ZIMBABWE

THE 2023 ZIMBABWE ECONOMIC DEVELOPMENT CONFERENCE REPORT

"Public and Private Resource Mobilisation for Sustainable Development"

01-03 OCTOBER 2023

MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT AND INVESTMENT PROMOTION

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EXECUTIVE SUMMARY

1. The 2023 Zimbabwe Economic Development Conference (ZEDCON 2023) was held during the period 01 to 03 October 2023, in Victoria Falls at Elephant Hills Hotel under the theme, ***"Public and Private Resource Mobilisation for Sustainable Development"***, with four broad focus areas namely*: Resource Mobilisation and Financing of NDS1, Inflation and Exchange Rate Dynamics, Enhancing the Role of the Private Sector,* as well as *Leveraging on the Informal Sector Development*.

2. Research papers were presented in line with the focus areas and was followed by extensive discussions by participants culminating in the following key takeaways and policy recommendations:

Resource Mobilisation and Financing for NDS1

3. There was general consensus on the need to explore domestic alternative ways of financing NDS1 programmes and projects beyond the existing revenue streams, taking into account that the country's unique position of sanctions and arrears to creditors.

4. In this regard, several recommendations were made including the need to develop comprehensive climate legislative frameworks which will enable the country to tap into global climate financing sources such as green bonds and carbon credit.

5. Public-Private Partnerships (PPPs) were identified as one of the low hanging fruit way of resource mobilisation. However, their materialisation is contingent on bankability of projects which inherently requires feasibility studies.

6. It was also noted that under appropriate structuring, development partners can play a critical role in resource mobilisation.

Inflation and Exchange Rate Dynamics

7. Inflation and exchange rate instability were identified as factors militating against sustainable economic growth, hence the need to contain money supply growth in tandem with the desired economic growth trajectory.

8. Regarding transition towards use of the local currency, consensus was on a gradual de-dollarisation process as opposed to forced/big bang approach, learning from other countries' experiences. In this regard, Government was called upon to provide leadership in formulating the currency reform roadmap as the 2025 deadline looms.

9. A call for financial sector reform was made to ensure it effectively undertakes its mandate of financial intermediation role and support the productive sectors in a cost-effective manner.

10. Promoting digitalisation in both the public and private sectors was identified as critical, including adoption of e-procurement management systems in order to eliminate human interface, curb corruption and promote efficiencies.

Enhancing the Role of the Private Sector

11. The role of the private sector in economic development was emphasised, and Government was urged to facilitate growth by improving the business environment, as well as upscaling provision of appropriate infrastructure services such as electricity, water, ICT and transport.

12. Concern was expressed over the unstable macroeconomic environment which is constraining business activities and undermining private sector capital raising initiatives, including the role of the bond market.

13. Continuous engagements between Government and the business community is critical in building confidence between the two parties as well as addressing the challenges facing the country such as the competitiveness of local products on the global arena.

14. Theoretical and empirical conditions for successfully managing the Sovereign Wealth Fund were extensively discussed and these are expected to assist in designing the Mutapa Investment Fund.

Leveraging the Informal Sector for Development.

15. The informal sector was identified as critical in driving economies globally and in Zimbabwe as well as providing employment opportunities and livelihoods for many households. Efforts must be made to promote financial inclusion of the sector by introducing simplified banking solutions that are aligned to income dynamics, as well as utilisation of digital platforms for seamless banking transactions.

16. It was recommended that, infrastructure-centric transformation of the informal sector be developed through hubs tailored for various trades, equipped with modern tools and safety measures.

17. Such interventions combined with education on tax issues were identified as some of the measures that will encourage formalisation and contribution by the sector to the fiscus.

INTRODUCTION

18. The Zimbabwe Economic Development Conference 2023 (ZEDCON 2023) was convened at Elephant Hills Resort in Victoria Falls from 01 to 03 October 2023, under the theme, *"Public and Private Resource Mobilisation for Sustainable Development".* The Conference was supported by United Nations Development Programme (UNDP), National Social Security Agency (NSSA) and Fertilizer Seed Grain (Pvt) Limited.

19. His Excellency, the President, Cde. Dr. E. D. Mnangagwa officially opened the Conference which was attended by representatives from Government, Members of Parliament, academia, captains of industry, the media, civic groups and development partners.

20. The Conference discussion points were divided into four pillars: *Resource Mobilisation and Financing of NDS1, Inflation and Exchange Rate Dynamics, Enhancing the Role of the Private Sector,* as well as *Leveraging on the Informal Sector for Development*, with the overarching objectives of sharing ideas, promoting policy dialogue and promotion of evidence-based policy formulation in order to realise the country's Vision 2030, Africa Agenda 2063 and Sustainable Development Goals (SDGs).

RESOURCE MOBILISATION AND FINANCING OF NDS1

21. Under this Pillar, discussions centred on exploring alternative ways of resource mobilisation to meet the country's developmental needs.

Paper Title: Sources of Climate Financing
Author: Tinashe Charles Mashavave

Objective

22. The paper sought to explore how Zimbabwe can leverage on local, national or transnational financing sources to address climate change impacts as well as achieve the Paris Agreement targets.

Findings

23. Study findings established that the global landscape for climate finance flows during 2021 was estimated at between US$850 billion and US$940 billion, while the Global Carbon Credit market was valued at US$760.28 billion (and is expected to grow by over 21% during the forecast period 2023-2028). Climate Bonds analysis estimates the global green bond market annual issuance could exceed the US$1 trillion mark by end of 2023.

Policy Recommendations

24. The study recommended effective regulation of carbon trading to prevent greenwashing, developing local capacities to manage green projects as well as raising awareness on carbon credit trading will be critical in attracting climate finance resources that promote sustainable development.

Paper Title: Towards the Development of Thriving National Voluntary Carbon Market in Zimbabwe
Author: Joyce Chuma

Objective

25. The purpose of this study was to explore the capacities required in developing a national Voluntary Carbon Market (VCM) in Zimbabwe. The major contribution of the paper was that it established a criterion to assess Zimbabwe's capacity readiness towards the development of its own VCM.

Findings

26. The study drew lessons on opportunities and challenges from Zimbabwe's experience, the global and regional contexts. Subsequently, the paper considered whether there was a case for developing a national VCM in Zimbabwe in relation to the national context, alignment with national priorities and sustainable development.

27. Comparisons were made on existing carbon market readiness assessment criteria, resulting in the development of the proposed criteria which serves as preliminary work towards the development of a national VCM.

Policy Recommendations

28. The study proffered a number of recommendations towards the development of a thriving national VCM in Zimbabwe as follows:
    - Legislation providing for the establishment of a Climate Change Commission;
    - Legislation to establish the VCM within the Victoria Falls International Financial Services Centre;
    - Incentive structures, strategies, legislation and regulations that promote the competitiveness of the VCM;
    - Creation of carbon cooperatives to accelerate the growth of the carbon market;
    - Early stage capacity building on the operations of the VCM as well as clarity on the new regulations (SI 150 of 2023; SI 152 of 2023; SI 158 of 2023) regarding the timelines for the establishment of key entities such as the registry and Carbon Credit Trading Committee; and
    - The establishment of the Environmental Levy (SI 150 of 2023)/SI 158 of 2023 needs reconsideration.

Paper Title: Potential for Green Finance
Authors: Wellington Matsika and Collins Shava

Objective

29. The study sought to initiate a process of identifying barriers to accessing and scaling up green finance in the context of Zimbabwe and identifying potential ways of addressing them. The paper highlighted examples of policy interventions that foster access to green finance, and recommend possible areas of action for further consultations. It also analysed the developments in green official development finance from donor countries, multilateral

institutions, private philanthropies and other non-official finance mobilised from the private sector.

Findings

30. Although global green official development finance grew by 17.6% from US$88.9 billion in 2018 to US$104.5 billion in 2021, this growth rate still lags behind non-green finance which grew at 29.5%, and hence, the need for green finance to grow faster to achieve global green transition.

31. The study also found out that a number of factors are hindering green finance development in the country which include, among others:
   - No clear green economy agenda;
   - Limited alignment between fiscal policy and environmental policy;
   - Limited alignment between monetary policy and environmental policy;
   - Lack of clarity on what green finance is;
   - Lack of functional green finance institutions; and
   - Misalignment with global green finance trends.

Policy Recommendations

32. The following policy recommendations emerged from the study:
   - Integrate a clear green growth agenda in key national policy documents;
   - Align fiscal policy with environmental objectives;
     - undertaking fiscal environmental sustainability reviews,
     - developing and implementing green procurement frameworks, and
     - integrating requirements for environmental, biodiversity and climate budgeting in Call Circulars.
   - Align monetary policy with environmental objectives;
     - Promoting green deposits,
     - national taxonomy on green finance,
     - green rating of SMEs for credit and loan issuance,

    - green macroprudential regulations (e.g. credit ceilings, differentiated risk weights), and
    - climate-related stress testing to address environmental systemic risk.
- Capacitate existing non-functional green finance infrastructure such as Environmental Fund and Water Fund;
- Develop green finance and green growth information system; and
    - embarking on natural capital accounting,
    - for decision making on environmental opportunities, risks and impacts,
    - To understand environmental protection as an opportunity, not a cost, and
    - ESG risk management & disclosure frameworks.
- Investigate and address bottlenecks associated with limited use of globally popular channels of deploying green finance.

Paper Title: Dynamics of Public Private Partnerships
Author: Prosper Ziyadhuma,

Objective

33. The paper sought to explore the role of Public-Private Partnerships (PPPs) in infrastructure financing by looking at international best practices and learning from success stories where PPPs have been implemented across the world.

Findings

34. The major findings were that PPPs are a viable source of infrastructure financing. Countries that have succeeded in bigger PPP projects have clear legal and regulatory frameworks, stakeholder consultation, political will, transparency and accountability in procurement, among other factors. The study also found that the models of PPPs differ depending on the type of the project as well as from one country to another due to unique conditions of each country.

Policy Recommendations

35. The following recommendations were drawn from the study:

- Prioritization of productive projects;
- Transform policy pronouncement into action;
- Skills in investment promotion-identification of prospective and capable local investors;
- Simplification and use of the regulatory framework for investor promotion;
- Enhancing the capacity of Government agencies and relevant stakeholders to effectively manage PPP projects;
- Enhancing transparency and fairness in the procurement process for PPP projects; and
- Improving on data availability.

Paper Title: Climate Resource Mobilization: Climate Change Budget Tagging
Author: Carren Pindiriri,

Objective

36. The paper sought to evaluate the impact of climate change budget tagging on mobilization of climate finance and Greenhouse Gases (GHG) emissions. In addition, the study sought to proffer answers to the question of climate change budget tagging vis-à-vis improvement in countries' ability to mobilize climate related development finance and help them reduce GHG emissions.

Findings

37. The results show that developing countries can significantly enhance mobilisation of climate-related development finance through the implementation of climate budget tagging. Climate budget tagging significantly increases the inflow of climate-related finance. However, an increase in climate-related development finance does not always translate into reduced emissions. The findings point to the differential effectiveness of climate-related projects targeted by climate-related development finance.

Policy Recommendations

38. The main policy implications are that countries can attract significant climate-related finance through climate budget tagging and that the impact of climate budget tagging on GHG emissions is country-specific.

Comments from the Panel Discussions

39. During discussions participants raised the following issues on resource mobilisation and public private partnerships:

- There is need for a legal framework in order to facilitate trading of green bonds;
- Voluntary carbon market (VCM) needs a proper legislative framework for it be successfully established in the country;
- Carbon credits are more valuable relative to the voluntary carbon markets;
- There is need to ride on the SADC green bond framework which has already been successfully used by other SADC countries;
- There is need for fiscal and monetary authorities to take a leading role in climate funding;
- Knowledge exchange between public and private sector is critical instead of working in isolation;
- There is need for coordination architecture among key stakeholders (Ministry of Finance, Economic Development and Investment Promotion (MoFEDIP) and private sector);
- Besides funding for actual projects, there is need to invest in project preparatory activities such as feasibility studies in order to identify bankable projects which can be implemented under the PPPs frameworks;
- There is also need to develop instruments which are suitable for our local requirements and circumstances;
- There is need for Government to prioritise projects with high impact to the economy such as an efficient railway line system;

- There is need to develop strategic development partner/ private sector partnerships which can be harnessed towards infrastructure development;
- Zimbabwe can leverage on global green financing by riding on already established green financing frameworks from regional bodies (SADC and AfCFTA);
- Government should lead in the development of green bonds through ensuring stable macroeconomic environment; and
- There is need for operationalisation of the International Financial Services Centre to facilitate the development of the carbon trading in Zimbabwe.

INFLATION AND EXCHANGE RATES DYNAMICS

Paper Title: Monetary Shocks and Exchange Rate Adjustment
Author: Joseph Mverecha

Objective

40. The research objective was to establish the impact of monetary shocks on the exchange rate, the monetary shocks pass through and the impact on inflation in Zimbabwe. Applying monthly time series data, the research explored the exchange rate initial "over adjustment" or overshooting in response to a monetary shock and how the shocks are propagated through time, as the exchange rate adjusts towards equilibrium.

Findings

41. The following results were drawn from the study:
    - Monetary shocks lead to exchange rate depreciation; while sustained exchange rate depreciation fuels inflation in Zimbabwe;
    - Monetary shocks pass through to the exchange rate are distributed through time, (for Zimbabwe) the distributed lags are spread over 20 months; and
    - Reserve money (monetary) shocks in the presence of inflation expectations and expectations of exchange rate depreciation lead to short run over adjustment in the exchange rate. The over adjustment persists from the 8th month to the 20th month.

Policy Recommendations

42. The study proffered a number of policy recommendations as outlined below:

- Inflation stability can only be achieved if currency and exchange rate stability is achieved, especially parallel exchange rate;
- Parallel market collapse will lead to anchored inflation expectations; and
- Tight monetary control is a pre-requisite for currency and exchange rate stability.

Paper Title: De-dollarization Strategies for Zimbabwe: What does Literature and Experiences Say?
Author: Cornelius Dube

Objectives

43. The main objective of the research was to contribute towards the formulation of the roadmap towards de-dollarisation. Specific objectives of the paper included the following:

- Outlining the key de-dollarisation tools that have been used in countries that have successfully de-dollarised;
- Identifying critical factors that need to be avoided in de-dollarising an economy; and
- Suggesting some policy measures that would help anchor de-dollarisation in Zimbabwe

Findings

44. The study concluded that:

- It's not the absolute values of inflation that drive dollarization;
- Dollarization will increase as inflation volatility increases;
- Successful cases of de-dollarisation were anchored on stable inflation, exchange rate and economic growth;
- Forced dollarisation (even at a premium) is bound to fail and cause massive capital flight, eg Bolvia (1982), Mexico (1982), Peru (mid-1980s), Argentina, Pakistan (1998);
- The existence of indexed local currency instrument attractive as a dollar substitute;
- and

- Dollarization increases with exchange rate depreciation or inflation but does not decrease with subsequent reductions in these variables.

Policy Recommendations

45. The study proffered the following policy recommendations:
    - Government should consider gradual de-dollarisation process rather than forced or big bang de-dollarisation;
    - Sound sustained and credible macroeconomic stabilization policies reducing inflation and exchange rate volatility should anchor de-dollarisation.
    - Making all taxes payable in local currency will go a long way in signalling a long-term acceptance of the local currency.

Paper Title: Monetary Policy Transmission
Author: Sandra Mundava

Objectives

46. The effectiveness of monetary policy transmission is important for policy to achieve the desired goals of price and financial system stability supportive of economic growth.
    - The conditions for effective monetary policy transmission include among others;
        - central bank independence,
        - a well-developed and competitive financial sector with diverse instruments of short and long maturities,
        - a well-functioning interbank market to ensure effective transmission of the policy rates to the lending rates, and
        - limited and evenly distributed liquidity for use by banks as buffer (Mishra et al (2014).
    - More importantly, there is need for stable money demand and relationship between the policy anchor, intermediate targets and inflation (Barnett, 2022; Nyamongo et al, 2015).

Findings

47. The results of the study show that:
    - Money multiplier was unstable, which puts into question the effectiveness of policy transmission under reserve money targeting; and
    - Money velocity was unstable, suggesting that monetary policy outcomes were not easily predictable.

Policy Recommendations

48. Evidence suggesting the lack of a stable relationship between reserve money and broad money points to the need for a broader and richer policy anchor(s) that have a strong link to broad money, inflation and output. The decoupling of reserve money and inflation suggest its abandonment in favour of an implicit anchor by the Central Bank.

49. Going forward, there is need to assess feasibility of inflation targeting in consistency with regional and continental policy thrust.

Paper Title: Exchange Rate Pass Through to Domestic Inflation
Authors: Nicholas Masiyandima, Smart Manda and Prudence Moyo

Objectives

50. The paper sought to examine whether Exchange Rate Pass-Through (ERPT) explains inflation dynamics in Zimbabwe. In addition, it sought to quantify the magnitude by which exchange rate variations are transmitted to domestic prices, as well assessing the magnitude and speed of the ERPT in Zimbabwe.

Findings

51. The study, concluded that:
    - Limited export diversification and largely primary commodities, with the PGMs, Gold, and Tobacco constituting at least 80% of total exports;
    - Zimbabwe's export base is narrow and mainly driven by export of primary commodities;
    - The country has limited reserves; hence limited scope for forex market intervention to counter sudden unexpected exchange rate shocks;
    - The country faces high demand for imports including basic commodities; and
    - Production is import intensive, with imports constituting about 40% of GDP.

Policy Recommendations

52. The study recommended an explicit exchange rate target compared to other nominal anchors given the interest by economic agents. It also highlighted that targeting does not necessarily mean fixing the exchange rate – exchange rate targeting can involve allowing a certain degree of devaluation of say 10% per annum to restore confidence in the local currency.

53. In addition, it also recommended the establishment of an exchange rate management committee comprising of Government, Reserve Bank of Zimbabwe and private sector to inspire confidence, share notes and promote transparency in exchange rate management.

54. The recommendations suggested that, the Ministry of Finance, Economic Development and Investment Promotion and RBZ may use market mechanisms to intervene in the exchange rate market to determine the extent of needed intervention. Lastly, the country should consider to negotiate a facility specifically for defending the target exchange rate.

Panel Discussion and Comments

55. It came out during the discussions that the biggest elephant in the room is the use of multicurrency system which makes it difficult for the country to become competitive. Therefore, it was recommended that Government adopt gradual de-dollarisation process, accompanied

by necessary incentives instead of a forced big bang approach, learning from other countries' experience.

56. Stakeholders requested that Government provides the market and the economy with a clear currency reform roadmap as the financial sector is now hesitant to extend long term foreign currency loans as the 2025 deadline looms.

57. Experts were of the view that inflation should be reported separated for local and foreign component, instead of the blended approach. In response, the Minister of Finance, Economic Development and Investment Promotion highlighted that both the local and foreign inflation components are accounted for in the weightage average models being used.

58. Stakeholders highlighted that the instability experienced in the economy was mainly emanating from money supply growth which is feeding into exchange rate and inflation instability. Therefore, the recommendation was for Government and the Central bank to curb money supply growth and refine the foreign exchange system towards a market determined to achieve the desired stability.

59. To ensure value for money and curb corruption both in public and private sector, stakeholders recommended innovative ways of adopting e-procurement management system that eliminates human interface and promotes efficiency.

ENHANCING THE ROLE OF THE PRIVATE SECTOR

Paper title: Unpacking Sources of Manufacturing Sector Optimism in the Face of Difficulties: Evidence from Zimbabwe Microdata.
Authors: Cornelius Dube, Pepertua Muzondo and Whisper Nyandoro

Objective

60. The paper sought to explore and identify sources of optimism by manufacturing players.

Findings

61. The study findings established that optimism in the manufacturing sector is reflected by investing in new technology at a time when the sector is going down in terms of overall contribution to GDP and by deciding to hire more permanent employees gives an impression that the future is considered bright despite some challenges currently besetting the manufacturing sector.

Policy Recommendations

62. The study proffered a number of recommendations to the manufacturing sector difficulties as follows:

- Increasing export capacities is important in enhancing confidence;
    - Reduction of export retention to at least 10% in the manufacturing sector, and
    - Policies that promote use of local currency to enhance regional and international competitiveness.
- Enhancing output and capacity utilisation is critical;
    - Addressing overlapping regulatory mandates, streamlining regulations and reducing fees and fines to reduce cost of compliance.
- Promoting investment facilitates optimism;
    - Tax breaks incentive proportional to any new investment done by the manufacturing company (rather than foreign investors only).
- Employment of permanent employees distinguishes optimism; and
    - The labour laws should promote the employment of workers on a permanent basis.
- Technology adoption is a key distinguishing feature;
    - Policies that promote digital skills training, digital infrastructure development, and the use of information and communication technologies (ICTs).

Paper Title: Leveraging Digital Finance for Financial Inclusion and Economic Impact
Author: Collen Tapfumaneyi

Objective

63. This paper delves into how technology-driven financial services, including crowdfunding, mobile banking, digital payments, SME financing, and online capital markets, can address financial challenges faced by those seeking capital (demand side) and those providing it (supply side).

Findings

64. The study drew lessons on the challenges for access to financial services by SMEs as emanating mainly from lack of savings.

Policy Recommendations

65. The following policy recommendations emerged from the study:

- Promote policy trust, transparency and stakeholder engagement to support digital finance initiatives;
- Adapt legal framework for digital finance, including data protection, digital identity, consumer rights, transactions and digital investment platforms;
- Enhance regulatory capacity, implement risk-based rules, and promote cross-border collaboration to support digital finance growth and consumer protection;
- Offer fiscal incentives for digital finance investments, promote digital literacy and explore tax policies for the sector;
- Empower strategic industries with impactful grants, providing much-needed financial support to deserving firms.

Paper Title: Isolating the Unique Value Proposition of the Sovereign Wealth Fund of Zimbabwe
Author: Grey Munetsi-Nyama

Objectives

66. The paper sought to explore the Insights from the Largest Sovereign Wealth Funds in Resource-Rich Countries.

Findings

67. The major findings were that the best practices by successful SWF are as follows:

- Focus on being a financial investor (Investee autonomy);
- Geographical and asset class diversification;
- Select global diversified benchmarks;
- Use internal and external managers;
- Manage trading costs;
- Separate the trading from the allocation function; and
- Employ investment return enhancement strategies.

Policy Recommendations.

68. The main policy implications are as follows:

- Refocus Sovereign Wealth Fund of Zimbabwe (now Mutapa Investment Fund) objectives;
- De-link from direct interaction with fiscal activities;
- De-couple from the domestic economy;
- De-link from direct interaction with fiscal activities; and
- International best practices in portfolio management.

Paper Title: Leveraging Capital Market Infrastructure for Economic Development
Author: A. Taruvinga,

Objectives:

69. The paper seeks to unpack the capital market infrastructure and demonstrating how it can be fully utilised for sustainable capital raising. It also seeks to propose strategies to leverage the capital market infrastructure for sustainable development and meaningfully contribute towards the NDS1 goal of growth and sustainable development of the nation.

Findings:

70. The study found out that:
    - The general drying up of offshore funding into emerging markets;
    - Limited fiscal space in the face of huge demand for long-term capital;
    - Overdependence on the banking sector which, however, is dominated by short-term deposits as a result of weak saving culture;
    - Limited capital market depth and breadth - few and small listings, few products and services, lack appropriate benchmarks for pricing longer dated paper, lean investor base, illiquid, low disposable income; and
    - Investors are reluctant to take long-term investment views.

Policy Recommendations

71. The major recommendations were:
    - Regulatory reform is key in accommodating new ideas, products and services and innovation-amending Acts;
    - Facilitate foreign investment, such as easing restrictions on foreign ownership, streamlining regulatory processes, and enhancing market accessibility-tax incentives;
    - Removal/reduction of taxes i.e. CGT, removing vesting periods to reduce cost of trading so market can be attractive to investors;
    - Support the SME sector–backbone of most economies – GEM Portal;

- Funding of infrastructure through listed long-dated Government paper;
- Promote capacity building, education and awareness; and
- Collaborate and partner among economic agents.

Paper Title: Infrastructure Financing
Author: Misheck Ugaro

Objectives:

72. The paper sought to identify the country's infrastructure requirements in order to attain Vision 2030, drawing lessons from experiences in other Developmental State nations, including potential infrastructure financing routes.

Findings

73. The major finding of the paper was that for a state to attain higher levels of growth and reduce poverty as well as rise to fully attain competitiveness in the global economy, infrastructure development is critical as it forms the backbone of the economy. Investment in infrastructure has a direct relationship with economic growth. There is evidence of this position as demonstrated by the Developmental State models of East Asian countries over the last 4 to 5 decades.

Policy Recommendations

74. The paper proffered several recommendations including: institutional reforms**,** where the study postulates that policy and regulatory environment is an essential input into infrastructural Development. It is necessary for the authorities to create the required regulatory environment supported by the necessary legislative backing.

75. In addition, the study articulated other policy recommendations as follows:
    - Re-integration efforts**:** the current re-engagements efforts must continue in order to attract financing from the international financial markets;

- Diaspora Remittances: It is important to leverage on this resource, given that remittances from the Zimbabwe Diaspora is the second biggest source of foreign currency into the country;
- Private International Capital: Other instruments can be structured to attract other non-targeted international investors;
- Grants and Other bi-lateral sources: This can be targeted from friendly nations and to date has been a significant contributor to the current efforts and must be continued; and
- Adopting the GTE Route: Government Trading Enterprises exemplified by Australia.

Paper Title: An Assessment of Determinants of Firm Productivity in Zimbabwe
Author: Reginald Chaoneka

Objective

76. The paper sought to explore and assess the effects of both external environment and internal factors that drive firms' productivity levels.

Findings

77. Based on this research analysis, the most important internal factors that drove firms' productivity levels in Zimbabwe were international standards, training, process innovation (purchase of equipment), liberalisation (cheap imports), foreign engagements (foreign subsidiaries), ownership (gender), and water and electricity.

Policy Recommendations

78. Given that a number of stakeholders are involved, it may be necessary for the Government to establish a National Productivity Centre as agreed to in the 1999 SADC Declaration on Productivity.

79. Government should speed up the establishment of a Standards Bureau that would design and enforce national standards, which will enhance firms' productivity levels. The Standards

Development Levy should focus more on equipping laboratories and capacitating SMEs to meet high standards.

80. Authorities may need to consider incentives to harness local technological developments. It is also necessary for the Government to engage in public-private partnerships with investors that have an interest in power generation and water infrastructure.

Comments from the Panel Discussions

81. Several comments and policy recommendations were proffered during the panel discussions, as follows:
- Zimbabwe needs to be innovative to come up with workable solutions under the current circumstances;
- There is need for macro-economic stability to enable private sector to thrive;
- There is need to promote e-procurement to enhance transparency and promote inclusivity and competition; and
- Government is urged to invest in economic enablers (infrastructure) to reduce cost of production.

LEVERAGING THE INFORMAL SECTOR FOR DEVELOPMENT

Paper Title: Oiling the Wheels of the Informal Sector Towards Accelerated Growth
Author: Lovemore Chinyoka

Objective

82. The study sought to understand the dynamics of the informal sector and provide a roadmap for policymakers in accelerating growth of the sector so that it positively contributes towards the growth of the economy.

83. The informal sector is a major driver of the economy and has shown resilience and the ability to adapt to emerging shocks. The IMF 2018 study showed that Zimbabwe's informal sector is the largest in Africa and second largest in the world after Afghanistan. During the post Covid-

19 era, it was estimated that the sector employs 40.5% of the total labour force and contributed approximately 64% to the country’s GDP.

Findings

84. The study shows that formalization of the sector offers access to formal financial systems, legal protection, as well as contributes to fiscal revenue. Hence, there is need to provide tax incentives through tax breaks coupled with business training, access to technology as well as simplified and clear regulatory frameworks.

85. Seven factors which supports formalisation of the sector were identified, which include market access and Government support; simplified processes and partnerships; information accessibility and cost concerns; innovation and business growth, as well as expansion and training.

86. On lessons drawn from other countries, the study found out that Zimbabwe's tax system is simpler than other countries such as India but it faces challenges in pushing for formalisation and integrating the informal sector.

87. South Africa’s Capitec Bank embraced financial inclusion and introduced the "Global One" facility, merging transactional banking, savings, and credit resulting in simplified banking, technology integration, and promotion of financial literacy.

88. Zimbabwe's artisans lack structured support and can adopt Kenya's model of empowering the artisans through resource centres, training, and specialized financial products.

89. The informal sector workers in Zimbabwe also face challenges of recognition and societal biases, hence the need to recognize and engage with the informal sector workers, provide tools and sector specific training programmes and upscaling their integration into the formal economy.

Policy Recommendations

90. Formalisation of the informal sector using the model of registered associations which assist in setting standards, ensure compliance and liaise with the Government on behalf of their members. The informal sector can also access financial resources through collective bargaining.

91. The study also recommended promotion of financial inclusion for the informal sector by ensuring accessibility of simplified banking solutions everywhere; prioritise affordable finances tailored to the sector’s income dynamics; as well as utilisation of digital platforms for seamless banking transactions and transparency in all charges.

92. It also recommended that, infrastructure-centric transformation of the informal sector through developing specialized informal sector hubs tailored to various trades, equipped with modern tools and safety measures, ensuring safety in hubs, especially for those where fires have destroyed assets and undermined operations like the Glen View 8 complex.

93. Enhancing the informal sector through research and data collection in Zimbabwe. This entails establishing a specialized research unit with experts in economics, data science, and social studies to conduct comprehensive research on Zimbabwe's informal sector.

94. Integrating and empowering Zimbabwe's informal sector by providing tailored training sessions in collaboration with trade organizations and NGOs to equip informal sector workers with best practices, safety protocols, and business management skills. There is also need for identifying and meeting the specific equipment needs of different informal sector segments through ensuring safety and efficiency as well as reshape societal perceptions and emphasize the dignity of informal sector work.

Paper Title: Embracing Strategies for Harnessing Resources from the Informal Sector of Zimbabwe
Author: Mutanda Bronson

Objective

95. The study investigated and proposed strategies for mobilization of resources from the informal sector.

Findings

96. The study identified three (3) strategies for harnessing resources from the informal sector in Zimbabwe as follows:
    - Formalisation of the informal sector through social dialogue; skills and infrastructure development; enforcement and policy adjustments;
    - Financial inclusion through provision of digital financial services and tailor-made financial products; and
    - Offering direct taxes through auctioning tax rights; carrot and stick approach; introduction of mobile tax units and associational taxes coupled with tax education among others.

Policy Recommendations

97. The study recommended the following:
    - Social dialogue as a tool for facilitating transition to formality through negotiation, consultation and exchange of information between and among representatives of Government, employers and workers on issues of mutual interest;
    - Prioritizing development and improvement of skills, infrastructure, and livelihoods before taxation of the country's informal sector is planned or put into practice;
    - Reorganizing tax administration, segmentation with distinct divisions to handle small, medium, and big businesses, accordingly.

- Tax education is key, emphasizing transparency and engagement in an effort to encourage quasi-voluntary compliance among businesses in the informal sector; and
- Use of the carrot (reward favoured behaviours by offering them premium rebates) and stick (punish 'undesirable' behaviours with tax penalties) approach. Government can also introduce 'Mobile Tax Units' and also encourage financial inclusion through tailored solutions, including utilisation of digital platforms and instruments as an opportunity for taxing the informal sector.

Paper Title: Informal Sector Resource Mobilisation
Author: Melusi Tshuma

Objective

98. The study sought to identify strategies to leverage the informal sector for development in Zimbabwe.

Findings

99. The study identified some informal sector players such as cross border traders, informal waste workers, and small holder farmers where Government can do a lot to recognise their contribution to the economy including environmental conservation.

Policy Recommendations

100. The study recommended including the informal sector in Government procurement through a window where they can also register as suppliers, as well as offering them procurement training. Facilitating access to formal credit including simplified tax regimes.

101. Government should also create Special Economic Zones for the sector, conduct and promote skills development to improve productivity. This entails implementation of training programmes in conjunction with the provision of seed capital and support innovation.

102. For informal waste workers, there is need for creation of garbage picker cooperatives and giving them access to formal dumpsites.

103. Government should provide digital platforms, especially for small holder farmers to cater for sale of their perishable products.

Paper Title: Presumptive Tax Non-Compliance in Zimbabwe's informal sector
Author: Trymore Mandava

Objectives

104. The objectives of the study were to identify the perceptions of informal traders on presumptive tax, determine the main factors that contribute to presumptive tax non-compliance among informal traders as well as explore measures that ZIMRA has employed to encourage tax compliance by informal traders.

Findings

105. It was found out that the perceptions of the informal traders on presumptive tax are negative as they regard themselves as not having 'proper jobs' and hence should not be taxed.

106. One key factor identified that lead to presumptive tax non-compliance is related to inability to understand and interpret the tax law due to its complexity.

107. Furthermore, ZIMRA has an office to deal with large taxpayers yet it does not have any dedicated office for the presumptive taxpayers as is the case in some developing countries.

108. It was established that very few informal sector operators (apart from omnibus taxi owners and a few other highly visible informal operators) even knew about the existence of presumptive taxes.

Policy Recommendations

109. The Government through ZIMRA, should engage the informal sector in a friendly manner, and bring awareness about the presumptive tax.

110. Government has to simplify tax legislation as well as registration processes for informal traders and ZIMRA needs to set-up a division that exclusively deals with the informal sector.

111. Collateral tax penalties should be introduced and ZIMRA needs to combine efforts with the Harare City Council whereby informal traders will not be allowed to renew licences until they pay presumptive tax.

112. There is need for capacitation of ZIMRA to institute effective informal sector tax administration. ZIMRA should also conduct awareness programmes on the importance of paying the presumptive tax and the requirements for registration and payment modalities.

113. The Government should also be accountable to the citizenry on taxes collected from not only the informal sector, but to all taxpayers.

Paper Title: Filling the Gap: Industrialising Artisanal Miners for Economic Growth
Author: Martin Mutopa

Objective

114. The paper sought to understanding the operations of the artisanal miners in Zimbabwe and proffer policy recommendations to improve their working condition in view of their contribution to mineral production, thereby GDP.

Findings

115. The models of artisanal mining in Zimbabwe include alluvial and reef mining, as well as disused mines rummaging. Some of the challenges being created by artisanal miners include land

degradation, farmer miner disputes, armed gangs, mining accidents, drug and substance abuse, and vandalism of vital infrastructure.

Policy Recommendations

116. The Government should decentralize the Ministry of Mines and Mining Development operations to district level.

117. There is need for the establishment of mining associations (group of artisanal miners) for easy of follow up and management, including providing customized training on artisanal miners on proper, safe and sustainable mining practices. This will allow Government to offer Open Exclusive Prospecting Orders (EPOs) for block registration to these associations or groups.

118. Government should also set up financing schemes, whereby commercial banks will put in place *"Mining-business Desks*" for the sole purpose of financing registered mining associations or groups.

Panel Discussions

119. There was general consensus on the need for overall inclusion of the whole of Government and other stakeholders to support the informal sector through a comprehensive and integrated framework.

120. There is need to strategically and scientifically categorize business operations in order to identify their specific needs and their contribution to the fiscus. In addition, there is need to demystify the notion that *Informal Sector* players are illiterate and unable to keep records. Zimbabwe's literacy level is enough testimony that the majority of operators can maintain books of accounts for tax purposes, albeit, with taxpayer education.

121. It was noted that the majority of operators are registered with City Councils and Registrar of Companies. However, they are reluctant to comply with tax laws, taking advantage of challenges with tax administration. The majority of SMEs have *Fixed Places of Business*

(Permanent Establishments), hence, it should ordinarily be possible for the *tax administration* to ensure tax compliance.

122. Evidence from the Zimpapers Group indicate that the so-called informal businesses are well established. Such businesses do not want to advertise publicly so that their places of business remain a mystery to ZIMRA, despite their significant operations.

123. Operators keep records for personal use, however, such records are concealed in order to avoid payment of tax. Most operators, whose beneficial owners are reputable and educated persons, understand taxes so well such that their businesses are disguised as informal in order to avoid payment of taxes. These operators already meet the Value Added Tax threshold of US$40 000 per year, hence, qualify for automatic registration by the Zimbabwe Revenue Authority.

CONCLUSION

124. The input from researchers and all the participants is vital for public policy making. This will guide the formulation of the 2024 National Budget, whilst some of the information will be useful in formulating medium to long term public policies.

END