

## **ZEPARU Press Release**

### **FINANCIAL SECTOR DEVELOPMENT AND RESOURCE MOBILISATION AS ECONOMIC GROWTH DRIVERS**

Harare, The Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) has published a policy paper entitled, “FINANCIAL SECTOR DEVELOPMENT AND RESOURCE MOBILIZATION: SITUATIONAL ANALYSIS AND POLICY OPTIONS FOR ZIMBABWE.” The policy paper emphasizes the need for confidence building measures such as ensuring macroeconomic stability; promoting good governance and oversight of the financial sector; setting realistic minimum capital requirements that enable adequate returns to be earned; building financial infrastructure (especially credit bureaux) and policy consistency.

The paper is written by Professor Daniel Makina, a leading Zimbabwean economist who teaches finance and financial markets at the University of South Africa in Pretoria.

The overarching objective of the paper is to explore strategies for mobilisation of financial resources in Zimbabwe. The paper examines the role of the financial sector in the economy and reviews the state of financial inclusiveness - globally, regionally and locally. Preliminary findings from this study were presented at the High Level Economic Conference held by the Ministry of Finance at Victoria Falls in August 2012.

The paper acknowledges that the banking sector is facing many challenges that include, among others, inadequate capitalization, liquidity problems, funds circulating outside the banking system, governance problems, non-performing loans, high rate of domestic bank failures and financial inclusiveness. These challenges have led to the loss of confidence in sector.

The paper explores important strategies for resource mobilisation that include, among others: reforming the deposit insurance scheme; development of an interbank market; building of lender of last resort fund; re-capitalization of the RBZ and building of reserves; removal of barriers preventing small banks to downscale to microfinance banks. In addition, the paper explains the role that can be played by international banks in development of a sound financial system, and the importance of removing barriers to Foreign Direct Investment in the financial sector.

ZEPARU is an autonomous economic policy analysis and research institution, think tank, established by the Government of Zimbabwe with financial assistance from the Africa Capacity Building Foundation (ACBF). ZEPARU undertakes research and capacity building activities that support evidence based policy making and implementation processes in Zimbabwe. This study was supported with funding and technical assistance from the USAID Strategic Economic Research and Analysis (SERA) Program.

Copies of this publication are now available and can be downloaded from the ZEPARU website on [www.zeparu.co.zw](http://www.zeparu.co.zw), or contact Ms G. Msauki on +263 -4-778423, 785926/7 for the hard copy.

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