



Zimbabwe : Re-engagement with IFIs and Progress under the SMP

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Roadmap



- Regional economic developments and outlook
- Zimbabwe's economic outlook
- Risks, opportunities and challenges
- Performance under the SMP
- Next steps

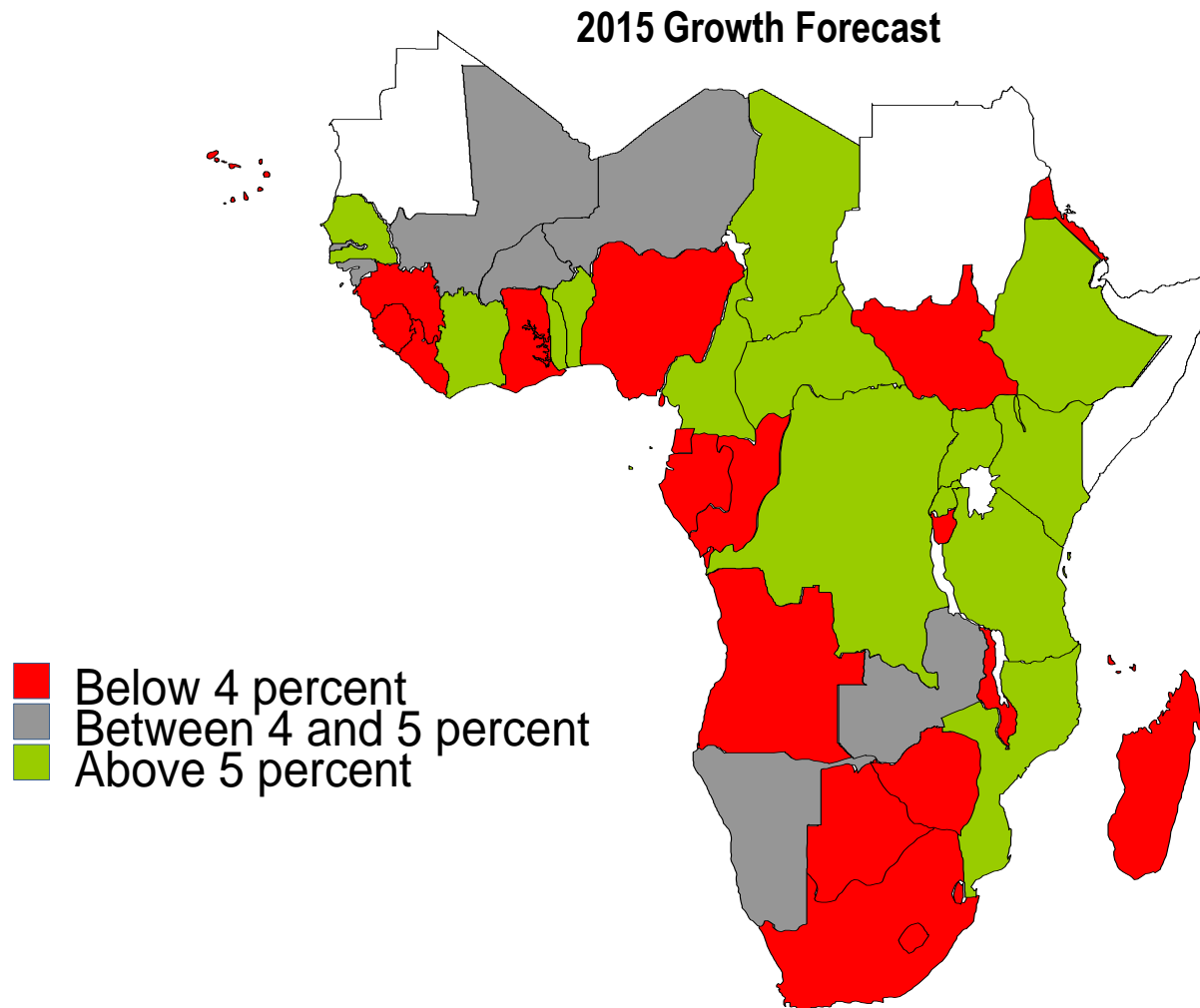
2015 regional growth outlook



Real GDP Growth, 2004–15

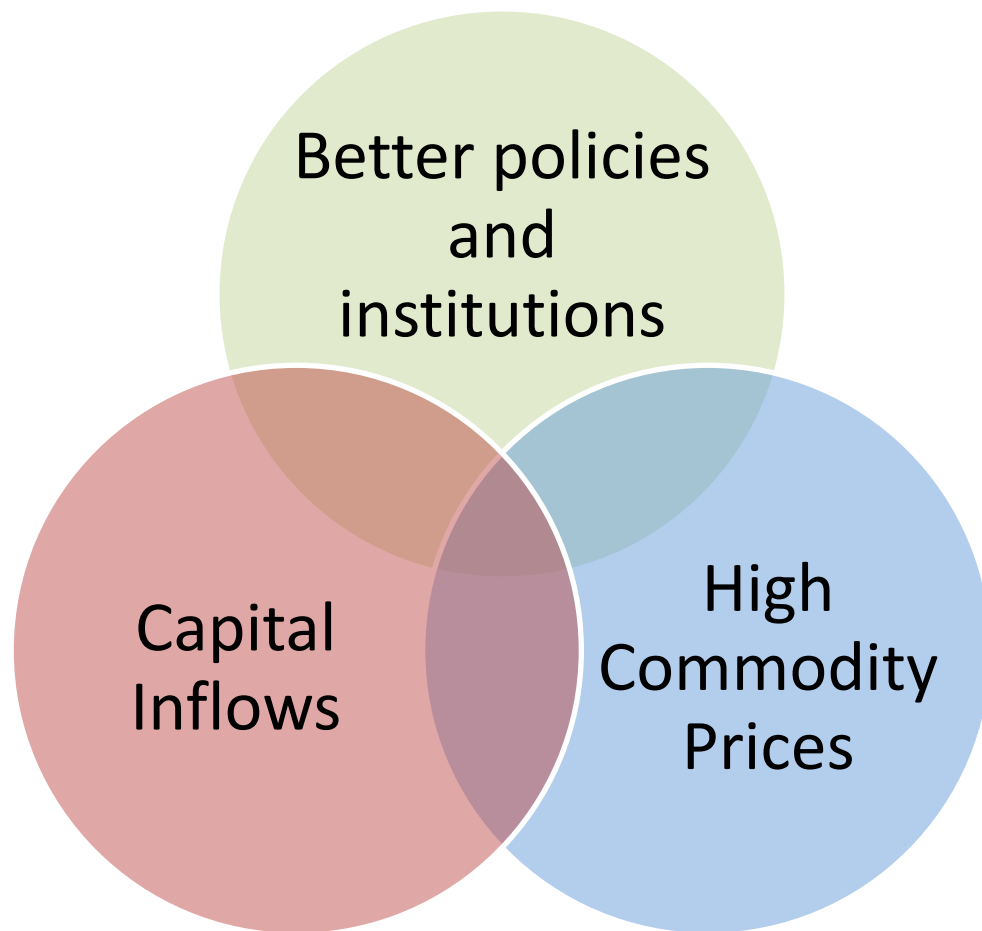


...but there is significant heterogeneity within the region





Three key factors have underpinned the solid performance of the last decade



Zimbabwe's economy...



- Zimbabwe's economic and financial conditions remain difficult:
 - Slow growth, rising unemployment, economic activity increasingly shifting to the informal sector, a precarious external position, and very low levels of international reserves
 - In addition, the country is in debt distress and is facing low commodity prices, an appreciating U.S. dollar, and subdued external inflows, as well as domestic investment
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...difficult situation with risks



- Fiscal challenges
- Weak global commodity prices
- Adverse weather conditions
- Policy implementation in a difficult political environment

But there are opportunities...



- Advancing the ongoing reforms
 - Reengagement with the international community
 - Access to official financial support
 - Better credit risk and therefore lower costs of funds, including for the private sector
 - Private sector support by entities such as the IFC and EIB
 - Deepen the reforms through a bold medium term reform program
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The SMP's objectives



- The objectives of the SMP - October 2014 to December 2015 are to:
 - Consolidate the fiscal position and create space for critical expenditures in infrastructure and social services
 - Improve the external position
 - Restore confidence in the financial sector
 - Mobilise international support for resolving the country's external arrears and
 - Enhance the business climate, boost productivity and competitiveness, and build confidence

SMP Progress



- Main achievements up to date include:
 - Progress on the arrears clearance strategy
 - Stability in the financial sector
 - Accelerated work to improve the business climate
 - The finalization of Public Debt Management Act and ongoing PFM reforms
 - First steps in labor market reforms
 - On going reforms on the fiscal regime for the mining sector
 - On going (*albeit slow*) state owned enterprises reform

Steps in arrears clearance



- 1st Step - clear arrears to IFIs
- 2nd Step – A financial programme that addresses the deep rooted structural issues
- 3rd Step – Approach the Paris Club for a debt treatment

What re-engagement could do for Zimbabwe



- Catching up with other countries in the region that are fully integrated in international markets and therefore have access to capital at a lower premium
- Normalizing relations with the international community is not just about Zimbabwe's access to official financial support
- It is about the benefits that accrue to the private sector:
 - regaining access to financing at lower costs (IFC and EIB etc)
 - better credit risk which lowers costs of funds,
 - longer maturities which allow for capital investment
- This endeavor has already triggered a homegrown reform momentum that over the medium term could improve significantly economic prospects



What next?

- Continued commitment to implementing sound macroeconomic and structural policies
- If all goes well, Zimbabwe could request a Fund-financial programme in 2016
- The reform component would build on the SMP in an effort to address the more deep seated structural problems
- Strong ownership of such a programme is key

Useful links



- General IMF websites:
 - www.imf.org
 - www.imf.org/zwe (our local website)
- Debt relief
 - <http://www.imf.org/external/ns/search.aspx?NewQuery=debt+relief&submit.x=0&submit.y=0>
- Debt sustainability
 - <http://www.imf.org/dsa>
- Paris Club
 - <http://www.clubdeparis.org/en/>



Thank you!