchange rate of approximately 0.2%; yet charges for bank-to-mobile money wallet transactions are significantly higher, at 2.5%. The implication is that Ecocash charges significantly more for bank-to-mobile wallet interchange than the rate for ZIPIT transactions.

There might be an opportunity for bank-to-wallet wholesale fees (and thus hopefully retail prices) to decline.

Need for interrogation of rationale for interchange fees in Zimbabwe payments system. While interchange flowing towards recipient accounts is common in SADC countries, used in order to keep deposits and receipts free to the recipient (i.e. the wallet owner), the quantum needs to be carefully considered: given the very limited extent to which cash is used in Zimbabwe, and therefore the limited use of expensive cash-in and cash-out, it is particularly unclear what the rationale is for charging high levels of interchange to mobile wallets.

Recommendation to investigate fairness of interoperability rules and interchange rates. The RBZ and the Competition and Tariff Commission (CTC) could consider cooperating to ensure that rules of access to interoperability arrangements, and interchange rates, are not exclusionary or exploitative of consumers.

## Data and digital: credit registry, collateral registry, fintech

A success that is worthy of note is the introduction and increased use of the credit registry system in Zimbabwe. This is another important factor facilitating the development of markets for DFS (see also Section 3.1.3).

Credit registry successful. Credit registry enquiries have grown since June 2017, cumulatively: from 13,011 enquiries to 700,662 in December 2019.[15] In total there are 1.2 million records in the credit registry (494,200 active loan accounts).[16] The RBZ is currently in the process of onboarding MFIs, while MNOs and utility service providers will be onboarded in the next phase.

Banks do not share customer data with private credit bureaus despite encouragement to do so. Banks are permitted to conduct background and related checks through private bureaus in order to increase the quality of their decision-making process. It is not clear, therefore, why banks do not share information with private credit bureaus/registries, despite this being encouraged by the RBZ.[17] In principle, a market in which there are competing credit registries is desirable, and banks and other institutions should be required to share positive and negative repayment information with all credit registries. The RBZ has prepared draft credit-reporting regulations, and these will be issued in due course.

Development of collateral registry should boost financial inclusion. A collateral registry for movable assets is currently being developed, with support from the World Bank. This initiative is an important intervention in expanding access to financial services.[18]

National Fintech Strategy implementation should grow market for DFS. In 2019, the RBZ established a National Fintech Steering Committee (NFSC) and Interagency Fintech Working Group (IFWG).[19] The NFSC has been mandated to develop the National FinTech Strategy. Among the aims of this initiative are to develop centralised e-KYC, assess the regulatory frameworks needed to support fintech, support the expansion of digital payments, and consider means by which e-services might be delivered, including in respect of record management, for example. These interventions will all support the development of markets for DFS (see also Section 3.1.3). This area of work should be supported overall, and may be an important means for implementing the country's financial inclusion strategy over the coming years.

Regulator likely permitting cryptocurrency developments. One area of interest in this regard is the development of cryptocurrencies in Zimbabwe. Despite recent failures in this regard,[20] the RBZ has shown some signs of allowing cryptocurrencies to be developed, as part of a regulatory sandbox approach.[21] Digital currencies in general may be worth studying in Zimbabwe in the coming years.[22] The current development of legislation on cyber security and data protection also needs to be considered in the context of markets for DFS.[23]

*Digital currencies in general may be worth studying in Zimbabwe in the coming years. The current development of legislation on cyber security and data protection also needs to be considered in the context of markets for DFS.*

## Consumer protection and education

Effective consumer protection boosts financial inclusion. Expanded policy and regulatory focus on financial consumer protection was introduced in the past years in various segments of financial services.[24] Rapid financial market developments and innovation can increase risk (e.g. fraud, abuse and misconduct) for consumers: FSPs are regulated and supervised, and the regulator needs to ensure compliance. Specifically, low-income and comparatively inexperienced consumers are at a higher risk when facing particular challenges in the marketplace.[25] The presence of a comprehensive financial consumer protection framework is essential to increasing access to and usage of quality financial services.[26] The RBZ accordingly updated its consumer protection legal framework to ensure that customers are informed and protected when accessing financial services.[27]

The Consumer Protection Framework sets out minimum regulatory standards for consumer protection expected in terms of the Banking Act and ensures that consumer rights are protected, by setting out minimum standards for regulated entities, ensuring that consumer redress is fair, accessible and inexpensive, and putting in place fair and equitable business practices (to protect consumers and regulated entities alike).[28]

Consumer education and awareness bulletins or articles set out the responsibilities of FSPs when offering or providing a financial service, as well as providing information on interest rates and a complaints-resolution process.[29] According to an RBZ report,[30] there are two key financial inclusion initiatives that involve consumer protection and education:

### *Financial literacy*

The financial sector regulators are involved in various financial literacy programmes to educate the public, and these include workshops, and TV and radio programmes. In addition, various workshops have been held to capacitate financial institutions and other key stakeholders. Stakeholders are also developing a Financial Literacy Framework to facilitate structured roll-out of financial literacy programmes by the various NFIS implementing stakeholders.

### *Financial Consumer Protection Framework*

'The Reserve Bank issued the Consumer Protection Framework in 2017 to protect consumer rights through effective redress mechanisms, fair and equitable treatment, and increased transparency in provision of financial services.'

In other words, progress in the development of consumer protection and education frameworks in the past years has been considerable.

# 3.2 Analysis of financial sector, and findings

## Banking services

Markets for banking services are relatively unconcentrated in Zimbabwe: in December 2019, there were 13 commercial banks, 5 building societies and 1 savings bank.

In 2019, the largest five banks accounted for 58% of total assets (2016: 59%), 62% of deposits (2016: 61%) and 66% of loans and advances (2016: 58%). Market shares of the largest banks have, therefore, increased over time in respect of loans and advances but remained similar in respect of deposits and total assets.

Mobile money in value terms has grown – but so have low-cost bank accounts. The substantial increase in mobile money usage over the past years in value terms is the main shift since the preparation of the 2016 MAP and NFIS reports. However, it is important to also note the significant growth in traditional bank point-of-sale transactions (POS) over this period (see Figure 13). This is in line with growth in the number of debit cards in Zimbabwe, of which there were 5.6 million by Q4 2019 (see Figure 14) – not very far behind the number of mobile money users (7.7 million in Q1 2020). This is likely at least in part due to the fact that banks have developed incentives to attract the unbanked using low-cost or 'no-frills' accounts, most of which require only a national ID to open an account. As a result, the number of low-cost accounts for economically disadvantaged savers increased from 3 million (in 2017) to 4.7 million (in December 2018).[31]

Increased uptake of debit cards and reliance on POS devices bolstering bank position. While mobile money services are undoubtedly the main means of transacting in Zimbabwe, uptake of traditional payment cards and use of traditional POS devices has also grown significantly. With these gains, combined with innovations such as branchless banking, the banks may increasingly be able to compete with mobile money providers.

*While mobile money services are undoubtedly the main means of transacting in Zimbabwe, uptake of traditional payment cards and use of traditional POS devices has also grown significantly.*

Lack of universal ID is a limiting factor. An important limitation in respect of the uptake of formal financial services, including banking services, is the lack of universal penetration of the national ID in Zimbabwe: 16% of people aged 15 and older in Zimbabwe did not have a national ID in 2018 (1.6 million people – 17% of women had no ID, compared to 15% of men).[32]

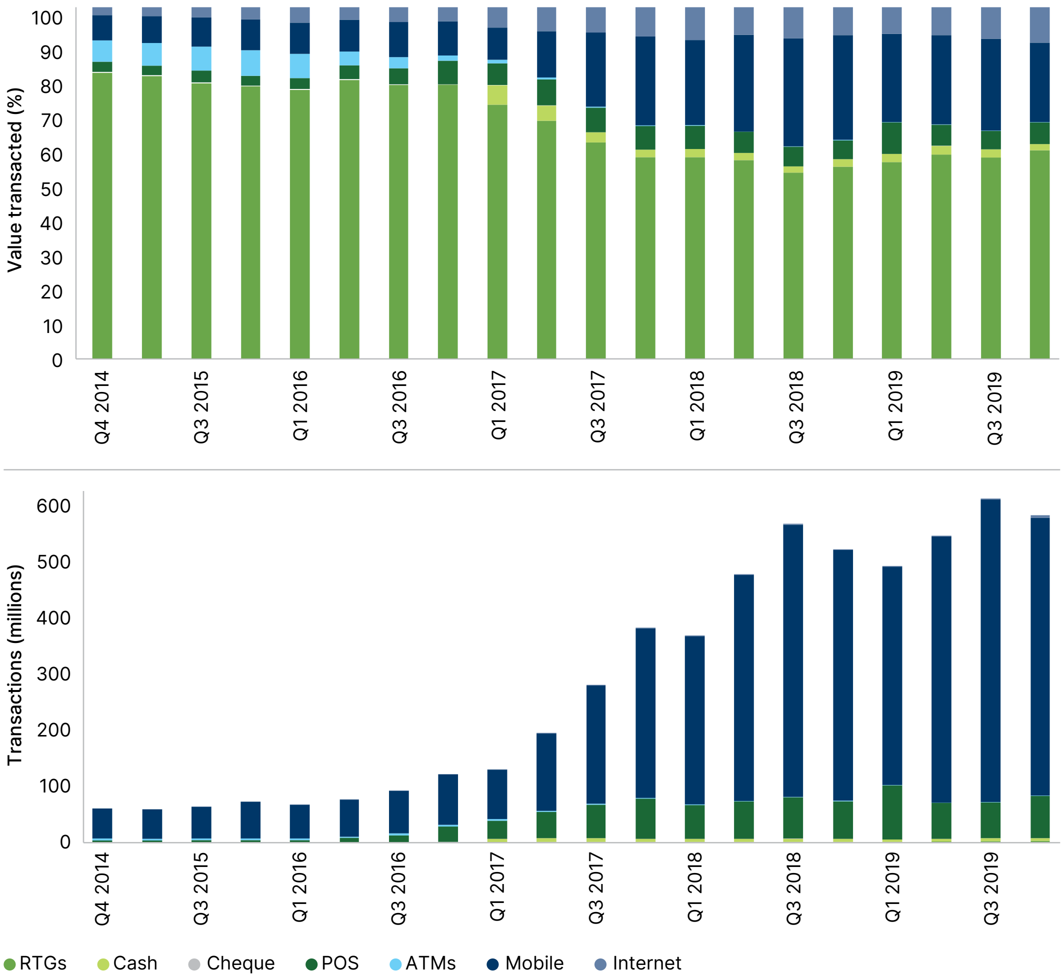


**Figure 13:** Payment values (top panel) and volumes (bottom panel) (2014–2019)

A number of submissions to this MAP refresh also noted that banks are currently unable to remotely verify identities with the national ID registry (though there is a manual process in place to achieve this).

Lack of digital access to important records. A further submission to this MAP refresh indicated that lack of digital access to other records, such as court records and police records, limits access to formal financial services.[33]

Linking banks and DFS providers to the national ID registry and to other records will go a long way towards improving the expansion of financial services, and will also assist banks and DFS providers to help move Zimbabwe off the FATF grey list.

Enforcement of stringent AML and CFT rules is onerous. Finally, on this aspect, one stakeholder submitted that the RBZ Guidelines on Anti-Money Laundering and Combatting the Financing of Terrorism for Financial Institutions and Non-Financial Businesses and Professions (Guidelines) may need to be revised to follow a more risk-based rather than rules-based approach.[34] In particular, the proof of income requirement is onerous.

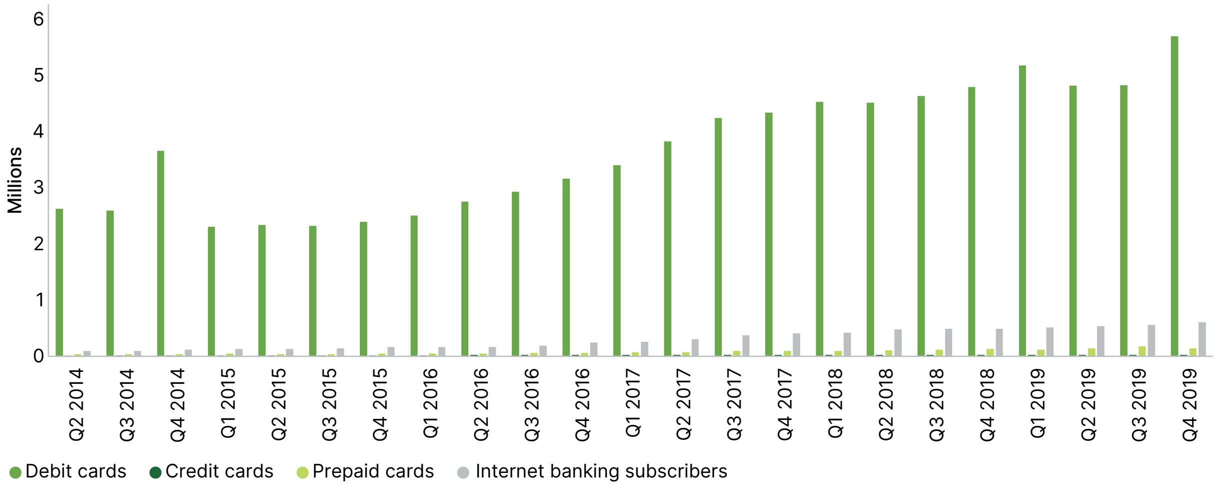


**Figure 14:** Debit, credit & prepaid cards, and Internet banking subscribers (2014–2019)

Source: Reserve Bank of Zimbabwe, National payments systems quarterly reports.

Lack of bank sharing of customer information is limiting access to financial services. Finally, it would be useful for the RBZ to study open access to application programming interfaces (APIs) at banks and DFS providers.[35] At least one submission to this MAP refresh noted that the lack of access to customer information inhibits competition for customers, including consumers and MSMEs.[36] Sharing information between banks is currently slow as direct links are not available.[37] Another submission noted the lack of information on small DFS provider loans.[38] A further submission suggested developing a unique identifier for clients so that banks can be in a better position to share information on clients.[39] Another stakeholder suggested where credit information, in particular is shared, this ensures that SMEs are not over-committed.[40]

IMTT limiting expansion of financial services. A further obstacle to financial inclusion is that an intermediate monetary transaction tax (IMTT) of 2% on all transfers was introduced in 2018, which limits the expansion of financial services, including banking and mobile money services.

According to submissions to this MAP refresh, the IMTT has had a negative impact on transaction volumes.[41] One stakeholder reported a preference among customers to use cash to settle transactions to avoid IMTT, and a reduction in formal transactions.[42] Another reported a 9% reduction in transaction volumes processed after the IMTT was introduced.[43]

Recommendation to consider reversing IMTT altogether – or exempting low-value transactions. The IMTT provides 12% of government tax revenues (almost as much as income taxes do in Zimbabwe).[44] This suggests it would be very difficult to reverse this tax without additional sources of government revenue; however this, along with the option of exempting low-value transactions from the tax, should be considered.

Credibility of agency/branchless banking needs rebuilding, system needs expanding. It is also important to study the potential impact of expanding agency-based banking. According to submissions to this MAP refresh study, there are banks that are in the process of expanding their agent networks. However, given the problems recently identified by the RBZ with mobile money agents (see also Section 3.2.2), there are concerns about the sustainability of agents (including bank agents) overall in Zimbabwe.

Stakeholders also complained about slow approval processes for agents. At least one stakeholder suggested allowing financial institutions to vet their own agents.[45] This is testament to the delays in product and branch approval processes, which are currently characterised by onerous document requirements.[46] As discussed in more detail below, trust in the agency or branchless banking system needs to be rebuilt, and means of reintroducing or expanding agency-based banking needs to be considered.

The interventions detailed above would not only assist with features such as credit scoring but would also assist financial institutions to comply with KYC requirements, in turn aiding Zimbabwe's removal from the FATF grey list.

## Mobile money services

There are two main mobile money providers in Zimbabwe:

### *Ecocash (available on the Econet network)*

Customer market share of 92% in Q1 202047 (more than its voice market share of 82% – see also Section 2.9.1). Measured in terms of volumes of transactions, Ecocash had a 98% share in Q1 2020, and a 96% share of transaction values.

### *OneMoney (available from NetOne)*

Customer market share of 6.4% in Q1 2020.[48] Q1 2020 was in fact a success for OneMoney, whose share increased to 4% (from 1% in the previous period), due to the zero-rating of mobile money transactions.

*The two main mobile money providers in Zimbabwe are Ecocash and OneMoney. While the third MNO, Telecel, also offers mobile money (Telecash), uptake is very small.*

While the third MNO, Telecel, also offers mobile money (Telecash), uptake is very small (less than 1% of mobile money users in Q1 2020).

Mobile money penetration likely very high. Mobile money uptake has increased significantly over time: from 3.2 million 90-day active users in Q1 2016, to 7.7 million active users in Q1 2020. Ecocash alone had almost 7.1 million active users. While it may be that individuals have more than one mobile money subscription with the same service provider (Econet in this case), there are 8.1 million people aged 15 years and older in Zimbabwe, and so mobile money penetration is likely very high.

Almost all households have access to a mobile phone. At the same time, in the 2019 Multiple Indicator Cluster Survey, only 72% of women and 73% of men aged 15–49 *owned* a mobile phone, which provides a reasonable ceiling for estimates of mobile money penetration at the level of the individual (household penetration

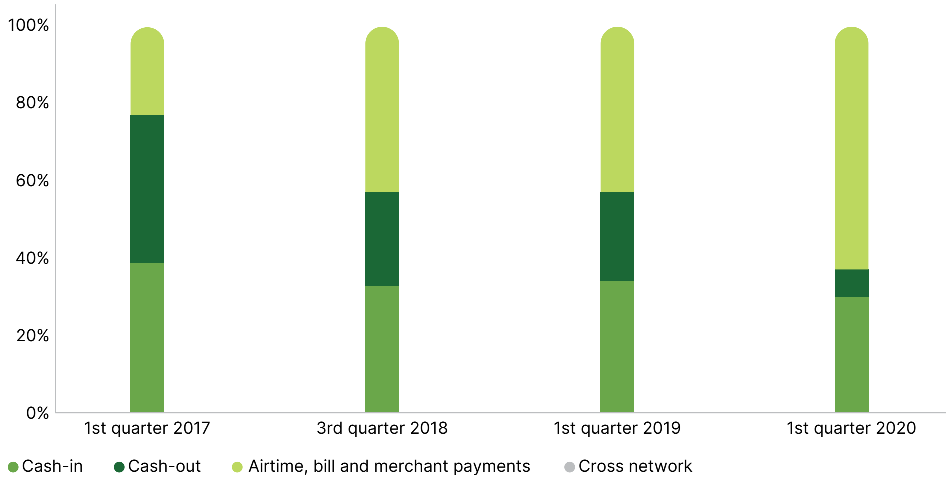


**Figure 15:** Growing share of airtime, bill and merchant payments as % of mobile money value transacted (2017–2020)

Source: Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz), Postal & telecommunications sector performance reports (quarterly).

may be up to 90%, given that almost 90% of households have at least one member that has a mobile phone – see also Section 2.9).

Mobile money usage has increased over time. Usage peaked at 575 million transactions in Q3 2019, increasing from 292 million in Q1 2018 (data on number of transactions is not available in prior periods), though usage has fallen more recently to 470 million transactions in Q1 2020.

Mobile money widely accepted for payment purposes. An especially important feature of mobile money usage in Zimbabwe is the very significant growth in usage for airtime, bill and merchant payments compared to cash-in and cash-out (see Figure 15). This means that digital means of payment for goods and services are widely used in Zimbabwe, having grown from 23% of the value of transactions in Q1 2016 to 63% in 2020.

Being interest-earning, mobile money makes sense to use – including for saving. Also important to note are the regulations that were passed to the effect of paying interest on mobile money: SI 65A of 2020, Banking (Savings Interest Rates) Regulations. These regulations are intended to encourage mobile money usage while strengthening a saving culture among the financially included.

Despite these successes, more recently the RBZ has documented the following:[49]

The forensic audit to assess the integrity, compliance and efficacy of mobile money platforms and transactions in Zimbabwe has revealed significant weaknesses in the systems of the mobile payment operators, namely Ecocash, OneMoney, Telecash and Mycash.

The critical weaknesses that cut across the four mobile payment platforms are:

i. Non-adherence to KYC principles, characterised by, among other issues, creation of mobile money accounts using fictitious and unverified identification particulars;
ii. Creation of money on the platforms (overdrafts and fraudulent/fictitious credits) which is not backed by balances in the Mobile Money Trust Accounts;
iii. System infrastructure inadequacies and weak Anti Money Laundering controls;
iv. Failure to comply with, including wilful disregard for, regulatory directives;
v. Connivance between mobile money operator employees and customers to delay or illegally bypass account freeze orders;
vi. Failure to deduct or remit statutory taxes; and
vii. Rampant abuse of agent, super-agent and bulk payment wallets for purposes of trading on the foreign exchange parallel market.

Traditional mobile money model effectively curtailed since June 2020. All mobile money agent and bulk-payer wallets were suspended on 27 June 2020 and were abolished on 21 August 2020. Receipts into merchant wallets must be liquidated to bank accounts. Bulk payment wallets will only be allowed for limited, humanitarian disbursements, and all salary and wage payments must now be made from bank accounts. Individuals will be limited to transaction amounts of ZWL5,000 per day. This means that the traditional mobile money model has been curtailed in Zimbabwe.

*Individuals will be limited to transaction amounts of ZWL5,000 per day. This means that the traditional mobile money model has been curtailed in Zimbabwe.*

Low-cost agent model crucial for mobile money given rural concentration of customers. In addition, it is not clear what role agents overall, including bank agents, will play in future. This needs to be studied further in Zimbabwe, given that branchless banking and DFS rely on low-cost models to reach low-income consumers, and agents have played an important role in this area. The importance of preserving the low-cost agent model is clear by considering the distribution of bank and mobile money customers in Zimbabwe between rural and urban areas (see Figure 16). While bank customers are concentrated in the cities of Bulawayo and Harare and in the Midlands province (where mining activity is concentrated), mobile money customers, in addition to being far more numerous and growing at a much faster rate, are more evenly distributed, including across Manicaland, Masvingo and Mashonaland West. Note that the Matabeleland North and Matabeleland South provinces have the lowest populations among all the provinces, and have relatively lower population densities, which explains the lower numbers of customers in the western part of Zimbabwe.

Credibility of agency-based DFS needs rebuilding. It is also important to study the impact of permitting merchant accounts and salary payments. In general, trust needs to be rebuilt where agent-based DFS or branchless banking is concerned.

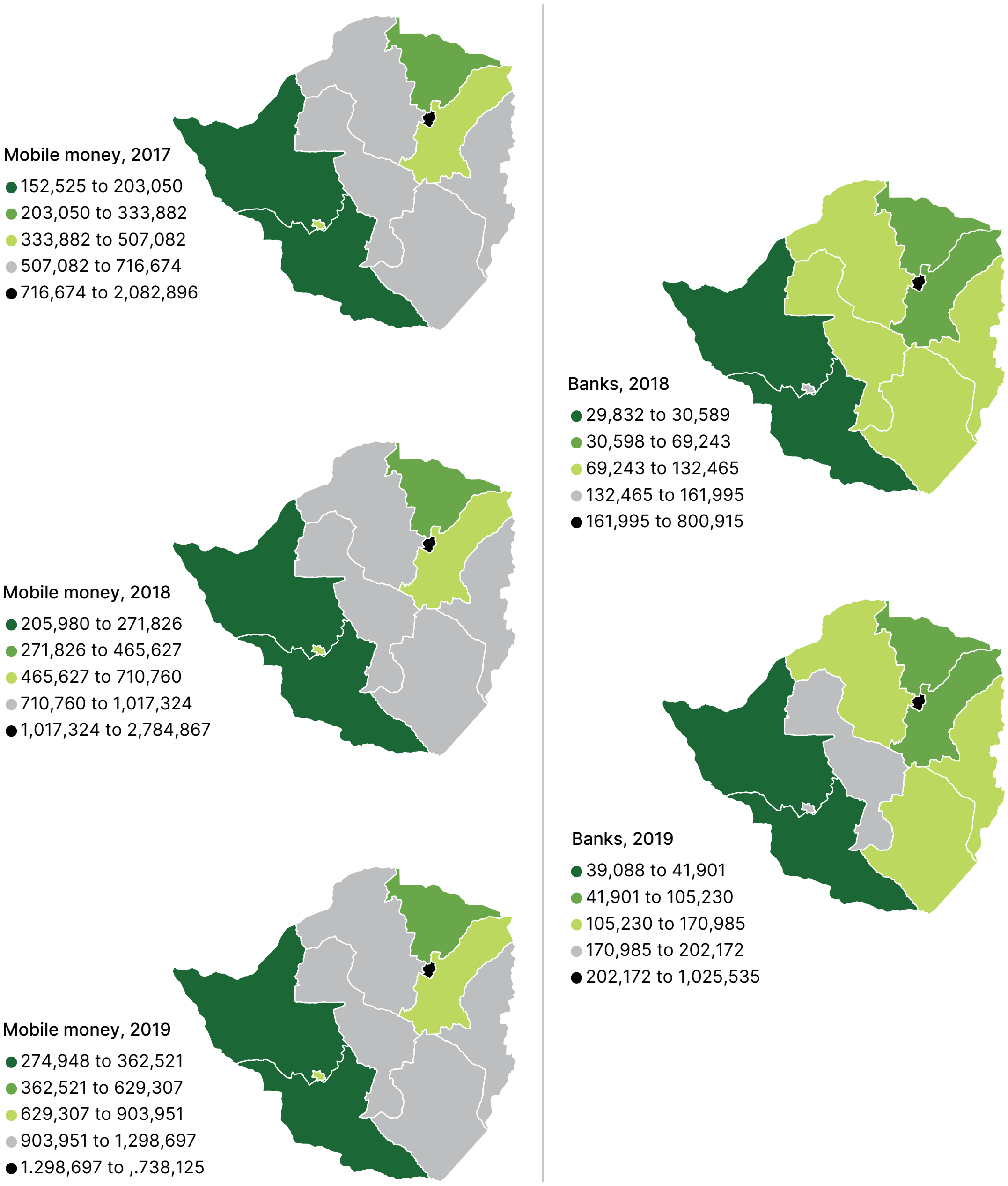


**Figure 16:** Mobile money customers (2017–2019) vs bank customers (2018–2019)

Source: Authors' analysis of stakeholder submissions.

Certain regulations handicap mobile money providers. There are also important limitations on mobile money providers in Zimbabwe compared to other countries, including that agents must be authorised, that the KYC requirements are not less strict for mobile money than they are for traditional bank accounts and that documents beyond government-issued identification are not permitted, despite the fact that government-issued IDs have limited penetration (as mentioned above in respect of banking services).[50]

A further limitation for customers and providers alike is that there is no deposit insurance on mobile money accounts (though there is via the trust accounts that mobile money providers hold). All of these features need to be reconsidered in the coming years.

To be monitored: is interoperability working in favour of consumers? A further consideration in respect of mobile money services in Zimbabwe is that wallet-to-wallet interoperability has only recently been implemented (since October 2020). It will be important in the coming years to assess the impact of this and to ensure that interoperability is working in favour of consumers.

In this regard, the RBZ and the Competition and Tariff Commission (CTC) could consider cooperating to ensure that rules of access to interoperability arrangements, and interchange rates, are not exclusionary or exploitative of consumers. This is especially important given that bank-to-wallet transactions cost approximately 2.5% of the value of transactions, significantly more than bank-to-bank transfers via ZIPIT, which have a very low interchange fee of 0.2%. This implies that there is either a very high interchange rate charged by mobile money providers or a very high mark-up by banks.

Cash shortages disadvantaging customers. An additional concern in relation to charges is that, according to at least one submission to the MAP refresh, the shortage of cash has meant that some agents overcharge customers wanting to process cash transactions.[51] The shortage of cash was also highlighted as a problem in respect of formal remittances (see also Section 3.2.3), and is an important issue for the RBZ to address.

Lack of information sharing and lack of use of customer data limits financial inclusion. Finally, it is important for the RBZ to study open APIs to banking information for DFS providers, including mobile money operators (and vice versa). At least one submission to this MAP refresh indicated that the lack of information sharing between DFS providers and banks is an impediment to financial inclusion.[52]

Another submission to the MAP refresh highlighted the importance of the use of big data to improve credit scoring.[53]

## Cross-border remittances

Cross-border remittances play a critical role in Zimbabwe economy. The World Bank estimates that remittances equivalent to 8% of GDP were sent to Zimbabwe in 2019,[54] and the FinMark Trust estimates there are approximately 1.7 million Zimbabwean migrants working in other countries, three-quarters of whom remit funds to Zimbabwe.[55]

In terms of remittances sent from South Africa to SADC countries, Zimbabwe is the largest recipient of formal remittances from South Africa:[56] an estimated 60% of remittances to Zimbabwe come from South Africa.[57]

Shift towards informal in SA–Zimbabwe remittances. Despite these high volumes, formal remittances in this corridor declined from 43% of the total in 2016, to 38% in 2020 according to the RBZ. The Finmark Trust reports a decline of 32% in formal remittances between 2016 and 2018. On either estimate, there is a significant shift towards informal remittances (estimated at 68% by the FinMark Trust in 2018), as well as continued foreign exchange market challenges.[58]

*In terms of remittances sent from South Africa to SADC countries, Zimbabwe is the largest recipient of formal remittances from South Africa.*

> *In terms of charges, the UN SDG for remittance pricing is set out in target 10.c, as follows: By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.*

Transaction costs high (though usually lower than SADC average). In 2020, the average price for a US$55 remittance transaction to Zimbabwe was 10.4%, while for a transaction size of US$200, the average price was 7.7%.[59] This means that charges for remittances to Zimbabwe are significantly higher than the targets in the SDG. Furthermore, the average costs of low-value cross-border remittance amounts (US$200) to Zimbabwe have declined only slowly over time (see Figure 17, panel 1). While the Zimbabwe average was lower in almost all years than the SADC average (see Figure 17, panel 1), increased competition ought to have resulted in even lower prices.

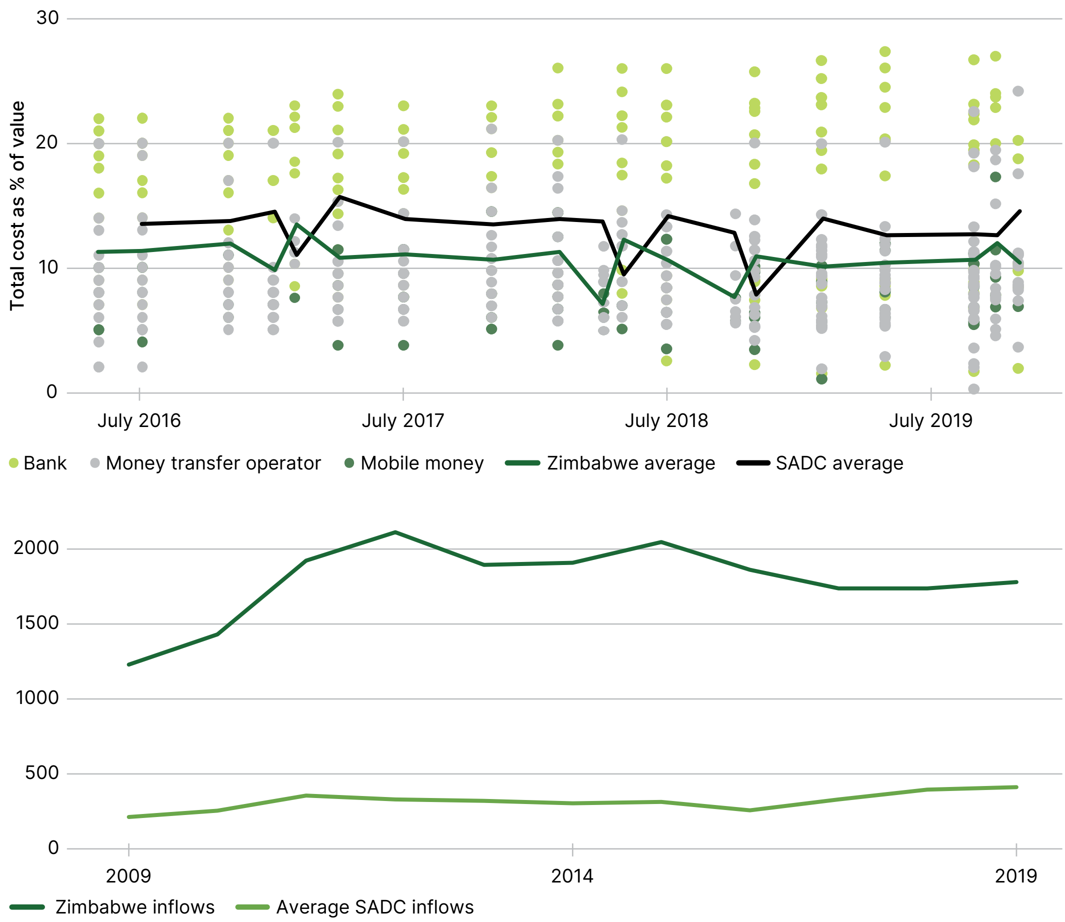


**Figure 17:** Remittances prices and value in Zimbabwe (World Bank) (2016–2019)

Sources: The World Bank, Remittance Prices Worldwide (available at http://remittanceprices.worldbank.org), and World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks.

The total value of formal remittances in Zimbabwe has also been growing relatively slowly compared to the growth in other SADC countries (see Figure 17, panel 2), and declined significantly from South Africa, as mentioned above.

There are some indications that this trend may be reversing, with the RBZ estimating that formal remittances increased by 48% between January and October 2020, compared to the same period in the previous year.

Recommendation to investigate high costs and onerous requirements of remittances via bank. At least one submission to this MAP refresh indicated that not only are the costs high for remittance transactions via banks (1% of the value of the transaction, with a minimum of US$500 and a maximum of US$3,000) but bank documentation requirements are onerous: physical documents must be produced in banking halls to transact.[60]

A number of contributing factors. There might be (i) regulatory barriers to entry for remittances providers though these may be limited,[61] (ii) competition problems such as collusion in respect of interchange rates or exclusion through payments system rules, for example, (iii) higher costs as a direct result of Zimbabwe being on the FATF grey list and thus under increased monitoring[62] and (iv) erosion of trust in formal remittance channels due to the lack of available cash in Zimbabwe to be able to use the funds remitted. For instance, one participant in a FinMark Trust study on remittances from Botswana to Zimbabwe in 2018 said that:[63]

> *The problem with sending via banks to Zimbabwe is that the cash shortages in the country will frustrate your relatives' efforts to withdraw the money. Now we see the same thing sometimes happening to Western Union recipients when cash is not readily available. (Lobatse Suburb 1 Group)*

*There may be opportunities to improve cross-border remittances by studying exchange control regulations in South Africa, which are similar to those in Zimbabwe.*

Crucial to address the cash shortage challenge. Resolving the problem of access to cash, including foreign exchange, in Zimbabwe is crucial. There may be opportunities to improve cross-border remittances by studying exchange control regulations in South Africa, which are similar to those in Zimbabwe.[64]

Urgent need to support initiatives to move Zimbabwe off the FATF grey list. Support for the RBZ may be needed to address problems with the administration of cross-border payments from South Africa to Zimbabwe, particularly with regard to Zimbabwe being on the FATF grey list: there is a requirement, for example, for sanctions screening of customers (for financial crimes), and the requirements are onerous, particularly for low-income consumers.[65] It is not permitted to use low-income minimum-KYC accounts for cross-border payments.

Current initiatives to move Zimbabwe off the grey list, including by the RBZ Financial Intelligence Unit to train non-banking financial institutions on risk-based (rather than rule-based) approaches to AML, need to be urgently supported.

Lack of real-time clearing for remittances is limiting financial inclusion. According to a submission to this MAP refresh, the fact that SWIFT transfers are not instant is also an impediment to financial inclusion.[66] One submission to this MAP refresh indicated that 'telegraphic transfers' take up to three days to process.[67] This needs to be addressed. At the same time, it is important to note that most remittance service provider (RSP) platforms allow for instantaneous transactions, and RSPs often pre-fund remittances to facilitate this.

Further interoperability might be needed between RSPs and MNOs. Money transfer agencies (MTAs) are not connected extensively to mobile money providers, and so customers must often collect cash from a bank branch, which is onerous. At the same time, it should be noted that the RBZ permits mobile money providers to operate foreign currency e-wallets for receipt of remittances and allows partnering with international RSPs to receive remittances into these wallets. According to the RBZ, one of the MNOs is using this arrangement with multiple international RSPs for cross-border remittances to receive into wallets, as well as providing cash in physical access points. Nonetheless, further interoperability between RSPs and MNO might need to be considered.

## MFIs

Significant growth in credit-only MFIs. The microfinance institution (MFI) industry has shown significant growth overall in Zimbabwe over the past years: there were 229 licenced credit-only MFIs in December 2019 – an increase from 151 in 2015.[68] Overall, MFIs served 454,428 customers in Zimbabwe in December 2019 – more than double the 202,242 clients in December 2015.

Number of deposit-taking MFIs almost doubled. The number of deposit-taking MFIs increased from 4 in 2015 to 7 in 2019.

An important development in the MFI sector is the establishment of microfinance banks targeting vulnerable groups, including the Zimbabwe Women's Microfinance Bank targeting women, and the Empower Bank, a deposit-taking MFI, 100% owned by the state and intended to serve the youth segment.[69] The RBZ should consider assessing the impact of this new entrant in the coming years.

Onboarding of MFIs to RBZ credit registry should increase access to financial services. As already mentioned, MFIs are currently being onboarded to the RBZ's credit registry, which will also help to facilitate their expansion in the coming years.

## Capital markets

In 2016, Zimbabwe's first alternative trading platform (ATP) was established as the Financial Securities Exchange (FINSEC).[70] FINSEC was introduced to provide a fully resourced securities market for financial instruments that were not listed, were inadmissible, or simply did not wish to be listed on the Zimbabwe Stock Exchange.[71] According to an RBZ report, FINSEC facilitates the electronic trading of a wide variety of securities, thereby helping to formalise marginalised market segments, and brings all alternative trading activities onto a single, centralised and organised marketplace offering fully automated end-to-end securities trading.[72]

C-Trade offering trading automation from everyday digital devices. In 2018, C-TRADE was launched.[73] This is an end-to-end technological innovation developed to operate the full automation of trading, and the settlement of securities, through the use of everyday mobile and Internet-connected devices.[74] Retail investors may transfer funds to mobile wallets and cash-out. The launch of C-TRADE was based on the following principles: to empower society as a whole (with special focus on low-income and disadvantaged segments that lack access to affordable financial services); to extend capital market participation to all appropriate investors (including retail and the diaspora); to inculcate a savings culture and, with time, have the savings channelled into investments in the capital market; and to solidify the role of capital markets in a growing economy.

Constraints on capital markets undermining investor confidence. Recently, collective investment schemes have been introduced into the capital markets framework in Zimbabwe, permitting real estate investment trusts (REITs), exchange traded funds (ETFs) and venture capital funds.[75] However, these are not yet being traded on markets in Zimbabwe. The ZSE has also not managed to obtain approval for the Zimbabwe Emerging Enterprise Market and so has been unable to launch it, despite having submitted an application in 2015.[76] A further constraint undermining confidence in capital markets was the switch to the US$ in 2009, which led to significant losses for investors, and the switch in 2019 from US$ to local currency, further reducing confidence.[77] Zimbabwe's recent shift to floating exchange rates (the IMF recategorised Zimbabwe to 'free floating' in a report published in February 2020)[78] might help to stabilise these effects.

*A further constraint undermining confidence in capital markets was the switch to the US$ in 2009, which led to significant losses for investors.*

Changes to commodity exchanges could support economic growth and financial inclusion. There is a significant opportunity to further develop capital markets in the coming years in relation to commodity exchanges (supported in the TSP and NDS1), in a way that can significantly help to develop the economy and support financial inclusion. There are currently discussions under way in this regard.[79] This will entail the following:[80]

- Removal of controls on the buying and selling of grains.
- Removal of controls on the buying and selling of gold.
- Investment in storage and transportation infrastructure.
- Supportive legislation being enacted.

See also Sections 4.2 and 4.3 for further details.

## Development finance institutions

There are two development finance institutions (DFIs) in Zimbabwe: the Infrastructure Development Bank of Zimbabwe (IDBZ) and the Small and Medium Enterprises Development Corporation (SMEDCO). SMEDCO is wholly owned by the Government of Zimbabwe. The IDBZ is partially owned by the Government of Zimbabwe, with local institutional investors and foreign DFIs having a small minority.[81]

Recommendation for discussions on expanding SMEDCO role in SME formalisation. While the IDBZ may play only a limited role in financial inclusion, SMEDCO could play a more important role: an important aspect of SMEDCO's activities is capacity building for small businesses. There needs to be a discussion on potentially expanding SMEDCO's role (and potentially that of the banks) in the formalisation of businesses in Zimbabwe.

IDBZ role, funding – particularly for power infrastructure – might merit reconsideration. It might be worth reconsidering the role of IDBZ, particularly as far as the power sector is concerned. Currently, there are a number of traditional, large-scale coal energy projects planned in Zimbabwe, for example, and it might be worth considering redirecting these funds to smaller-scale micro-grid suppliers and pay-as-you-go solar providers (see also Section 2.9).

## Insurance and pensions

Insurance and pension providers in Zimbabwe are regulated by the Insurance and Pensions Commission (IPEC).

*There are several categories of insurance providers, including:*

| | |
|---|---|
| LIFE INSURANCE | *2019: 12 entities \| 2016: 11 entities* |
| FUNERAL INSURANCE | *2019: 8 entities \| 2016: 9 entities* |
| SHORT-TERM INSURANCE | *2019: 18 entities \| 2016: 20 entities* |
| COMPOSITE INSURANCE | *2019: 2 entities* |
| MICROINSURERS | *2019: 1 entity* |

In 2019, there were also three non-life reinsurers in 2019 (with five composite reinsurers), compared to eight non-life reinsurers in 2016 (and no composite non-life reinsurers).

In respect of insurance sales: in 2019, there were 32 insurance brokers (the same number as in 2016), 7 reinsurance brokers (2016: 6), and 2,150 insurance agents.

Markets for short-term (non-life) insurance relatively unconcentrated. No licensee had a share of more than 20% of gross written premiums in Q1 2020 (Zimant Lion: 18.7%; Old Mutual: 17.3%; and Nicoz Diamond: 14.8%). This situation was similar in Q1 2016, when the largest short-term insurers had market shares of less than 18%.

However, markets for life insurance highly concentrated. Two providers have a combined market share of almost 70% measured by gross written premiums in Q1 2020: Old Mutual Life at 33%, and Nyaradzo Life at 35%. Measured by assets, Old Mutual Life had a market share of 76%.

Econet Life is the third-largest insurer measured by gross written premiums (8.35%).

Recommendation that IPEC consider supporting increased competition. The high levels of concentration have improved somewhat over time, in that Old Mutual had a share of 49% of gross written premiums in Q1 2016, while Nyaradzo had a share of only 22%. There may be means of ensuring that challenger providers, such as Econet Life, are able to expand in the market in order to make it more competitive, which needs to be considered by IPEC.

According to submissions to this MAP refresh, there are at least five areas that need to be further developed in Zimbabwe, in order to support the development of the insurance sector:

*Support for Insurance Council:*
The well-resourced and well-functioning Insurance Council of Zimbabwe plays a critical role in the sector and needs to be supported. Initiatives such as the recently implemented claims database (the Insurance Claims Bureau, which helps prevent fraud) should be supported, including through more data collection initiatives that might benefit the real economy, such as on crop estimates, rainfall, land use etc. (see also Section 4.2).

*Support for microinsurance:*
Linked to (i), there is a need to support and facilitate the expansion of microinsurance, particularly to the agricultural sector through weather index insurance, and also for the MSME sector. This will require providing support for IPEC, the regulator, in developing the relevant regulatory framework and technical support to build capacity.

*Expansion of micro-pensions:*
There is also a need to explore the expansion of 'micro-pensions', particularly for social security purposes in the informal sector. Again, this will require providing support for IPEC.

*Improved agricultural insurance data and data collection:*
There is a need for better data and information to be collected for agricultural insurance (see also Section 4.2.3).

*More regular debit order collection:*
The payments system needs to be more accommodating of monthly (or more regular) debit order collections. Currently, the bulk of insurance premiums are collected on an annual basis, which creates problems from a collection perspective; monthly debit order collections would result in a more orderly system of collection of premiums.

## PART 3 NOTES

1 According to The Financial Inclusion Journey in Zimbabwe by the Reserve Bank of Zimbabwe.

2 According to The Financial Inclusion Journey in Zimbabwe by the Reserve Bank of Zimbabwe.

3 See building blocks described in the following: https://www.mckinsey.com/~/media/mckinsey/featured%20insights/Employment%20and%20Growth/How%20digital%20finance%20could%20boost%20growth%20in%20emerging%20economies/MGI-Digital-Finance-For-All-Executive-summary-September-2016.ashx

4 Zimswitch aids interoperability in facilitating economies of scale through shared infrastructure and convenience, both locally and across the region. In 2020, the Reserve Bank of Zimbabwe designated Zimswitch as the national switch. See: https://zimswitch.co.zw/history#1553611301867-0889cf8a-7478

5 Mckinsey (2016), cited above.

6 See: https://zimswitch.co.zw/products-services/services

7 See: https://zimswitch.co.zw/history

8 Stakeholder G.

9 Stakeholder G.

10 Stakeholder T.

11 Robb, G., Tausha, I. & Vilakazi, T. (2017). 9. Competition and regulation in Zimbabwe's emerging mobile payments markets. In Klaaren, J., Roberts, S. & Valodia, I. (eds). *Competition Law and Economic Regulation: Addressing Market Power in Southern African*. Johannesburg: Wits University Press.

12 See RBZ Monetary Policy Committee statement.

13 See: SI 80 2020.

14 Stakeholder V.

15 Reserve Bank of Zimbabwe 2019 Bank Supervision Annual Report.

16 Ministry of Finance and Economic Development. (2020). *The 2020 mid-term budget and economic review*.

17 Stakeholder Q.

18 Stakeholder M.

19 See: https://www.rbz.co.zw/index.php/research/fintech

20 The RBZ, for instance, was involved in a dispute with a cryptocurrency exchange called Golix in 2019 – see: https://www.techzim.co.zw/2019/10/did-golix-ever-process-customers-withdrawals/. More recently, a blockchain-based currency and payments mechanism called ZimboCash appears to be achieving some traction, though very recently it has experienced problems with verifying identities: https://www.zimbo.cash/2020/07/08/weve-hit-131k-subscribers-but-we-need-to-temporarily-stop-payments/

21 Tshuma, M, RBZ warms up to cryptocurrencies, Chronicle, 16 March 2020, available at: https://www.chronicle.co.zw/rbz-warms-up-to-cryptocurrencies/

22 China, for example, might be the first country to put a digital currency into limited use. See: https://www.economist.com/finance-and-economics/2020/04/23/china-aims-to-launch-the-worlds-first-official-digital-currency

23 Stakeholder V.

24 According to the *Consumer Protection Pamphlet*.

25 According to the *Consumer Protection Pamphlet*.

26 According to the *Consumer Protection Pamphlet*.

27 According to the *Consumer Protection Pamphlet*.

28 See: https://www.rbz.co.zw/index.php/public-awareness/85-consumer-protection-framework

29 See: https://www.rbz.co.zw/documents/consumer_protection/consumer-education-awareness-bulletin.pdf

30 According to *The Financial Inclusion Journey in Zimbabwe* by the Reserve Bank of Zimbabwe.

31 AFI (2019), cited above.

32 See World Bank, Identification for Development dataset, available at: https://datacatalog.worldbank.org/dataset/identification-development-global-dataset

33 Stakeholder B.

34 Stakeholder M.

35 Following, for example, the rules put in place in the European Union. See: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:2404020302_1. See also CGAP, 2020, 'Technology Building Blocks for an Open API Strategy': https://www.cgap.org/sites/default/files/publications/slidedeck/2020_04_Slidedeck_Technology_Building_Blocks_API_1.pdf

36 Stakeholder B.

37 Stakeholder T.

38 Stakeholder J.

39 Stakeholder J.

40 Stakeholder M. Stakeholder N made a similar remark.

41 Stakeholders B, F, I and M.

42 Stakeholder I.

43 Stakeholder F.

44 Ministry of Finance and Economic Development. (2020). *The 2020 mid-term budget and economic review*.

45 Stakeholders H and K.

46 Stakeholder T.

47 Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz). (2020). *Abridged Postal & Telecommunications Sector Performance Report First Quarter 2020*.

48 Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz) (2020), cited above.

49 See 21 August 2020 Monetary Policy Committee statement: https://www.rbz.co.zw/documents/mps/2020/MPS--MID-TERM.pdf

50 According to GSMA Mobile Money Metrics for Zimbabwe: https://www.gsma.com/mobilemoneymetrics/#regulatory-index?y=2019

51 Stakeholder O.

52 Stakeholder I.

53 Stakeholder O.

54 See: World Bank: https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?end=2019&locations=ZW&start=2010.

55 FinMark Trust. (2018). SADC Remittance Values and Volumes, available at: https://finmark.org.za/system/documents/files/000/000/143/original/FMT_SADC_values_volumes_report_CB5_18052020.pdf?1594134149

56 FinMark Trust. (2018). *SADC Remittance Values and Volumes*, cited above.

57 FinMark Trust. (2018). *SADC Remittance Values and Volumes*, cited above.

58 FinMark Trust. (2020). *South Africa to the Rest of SADC Remittance Pricing Report*, cited above.

59 FinMark Trust. (2020). *South Africa to the Rest of SADC Remittance Pricing Report*, cited above.

60 Stakeholder G. Stakeholder H also indicated that costs are high, particularly in respect of outward payments.

61 According to the RBZ, the licensing requirements are relatively light. Any entity licensed as a company and meeting the licensing requirements can apply, including small family companies. Licences have been issued to banks, MFIs, retailers, life and funeral assurance companies, MNOs, postal services etc. The current licensing fees and regulatory requirements are modest in comparison with other countries to other countries including South Africa. The regulations prohibit exclusive agreements, and local MTAs can partner with unlimited/multiple RSPs such as Western Union, MoneyGram, Mukuru, World Remit etc. Remittances can be received into bank accounts, mobile wallets or as cash or store value cards. Recipients require identification by presenting the national identity document, driver's licence or passport to mitigate against fraudulent activities. It is important to note that most people in Zimbabwe aged above 16 years have identity documents, save in some parts of the country.

62 See: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-february-2020.html#zimbabwe

63 FinMark Trust. (2018). *Understanding Remittances from Botswana to Zimbabwe*, cited above.

64 Ministry of Finance and Economic Development NSFI Progress Report.

65 Stakeholder M.

66 Stakeholder C.

67 Stakeholder J.

68 RBZ Microfinance Quarterly Industry Report as at December 2019, and RBZ 2015 Bank Supervision Annual Report.

69 See: https://www.theindependent.co.zw/2019/03/22/empower-bank-adequately-financed/

70 According to *The Financial Inclusion Journey in Zimbabwe* by the Reserve Bank of Zimbabwe.

71 According to *The Financial Inclusion Journey in Zimbabwe* by the Reserve Bank of Zimbabwe.

72 According to *The Financial Inclusion Journey in Zimbabwe* by the Reserve Bank of Zimbabwe.

73 Stakeholder R.

74 According to *The Financial Inclusion Journey in Zimbabwe* by the Reserve Bank of Zimbabwe.

75 Stakeholder R.

76 Stakeholder S.

77 Stakeholder S.

78 See: https://www.imf.org/~/media/Files/Publications/AREAER/AEIEA2019001-Overview.ashx . See also the IMF's Article IV consultation document published in March 2020: https://www.imf.org/en/Publications/CR/Issues/2020/03/19/Zimbabwe-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-49283

79 Stakeholder R.

80 Stakeholder S.

81 IDBZ Annual Report 2019.

# 4

# Economic sectors that can drive growth and employment

# 4.1 Introduction

In order to increase the focus on the real economy, and its linkages with financial inclusion, the MAP refresh project involved selecting four sectors for analysis based on their (i) contributions to GDP, (ii) contribution to economic growth, (iii) inclusion in policies developed through the political process in Zimbabwe, including the 2018 Transitional Stabilisation Programme (TSP), National Development Strategy 1 (NDS1) (2021–2025) and Vision 2030, and (iv) links to UN SDGs (see Table 5).

When considering growth drivers, it is important to take into account the highly informal nature of the Zimbabwean economy, as discussed above.


**Table 5:** Links between sectors selected and contribution to GDP, policies in Zimbabwe and SDGs

| SECTOR | 2020 FORECAST GROWTH | TSP/NDS1 | UN SUSTAINABLE DEVELOPMENT GOALS |
|---|---|---|---|
| Agriculture | 16.2% | Yes | 2 – Zero hunger |
| Mining | 15.3% | Yes | 9 – Industry, innovation and infrastructure |
| Tourism | 13.5%** | Yes | 8 – Decent work and economic growth |
| Wholesale & retail | | Digital economy | 8 – Decent work and economic growth |

Note: * Accommodation and food service used as proxy for tourism.
** Growth estimate for Distribution, hotels and restaurants used for ‘tourism’.

# 4.2 Agriculture

Agricultural sector crucial to GDP, exports and livelihoods. The agricultural sector accounts for approximately 9% of GDP (see Figure 3), and more than a quarter of exports.[1] Moreover, more than a quarter of all adults, and approximately two-thirds of the labour force (including subsistence workers), are employed in agricultural activities.[2]

The agricultural sector therefore plays a key role in development outcomes in Zimbabwe.

Agricultural risks crucial to manage. It is important to note that the agricultural sector in Zimbabwe is heavily dependent on rainfall and weather conditions overall.[3] As mentioned, while 2017 and 2018 had higher-than-average rainfall resulting in good harvests, approximately 5 million people (almost 40% of the population) are estimated to be food insecure as of the first quarter of 2020, due to the effects of Cyclone Idai in 2019 and the prolonged drought.[4] This means that risks associated with agriculture in Zimbabwe are especially important to manage.

*It is important to note that the agricultural sector in Zimbabwe is heavily dependent on rainfall and weather conditions overall.*

## A range of funding support for agricultural activities

Banks and collaborative arrangements have made large amounts of funding available. There are a range of empowerment funds for the agricultural sector. Overall, from December 2017–December 2018, banks loaned over US$200m[5] to MSMEs in agriculture. This has benefited over 1,200 small-scale farmers producing beans, maize, peas, cattle, soybeans, bananas, chickens and livestock.[6]

According to a report by the Alliance for Financial Inclusion, the RBZ partnered with the Ministry of Small and Medium Enterprises and Cooperative Development (MSMECD, now the Ministry of Women Affairs, Community, Small and Medium Enterprises Development) and a number of commercial banks, such as the then Agribank, now Land Bank (an agriculture-oriented commercial bank), CBZ Bank, Homelink (a subsidiary of the RBZ specialising in construction, diaspora remittances and microfinance), MFIs and other institutions, in order to administer and manage funds for the Horticulture, Tobacco, Soybeans, Women Empowerment, Business Linkages, Gold Support and Cross-Border Facilities. Under this collaborative arrangement, the funds were estimated to amount to US$90 million:[7]

- The Horticulture Facility benefits farmers and MSMEs that sell cut flowers and produce vegetables (peas, sugar beans, onions, potatoes, carrots, cherry tomatoes, mushrooms, butternuts, baby marrow, gem squash, paprika and chillies).
- The Cross-Border Facility finances individuals and MSMEs in the import and export business, the majority of whom are women.

In addition, UNDP has provided business management training, and assisted with the formation and capitalisation of SACCOs, the provision of start-up kits and facilitating access to markets.[8]

Up until 2010, MSMECD facilitated the implementation of various livelihoods projects in bee-keeping, kapenta-fishing, cattle-fattening and other income-generating projects.[9] The provision of appropriate microcredit facilities ensures that the livelihood projects are viable and sustainable.

The Ministry also administered a US$5 million[10] Inclusive Growth and Sustainable Livelihoods Facility in the rural communities of Binga, Lupane, Nkayi and Gokwe South that provided support for training and the formation and capitalisation of SACCOs.[11] The fund primarily benefits farmers that produce fruits such as bananas, avocados, grapes, berries (strawberry, raspberry, blueberry, blackberry), passion fruit, nectarines, peaches, apples, pears, papaya, mangoes and pineapples.[12]

A further initiative is the Zimbabwe Agricultural Development Trust (ZADT), which seeks to increase small-scale agricultural production and develop agricultural value chains.[13]

In addition, the Ministry of Agriculture has been actively supporting rehabilitation and construction of irrigation schemes to complement rain-fed agriculture.[14]

Recommendation to investigate impact of the various funding initiatives. It is not clear what impact the various funds have had on the growth of these agricultural sectors. It would be useful, in this regard, to study the outcomes of these various initiatives.

*Various studies show that digitalisation has an important role to play in improving outcomes in the agricultural sector.*

## Significant role for digital innovations

Reducing information asymmetries and search costs are key uses for ICT. Various studies show that digitalisation has an important role to play in improving outcomes in the agricultural sector. For instance, ICT can play a positive role in informing farmers and buyers on what crops to produce and what markets to sell into or buy from by reducing information asymmetries (i.e. making information available to all market participants) and reducing search costs (the costs involved in visiting different regions to find market information, such as on prices).

Use of mobile phones to reduce food price dispersion. Aker (2010), for example, shows that the introduction of mobile phones in Niger resulted in a reduction in food price dispersion (i.e. variation between food prices) of between 10% and 16% between 2001 and 2006.[15] This effect is stronger where higher transport costs increase the costs of gathering information on which market to sell into or buy from in the absence of real-time digital information (since the alternative would by physical travel with resultant costs).

Jensen (2007) similarly found substantial reductions in food price dispersion as a result of increased mobile coverage in markets for fish in the state of Kerala in India.[16] The study showed that both producers and consumers benefit from greater mobile coverage, particularly for fresh produce such as fish.

Making mobile technology available more widely assists particularly producers of fresh products.

Lack of device ownership – especially smartphone – important barrier to Internet access. In Zimbabwe, a 2019 survey of 118 smallholder tobacco farmers in Hurungwe district showed that, while most farmers (85%) had a mobile phone, only around 13% of the farmers overall used their phone to access agricultural information.[17] This result may be linked to the fact that of the smallholder farmers that owned a mobile phone, only a third owned a smartphone capable of accessing agricultural information. This suggests, following results in a number of countries, that lack of device ownership is an important barrier to accessing the Internet.[18]

There are a number of digital innovations used by farmers in African countries.[19] Innovative asset-backed financing (providing farming inputs rather than cash) appears to be having an impact, and this success could be replicated by other FSPs.[20]

Fingerprinting/other digital biometric system (e.g. voice imprint) potentially smart strategy for credit-risk reduction. Digital innovation might provide other means of reducing credit risk. Economic research from 2012 considers how the use of fingerprints could affect farmer-borrowers' behaviour in relation to credit.[21] While the introduction of fingerprinting was found not to have an effect on the rate of loan approval or actual take-ups of loans, where fingerprints were taken the riskiest borrowers' repayment rates improved dramatically, due to voluntarily choosing smaller loan amounts (or not taking out a loan at all) as well as devoting more of the loan to agricultural inputs – and thus to the crops,[22] income from which was used for repayments to ensure future access to credits. Borrowers with the highest probability of crop success took out higher loans but never diverted inputs.[23] The introduction of fingerprints increased the repayment rates as farmers wanted to maintain the possibility of future credits. Results indicated that fingerprinted borrowers had lower outstanding balances, higher fractions paid, and were more likely to fully pay on time.

*While the introduction of fingerprinting was found not to have an effect on the rate of loan approval or actual take-ups of loans, where fingerprints were taken the riskiest borrowers' repayment rates improved dramatically.*

Recommendation to consider investing in borrower biometric verification. By reducing risk for lenders, biometric verification can also reduce interest rates for borrowers. Results of the 2012 study suggest adopting fingerprinting helped improve the functioning of the credit market (reducing information asymmetry); a cost-benefit analysis suggests it is worthwhile implementing the fingerprinting or other biometric system.[24] The 2012 experiment indicates a possible strategy for simultaneously increasing levels of financial inclusion and benefiting credit providers.

## Insurance

There are a range of insurance providers in the agricultural sector in Zimbabwe, and Zimbabwe participates in ARC Ltd, a sovereign drought insurance scheme (see also Section 2.6).[25]

Submissions to this MAP refresh study indicate that, particularly through coordinated data collection interventions by the Insurance Council of Zimbabwe, these services may be further expanded. Insurance is provided not only to large, commercial farmers but also to small-scale growers, and one stakeholder submission to this MAP refresh indicated considerable success in respect of a tobacco-field-to floor product, insuring a large number of small-scale growers.[26]

Challenge of accurately assessing agricultural risk in absence of market research, data. It is difficult to accurately evaluate risks in the agricultural sector, especially without the aid of effective and extensive market research, crop data, weather data and the like, which requires large amounts of funding and financial support. For instance, one insurer reported to this MAP refresh study that often where farmers insure one hectare of land, they in fact own significantly more land than this, and so when disaster strikes any one hectare, a claim is possible. The insurer thus feels they are taking on the risk for many more hectares for each hectare insured. This might be solved by having better data on the geography and land insured, perhaps through surveys, including using drone technology.

*It is difficult to accurately evaluate risks in the agricultural sector, especially without the aid of effective and extensive market research, crop data, weather data and the like, which requires large amounts of funding and financial support.*

Need to harness agricultural data and technology to increase agricultural insurance provision. According to one stakeholder submission to this MAP refresh project, drought is currently excluded from agricultural insurance policies, despite the pressing need for cover.[27] This is due to limited data availability on rainfall patterns. It is critical, therefore, that better data on crop estimates, rainfall and the like is collected in Zimbabwe, possibly supplemented by the analysis of satellite image data, in order to provide a better understanding of risks and inform the development of relevant insurance products. Technology for providing more nuanced insurance products is evolving; it might be possible, for example, to start making use of satellite image data (e.g. to indicate the extent and state of land under production).

Insurance Council could lead agricultural insurance innovation. The Insurance Council of Zimbabwe is a well-functioning and well-resourced body that might be able to lead improvements to agricultural insurance provision. As mentioned above, a recent success in this regard is the implementation of a crimes (fraud) registry (Insurance Claims Bureau) by the Insurance Council. This may be an important area for emphasis in the coming years.

## Commodity exchanges and warehouse receipts

Local commodity exchange a significant reform that could point way to economic development. The 2018 Transitional Stabilisation Programme (TSP) and the National Development Strategy 1 (NDS1) (2021–2025) identify the operation of a local commodity exchange in Zimbabwe as an important reform in the agricultural sector. This signals a significant shift in policy away from a single, state buyer of commodities, and is an ongoing area of reform in Zimbabwe, which relates also to mining (see also Section 4.2.4).

The Grain Marketing (Control of Sale of Maize) Regulations (2019) require that no person may sell maize other than to the Grain Marketing Board or to a contractor involved in providing inputs to farmers in return for buying produce.[28] The shift towards a commodities exchange means that there are opportunities now for farmers (contract growers) and contractors to potentially trade warehouse receipts on a commodities market. Given the impetus in the TSP and NDS1 to shift towards commodity markets, further rights may be extended to farmers and contractors, permitting expansion of this system.

Submissions to this MAP refresh study indicate that:

i. The warehouse receipt system is currently being developed, including with funding from the World Bank.

ii. There are financial institutions, at least including banks, willing to lend against warehouse receipts.

This initiative may lead to a significant opportunity for economic development in Zimbabwe, considering that more than a quarter of all adults, and two-thirds of the labour force, are involved in agricultural activities, including subsistence farming. There may be a range of opportunities to support the development of commodity markets, including as digital marketplaces are introduced.[29] Again, submissions to this MAP refresh project indicate that commodity market product providers are ready to develop this.

## 99-year leases and digitalisation

Digitalising land leases could significantly expand availability of formal collateral. The TSP and NDS1 (2021–2025) identify the need for 99-year leases for agricultural land. As the government rolls out this programme, there might be opportunities to digitise these leases in order to facilitate their use for collateral by farmers. A key outcome in this regard is that there might be a large expansion in the availability of collateral in the coming years. Ensuring this information is available digitally, together with recording the rights of women to land that have been established over the past decade (see also Section 2.4.3) could prove enormously helpful on many fronts and particularly in terms of increasing financial inclusion.

Recommendation to consider linking RBZ digital collateral registry with deeds offices. Given that lenders, including banks and MFIs, will play an important role in lending against the collateral, and given the RBZ's development of the collateral registry, it might be worth linking the RBZ digital facilities to deeds offices that would record the 99-year leases. This would help to increase the amount of formal collateral available in respect of land in Zimbabwe.

## Opportunities presented by increased regional integration

There might be an opportunity to leverage the existence of the African Continental Free Trade Area treaty (AfCFTA), which entered into force on 30 May 2019 and provides for the elimination of tariffs on 90% of tariff lines in respect of trade between countries participating in the agreement.

Significant potential benefits from reduced regional trade barriers, integration into agricultural value chains, financial innovation. In general, the country's skilled labour force, reasonable infrastructure and significant mineral resources offer an opportunity for Zimbabwe to participate in regional value chains.[30] The reduction in regional trade barriers could support the development of regional agricultural and food value chains, and there are regional value-chain bodies that Zimbabwe could leverage in this regard: a private sector body called the Southern Africa Grain Network (SAGNET)[31] and the Regional Network of Agricultural Policy Research Institutes (ReNAPRI).[32] Participation in these bodies could help support both Zimbabwe's integration with regional agricultural value chains and the development of innovative financial solutions for farmers in Zimbabwe.

*The reduction in regional trade barriers could support the development of regional agricultural and food value chains.*

# 4.3 Mining

Mining sector significant for GDP – and very significant for export earnings. The mining sector contributes approximately 6% of GDP (see Figure 3 – 2018) but 60% of export earnings in Zimbabwe (2016).[33] Zimbabwe is the second largest producer of platinum group metals in the world. One of the key elements of Zimbabwean policy at present is to revitalise this sector and enhance the value chains that surround it, as reflected in the Zimbabwe National Industrial Development Plan (ZNIDP).

Limited investment in mining sector limits output. An important aspect of mining in Zimbabwe is the large gap between the extensive resource base and output, which is linked to limited investment.

Mining empowerment funds established – but varying success. As part of the NFIS 2016–2020, the RBZ established 14 empowerment funds, including a Gold Support Facility of ZWL150 million. In general, it appears that banks were reluctant to lend out the empowerment funds.[34]

Overall, small-scale miners accounted for 65% of country's gold production in 2018. In respect of the facility for gold, Fidelity Printers & Refiners (an RBZ subsidiary) has been given the responsibility of disbursing the Gold Development Initiative Fund (GDIF).[35] The GDIF is designed to primarily support small-scale and artisanal miners in the gold sub-sector, which is occupied by millions of players, mostly men – although women also participate in gold mining, largely through cooperatives. Overall, small-scale gold producers accounted for 45% of the gold produced in Zimbabwe in 2016, and by 2018 this proportion had increased to over 65%.[36]

Investment amount needed for next five years exceeds available GDIF. While the GDIF has shown some successes, in that loans of ZWL242 million have been made to 382 miners overall (ZWL112 million to 341 small-scale miners, producing less than 1kg of gold per month), the loan book has shrunk in real US$ terms, according to a report prepared by Fidelity Printers & Refiners.[37] The loan book is insufficient to meet the requirement for the approximately US$5 billion needed to be invested in the sector in the coming five years.

Attracting investment will require modernised, formalised sector, better data. A key priority is modernising the sector, transforming the informal, artisanal and small-scale mining, which is inefficient and negatively impacts the environment.[38]

*Zimbabwe is the second largest producer of platinum group metals in the world. One of the key elements of Zimbabwean policy at present is to revitalise this sector and enhance the value chains that surround it.*

A further aspect needed in support of investment is making available more data on the sector, including on geological, geophysics and geochemistry surveys.

Development of commodity markets, warehouse receipts system signals significant reform. A significant area of reform, currently being studied in Zimbabwe, is the development of market-based mechanisms to allow for price-discovery in various commodity markets. The GDIF, for example, recognises the lack of access to debt and equity markets by gold producers as a key constraint.[39]


*A significant area of reform, currently being studied in Zimbabwe, is the development of market-based mechanisms to allow for price-discovery in various commodity markets.*

In the mining sector, there is currently a single buyer of gold and silver (Fidelity Printers & Refiners),[40] and other commodities (the Minerals Marketing Corporation). As already discussed (see also Section 4.2), the proposal in the TSP and NDS1 (2021–2025) to move towards commodity markets signals an important area of reform in Zimbabwe. This is linked, in particular, to the development of the warehouse receipts system, which can equally be applied for small- or medium-sized miners in Zimbabwe, who account for a significant proportion of the sector.

Warehouse receipt system plus formalisation would increase small-sized miner access to finance. As part of this process, formalisation of these businesses may need to take place. Supporting the development of the warehouse receipt system, together with formalisation of smaller miners, will enable them to raise capital.

Recommendation to evaluate impact of mining-related empowerment funding initiatives. It will be important to consider the impact of the GDIF, together with the other empowerment funds implemented by the RBZ.

# 4.4 Tourism

*The TSP and NDS1 identify tourism as an important growth sector in Zimbabwe.*

DFS and targeted financing for tourism MSMEs could support sector development. Among the strategies identified are removing visa requirements, and streamlining licensing and permit requirements for the sector; in this regard, there may be an opportunity to digitalise visas for visiting Zimbabwe, and digitalise the tourism regulatory and permitting environment, in order to boost development of the sector.

The TSP also calls for the establishment of a Tourism Revolving Fund, which could possibly be used from a financial inclusion perspective to provide financing for MSME tourism operators.

*The TSP also calls for the establishment of a Tourism Revolving Fund, which could possibly be used from a financial inclusion perspective to provide financing for MSME tourism operators.*

Recommendation that RBZ investigate impact of tourism empowerment funding. The RBZ established a Tourism Support Facility of US$15 million, one of 14 empowerment funds put in place under the NFIS.[41] During the initial period it became available, at the beginning of 2018, there were no firms willing to borrow the funds, however.[42] While the tourism facility has since been disbursed, it is unclear what impact this fund has had, and this needs to be considered by the RBZ and its partners.

Implementing TSP suggestion of digital permits would likely encourage international visitors. In 2020, the tourism sector experienced a significant decline as a result of the COVID-19 pandemic; the Ministry of Finance and Economic Development reports a 97% decline in international arrivals.[43] While a gradual reopening of the country to international travel is anticipated in the coming months, there will be an emphasis on domestic tourism. As the country opens up to international tourism, it will be important to prioritise the implementation of digital permits for visitors (as mentioned in the TSP).

# 4.5 Wholesale and retail trade

Largest contributor to GDP. The wholesale and retail trade sector in Zimbabwe accounts for 19% of GDP (up from 17% in 2015). It is the largest contributor to GDP in Zimbabwe (see Figure 3).

Further developing wholesale and retail trade sector could enhance financial inclusion. While this sector is not directly identified for development in the TSP and the NDS1, the 'digital economy' is. In this regard, e-commerce can play an important role in the development of the wholesale and retail trade sector. There might be opportunities to expand this, in particular by improving the address system in Zimbabwe for deliveries; in turn this could improve FSPs' position in terms of identifying their customers. This is particularly important given Zimbabwe's inclusion on the FATF grey list, which impacts on various aspects of financial inclusion, including remittances.[44]

Thus, the development of the wholesale and retail sector, including via e-commerce and upgraded addresses, has the potential to enhance financial inclusion.

Need for expansion of regional value chains between supermarket chains and food producers. A further important aspect of the wholesale and retail sector in Zimbabwe is that regional supermarket chains play an important role in trade patterns.[45] Zimbabwe is a net importer of food (particularly from South Africa) but also exports (mainly to other SADC countries). In the past, there have been outright bans on importing of poultry, maize meal and cooking oil, and there are tariffs on other products to protect local suppliers.

Opportunities to introduce/support expansion of food standards. It is likely in the coming years that Zimbabwe will expand access to trade in foodstuffs, including as a result of the role of regional supermarket chains but also as a consequence of having ratified AfCFTA.[46] This will increase opportunities for expanding regional value chains between wholesale and retail players and food producers. An important aspect of this process would be meeting phytosanitary standards, including those imposed by supermarkets.[47] Digital certification for products might facilitate the procurement and logistical aspects of the wholesale and retail sector in Zimbabwe. The example of the Provenance app in the UK, for instance, linking the fishing industry in Southeast Asia with UK supermarket chains, is useful in this regard.[48] There might be opportunities to introduce or support the expansion of the application of food standards.

Formalising wholesale and retail MSMEs an important objective – potentially aided by banks and NBFIs. In general, the formalisation of the wholesale and retail sector is an important objective in the coming years, and there may be opportunities for banks, MFIs, capital markets and digital FSPs to help register wholesale and retail trade firms, including with tax authorities.

19%

*The wholesale and retail trade sector in Zimbabwe accounts for 19% of GDP. It is the largest contributor to GDP in Zimbabwe.*

# 4.6

# Summary

*The TSP in Zimbabwe promotes an ambitious reform agenda towards market-oriented commodity markets. Furthermore, ratification of the AfCFTA signals a willingness to open up to greater cross-border trade. These initiatives should be supported. An important highlight in this regard is the support for commodity markets and collateral warehouse receipt systems – with regard to both agriculture and mining – which are currently being developed.*

There are also opportunities in respect of agricultural, wholesale and retail value chains that might be exploited in the coming years.

There is a significant role for digital innovation in supporting many of the suggested reforms, such as (among others), use of digital biometric systems to reduce credit provider risk; use of smartphones to reduce food price dispersion; use of drone technology and satellite image data to reduce insurance provider risk and improve agricultural insurance product offerings; digitalised land leases to serve as farmer collateral; and digitalised travel permits to encourage support for tourism by international visitors. Making mobile technology available more widely will be important for supporting DFS innovation.

A theme that comes up repeatedly across the sectors is the need for increased formalisation of sectoral players, including agricultural MSMEs, small- and medium-sized mining producers, and wholesale and retail MSMEs.

## PART 4 NOTES

1 Average between 2012 and 2016. African Development Bank (AfDB), UN & World Bank. (2019). *Joint Needs Assessment for Zimbabwe: Identifying Challenges and Needs*.

2 IMF Staff report, 2020, available at: https://www.imf.org/en/Publications/CR/Issues/2020/03/19/Zimbabwe-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-49283

3 Zimstat. (2019). *Zimbabwe Poverty Report 2017* (based on PICES).

4 See: http://www.fao.org/3/ca6624en/CA6624EN.pdf

5 United States Dollars. Please note that Zimbabwe was dollarised at the time.

6 AFI (2019), cited above.

7 AFI (2019), cited above.

8 AFI (2019), cited above.

9 AFI (2019), cited above.

10 United States Dollars. Please note that Zimbabwe was dollarised at the time.

11 AFI (2019), cited above.

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13 See: http://www.zadt.co.zw/who-we-are/overview

14 The Ministry of Agriculture's irrigation department is responsible for this initiative.

15 Aker, J.C. (2010). Information from markets near and far: Mobile phones and agricultural markets in Niger. *American Economic Journal: Applied Economics* 2(3): 46–59.

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18 See, for example, Hauge, J.A. & Prieger, J.E. (2010). Demand-side programs to stimulate adoption of broadband: What works? *Review of Network Economics* 9.3. See also: https://researchictafrica.net/wp/wp-content/uploads/2018/10/after-access-south-africa-state-of-ict-2017-south-africa-report_04.pdf

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20 For example, in nearby Malawi, the One Acre Fund launched its asset-based financing solution in 2017. This service lends agricultural inputs to farmers and allows repayments on any schedule selected by the farmer, provided that the loan is repaid by harvest time. The One Acre Fund estimates that its services have resulted in double the yields of participants: https://oneacrefund.org/impact/country-detail/

21 Gine, X., Goldberg, J. & Yang, D. (2012). Credit Market Consequences of Improved Personal Identification: Field Experimental Evidence from Malawi. *American Economic Review* 102(6): 2923–2954.

22 In this study, paprika was used.

23 Reduction in ex-ante moral hazard may encourage better loan repayments by improving farm outputs so that farmers have higher incomes with which to make loan repayments.

24 Calculated portrayed a benefit-cost ratio of 2.34.

25 See: https://www.africanriskcapacity.org/wp-content/uploads/2016/11/OP_Pool2_Zimbabwe-Operational-Plan.pdf

26 Stakeholder E.

27 Stakeholder E.

28 See: http://www.gmbdura.co.zw/index.php/statutory-instruments

29 Disruptive technologies in agricultural value chains: Insights from East Africa, prepared by: Aarti Krishnan, Karishma Banga and Maximniano Mendez-Parra, dated: March 2020.

30 African Development Bank (AfDB). (2020). *African Economic Outlook 2020*.

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36 AFI (2019), cited above.

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38 African Development Bank (AfDB), UN & World Bank. (2019). *Joint Needs Assessment for Zimbabwe: Identifying Challenges and Needs*.

39 See Gold Development Initiative Fund (GDIF) Summary, cited above.

40 See: https://www.fpr.co.zw/about-us/ and https://aurex.co.zw/about-us/

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45 Das Nair, R., Chisoro, S. & Ziba, F. (2018). The implications for suppliers of the spread of supermarkets in southern Africa. Development Southern Africa 35(3): 334–350.

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47 Das Nair, R. & Landani, N. (2020). *Making agricultural value chains more inclusive through technology and innovation* (No. wp-2020-38). World Institute for Development Economic Research (UNU-WIDER).

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# 5 Conclusions and recommendations

# 5.1 Anticipated benefits

*This section presents the anticipated benefits arising from research conducted during the course of this MAP refresh, an outline of the roadmap implementation and evaluation, the main measurement aspects of this MAP refresh, and a consideration of the risks to implementation.*

The research conducted during this MAP refresh highlighted four crucial areas of reform, which are discussed here with their anticipated benefits.

1ST

*First area of reform and anticipated benefits:*

## Market-oriented reforms

The first area of anticipated benefits arising from this MAP refresh study concerns economic growth arising from the market-oriented reforms described in the course of this report: this includes overall support to the development of the commodity exchange and warehouse receipt ecosystem, particularly for the mining and agricultural sectors. This will entail (i) removing controls on the buying and selling of grains; (ii) removing controls on the buying and selling of gold; (iii) investment in storage and transportation infrastructure; and (iv) supportive legislation being enacted.

The proposed privatisation of the MNO NetOne should be supported, so as to bring about greater competition and therefore not only economic growth but also lower prices, including for mobile money services.

In addition, the mandate of the IDBZ might be expanded to fund renewable energy projects, including small-scale solar.

2ND

*Second area of reform and anticipated benefits:*

## Digitalisation

The second area concerns support for digitalisation of various aspects of the Zimbabwean economy and social services, in order to bring about greater efficiencies and expansion of these services at lower cost. In the first instance, it is important to provide digital access to the national ID system for account verification purposes to banks, MFIs, insurers and DFS providers – a key feature among the pre-requisites for developing successful markets for DFS (see also Section 3.1.3). Linked to this, digital access to court and police records by financial institutions would assist compliance with KYC requirements.

The further expansion of the prepaid water meters initiative needs to be studied, as well as the digitalisation of existing water meters.

The current development of the collateral registry needs to be supported.

Expanding digitalisation will help support the development of electricity availability, including through pay-as-you-go solar, since better information on customers will support lending in this area.

Digital registration of 99-year land leases proposed in the TSP and mentioned in the NDS1, and women's rights in respect of landholdings, need to be considered, possibly as part of the collateral registry process.

Access to agricultural data on crop estimates, rainfall and more sophisticated sources such as satellite imagery may be developed.

The Insurance Council's fraud registry needs to be supported.

Linking producers to wholesalers, retailers and farmers digitally presents opportunities, and standards and supporting innovations in this regard might be considered.

There might also be means of expanding formal registration of MSMEs at government and tax authorities by banks, insurers or DFS providers, including by digital means, and considering reducing the document requirements for MSMEs, including annual tax certificate verification.

3RD

*Third area of reform and anticipated benefits:*

## Increased competition

The third area concerns increasing competition between banks, between MNOs, between MNOs and banks, and between these providers and MTAs, in order to reduce the costs of financial services in Zimbabwe.

First, mobile wallet-to-wallet interoperability is needed, and is currently being implemented. It is important, in this regard, to investigate what appear to be very high interchange rates for bank-to-wallet interoperability that are not implemented for wallet-to-wallet interoperability.

Second, interoperability between MTAs and MNOs needs to be considered. Innovations around branchless banking need to be considered, and the expansion of bank agent networks needs to be encouraged, despite the current setbacks in this area.

It is also important to reduce document requirements for new branches and products (the RBZ has already made some progress in this area), which will reduce delays and boost market dynamism.

There might also be means of reducing the costs of cross-border remittances, including by ensuring that barriers to entry are not limiting competition, that minimal-KYC accounts can be used for remittances, and potentially by expanding the availability of cash, including foreign exchange, in Zimbabwe; this would enable people to reduce their use of expensive and slow informal remittance channels and would put MSMEs in a better position to obtain foreign exchange (there is currently a high minimum bid in the SME foreign exchange auction). This would also assist in removing market abuses by agents who in some cases overcharge for processing cash transactions.

In order to develop competition between banks, between MNOs, and between banks and MNOs, the RBZ might study open application programming interfaces (APIs) to banking and MNO information on customers (taking into consideration customer consent). This would have the benefit of increasing the availability of information on which banks can make loans, open accounts and so on.

Competition between credit bureaus should be encouraged by requiring banks and other institutions to provide positive and negative repayment information to private credit registries.

4TH

*Fourth area of reform and anticipated benefits:*

## Pro-poor reforms

The fourth group of reforms relates to regulatory reform that is pro-poor, in order to reduce poverty and expand access to essential services, such as education.

There are currently a range of transaction limits imposed on low-income bank accounts and digital accounts, but such limits  do not keep pace with inflation. Given the very high levels of inflation currently, this means that many accounts have limited utility for customers, and the RBZ needs to rapidly approve increases in these limits.

High levels of inflation are cited as an important reason for the failure of new low-income bank account products introduced.

A further pro-poor reform is ensuring that the 2% IMTT does not apply to low-value transactions, and overall the dependence on this tax for government revenues needs to be reduced.

Rebuilding trust in branchless banking/agent banking and DFS also needs to be studied. Furthermore, geolocation of access devices and points by FSPs should be further supported by the regulator; this would enable effective monitoring of access and usage of financial services by the regulator and assist in the development of appropriate regulatory frameworks.

Initiatives to move Zimbabwe off the FATF grey list, so as to reduce the cost of remittances, also need to be supported. In this regard, it will be important for the RBZ to implement the risk-based approach recently adopted in the AML/CFT guidelines.

In addition, the role of agents in the financial system needs to be studied, trust rebuilt, and approval processes delegated to financial institutions.

It is also important to expand the national ID to cover the 16% of the population that do not have one (this is particularly important with regard to women).

There is also a need to consider the development of healthcare funding in Zimbabwe, building on the medical aid societies that already exist. Support for IPEC is needed to further develop the microinsurance framework and introduce a micro-pension framework, in order to improve social protection.

There might also be a need to improve digital literacy and business literacy.

# 5.2 Roadmap implementation and evaluation

*The four areas of reform (or four themes) imply a number of reforms in respect of financial inclusion in Zimbabwe. Table 6 outlines the 2016 MAP roadmap implementation activities and proposes additions, presenting the key financial inclusion activities for the next five years.*

**Table 6:** Key activities: 2021–2025

| 1. MARKET-ORIENTED REFORMS |
|---|
| 2021–2025 ACTIVITIES |
| • Support the development of the commodity exchange and warehouse receipt ecosystem, particularly for the mining and agricultural sectors. This will entail (i) removal of controls on the buying and selling of grains; (ii) removal of controls on the buying and selling of gold; (iii) investment in storage and transportation infrastructure; and (iv) enactment of supportive legislation. |
| • Support the proposed privatisation of MNO NetOne. |
| • Consider expanding the mandate of the IDBZ to fund renewable energy projects, including small-scale solar. |
| **2. DIGITALISATION** |
| NFIS 2016–2020 |
| • 2016 youth intervention: Banking institutions should develop appropriate collateral substitutes in order to address the challenge of security among youth borrowers.<br>• 2021–2025 update: Support the current development of the collateral registry. |
| • 2016 MSMEs intervention: Formal registration of MSMEs.<br>• 2021–2025 update: Consider means of expanding formal registration of MSMEs by banks, insurers or DFS providers, including by digital means, and consider reducing the document requirements for MSMEs, including annual tax certificate verification. |
| • 2016 simplified KYC/CDD requirements for low-risk customers activity: Regulatory authorities will continue to ensure appropriate implementation of risk-based KYC/CDD requirements by financial institutions through ongoing orientation programmes.<br>• 2021–2025 update: Provide digital access to the national ID system for account and identity verification purposes to banks, MFIs, insurers and DFS providers. It is also worth studying whether access to court and police records could be provided to formal financial institutions (e.g. banks). |

| 2021–2025 ACTIVITIES |
|---|
| • Consider the further expansion of the prepaid water meters initiative as well as the digitalisation of existing water meters. |
| • Consider the digital registration of 99-year land leases proposed in the TSP and mentioned in the NDS1, and women's rights in respect of landholdings, possibly as part of the collateral registry process. |
| • Develop access to agricultural data on crop estimates, rainfall and more sophisticated sources such as satellite imagery. Support the Insurance Council's fraud registry. |
| • Linking producers to wholesalers, retailers and farmers digitally presents opportunities; thus, consider standards and providing support for innovations in this regard. |

| 3. INCREASING COMPETITION |
|---|
| NFIS 2016–2020 |
| • 2016 infrastructure development activity: Financial services and MNOs are urged to continuously ensure interoperability of their different platforms and share infrastructure, while competing on service delivery.<br>• 2020 update: Mobile wallet-to-wallet interoperability is needed, and is currently being implemented. It is important, in this regard, to investigate what appear to be very high interchange rates for bank-to-wallet interoperability that are not implemented for wallet-to-wallet interoperability. It is also important to consider interoperability between MTAs and MNOs. |
| • 2016 infrastructure development activity: There is also a need for ongoing review of the regulatory framework for financial infrastructure, including payments systems, to ensure smooth functioning of the systems and adequate protection of users.<br>• 2020 update: In order to develop competition between banks, between MNOs, and between banks and MNOs, the RBZ might study open application programming interfaces (APIs) to banking and MNO information on customers (taking into consideration customer consent). |
| 2021–2025 ACTIVITIES |
| • Innovations around branchless banking need to be considered, and the expansion of bank agent networks needs to be encouraged, despite the current setbacks in this area. It is also important to reduce document requirements for new branches and products (the RBZ has already made some progress in this area), which will reduce delays and boost market dynamism. |
| • There may also be means of reducing the costs of cross-border remittances, including by ensuring that barriers to entry are not limiting competition, allowing minimal-KYC accounts to be used for remittances, and potentially by expanding the availability of cash, including foreign exchange, in Zimbabwe, so that people reduce their use of expensive and slow informal remittance channels, and MSMEs can improve their ability to trade. This will also assist in removing market abuses by agents who in some cases overcharge for processing cash transactions. |
| • Encourage competition between credit bureaus by requiring banks and other institutions to provide positive and negative repayment information to private credit registries. |

## 4. PRO-POOR REFORMS

### NFIS 2016–2020

- 2016 rural communities' intervention: Increased presence of formal financial institutions in the rural communities.
- 2016 low-cost accounts activity: Establish low-cost bank branch models and combine with mobile and electronic delivery channels to enhance accessibility of products and services in rural areas.
- 2020 update: Rebuild trust in agents/branchless banking, merchant accounts and financial services more broadly, and delegate agent approval processes to financial institutions.
- 2020 update: Geolocation of access devices and points by FSPs should be further supported by the regulator. This enables effective monitoring of access to and usage of financial services by the regulator and will assist in the development of appropriate regulatory frameworks.

- 2016 financial literacy/capability: Develop a coordinated national financial literacy framework.
- 2020 update: There may also be a need to improve digital literacy and business literacy.

### 2021–2025 ACTIVITIES

- There are currently a range of transaction limits imposed on low-income bank accounts and digital accounts, but such limits do not keep pace with inflation. Given the very high levels of inflation currently, this means that many accounts have limited utility for customers, and the RBZ needs to rapidly approve increases to these limits.

- Ensure that the 2% IMTT does not apply to low-value transactions; overall, reduce the dependence on this tax for government revenues.

- Initiatives to move Zimbabwe off the FATF grey list, so as to reduce the cost of remittances, need to be supported. In this regard, it will be important for the RBZ to implement the risk-based approach recently adopted in the AML/CFT guidelines.

- Expand the national ID to cover the 16% of the population that do not have one (this is particularly important in the case of women).

- Consider means by which medical scheme coverage might be expanded, including by studying the community-based health insurance schemes in Rwanda. Support for IPEC is also needed to further develop the microinsurance framework and introduce a micro-pension framework, in order to improve social protection.

# 5.3 Governance structure/ implementation

*An important aspect of this MAP refresh is that the governance structure for financial inclusion in Zimbabwe needs to be adapted, with financial inclusion policymakers and stakeholders now needing to participate in real-economy and social reform processes.*

This is important in terms of Zimbabwe's Vision 2030, Transitional Stabilisation Programme and the National Development Strategy 1 (NDS1) (2021–2025), which are important aspects of this MAP refresh. It will be important to consult with and assess how financial inclusion stakeholders can support these wider interventions, in the four main areas of reform:

### *Market-oriented reforms*

This area concerns the initiatives set out in the TSP, which is endorsed by the President of Zimbabwe and envisages a multi-stakeholder approach. An important custodian of the TSP and NDS1 is the National Treasury, which prepares reports on progress. Given that the National Treasury, together with the RBZ, is also a key implementing agent of financial inclusion strategies, it will be important for the National Treasury to consider the financial inclusion links in its work on the TSP and NDS1.

It might also be important to consider working with ZERA and the IDBZ to implement reforms concerning the funding and roll-out of small-scale renewable projects, including pay-as-you-go solar.

### *Digitalisation*

A key stakeholder in the digitalisation process, where crop estimates and rainfall data are concerned, is the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement. The same ministry is relevant with regard to digitally linking farmers with value chains. It will thus be helpful to include this government ministry during implementation of these recommendations.

Where national IDs, the formalisation of MSMEs, the collateral registry and registering 99-year leases are concerned, the National Treasury can again play an important role in bringing together the Zimbabwe Revenue Authority, the RBZ, the Department of Deeds, Companies and Intellectual Property, and the National Registry to consider how best to implement these reforms.

Finally, in respect of water metering, this area requires working with city councils in Zimbabwe, including those of Harare and Bulawayo, to assess means by which prepaid metering or more efficient metering more broadly might be integrated with payments mechanisms.

### *Increasing competition*

The RBZ is the key role-player in developing a level playing field between the banks, RSPs and mobile money providers and will, therefore, play an important role in this area.

### *Pro-poor reforms*

Again, the RBZ has an important role to play in lowering barriers to accessing accounts, and reducing costs to serve low-income consumers.

The National Registry will be important in expanding access to national IDs, including for women, in order to expand access to financial services (among other benefits).

# 5.4 Measurement

*The main measurement aspects of this MAP refresh are outcomes visible in Zimbabwe, as set out in Table 7.*

**Table 7:** Measurement of outcomes

| ACTIVITY MEASUREMENT (2015) | DATASOURCE |
|---|---|
| MARKET-ORIENTED REFORMS | |
| • Proportion of mining and agricultural products traded through commodity markets | To be developed (RBZ) |
| • Prices for mobile services | Potraz |
| • Number of renewable energy loans/systems installed | ZERA/IDBZ |
| DIGITALISATION | |
| • Proportion of non-revenue water | City councils |
| • Number of MSMEs formally registered | Revenue service |
| • Number of 99-year leases digitalised | To be developed (RBZ) |
| • Number of financial services accounts held by MSMEs | RBZ |
| INCREASING COMPETITION | |
| • HHI[49] among MNOs | Potraz |
| • HHI among banks | RBZ |
| • HHI among insurers | IPEC |
| • Retail bank charges | Banks/RBZ |
| • Retail mobile money charges | MNOs |
| • Cross-border remittances charges | MTAs |
| • Number of financial services accounts held by youth | RBZ |
| • Number of financial services accounts held by women | RBZ |
| PRO-POOR REFORMS | |
| • Proportion of remittances that are formal | RBZ/FinMark Trust |
| • Proportion of adults, women, that have a national ID | ID registry |
| • Proportion of adults protected by health insurance and having social protection, including through pensions | PICES/Zimstat |
| • Years of schooling, including by gender | Zimstat |

# 5.5 Risks

*There are various risks to the implementation of the MAP refresh/NFIS, as described below.*

### *Market-oriented reforms*

Too many commodities added to commodity exchange simultaneously, attracting resistance from existing interests.

### *Digitalisation*

Lack of local community support for reduction in non-revenue water – this needs to be managed through public participation/consultation processes.

### *Increasing competition*

Information security and identity concerns – these need to be carefully managed where open APIs are studied.

### *Pro-poor reforms*

Existing empowerment funds and units/desks for the key target groups (e.g. youth, women, MSMEs, rural) might be considered to be sufficient to deal with financial inclusion questions where vulnerable groups are concerned; it is thus imperative that the impact of the existing initiatives be assessed.

# Acronyms and abbreviations

| | |
|---|---|
| AfDB | African Development Bank |
| AFI | Alliance For Financial Inclusion |
| AML | anti-money laundering |
| API | application programming interface |
| ARC | African Risk Capacity |
| CDD | customer due diligence |
| CFT | combatting the financing of terrorism |
| CTC | Competition and Tariff Commission |
| EAP | economically active population |
| FATF | Financial Action Task Force |
| FINSEC | Financial Securities Exchange |
| fintech | financial technology |
| FMT | FinMark Trust |
| FSP | financial services provider |
| GDP | gross domestic product |
| GNI | gross national income |
| HDI | Human Development Index |
| ICT | information and communications technology |
| ID | identity document |
| IDBZ | Infrastructure Development Bank of Zimbabwe |
| IMF | International Monetary Fund |
| IMTT | intermediate monetary transaction tax |
| IPEC | Insurance and Pensions Commission |
| KYC | know your customer |
| kW | kilowatt |
| LED | light-emitting diode |
| LFCLS | Labour Force and Child Labour Survey |
| LFPR | labour force participation rate |
| MAP | Making Access Possible |
| MFI | microfinance institution |
| MICS | Multiple Indicator Cluster Survey |
| MNO | mobile network operator |
| MSME | micro, small and medium enterprise |
| MSMECD | Ministry of Small and Medium Enterprises and Cooperative Development |
| MTA | money transfer agency |
| MTO | money transfer operator |
| MW | megawatt |
| MWACSMED | Ministry of Women Affairs, Community, Small and Medium Enterprises Development |
| NDS1 | National Development Strategy 1 |
| NBFI | non-bank financial institution |
| NFIS | National Financial Inclusion Strategy |
| PICES | Poverty, Income, Consumption, and Expenditure Survey |
| POS | point of sale |
| Potraz | Postal & Telecommunications Regulatory Authority of Zimbabwe |
| PPP | purchasing power parity |
| RBZ | Reserve Bank of Zimbabwe |
| ROSCA | rotating savings and credit cooperative |
| RSP | remittance service provider |
| RTGS | real-time gross settlement |
| SACCO | savings and credit cooperative |
| SADC | Southern African Development Community |
| SDG | Sustainable Development Goal |
| SME | small and medium enterprise |
| SMEDCO | Small and Medium Enterprises Development Corporation |
| telco | telecommunications company |
| TSP | Transitional Stabilisation Programme |
| UN | United Nations |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Programme |
| US$ | United States Dollar |
| USAID | United States Agency for International Development |
| ZERA | Zimbabwe Energy Regulatory Authority |
| Zimstat | Zimbabwe National Statistics Agency |
| ZIPIT | ZimSwitch Instant Payment Interchange Technology |
| ZNIDP | Zimbabwe National Industrial Development Policy |
| ZSE | Zimbabwe Stock Exchange |
| ZWL | Zimbabwe Dollar |