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Unearthing **Potential** !

INVESTOR BULLETIN

As at April 2024



*(Reserve Bank
of Zimbabwe
2024 First-Quarter
Monetary Policy
Statement).*



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Investor Bulletin As At April 2024

Following the announcement of the 2024 Monetary Policy Statement by the Governor of the Reserve Bank of Zimbabwe (RBZ) on 05 April 2024, the Zimbabwe Investment and Development Agency (ZIDA) wishes to advise investors and the relevant stakeholders on the new monetary policy measures which have a bearing on investments as follows:

1. Adoption of Market Determined Exchange Rate System

The Foreign Exchange Auction system has been replaced by the refined Interbank Foreign Exchange Market under a willing-buyer-willing-seller (WBWS) trading arrangement. Under this arrangement, Authorised Dealers (banks) and Bureaux de Change shall buy foreign currency from willing sellers for onward selling to willing buyers at the prevailing market rate. RBZ will continue to provide trading liquidity to the market using the 25% surrender proceeds from exports.

The impact of the Adoption of Market Determined Exchange Rate System

The adoption of a market-determined exchange rate system will ensure operational efficiency and stability of the exchange rate through a transparent price discovery mechanism under the WBWS arrangement.

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2. Introduction of New Structured Currency

RBZ introduced the structured currency which is supported by Statutory Instrument 60 of 2024 (Zimbabwe Gold Notes and Coins) Regulations, 2024. The Structured Currency which is called Zimbabwe Gold (ZiG) is linked to a composite basket of reserve assets comprised of precious metals (mainly gold) and foreign currency. ZiG shall comprise both coins and notes of various denominations to provide convenience to the transacting public.

2.1 Currency Conversion and Swap

The currency conversion was effective from 5 April 2024 through which banks converted the Zimbabwean Dollar balances into the new currency, ZiG using the conversion factor of ZiG: ZW\$ of 1: 2498.7242 respectively. The new currency will co-circulate with other foreign currencies in the economy.

On conversion of all ZW\$ balances, banks were directed to rename all the ZW\$ accounts as ZiG accounts. Gold-backed Digital Token (GBDT) accounts will no longer be called ZiG accounts but will be known as GBDT accounts.



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2.2 Exchange Rate Management System

The conversion of ZiG to US\$ was done using the London PM Fix price of gold as of 5 April 2024 of ZiG13.56 per 1US\$. The intervening exchange rate shall be determined by the inflation differential between ZiG and US\$ inflation rates and the movement in the price of the basket of precious minerals held as reserves. This implies that the movement of the exchange rate will be determined by the US\$ inflation rates and the price of the basket of precious minerals held as reserves.

3. Management of Exports Proceeds

Foreign currency retention thresholds by local companies remain standardized at 75% across all sectors except for small-scale gold producers who retain 100% of their export proceeds.

Impact of Management of Export Proceeds

The 75% foreign currency retention threshold is meant to enable exporting companies to fund their operations whilst the 25% surrender requirement shall continue to provide trading liquidity on the interbank market.



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4. Auction Allotments Obligations

RBZ has indicated that all outstanding auction allotments will be converted into ZiG and refunded to recipients at the current interbank exchange rate. The refund will entail the conversion of all outstanding auction allotments into a two (2) year ZiG-denominated instrument at an interest rate of 7.5% per annum. The actual instrument and modalities shall be advised in due course by the RBZ.

5. Outstanding Payments for Auction Surrender Obligations

All outstanding payments for foreign exchange purchased by Treasury under the 25% surrender requirement will be converted to a ZiG-denominated instrument with a tenor of one (1) year at an interest rate of 7.5% per annum. The actual instrument and modalities shall be advised in due course by the RBZ.



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6. **Alternative Investment Instrument**

Gold coins and gold-backed digital tokens shall continue to be used as investment instruments and to manage liquidity in the economy, to stabilize the currency and exchange rate.

A copy of the 2024 First-Quarter Monetary Policy Statement can be accessed on the RBZ website:
<https://www.rbz.co.zw>

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