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SM/86/200
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

September 11, 1986

To: Members of the Executive Board
From: The Secretary
Subject: Zimbabwe - Staff Report for the 1986 Article IV Consultation

The attached pages 24 and 25 of SM/86/200 (8/14/86) are reissued to incorporate data as of August 31, 1986.

Att: (2)

Other Distribution:
Department Heads

V. Proposed Decision

The following decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to Zimbabwe's exchange measure subject to Article VIII, Section 3, in concluding the 1986 Article XIV consultation with Zimbabwe, in light of the 1986 Article IV consultation with Zimbabwe, conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance of Exchange Rate Policies").

2. As described in SM/86/--, Zimbabwe continues to maintain restrictions on payments and transfers for current international transactions in accordance with Article XIV, Section 2, except that the multiple currency practice arising out of the 20 percent fee on sales of foreign exchange for holiday travel is subject to approval under Article VIII, Section 3. The Fund encourages the authorities to take measures that will permit the elimination of these restrictions as soon as possible.

ZIMBABWE - Relations with the Fund
(At August 31, 1986)

(Amounts in millions of SDRs, unless otherwise specified)

I. Membership Status

- a. Date of membership: September 29, 1980
b. Status: Article XIV

A. Financial Relations

II. General Department

a. Quota:	SDR 191 million	
	<u>Millions of SDRs</u>	<u>Percent of Quota</u>
b. Total Fund holdings of		
Zimbabwe dollars	410.6	215.0
c. Fund credit	219.6	115.0
Credit tranches	70.1	36.7
Enlarged access resources	100.5	52.6
Compensatory financing facility (exports)	49.1	25.7
Buffer stock financing facility	--	--
d. Reserve tranche	--1/	--

III. Stand-By Arrangements and Special Facilities

	<u>Date of Arrangement</u>	<u>Duration (Months)</u>	<u>Total Amount</u>	<u>Utilization</u>	<u>Undrawn Balance</u>
a. Previous stand-by arrangements					
(i)	April 1981	12	37.5	37.5	--
(ii)	March 1983	18	300.0	175.0	125.0
				<u>Date of Arrangement</u>	<u>Total Amount</u>
b. Special facilities					
Compensatory financing (exports)	March 1984		56.1		
Buffer stock financing	January 1984		2.1		

1/ Actual amount is SDR 34,175.

APPENDIX I

ZIMBABWE - Relations with the Fund (concluded)

	<u>Amount</u> (SDR millions)	<u>Percent of allocation</u>
IV. <u>SDR Department</u>		
a. Net cumulative allocation	10.2	100.0
b. Holdings	4.6	45.4
V. <u>Trust Fund Loans</u>		
a. Disbursed	--	
Outstanding	--	
b. SFF Subsidy Account payments	--	
VI. <u>Overdue Obligations to the Fund</u>	None	

B. Nonfinancial Relations

VII. Exchange Rate Arrangement

The Zimbabwe dollar is determined on the basis of an unannounced trade-weighted basket of currencies. The intervention currency is the U.S. dollar. The representative rate on August 31, 1986 was Z\$1 = US\$0.5865.

VIII. Last Article IV Consultation and Stand-By Arrangement Review

The last Article IV consultation was conducted in 1985 (SM/85/238 and SM/85/234), and the following decision was adopted on September 18, 1985:

1. The Fund takes this decision relating to Zimbabwe's exchange measures subject to Article VIII, Section 2(a), in concluding the 1985 Article XIV consultation with Zimbabwe and in the light of the 1985 Article IV consultation with Zimbabwe conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

2. Zimbabwe retains restrictions on the making of payments and transfers for current international transactions as described in SM/83/234. The Fund encourages the authorities to take measures that will permit the elimination of these restrictions as soon as possible.

Zimbabwe is on a 12-month cycle for Article IV consultations.

ZIMBABWE: Relations with the World Bank Group

Before 1965, the Bank made five loans totaling US\$130.8 million benefiting Rhodesia--two directly to the Government for agriculture (US\$5.6 million) and power (US\$28.0 million), two loans totaling US\$87.7 million to the Central African Power Corporation (CAPCO), and a US\$9.5 million loan to the Rhodesia Railways. As a guarantor of each of the loans, the United Kingdom serviced them after 1964. The loans for agriculture, power and railways have been repaid, and the Central African Power Corporation resumed servicing its two loans after the lifting of sanctions on December 21, 1979.

Since FY 1981, Zimbabwe has received eight Bank loans and four IDA credits totaling US\$464 million. Three operations supported the reorientation of agricultural services toward communal areas, for a small farm credit project in 1982 (an IDA credit of US\$30.4 million), a forestry project in 1983 (an IDA credit of US\$7.3 million) and an agricultural extension and research project, also in 1983 (US\$13.1 million). Two operations involved support for the manufacturing sector, a Manufacturing Rehabilitation Program in 1981 (involving a Bank loan of US\$50 million and an IDA credit of US\$15 million) and a manufacturing export promotion project in 1983 (US\$70.6 million). Three operations supported reconstruction in the transport sector, including two loans for National Railways of Zimbabwe, for equipment and spares in 1981 (US\$42 million) and training and technical assistance in 1983 (US\$40 million) and one for highway development and maintenance in 1982 (US\$26.4 million). Two operations in 1982 financed energy development, for studies on petroleum supplies (US\$1.2 million) and power development (US\$105 million). An urban development project (US\$43 million) is helping to increase the supply of affordable low-cost housing and related services in the country's main urban centers, and a small-scale enterprise project (US\$10 million) is aimed at providing technical and financial assistance to the emerging small-scale enterprise sector. Finally, in July 1986, a family health project (US\$10 million) with a major emphasis on population was approved.

IFC's first investment in Zimbabwe was in 1981 in the Wankie Colliery Company Limited, primarily to help finance a project for producing coal for the nearby thermal power station. The original investment was in the form of a US\$38 million loan, but was subsequently reduced to a total of US\$22.8 million, of which US\$12.0 million was for IFC's own account and US\$10.8 million for commercial bank participation. In 1984, IFC invested US\$2.2 million equivalent, of which US\$2.0 million is in the form of a loan and the balance in the form of equity, in UDC Limited, a hire purchase/factoring institution. In 1986, two investments have been approved. The first involved an investment for US\$4.8 million (US\$4.15 million loan and the balance equity) in Crest Breeders International Pvt Ltd, expansion of an integrated poultry operation which is designed to double by 1988 production of day-old chicks, broilers and feed concentrates for the domestic and export