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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 Acting Prime Minister Thokozani Khupe, Minister of Finance Tendai Biti, and other senior officials for productive discussions and warm hospitality. The team also benefited from discussions with representatives of civil society, as well as the business, financial, and diplomatic communities.

Mr. Vitaliy Karamenko, Mission Chief for Zimbabwe, issued the following statement in Harare:

"A steep decline in economic activity and public services contributed to a significant deterioration in the humanitarian situation in 2008. Hyperinflation, driven by the Reserve Bank of Zimbabwe's (RBZ) quasi-fiscal activities, and a further significant deterioration in the business climate contributed to an estimated 14 percent fall in real Gross Domestic Product 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 has launched a Short-Term Emergency Recovery Program (STERP). 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 under STERP 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 and the humanitarian situation, the government would need to mobilize significant donor financial support and contain the wage bill.

"The official adoption of hard currencies for transactions has strengthened the credibility of the government's commitment to fiscal discipline and has already helped stop hyperinflation. To improve the functioning of the new monetary framework, there is an urgent need to enable the payments system to process transactions in foreign currency and adapt banking supervision to the risks of operating in foreign exchange.

"Effective oversight of the RBZ needs to be established. Specifically, the accountability of the RBZ needs to be enforced in conformity with the RBZ Act, and transparency of its operations needs to be strengthened. Moreover, the RBZ needs to refrain from quasi-fiscal operations, as in recent weeks, and focus on core central bank activities.

"Making further progress in structural reforms is essential for reviving economic growth and reducing poverty. 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 all be essential for increasing domestic and foreign investment.

"IMF staff stand ready to continue to assist the authorities through policy advice. Technical and financial assistance from the IMF will depend on establishing a track record of sound policy implementation, donor support, and a resolution of overdue financial obligations to official creditors, including the IMF."