THE CHARTERED
Accountant

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DECEMBER 2014

2015 ECONOMIC OUTLOOK

ZIM, "RIPE FOR INVESTMENT, POISED FOR GROWTH"

CAs KEY TO ECONOMIC TURNAROUND

2015 NATIONAL BUDGET ANALYSIS

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Your opinion matters!

We would love to hear from you, so if you have an opinion about any of the topics you have read or others, feel free to contact us on:

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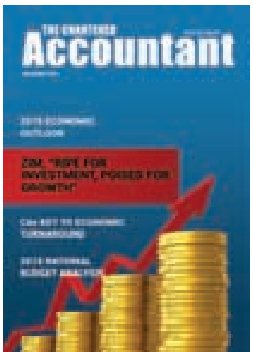

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Bothwell Nyajeka

President's message

Dear fellow members,
How time flies! 2014 is already coming to an end. The last two months have been very eventful and fruitful.

The month of October started with the Polokwane Investors Conference. The conference was held from 2 to 5 October 2014 at the Legend Golf Resort in Polokwane, South Africa with over 60 delegates attending.

The presentations were "top notch" and confirmed that it is not all doom and gloom for Zimbabwe. The Secretariat has come up with an action plan based on all the resolutions from this conference which are now a basis for our interaction with the various arms of government as we play our part to shape the economic future of our country. Please visit ICAZ website (*www.icaz.org.zw*) for copies of the presentations.

In October, I also had a chance of visiting some of the past presidents of the institute and some senior chartered accountants. I met with Simon Hammond, Ngoni Kudenga, Themba Ndebele, Nyasha Zhou, Munyaradzi Dube, Vuli Ndlovu,David Gwande, Clement Ruzengwe, Afaras Gwaradzimba, Emilia Chisango, Sanjay Patel and Gamalio Bwanya. We discussed the profession and how they saw the future. While most of these esteemed chartered accountants are now businesspeople and are no longer involved in finance and accounting, I was humbled by their continued "love" for the profession and the Institute of Chartered Accountants Zimbabwe (ICAZ) brand. They were also very emphatic that the profession and ICAZ should remain "relevant" to Zimbabwe and the world at large. To this end, they are urging all ICAZ members to be involved and contribute to debates in the areas of economy and corporate governance. This should see ICAZ playing a greater and visible role in these areas.

In November, the South African chapter hosted a networking event at the Killarney Country Club, in Houghton, Johannesburg. This was an inspiring event, where the senior vice president, Roy Chimanikire and I met 60 young vibrant Zimbabwean ICAZ members based in South Africa. I had a chance to interact and chat to most of them. I returned with a sense of pride at the impact that ICAZ has had on the lives of these young men and women. All the members I spoke to were positive and grateful at the opportunities that their membership to ICAZ has opened up for them outside Zimbabwe. This bears testimony to the quality of the product that ICAZ is producing. Our duty therefore, is not only to continue producing chartered accountants but to maintain the ICAZ brand so that we open doors and provide opportunities to other young boys and girls still in high schools and universities in Zimbabwe.

In early December, I inducted 40 new ICAZ members at a function hosted by the Mashonaland Society at the Holiday Inn, Harare. As active participants in policy formulation in the country's economy, council members were very busy during October and November as follows:

- ICAZ CEO, Matts Kunaka,and members of Tax and Other Legislation Committee (TOLC) met with the Reserve Bank of Zimbabwe and gave input into the formation of the Zimbabwe Assets Company,a company which has been formed to take over Non-Performing Loans.
- The Senior Vice President, Roy Chimanikire, CEO and TOLC members also met with the Ministry of Finance to give input into the 2015 National Budget.
- The Accountants Procedures Committee (APC) and the ICAZ technical department were involved in the drafting of the new listing rules for the Zimbabwe Stock Exchange.
- Brian Njikizana was appointed PAAB vice chairman, while David Marange and Lewis Hussein were appointed chairmen to PAAB's Auditing Matters Committee and Accounting Matters Committee, respectively.

As 2014 is coming to an end, I urge fellow members to ensure that subscriptions are up to date. Please contact Mrs Lucille Makwasha, the finance manager at ICAZ to check the status of your subscription account.

Members who attended the 2014 Winter School will recall the passionate and well-thought out bid by the Dubai Chapter to have the 2015 Winter School hosted in Dubai. I am delighted to advise you that after further consideration by council, the 2015 Winter School will be held in Dubai. The ICAZ Secretariat, together with the Dubai Chapter and the Mashonaland Society members,are now carrying out a survey to establish the number of members who are interested in attending the 2015 Winter School in Dubai. We aim to have at least 400 members attending this Winter School. I urge you all to respond to the survey by 31 January 2015 as we need to ensure that the "Winter School" in Dubai is viable before we make any commitments.

On a sad note, I wish to convey my condolences to the Garrard family on the death of Collin Garrard. Collin passed away on July 7, 2014. Collin was the founder and managing director of ATS Agro-Chemicals. He was one of the senior members of the Institute who participated passionately in most of ICAZ events including Winter School. Members who attended the 2012 Winter School would remember him for winning the fishing competition with Rob Maunsel. May Collin's soul rest in peace.

Acknowledgements
I wish to thank the ICAZ staff, council members, and members who serve on the various ICAZ committees, for their-support and unwavering commitment to the institute during 2014. Long may you continue to fly the institute flag high in 2015 and the years to come.

I wish you all HAPPY HOLIDAYS and please, DON'T DRINK AND DRIVE.

BOTHWELL PATRICK NYAJEKA
ICAZ President

Dr. Kupukile Mlambo

ICAZ's investors conference in South Africa

An adequate external reserve position would readily provide this cushion and facilitate the recovery of an economy writes Sibusiswe Ndhlovu, ICAZ member and PR committee deputy chairperson

THE Institute of Chartered Accountants of Zimbabwe (ICAZ) held its investors conference outside Zimbabwe in conjunction with members based in South Africa from 2 to 5 October 2014 at the Legend Golf & Safari Lodge in Polokwane, South Africa under the theme: *"Zimbabwe - ripe for investment, poised for growth."*

During the two-day conference, experts presented papers covering topics that included the current and future incentives for investors from a monetary policy point of view, why now is the best time to invest in Zimbabwe, capital markets as an investment option, ease of doing business in Zimbabwe, mining opportunities in Zimbabwe and the role of media in promoting investment in Zimbabwe.

These presentations provoked vibrant, robust and honest debate.

In his presentation on the current and future incentives for investors, the Reserve Bank of Zimbabwe (RBZ) deputy governor, Dr Kupukile Mlambo told delegates that the conference had come at a very opportune time when government was exploring ways to meaningfully attract foreign direct investment in order to boost the liquidity situation in the country and support sustained economic growth and development.

Mlambo said the RBZ which plays a key role as policy advisor to government has been actively involved in the country's efforts to engage the international community adding that Zimbabwe is in talks with the International Monetary Fund to build foreign currency reserves.

The RBZ deputy governor said the country's foreign currency reserves could only cover two weeks of imports compared to the benchmark of three months import cover. The low level of import cover increases the country's vulnerability to external shocks.

An adequate external reserve position would readily provide this cushion and facilitate the recovery of an economy.

Turning to the market, Mlambo said the RBZ has issued US$300 million worth of Treasury Bills to local banks to compensate companies whose foreign currency accounts was used to finance government obligations during the hyperinflationary era.

In a bid to encourage foreign currency investment inflows, Mlambo also told delegates that the central bank has removed restrictions on foreigners who want to participate in the country's bond market.

Turning to demonetisation, Mlambo said the RBZ was in serious discussions with the Ministry of Finance and Economic Development where Zimbabwe dollar balances outstanding since the country's switch-over to the multi-currency regime five years ago can be compensated.

Addressing delegates at the conference, Willia Bonyongwe, the Securities and Exchange Commission of Zimbabwe (SECZ) chairperson said new rules were being drafted namely the new Zimbabwe Stock Exchange (ZSE) Listing Rules, SECZ rules (Insider Trading, Listing Rules, Merger Acquisition, Market Conduct, Reporting Standards and Investor Protection Rules).

SECZ, she said, was also reviewing the capital adequacy requirements of asset management companies.

She urged investors to view capital markets as an investment option saying the country's capital market regulator has established a review and monitoring panel to scrutinise the published financial statements and reporting standards in collaboration with the ZSE and Public Accounting and Auditing Board (PAAB).

Bonyongwe said automation of the ZSE will bring efficiency, capacity and speed of its trading and dissemination of information.

She said while there are initiatives by the fiscal and monetary authorities to improve the liquidity situation in the country, plans are underway to reignite a secondary bond market and the establishment of an alternative market focused on emerging enterprises.

Richard Mbaiwa, the chief executive of the Zimbabwe Investment Authority, a statutory board established by an Act of Parliament with the mandate to promote, facilitate and coordinate investment in Zimbabwe by both domestic and foreign investors, delivered a paper on why now is the best time to invest in Zimbabwe.

Mbaiwa said implementation of the following initiatives would result in an upward growth trajectory in the economy:

- ZIM-ASSET;
- Doing business reforms that would reduce bureaucracy and lead time in licensing businesses;
- Introduction of special economic zones;

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We may look the same
but we do things differently.

From Page 4

- Joint venture frameworks; and
- ongoing investment into infrastructure development and power generation.

Financial sector reforms which had already been introduced buttressed Mubaiwa's assertion that "now" was the best time to invest in Zimbabwe.

Given recently introduced financial sector reforms, Zimbabwe industry stood in good stead to attract finance to re-industrialise and retool through long term low cost financing facilities. Mbaiwa told delegates that there are opportunities to invest in the priority areas include the infrastructure development, agriculture, manufacturing, mining and processing, energy and tourism.

Steward Mangoma, Zimplats' chief finance officer, who delivered a paper on mining opportunities on behalf of Chamber of Mines of Zimbabwe president, Alex Mhembere told the delegates that the mining sector has led economic recovery registering an average growth around 30% between 2009-2013.

The sector is projected to grow by an average annual rate of 10,2% between 2014 and 2018 compared to other sectors which are anticipated to grow in single digits.

At this rate, Mangoma said the sector has the capacity and potential to create substantial impetus for economic growth and value addition. Mangoma added that government was in the process of finalising amendments to the Act which is intended to strengthen security of tenure, simplify the mining titles system, and enhance environment provisions. These measures will enhance the competitiveness of the mining legislative framework.

While presenting a paper on ease of doing business in Zimbabwe, the chairman of the Zimbabwe Investment Authority, Nigel Chanakira said Zimbabwe has fared badly on the World Bank's ease of doing business and is currently ranked 170 out of 183 countries.

The ranking is undermining investors' confidence and has resulted in low levels of inward foreign direct investment (FDI) and domestic investment.

He, however, said the Ministry of Finance and Economic Development was working with the World Bank on the Doing Business Reform Agenda in Zimbabwe.

"There is need to streamline all investment processes including harmonisation of all laws and regulations affecting investment.

Dr Philip Kamau, Senior Director (Finance) with Afreximbank gave an investor's perspective on investing in Zimbabwe. He explained that Afreximbank's mandate is to finance and promote intra and extra African trade through the provision of:

- Credit (Trade and Project Financing)
- Risk bearing instruments (Guarantees and Credit Insurance); and
- Trade Information and Advisory Services.

Dr Kamau chronicled Afreximbank's support to Zimbabwe in the last 10 years which saw:

– Introduction of the first Country Programme in 2001 to deal with peculiar difficulties facing the Zimbabwean economy which were exacerbated by the withdrawal of foreign financiers at the beginning of the year 2000. On average total disbursements exceeded $500 million per year whilst loans and advances outstanding were between $250 million and $300 million yearly

– The second Country Program in 2008, dubbed the Enhanced Financing Facility saw support of Zimbabwe private sector entities through:

– $100 million Grains and Oil Import Financing Facilities;

– $150 million metals and minerals Exports- Backed Facilities; and

– $50 million Revolving Guarantee in support of migrant remittances and Diaspora Bond Issuance.

– In 2011, Afreximbank introduced a $100 million Zimbabwe Economic and Trade Revival Facility (ZETREF) for the purpose of supporting small and medium scale enterprises to enable them to contribute to the country's economic recovery.

– In the year 2014, Afreximbank is working on an initiative to support the Zimbabwean banking sector through a $100 million Trade Debt-backed securities Facility (AFTRADES) aimed at releasing some liquidity into the sector.

Dr Kamau told delegates that notwithstanding three major hurdles facing investors in doing business in Zimbabwe of :

- infrastructure deficit;
- cost of doing business and
- negative market perception

Afreximbank had successfully invested in Zimbabwe with no loss suffered in spite of international investors high risk perception of the country.

Nick Ndiritu of Allan Grey in South Africa further proved through his fund's experience of investing in Zimbabwe and other markets in Africa that there was money to be made in Zimbabwe.

"For the investor as opposed to the statesman, macroeconomic growth places a distant third to price and value on the scale of economic virtues."

Ndiritu's analysis of consumer stocks valuation in Zimbabwe versus peer companies in Nigeria showed that Zimbabwean companies are significantly undervalued. He compared Econet to Safaricom whose fundamentals were almost the same e.g. Econet subscriber base at 66%, whilst Safaricom was 68%, and Revenue to Traffic at 75% for Econet and 78% for Safaricom yet Econet was trading at a price earnings multiple of 11 compared to Safaricom's 23.

Rita Chinyoka , publisher of Alpha Media Holdings, the publishers of Newsday, The Independent, The Standard and Southern Eye, implored media to play a big role in promoting investment in Zimbabwe.

She kept delegates spellbound by frank and fresh ideas on what could be done to market Zimbabwe as an attractive investment destination. In order to market Zimbabwe she told delegates that there was a need to:

- Define our strengths and weaknesses as a country;
- Assess our current investment reputation - different stakeholders will want to know different things; and
- Develop a strategy which will provide focus and direction;

– Launch a coordinated PR Campaign with a simple compelling message about why investors should come. She shared an inspiring video on South Korea and another on "Happy Harare".

In conclusion, Bothwell Nyajeka President of ICAZ, committed to drawing a plan of action based on the investors 'conference, which ICAZ would pursue in order to play its role in promoting our country as an attractive investment destination. Members can look forward to more feedback in the new year as this plan is executed.


Tony Hawkins

Zim's 2015 Economic outlook

ZIMBABWE's economy remains in a fragile state with an unsustainable foreign debt and balance of payments profiles. Tony Hawkins gives us an insight into 2015 saying it looks set to be a difficult year.

Over-production in the world oil industry, partly due to the shale oil revolution at a time of weak demand, has pushed prices to a new five-year low, which should be good for world economic growth.

But the hoped-for one percent to 1.5 percent boost to global growth in 2015 will be diluted because demand, not just for oil, but across the board is weak. Even if it does, it will soon be countered by more restrictive monetary policies, first in the United States and then in Europe, which will undermine the lower oil price momentum.

For Zimbabwe, lower oil prices will knock at least 7 percent - probably more, dependent on how prices evolve during 2015 - off the country's import bill.

Bizarrely, the government reckons that the country's fuel import will still increase in 2015 but that along with some of the other budget projections, appears to be wide off the mark.

The real downside for Zimbabwe is the close correlation between oil and other commodity prices, including precious metals.

Some of the balance-of-payments gains from weak oil could be wiped out by depressed prices for gold, diamonds, tobacco, platinum, nickel and ferrochrome.

The official 3.2 percent growth forecast for 2015 as presented by Finance Minister, Patrick Chinamasa, in his 2015 National Budget (after 3.1 percent in 2014) does not look unreasonable at this stage, though some analysts argue that indicators such as dwindling government tax revenues and retail sales suggest that the economy actually declined in 2014 and this will continue in 2015.

They may be right but indicators that do not fully record the informal economy have proved misleading in the past. That at least must be what government is hoping. However, the discrepancy between published corporate turnover numbers and VAT receipts on the one hand and the officially-estimated 3.9 percent growth in the distribution sector needs to be explained.

Growth in 2014 was driven by the 23 percent rebound in agricultural production following a poor season in 2012/13 when farm output declined 2.6 percent.

In 2014, manufacturing was hardest hit with a fall of almost five percent while mining output fell slightly (two percent).

2015 forecasts suggest a small recovery in manufacturing (+1.7 percent) and mining (3.1 percent), though this is difficult to believe given the weakness of commodity prices.

Even harder to believe is the prediction of 4.7 percent growth in the distribution sector.

With a New Zealand Meteorological Institute warning of a 75 percent chance of an El Nino drought in 2015, growth of three percent in agriculture looks problematic especially given the divergence of opinion about tobacco prospects.

The official forecast is for a tiny increase in the crop from 216 million to 222 million kilogrammes, but some in the growing industry and the tobacco trade reckon output could fall below 200 million kg, partly due to some reduction in the number of contracted growers. There is also a reported overhang of 30 million kg of unsold tobacco – leaf that has been purchased but not exported which is likely to depress the price.

With the exception of the lower oil price, most of the forward indicators are to the downside suggesting that the three percent growth forecast could well turn out to be optimistic, especially since investment continues to be depressed and there is no reason to anticipate an early improvement in the domestic liquidity situation.

The official forecast for negligible inflation (0.2 percent) in 2015 as the economy hovers on the brink of deflation also underlines the fragility of the growth forecast. In Zimbabwe's current circumstances, there is little that policy-makers can do to kick-start growth, as is evident from the 2015 budget- crammed with details of public

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By David Marange

Auditors Going concern considerations

The Auditor determines whether management's assessment has taken into account all the relevant information that the Auditor has become aware of as a result of the procedures he performed during the audit.

The auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern.

This responsibility exists even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.

Going concern is considered throughout out the audit process as the auditor:-

1. Performs risk assessment procedures and related activities

- In obtaining an understanding of the

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Stewart Mangoma

Mining drives economic recovery

ZIMBABWE's mining industry which has emerged as the main driver of the country's economy has been on a growth path since 2009 when the country introduced the multi-currency system, writes Phillimon Mhlanga.

ZIMBABWE'S largest platinum producer, Zimplats chief finance officer, Stewart Mangoma says the mining sector has led economic recovery registering an average growth around 30 percent between 2009 and 2013.

Mangoma, who presented a paper on mining opportunities at the Institute of Chartered Accountants of Zimbabwe (ICAZ) investors' conference held at the Legend Golf & Safari Lodge in Polokawane, South Africa in October said the overall mineral output is expected to grow by 3,1 percent next year, driven by nickel, gold, chrome and coal.

"The mining sector has led economic recovery registering an average growth around 30 percent between 2009 and 2013," said Mangoma.

Mangoma added that he sector is projected to grow by an average annual rate of 10.2 percent between 2014 and 2018 compared to other sectors which are anticipated to grow in single digits adding that at this rate, the sector has the capacity and potential to create substantial impetus for economic growth and value addition.

In 2009, the sector recorded a total of US$671,5 million from all minerals, growing to US$1,4 billion in 2010.

In 2011, the total value stood at US$2 billion before reducing to US$1,9 billion in 2012.

Last year, the total value of mineral sales was US$1,97 billion.

During the first half of this year, a total of US$923 million was recorded in terms of value from the output of various minerals in the country.

Gold was leading the pack with a total output of 6 800 kilogrammes (kg) from a total amount of US$277,5 million followed by platinum that had a total output of 6 435kg from a total value of US$263,4 million.

Palladium was the third mineral in terms of value during the period under review having earned US$114 million from an output of 5 241kg.

Zimbabwe is mineral-diverse with over 40 different mineral occurrences having been recorded by the Geological Survey of Zimbabwe. However, there are many areas that have not been scientifically investigated due to a huge budget deficit with dwindling tax revenues emanating from massive company closures, declining foreign direct investment, and low aggregate demand in the economy.

Presenting his 2015 National Budget Statement in November, Finance Minister, Patrick Chinamasa said Zimbabwe's diverse mineral resource endowment offers scope for significant contribution to supporting government's economic blueprint the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET) which places significant weight on the mineral sector to drive the country's economic growth.

However, the country's mining houses, are in dire need of US$5 billion in fresh capital in the next five years.

The Chamber of Mines of Zimbabwe (COMZ) said US$1 billion is urgently required to fund the recapitalisation of gold mines, US$1,2 billion for platinum mines, US$250 million to beef up capacity in ferro-chrome production, US$110 million to bankroll nickel extraction and US$280 million to finance operations in coal mines.

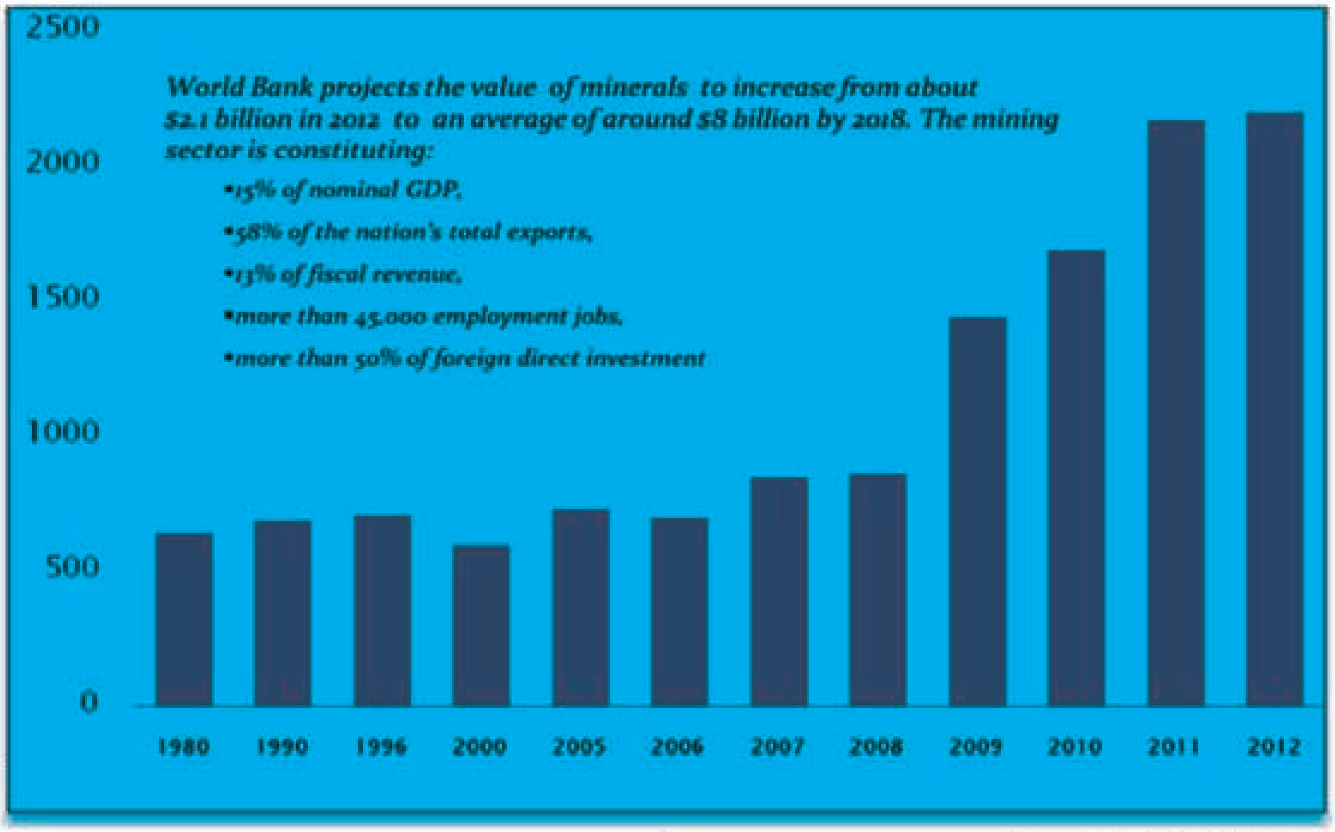
Given the liquidity crisis stalking the country's financial markets, Zimbabwean miners have a huge task cut out for them.

It is extremely difficult, given the extent of funding requirements in mines, for the weak financial system to extend long-term loans at concessional interest rates.

Where loans have been available, they are not only being extended at extortionist interest rates, but they are short-term in nature as well.

Government is in the process of finalising amendments to the Mines and Minerals Act, which should result in a progressive and investor –friendly mining title management system, enable the implementation of the beneficiation and value addition strategy, while at the same time attracting investment into mining.

Value of mineral production (US$m)-1980-2012



Source: ZIMSTAT & COMZ

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Chinamasa said the new Act will also meet international best practices, while also allowing for the use-it-or-lose-it principle in a win-win manner

This development will enhance the competitiveness of the mining legislative framework by strengthening the security of tenure, simplifying the mining titles systems and enhance environmental provisions.

Despite the country's impressive endowment in mineral wealth it possesses, the country is not fully knowledgeable about the extent of the value of its mineral resource base.

Zimbabwe has been struggling to fund exploration since 2000 amid tightening fiscal space.

The economic challenges of the past decade resulted in the Department of Geological Survey failing to carry out its key role of geological mapping.

Government has established a mining exploration firm, the Zimbabwe Mining Exploration Company, to carry out geological surveys country-wide to determine the extent of the country's mineral wealth.

The company is seeking US$5 million to fund its activities but Chinamasa has set aside US$3 million towards exploration activities during 2015.

After its capacitation, the exploration company is expected to complement mining explorations that are being undertaken by the private sector though at a very minimal extent.

Foreign investors have been scared by the country's indigenisation programme which compels foreign owned companies to sell or donate or cede 51 percent stakes to indigenous people by 2015.

Mineral exploration, which helps the country with geological data, is the most important part of the mining cycle. It's a process through which commercial concentrations of mineral resources are discovered.

Research has shown that more than 40 percent of mineral deposits worth billions of dollars are lying idle across the country.

Mining experts say extensive exploration by the State is a step in the right direction as it estimates mineral reserves at national level, a move which is essential in expanding the country's mineral base.

2015 National *Tax* Budget Highlights

By Steve Matoushaya-Director: Tax Advisory Services KPMG Zimbabwe

FINANCE Minister, Patrick Chinamasa, presented the 2015 National Budget under the backdrop of contracting tax revenues due to the dwindling activities in the formal economy.

The taxation proposals are a genuine attempt to recognise the importance of growing the country's export markets in order to generate the much needed inflow of foreign currency into the country.

The revenue measures and incentives announced focus primarily on the manufacturing sector while value addition and beneficiation, especially on minerals, are recognized as important strategies in the enhancement of revenues from exports.

Measures in support of the Productive Sectors

The Minister recognised that in spite of the reduction of import duties, and even removal of such duties in certain cases in the past four years, manufacturing capacity utilisation has actually dropped from 39.6 percent to 36.3 percent in 2014.

The competition of imported finished products continues to impact negatively on the manufacturing sector.

Some of the measures proposed are thus:

Clothing Manufacturers Rebate

A rebate on imported inputs for the clothing manufacturing industry was put in place in 2013 and the Minister has extended this facility to expire on 31 December 2015.

Suspension of duty on milk powder

The duty-free importation of full cream and skimmed milk powder by approved dairy processors has been extended for another twelve months to 31 December 2015.

Suspension of duty on wheat flour

Duty on importation of flour was increased from 5 percent to 20 percent to protect local industry. This facility has been extended to expire on 31 December 2015.

Rebate of duty on capital goods imported by tourism operators and safari operators

Government introduced a duty rebate on importation of capital goods by hotels and lodges for purposes of refurbishing the hotels, conference facilities and lodges from 2009. This facility has been extended to expire on 31 December 2015. Likewise the suspension of duty on importation of motor vehicles imported by safari operators has also been extended to 31 December 2015.

Suspension of duty on bottler grade sugar

It has taken starafrica Corporation a little longer than anticipated to upgrade its plant and machinery used in the production of bottler grade sugar despite the imposition of a protective duty of 10 percent plus US$100 per ton of sugar imported; with the result that sugar supply has remained low.

The Minister has put in place a suspension of duty facility on approved manufacturers for a six month period to June 2015.

Suspension of duty on mechanically deboned chicken and meat products

In order to promote local processing of meat products, duty on mechanically deboned meat, a key input in the production of meat products, the Minister had previously put in place a duty reduction facility from 40 percent to 5 percent on importation of the deboned meat.

The Minister has now refined and ring fenced approved producers of meat products to continue to enjoy the 35 percent duty reduction on importation of specific deboned meat inputs.

Those outside the ring-fenced quota now revert back to the 40 percent duty on imports.

Furniture industry

In order to support small scale producers who dominate the furniture industry in the face of stiff competition from imports, the Minister has increased duty on importation of fibre boards and doors and reduced duty on importation of other raw materials under specific tariffs, which are vital inputs for the industry.

Metals and Electrical Manufacturers

The Minister introduced a range of increased duties (5 to 20 percent) on importation of electrical cables under specific tariffs to support the local metals and electrical manufacturers.

Curtailment of non-productive imports

In order to curtail the importation of non-productive imports such as plain bread and buns, sweet biscuits, crisp bread and chewing gum, import duty has been increased from 10 percent to 40 percent on a range of such products. The measures are effective from 1 January 2015.

To P14

From P12

Value Added Tax

Zero rating of sugar cane and livestock

Sugar cane has been zero rated for VAT purposes with effect from February 2009 bringing it in line with sugar, which has always been zero rated.

The sale of livestock is now zero rated with effect from 1 January 2015, which also aligns it with the meat, which is zero rated.

Export incentives

Corporate tax payable by exporters

Exporters who are able to increase their volumes can enjoy the following reduced range of corporate tax rates.

Export threshold	Corporate tax Rate
30 to 40 %	20.0 %
41 to 50 %	17.5 %
Above 51 %	15,0 %

Withholding tax on export market development expenditure

The current 15 percent withholding tax deductible from these expenditures will be removed with effect from 1 January 2015 on condition that the fees do not exceed 5 percent of the free on board value of exports.

Royalty on un-beneficiated Diamonds

The royalty (4 percent) on rough diamonds sold to local firms licensed to cut and polish diamonds will be removed with effect from 1 January 2015.

Export tax on un-beneficiated platinum

Zimplats is scheduled to commission a US$200m base metal refinery in the next twenty four months. In recognition of this, the imposition of the 15 percent tax on exportation of un-beneficiated platinum has been suspended to 1 January 2017.

Revenue Enhancement Measures

Excise duty on cigarettes

The excise duty on cigarettes was increased from US$15 per 1 000 sticks to US$20 per 1 000 sticks with effect from 1 December 2014.

Aids Levy on assessed income tax from mining operations

The tax on mining revenues has not been subject to aids levy in the past, but with effect from 1 January 2015, mining taxes are now subject to the aids levy.

Tax relief measures

Individuals in employment

The tax free threshold has been increased to US$300 per month and the tax bands have been revised with effect from 1 January 2015.

Tax Amnesty

The Minister introduced tax amnesty legislation earlier this year. In essence, under the amnesty, taxpayers are entitled to review their operations for the period from 1 February 2009 to 30 September 2014 to establish any tax irregularities, which they can voluntarily approach ZIMRA to settle within fifteen months from 1 October 2014 without being charged any penalty or interest by ZIMRA or being prosecuted.

Exemption from tax on interest earned on loans to statutory corporations

Interest on loans to statutory corporations, such as Zimbabwe National Water Authority, the Zimbabwe Power Company and The Zimbabwe Electricity Transmission and Distribution Company are now exempted from tax with effect from February 2009. Financial institutions who have been lending to these statutory corporations have an opportunity to claw back some taxes as the dispensation is effective from 2009.

Tax exemption on capital injected into Pension Funds

Currently, lump sum contributions to pension funds are deductible subject the discretion of the Commissioner to spread the deduction over a number of tax periods per the provisions of paragraph 6 of Schedule 6 to the Income Tax Act [Chapter 23:06]. The new provision seems to reinforces the deduction of the full amount in the year of payment, implying that a change to the 6th Schedule needs to be considered.

Appointment of Zimbabwe National Road Administration (ZINARA) as a collector of presumptive taxes

With effect from 1 January 2015, ZINARA is an appointed agent for the collection of presumptive taxes payable by taxicabs and operators of omnibuses.

Deemed dividends related to interest on debt where the debt equity ratio exceeding the 3:1 range

Where a company exceeds the 3:1 debt equity ratio by advancing loans for the benefit of the State, the excess interest shall not be deemed to be a dividend.

Patrick Chinamasa

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Martha's journey to the top

Martha Shoniwa

Martha Shoniwa (Nee Masaiti) is a hardworking goal-oriented young lady, who coming from very humble beginnings, has managed to stay focussed and excelled in everything she has done.

Determination and focus are at the helm of my success and I believe that the story is still being written. At an early stage, as early as 15, I was faced with a very difficult life changing choice of what would become of me when I grew up. As opposed to the default answer we all gave back in primary school that I want to be a doctor or a pilot this was a turning point for me. My high school, St Dominic's High Mutare, only offered eight subjects tailored to give all the students in a class an equal chance in life, i.e. science subjects, arts centric subjects, commercials and a bit of technical subjects. You would all agree that out of eight subjects the mix can eventually eliminate dual specialisation. I was given a choice among others between accounting and biological science and not both, a tough choice for me because I had not yet decided whether I wanted to do sciences or commercials. It was at this point that I had to try and figure out what would eventually become of me. I did not doubt my capability in either fields because God had blessed me with very high intelligence level, but the choice had to be what would satisfy me more. Not having access to the internet, I went out to everyone who I thought was successful enough to know about the various options either choice would give me and fortunately they gave me an ear. Their explanation of what a chartered accountant does was a far cry from reality, but the one thing which they got right was that it would set me up for greatness in the business world.

A good 14 years later, I stand as a proud chartered accountant realising that the sky is not the limit, only our dreams and ambitions are. Being part of the most prestigious profession in the accountancy and business field fills me with pride and joy as I realise that I am only at the beginning of a lifelong business world journey which I believe will take me places.

During my time at Deloitte, I was afforded an opportunity from a very early stage to interact with senior management at the highest levels for the different companies in different sectors. I was fortunate because I got involved in a huge number of assignments in various sectors of the economy. Most assignments lasted for six weeks at most, so by the age of 25, I knew how businesses operated — manufacturing, agricultural, telecommunications — how all kinds of businesses operated. This experience built my confidence levels and gave me tremendous experience and exposure at an early stage. To top it off, I was given the chance of a six-month secondment with Deloitte Canada, in the Winnipeg office where I worked on one of the biggest insurance groups in Europe.

After graduating top of my class at the National University of Science and Technology in August 2008, I trained with Deloitte Harare from July 2008 to June 2011. During my training I managed to scoop all the awards possible in the FQE examinations. I qualified with honors in the 2010 Professional Practice Examination (PPE) a record that had been previously obtained 16 years in 1998 by Sam Sithole.

I also scooped the Duff award of merit for being the overall (PPE1 and PPE11 combined) best qualifying student in the 2010 Professional Practice Examination (PPE) in Zimbabwe having been the best student for both PPE I exams (January 2010) and PPE II exams (November 2010) separately. The CTA results were no different as I scooped 3 of the five available prizes for the 2009 ZCTA examinations. I was the best student in financial accounting, management accounting and was the overall best ZCTA student for 2009 in Zimbabwe. Undeniably, I was the best student in every CA qualification examination for her stream. I believe that there is no substitute for hard work if one is to succeed at anything in life and has God to thank for all these achievements.

To all the young ladies out there, don't let your gender or your background determine what you will become in life, life is what you make it, but above all ask God for continuous guidance. Chartered accountancy training is not easy — the exams are difficult, you will have a lot of sleepless nights and it definitely requires a lot of dedication — but the results are worth it.

In addition to that choice of the right partner who is supportive in everything and who keeps motivating you to do even better is always a good weapon to have in your armour. I am proud that I found myself that partner who is with me through it all and I know that more fruitful years lie ahead in our partnership called marriage. I look forward to more challenging tasks ahead and I hope that one day I will be at the helm of a big conglomerate steering it in the right direction with the wealth of experience that I am accumulating.

Currently, Martha is employed at Econet Wireless as a finance manager and enjoys the diversity the job offers her. She says she is always satisfied as everyday ends knowing that she has provided the best quality of financial information for the growth of the business and is proud to be such an important member of the Econet family. She is married to Courage Shoniwa, (the finance director of Minerva Risk Advisors) and the couple has two lovely daughters, Shanice and Shawna.

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OUR STRENGTH, YOUR VISION.

Mike Frudd: A pioneering Chartered Accountant

Having completed his professional examinations, Frudd joined PwC (then Price Waterhouse Coopers) in 1965 where he gained valuable experience with a transfer to Ndola, Zambia for a period.

WHEN a partner at an accounting firm persuaded Mike Frudd, a young schoolboy who had taken a holiday job at his firm to sign up for Articles, little did he know that it would be a defining moment in his career.

Frudd took a vacation job at Pulbrook, Wright and Underwood (later to become a part of EY) in 1958 soon after completing his Cambridge Examinations at St Georges College in Harare.

In 1959, Frudd received Matric Exemption and was persuaded not to return to school but to sign up for Articles, kick-starting his career in accountancy at 16.

He sat the first set of the then Rhodesian Chartered Accountants (CA) exams passing them in 1964 along with the late David Vincent and Eric Bloch, both of whom later became ICAZ presidents. He became one of the first five CA's to qualify under the newly established qualification system in the country.

Having completed his professional examinations, Frudd joined PwC (then Price Waterhouse Coopers) in 1965 where he gained valuable experience with a transfer to Ndola, Zambia for a period.

He participated in an international exchange to London in 1971/72 before being transferred to Johannesburg for two years in 1974 where he studied for the South African CA qualification which he passed in 1975.

His talents and hard work saw him being admitted as a partner at PwC South Africa.

He later moved back to Harare. Over his 34-year career with PwC he demonstrated skills in assurance, consulting and tax, human resources and practice finance and became senior partner for PwC in Central Africa in 1995, retiring in June 1999.

Frudd served on various ICAZ committees over the years, but his passion was for the education of those in Articles.

He served on the Examinations Board for many years initially as a member and later as chairman.

He was ICAZ president in 1987/88. His chartered accountancy training still holds him in good stead today as he is still involved in ICAZ affairs as a member of the ICAZ Practice Review Committee and is one of the ICAZ representatives on the Public Accountants and Auditors Board (PAAB) Practice Review Committee.

Since his retirement from PwC, Frudd has operated as a financial consultant and is a director of several companies.

He also keeps busy with various community service activities. He has been a member of the Rotary movement since 1976 and is a past president. Through Rotary, he has been actively involved in many different charitable activities over the years.

He is chairman of the Dorothy Duncan Centre for the Blind and Physically Handicapped which operates the Braille Library, having been involved there for over thirty five years.

Frudd is a Trustee and the treasurer of the Combined Service Organisations Trust which runs the Athol Evans retirement village and hospital in Cranborne, and on the committee of Pleasant ways, a senior citizens' home in Mount Pleasant.

He advises several other voluntary organisations.

Frudd has recently assumed the chairmanship of the OPHID Trust, a PVO involved in the development and implementation of innovative approaches and strategies to strengthen maternal, newborn and child health services in Zimbabwe providing enhanced access for communities for comprehensive HIV prevention and care.

CAs key to economic turnaround

ICAZ president, Bothwell Nyajeka, welcomes new members into the profession

George Manyere

By Phillimon Mhlanga

INVESTMENT banker and Brainworks Capital Management managing director, George Manyere says chartered accountants (CA) have a critical role to play towards the overall economic turnaround of this country.

Addressing over 150 delegates who attended the Institute of Chartered Accountants of Zimbabwe (ICAZ)'s Christmas networking cocktail in December in the capital, Manyere who was guest speaker said that there are a lot of turnaround and structural opportunities in Zimbabwe.

He urged CAs to take advantage of these opportunities and position themselves for growth.

"You are a catalyst for the economic turnaround of this country," said Manyere.

"ICAZ is the most organised profession in Zimbabwe and your role as CAs is not just to audit or sign off the accounts, you play a key role in the economy.

"What is key is your participation in the turnaround of the economy of Zimbabwe. As CAs, harness your power, harness your superior intellectual capital.

"The profession (CA) has a critical role to play because being a chartered accountant or firm, the reliance on the state of any company which in turn show the state of the economy, you are pretty much a critical part endorsing that or showing that.

What we have seen in the industry particularly this year, it has exposed structural changes or challenges that companies have gone through.

"Therefore there are a lot of opportunities in our economy in terms of turnaround opportunities or structural changes.

You need to take advantage of these opportunities and position for growth.

Manyere said there were a lot of pretenders running businesses in this country and as a result many companies find it difficult to get their feet in a changing environment.

"We need to look at it with a fresh mind. It's no longer hyperinflationary period. They are things we used to do a long time ago that we can't keep right now. We are taking time to accept that things have changed.

"Most people can't read a balance sheet and they are a lot of pretenders running businesses today. In terms of their background, they are weak. As CAs we should start pushing for top roles to be given to CAs, its quiet critical."

He urged CAs to make sure that the turnaround of the economy start at corporate level giving companies listed on the Johannesburg Stock Exchange (JSE) as an example.

"When you do Articles, you have a complete knowledge of business because numbers are actually the business.

You can't grow a business without the skills of a CA, because he or she quickly understands the figures.

I will give an example of corporate South Africa. Chief executive officers (CEOs) of most companies listed on the JSE are CAs and these are people who can make businesses grow.

Speaking at the same function, ICAZ president Bothwell Nyajeka said: "The year 2014 has been a tough year but it has given us an opportunity to redefine ourselves to remain relevant as an organisation.

"We continue to push ourselves so that ICAZ brand remains relevant. He also told delegates that Council has approved the hosting of the 2015 Winter School in Dubai.

"Council approved hosting of our 2015 Winter School in Dubai. The Dubai Chapter representatives made some convincing submissions on why the flagship event (Winter School) should be held in Dubai and were approved."

Turning to new members who made it into the profession this year, Nyajeka said: "Let me start by congratulating you for making it into membership after successfully meeting the requirements.

"Indeed we are on the right path of increasing our membership without compromising the quality.

Let me warn you — it's the beginning not that you have arrived. As you are all aware, the Institute turned 96 years this year. It is indeed a long time since it was established. However, these years attest to the firm foundations on which the Institute was built on. This is a strength which you should complement. Let me just warn you that you are expected to walk the professional talk and observe professionalism in everything you do."

From P9

entity and its environment, the Auditor considers whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In doing so, the Auditor determines whether management has already performed a preliminary assessment of the entity's ability to continue as a going concern

- The Auditor remains alert throughout the audit for evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and update the audit strategy accordingly. Refer appendix 1 for common risk indicators

Appendix 1 – Common risk indicators of going concern uncertainty

Financial indicators	Operating Indicators
Net liability or net current liability position.	Management intentions to liquidate the entity or to cease operations.
Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets.	Loss of key management without replacement.
Indications of withdrawal of financial support by creditors.	Loss of a major market, key customer(s), franchise, license, or principal supplier(s).
Negative operating cash flows indicated by historical or prospective financial statements.	Labour difficulties.
Adverse key financial ratios.	Shortages of important supplies.
Substantial operating losses or significant deterioration in the value of assets used to generate cash flows.	Emergence of a highly successful competitor.
Arrears or discontinuance of dividends.	Other Indicators
Inability to pay creditors on due dates.	Non-compliance with capital or other statutory requirements.
Inability to comply with the terms of loan agreements.	Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy.
Change from credit to cash-on-delivery transactions with suppliers.	Changes in law or regulation or government policy expected to adversely affect the entity.
Inability to obtain financing for essential new product development or other essential investments.	Uninsured or underinsured catastrophes when they occur.

The significance of such events or conditions often can be mitigated by other factors e.g. the effect of an entity being unable to make its normal debt repayments may be counter balanced by plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital.

2.Evaluates management's assessment of its ability to continue as a going concern

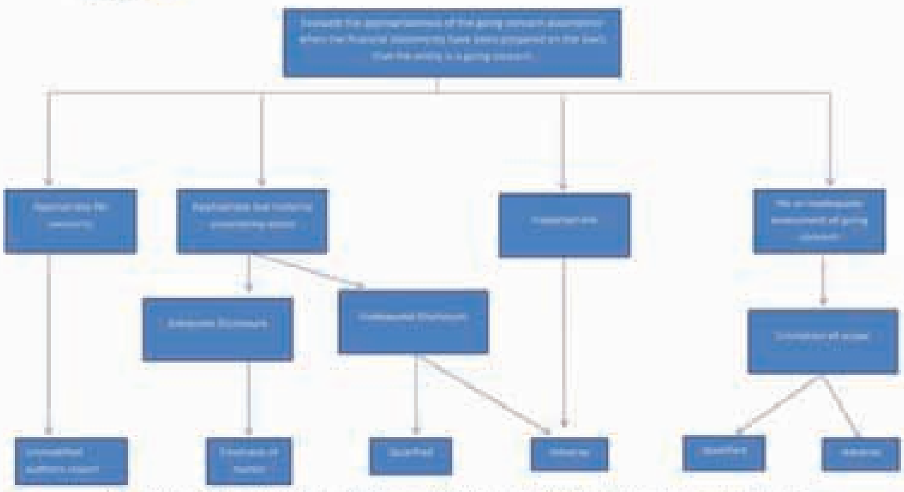
- The Auditor evaluates management's assessment of the entity's ability to continue as a going concern.
- The Auditor determines whether management's assessment has taken into account all the relevant information that the Auditor has become aware of as a result of the procedures he performed during the audit.

3. Performs additional audit procedures when events or conditions are identified that may affect the entity's ability to continue as a going concern

The Auditor's additional procedures include:

- The Auditor determines whether any additional facts or information have become available since the date on which management made its assessment.
- The Auditor evaluates whether management's plans are feasible in the circumstances and whether the outcome of these plans is likely to improve the situation.
- If the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in assessing the future outcome of events or conditions in the evaluation of management's plans for future action, the Auditor assesses the inputs and assumptions used
- In addition to the procedures above, the Auditor determines whether it is necessary to perform otherprocedures e.g.:
- Reading minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties
- Inquiring of the entity's legal counsel regarding the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications
- Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with related and third parties and assessing the financial ability of such parties to provide additional funds
- Performing audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect the entity's ability to continue as a going concern
- Whenever there are significant doubts about the entity's ability to continue as a going concern, the Auditor challenges whether management has appropriately considered the carrying value of assets(including deferred tax assets and PPE) and liabilities.

APPENDIX 2



Note: Whether we express a qualified or an adverse opinion (ISA 570 paragraph 20) due to inadequate disclosure is a matter of professional judgment, depending on our judgment of the pervasiveness of the matter to the financial statements.

4.Concludes on the entity's ability to continue as a going concern

- The Auditor may reach a number of different conclusions regarding the entity's ability to continue as a going concern, which are summarized in Appendix 2.

5.Communicates with those charged with governance regarding the entity's ability to continue as a going concern.

- The Auditor communicates with those charged with governance the events or conditions giving rise to significant doubt about the entity's ability to continue as a going concern.

From Page 8

spending programmes but depressingly short of new ideas for financing them.

The real budget deficit, to be funded by foreign aid and proposed offshore borrowing, exceeds US$1 billion or 7 percent of Gross Domestic Product (GDP).

While the budget itself is fully funded, the US$1 billion in off-budget spending increases government's share of GDP from the budget figure of 28 percent to 35 percent.

In one respect this is a reprise of the early 2000s when finance ministers dutifully presented budgets with small deficits but with large, growing amounts of off-budget expenditures.

Then, this spending was funded by quasi-fiscal activities financed by domestic and offshore borrowing as well as printing money.

This time, printing money is not an option, and there is precious little scope for domestic borrowing. But off-budget borrowing is still at work – witness the US$100 million to recapitalise the Reserve Bank of Zimbabwe, the US$40 million for coins and up to US$500 million for Zimbabwe Asset Management Corporation (Pvt) Ltd (ZAMCO), the special purpose vehicle to take over the bad loans of banks not to mention numerous other projects whose financing is yet to be "mobilised."

Some US$550 million will have to be borrowed offshore further worsening the already unsustainable foreign debt and balance-of-payments profiles.

Some of planned infrastructure spending will come from the "own resources" of financially-distressed parastatals, thereby raising doubts over their viability since it is unlikely that these entities will be able to borrow even under government guarantees.

On current trends, by the end of 2015 foreign debt will exceed 100 percent of GDP as a result of which GDP growth will slow further suggesting that the IMF's medium-term forecast to 2019 of average annual growth of 4 percent is realistic.

There are however, some in the "tipping point" or "endgame" school who believe that economic conditions will force a change of policy direction well before then, possibly as early as 2015.

For these analysts the key indicator is the state's ability to pay civil service wages and pensions that will absorb over 80 percent of total revenues in 2015.

But in the light of recent budgets that prioritise such spending and actually reduce capital investment and operational budgets, this is unlikely to tip the scales in the manner some predict.

In any event, anyone who thinks back to the hyperinflationary period knows just how difficult it was then to predict precisely when dollarisation would force the authorities to change course. In 2008/9 there were two routes out of the crisis – autonomous dollarization by market players, not the authorities, and a government-in-waiting in the form of the MDC.

In 2015, neither of these two options remains on the table – there is no alternative government and no viable way of reversing dollarization. So the policymakers are stuck in Dickensian Micawberism – Waiting for something to turn up. Precisely what form that something will take remains to be seen.

Policymakers have put their faith in foreign investment and offshore borrowing, but the debt overhang weighs heavily on the latter option while modern FDI is driven by market size and/or proximity to major markets and access to rich natural resources.

Zimbabwe qualifies to some extent for natural resource availability, but sadly investment in the global mining industry has turned down in the face of sluggish demand, lower prices and excess capacity for some minerals.

The Zimbabwe Agenda for Sustainable Socio-Economic Transformation(Zim-Asset) will only translate into a turnaround strategy with a massive increase in funding.

Zimbabwe requires at least US$27 billion over five years to fund ZimAsset with the bulk of the money earmarked for infrastructure projects.

But in the budget proper, there is a mere $341 million in investment spending to be "leveraged" with aid and foreign borrowing of a further US$1 billion.

This leaves 95 percent of Zim-Asset to be funded in other "creative" ways in just four years.

It's a safe bet that is not going to happen and that Zim-Asset project targets as well as the 6 percent annual GDP growth projection will not be met.

In a recent report, labour NGO Ledriz estimated that Zimbabwe needs to create 140 000 new formal jobs a year.

That is equivalent to an increase of more than 10 percent in employment which on past trends means a GDP growth rate of 20 percent, which is not on the cards.

With the closure of over 4600 firms since 2011 and the loss of 55 000 formal jobs non-farm employment is no higher today than it was 30 years ago.

In 2012, it was officially estimated that two thirds of the population lived in poverty.

Three years later this ratio must have risen while the proportion of the workforce without formal employment must be at least 75 percent.

Between them, these two numbers illustrate the severe socio-economic crisis in the country. Because Zimbabwe over-consumes, under-saves and under-invests,it is forced to rely on foreigners and the Diaspora to stump up almost a quarter of GDP each year to keep the show on the road.

This is not a viable long-run strategy and cannot continue for very much longer.

Confronting liquidation crisis in the financial sector

The interbank market under the US$100 million African Export-Import Bank (Afreximbank) facility which is expected to alleviate liquidity challenges confronting the banking sector in Zimbabwe would be operational before the end of December, *reports Phillimon Mhlanga.*

THE development is expected to help improve liquidity by unlocking surplus funds held by large banks to support smaller and struggling banks.

The facility which was agreed in March this year would also stabilise the financial sector.

The Reserve Bank of Zimbabwe (RBZ) was supposed to roll out the facility in April to restore the interbank market — a trading platform where banks with surplus cash sell to those with shortfalls to cover their daily cash requirements — to help improve the liquidity situation in the banking sector.

However, it failed to do so owing to the complexity of the current environment. The interbank market collapsed during Zimbabwe's hyperinflationary period when bigger banks avoided lending to smaller ones because of systemic risks. The situation worsened when Zimbabwe adopted a hard currency regime and ditched its own currency.

The absence of an active inter-bank market resulted in the market being segmented with some banks having huge surpluses while other banks having liquidity challenges.

At an investor conference held at Legend Golf & Safari Resort in Polokwane, South Africa in October, Phillip Kamau, the Afreximbank senior director (finance) told delegates that the bank was working towards an initiative to support the Zimbabwean banking sector through a US$100 million Trade Debt-backed Securities Facility (AFTRADES).

AFTRADES have been designed largely as a collateral swap under which Afreximbank would lend its debt securities to participating banks against eligible collaterals.

The participating banks will use the debt instrument to pledge as security for interbank borrowings. "The bank is currently working on an initiative to support the Zimbabwean banking sector through a $100 million AFTRADES aimed at releasing some liquidity in the banking sector and facility will be concluded before the end of the year," said Kamau.

He said the AFTRADES was also expected to trigger the return to the banking system of funds that have been kept out due to lack of confidence in the system and lack of viable instruments to invest in and stimulation of the interbank market will result in the multiplier effect by which each dollar injected into the system will have benefits which are several times its value as a result of the circulation of the money in the system.

While presenting the 2015 National Budget in November, Finance Minister, Patrick Chinamasa said: "I am pleased to advise that there has been significant progress in operationalising the Afreximbank guaranteed interbank facility, albeit after missing many deadlines. The interbank facility is expected to be operational from December 2014."

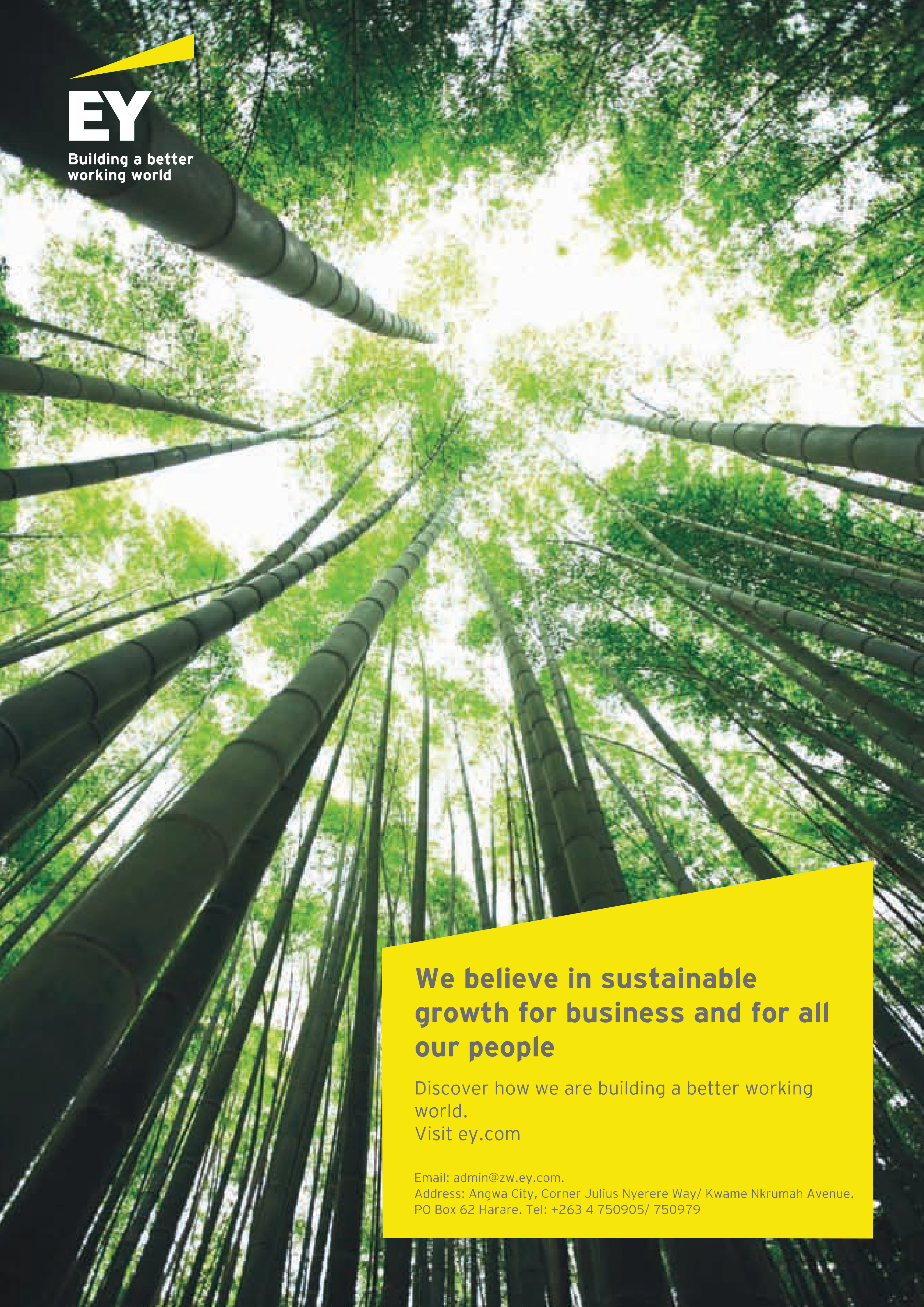
The government of Zimbabwe, through the Ministry of Finance and Economic Development will serve as the guarantor and liquidity support contributor for AFTRADES while the Reserve Bank of Zimbabwe will grant regulatory approvals to participating banks and provide the infrastructure required for the implementation and administration of the facility.

Afreximbank came up with a $100 million facility designed as a collateral swap whereby it will lend its securities to local banks in exchange for eligible collateral. The banking sector has been operating without an active interbank market under the multi-currency regime introduced in 2009 due to the absence of acceptable collateral.

A number of locally-owned banks have collapsed over the past few years, with the latest causalities Capital Bank, Royal Bank, Trust Bank, Interfin Bank and Genesis, all alleged to have crumbled due to liquidity problems as well as gross mismanagement.

Currently, there are 16 active commercial banks, three building societies, two merchant banks and one savings bank.

Only four of the commercial banking institutions are operating with cash surpluses. The majority are struggling, with at least two other banks having nearly collapsed recently after failing to secure cash for withdrawals by customers.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