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Statement at the conclusion of an IMF Article IV Mission to Zimbabwe

An International Monetary Fund (IMF) mission led by Vitaliy Karamenko visited Zimbabwe during March 9-24, 2009 to conduct Article IV consultation discussions. The mission would like to thank the authorities for productive discussions and warm hospitality.
At the end of the mission, Vitaliy Karamenko, Mission Chief for Zimbabwe issued the following statement:

"A steep decline in economic activity and public services contributed to a significant deterioration in the humanitarian situation in 2008. Economic disruptions caused by hyperinflation and a further significant deterioration in the business climate led to an estimated 14 percent fall in real GDP in 2008, on top of the 40 percent cumulative decline during 2000-07. Poverty and unemployment have risen sharply.

"Against the backdrop of the acute economic and humanitarian crisis, the recently formed government of national unity prepared a short-term emergency recovery program. This program focuses on macroeconomic policy and supply-side measures aimed at achieving low inflation, arresting economic decline, and improving social conditions.

"The mission welcomes the authorities' commitment to eliminate quasi-fiscal activities and implement cash budgeting (i.e., matching monthly expenditure to monthly revenue) in 2009. To ensure an improvement in the delivery of public services, the government would need to mobilize significant donor financial support and contain the wage bill.

"The credibility of the government's commitment to fiscal discipline is reinforced by the adoption of the multiple currency system because under such a system it is not possible to monetize the budget deficit. To facilitate transactions and improve credit availability, there is an urgent need to attune the payments system and banking supervision to the needs of the multiple currency system.

“Accountability and transparency of the Reserve Bank of Zimbabwe (RBZ) should be strengthened. Moreover, the RBZ should refrain from quasi-fiscal operations and focus on core central bank activities.

“Regarding structural reforms, a number of positive steps that are in line with previous IMF recommendations have already been implemented, including price liberalization, the removal of surrender requirements and most exchange restrictions on current account transactions, the imposition of hard budget constraints on parastatal enterprises, and the elimination of the Grain Marketing Board monopoly. Going forward, strengthening the investment climate, ensuring protection of property rights, and maintaining wages at competitive levels will be essential for increasing domestic and foreign investment.”