RBZ moves to resuscitate use of international credit cards

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The Reserve Bank of Zimbabwe (RBZ) has launched a bid to resuscitate use of international credit cards, saying the country had lost a significant amount of foreign currency after local banks abandoned provision of the service to foreign visitors due to an economic crisis now in its ninth year.

Most banks withdrew facilities for international credit cards due to dwindling usage by international tourists caused by a decline in tourist arrivals and an exchange rate regime that has overpriced the Zimbabwe dollar against major offshore currencies.

Transactions using an international credit card use an official exchange rate. This means visitors using the cards in the country would, for example, buy a 2 litre bottle of water for slightly over US$330 at an exchange rate of US$1 to Z$30 000. The parallel market rate is at US$1 to Z$7 million, which would make a similar bottle of water cost US$1.4.

Only four banks – the British-owned Standard Chartered Bank and Barclays Bank and South Africa's Standard Bank group-owned Stanbic Bank and domestically-owned NMB Bank – issue Visa cards in the country under licence from Visa International, but these are restricted to domestic use only and cannot be used offshore due to exchange controls.

Except Standard Chartered Bank, the rest are not accepting Visa cards issued offshore on their systems or Automated Teller Machine Networks.

Some banks also accepted or issued MasterCard Cards but these were withdrawn from the Zimbabwean market due to a foreign currency shortage.

Retail outlets, which used to accept such international cards like Diners, Maestro and American Express, have also stopped accepting them.

Banking sector sources said part of the problem emanated from the failure to repatriate proceeds of transactions to card licence issuers due to exchange controls on the country's current account. This is despite the fact that the country acceded to article V111 of the International Monetary Fund (IMF) forbidding members from imposing restrictions on the making of payments or transfers for current international transactions.

RBZ governor, Gideon Gono said in his January 2008 monetary policy statement that he had “noted with disappointment that some banks pulled off from the market their Processing Data Quickly Machines (PDQMs) for processing international credit cards”.

“This development has a negative effect on tourism considering that the whole region is preparing for the influx of foreign visitors for (the) world football showcase in 2010.”

“The central bank has noted that some tourists are crossing into our neighbouring countries in order to utilise their credit cards, as well as services in those countries, depriving our country of much-needed foreign exchange,” Gono said.

He indicated that he had instructed all banks authorised to deal in foreign currency “to install or reinstall PGQMs” to facilitate use of credit cards by international visitors.

He said the central bank would consider applications from banks for the foreign currency to import requisite components for the installation of the facilities.

“Monetary authorities fully appreciate the need for fast, reliable and efficient methods of payment of settling foreign currency transactions by foreign visitors,” Gono said.

Gono said he would deal with price distortions in the economy in a post elections monetary policy blue print he said would run from May 2008.

It was not immediately clear if this would also address the pricing of the Zimbabwe dollar against offshore currencies.

The tourism and distribution sector is estimated to have declined by 1% last year, mainly due to negative growth caused by price controls as well as fuel shortages.