

**FOR
AGENDA**

SM/14/139

Correction 1

June 17, 2014

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Zimbabwe—Staff Report for the 2014 Article IV Consultation**

The attached corrections to SM/14/139 (6/3/14) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 33, Table 2:

row 34, Errors and omissions:

2011: for "1,358" read "1,287"

2012: for "1,038" read "1,124"

2013: for "726" read "580"

row 35, Overall balance, 2012: for "-270" read "-184"

row 36, Financing, 2012: for "270" read "184"

Typographical Error

Page 42, Table 10, Public Financial Management, first column, line 5: for "clear validated arrears by December 2014" read "clear validated arrears by December 2013"

Questions may be referred to Mr. Fanizza (ext. 34069), Mr. Slavov (ext. 36983), and Ms. Morgan (ext. 37798) in AFR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (2)

Other Distribution:
Department Heads

Table 2. Zimbabwe: Balance of Payments, 2011–19

(Millions of U.S. dollars; unless otherwise indicated)

	Actual		Projected						
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current account (excluding official transfers)	-3,269	-3,048	-3,613	-3,796	-3,737	-3,546	-3,235	-2,912	-2,942
Trade balance	-3,141	-2,902	-3,379	-3,293	-3,277	-3,176	-2,974	-2,779	-2,801
Exports, f.o.b.	4,421	3,808	3,572	3,812	4,091	4,438	4,908	5,563	6,089
Imports, f.o.b.	-7,562	-6,710	-6,952	-7,105	-7,368	-7,615	-7,881	-8,341	-8,889
Food	-513	-731	-658	-581	-565	-541	-547	-577	-617
Nonfood	-7,050	-5,980	-6,294	-6,524	-6,803	-7,074	-7,334	-7,764	-8,272
Nonfactor services (net)	-759	-866	-941	-1,008	-1,059	-1,070	-1,078	-1,088	-1,136
Investment income (net)	-906	-959	-928	-1,049	-1,085	-1,066	-1,042	-966	-988
Interest	-96	121	93	19	6	-2	-3	-3	0
Receipts	168	294	179	197	217	238	262	287	316
Payments	-265	-173	-87	-178	-210	-240	-265	-290	-316
Other	-810	-1,080	-1,020	-1,068	-1,091	-1,064	-1,038	-963	-988
Private transfers (including transfers to NGOs)	1,538	1,679	1,635	1,555	1,683	1,766	1,858	1,921	1,982
Remittances	570	646	764	764	840	874	909	945	994
Capital account (including official transfers)	2,104	1,740	2,789	3,120	3,511	3,424	3,103	2,760	2,868
Official transfers	0	0	0	0	50	51	52	54	55
Direct investment	360	351	373	347	558	579	604	631	659
Portfolio investment	90	99	114	119	124	132	141	151	162
Long-term capital	684	10	1,095	1,397	1,491	1,534	1,428	1,143	1,137
Government ¹	-154	-116	67	260	342	372	506	574	562
Receipts	0	20	184	336	395	425	559	605	647
Payments	-154	-136	-116	-76	-53	-53	-53	-31	-85
Public enterprises	29	14	13	6	7	8	7	8	8
Private sector	809	113	1,015	1,131	1,142	1,154	915	562	567
Short-term capital	625	543	956	1,000	925	910	653	551	620
Public sector	0	0	0	0	0	0	0	0	0
Private sector (loans mediated outside DMBs)	539	365	692	885	872	903	667	584	654
Cash in circulation (non-banks, - denotes increase)	0	0	0	0	0	0	0	0	0
Other short-term capital	0	0	0	0	0	0	0	0	0
Change in NFA of DMBs	85	178	264	115	53	7	-14	-34	-34
Change in assets	47	2	-62	-16	3	-38	-59	-79	-79
Change in liabilities	39	176	326	131	50	45	45	45	45
SDR Allocation	0	0	0	0	0	0	0	0	0
Errors and omissions ²	1,287	1,124	580	0	0	0	0	0	0
Overall balance	123	-184	-244	-676	-225	-122	-132	-152	-75
Financing	-123	184	244	676	225	122	132	152	75
IMF (net)	0	0	0	0	0	0	0	0	0
Central bank (net)	54	-27	111	-180	-79	-79	-79	-79	-79
Assets	69	-34	109	-180	-79	-79	-79	-79	-79
Change in usable official reserves	86	-32	114	-180	-79	-79	-79	-79	-79
Monetary authorities operations (non-reserve)	-17	-2	-5	0	0	0	0	0	0
Liabilities	-16	7	1	0	0	0	0	0	0
Change in arrears (- denotes decrease)	0	210	134	155	147	149	144	149	155
Debt relief/rescheduling: adjustment for debt reconciliation ³	177	0	0	0	0	0	0	0	0
Unidentified financing ²	0	0	0	701	157	81	145	203	121
Memorandum items:									
Current account balance (percent of GDP) ⁴	-29.8	-24.4	-27.8	-28.2	-26.6	-23.7	-20.2	-16.8	-15.9
Usable international reserves (US\$ millions, e.o.p.)	366	398	284	464	543	651	809	1,009	1,210
Months of imports of goods and services	0.5	0.6	0.4	0.7	0.7	0.9	1.0	1.2	1.4
SDR holdings (US\$ millions, e.o.p.) ⁵	252	143	143	174	236	328	411	414	417
Total external debt (US\$ millions, e.o.p.) ^{3,6}	8,231	9,057	10,646	12,798	15,046	17,283	19,269	20,929	22,530
Percent of GDP ³	75	73	82	95	107	115	121	121	122
PPG external debt (US\$ millions, e.o.p.) ⁶	6,268	6,706	6,862	7,127	7,429	7,629	8,033	8,528	8,888
Percent of GDP ⁴	57	54	53	53	53	51	50	49	48
Of which: Arrears	5,101	5,313	5,448	5,602	5,749	5,898	6,043	6,193	6,348
Percent of GDP ⁴	47	43	42	42	41	39	38	36	34
Other external debt (US\$ millions, e.o.p.) ^{3,6}	1,964	2,351	3,784	5,671	7,618	9,653	11,236	12,402	13,642
Percent of GDP ⁴	18	19	29	42	54	64	70	72	74
Nominal GDP (US\$ millions) ⁴	10,956	12,472	12,974	13,483	14,060	14,974	15,975	17,284	18,491
Percentage change	16.0	13.8	4.0	3.9	4.3	6.5	6.7	8.2	7.0
Exports of goods and services	4,694	4,076	3,849	4,107	4,386	4,758	5,261	5,945	6,498
Percentage change	35.2	-13.2	-5.6	6.7	6.8	8.5	10.6	13.0	9.3
Imports of goods and services	-8,594	-7,844	-8,169	-8,408	-8,721	-9,004	-9,312	-9,812	-10,435
Percentage change	47.9	-8.7	4.1	2.9	3.7	3.2	3.4	5.4	6.3

Sources: Zimbabwean authorities; IMF staff estimates and projections.

¹ May not match data for government external financing in the fiscal table because this line is on an accrual basis.² Large errors and omissions (past data) and unidentified financing (future projections) are likely generated by under-recording of exports, remittances, and FDI.³ Debt stocks are estimates, except for the 2011 debt stock which is based on preliminary results of the authorities' external debt reconciliation exercise concluded in January 2013.⁴ Zimbabwe's statistical agency (ZIMSTAT) recently revised the GDP series since 2009. The new GDP series are 25-30 percent higher than the old ones.⁵ Excludes amounts in SDR escrow account.⁶ Includes arrears.

Table 3. Zimbabwe: Central Government Operations, 2011–19

(Millions of U.S. dollars)

	Actual		Budget ^{1/}	Prog. ^{1/}	Actual	Budget	Projected					
	2011	2012	2013	2013	2013	2014	2014	2015	2016	2017	2018	2019
Total revenue & on-budget grants	2,921	3,496	3,860	3,828	3,741	4,120	4,014	4,162	4,456	4,783	5,167	5,561
Tax revenue	2,660	3,279	3,646	3,507	3,414	3,825	3,636	3,845	4,099	4,381	4,715	5,061
Personal income tax	588	661	685	765	744	760	803	797	849	906	980	1,048
Corporate income tax	296	445	457	418	404	426	405	436	464	495	536	573
Other direct taxes	188	287	404	242	227	294	284	309	344	383	432	481
Customs	333	354	392	376	361	430	558	449	466	478	497	519
Excise	307	394	483	512	510	569	535	560	596	644	689	737
VAT	912	1,086	1,165	1,111	1,068	1,235	939	1,181	1,260	1,346	1,443	1,555
Other indirect taxes	36	52	61	84	98	111	112	112	120	128	138	148
Non-tax revenue	261	217	214	320	327	295	378	318	357	402	451	499
Of which: Licensing fees	0	40	0	164	158	5	11	0	0	0	0	0
Of which: Diamond dividends	151	44	70	17	18	96	82	107	132	162	192	222
Budget grants	0	0	0	0	0	0	0	0	0	0	0	0
Total expenditure & net lending	3,181	3,658	3,935	3,904	4,069	4,191	4,306	4,120	4,342	4,735	5,067	5,433
Of which: Cash expenditure	2,974	3,568	3,862	3,898	4,027	4,165	4,092	4,144	4,362	4,619	4,945	5,306
Current expenditure	2,629	3,303	3,370	3,521	3,586	3,709	3,791	3,768	3,922	4,128	4,324	4,527
Employment costs	1,544	2,134	2,260	2,340	2,344	2,543	2,696	2,763	2,832	2,903	2,976	3,050
Wages & salaries	1,269	1,733	1,841	1,922	1,926	2,093	2,218	2,274	2,331	2,389	2,449	2,510
Pensions	275	401	419	418	418	450	478	490	502	514	527	540
Interest payments	113	116	118	122	120	142	149	173	186	193	200	206
Foreign	113	114	114	114	114	121	121	131	137	142	149	155
Of which: Paid	34	18	18	15	17	15	16	21	24	25	26	28
Domestic	0	3	4	8	6	21	28	43	49	51	51	51
Of which: Paid	0	3	4	8	6	21	28	43	49	51	51	51
Goods & services	504	505	407	322	359	397	368	225	270	367	449	536
Grants & transfers	468	548	585	737	763	628	579	606	634	664	699	734
Of which: Employment costs	290	370	402	427	423	455	461	473	485	497	509	522
Of which: Referendum costs	0	0	25	46	46	0	0	0	0	0	0	0
Of which: Election costs	0	0	0	132	132	0	0	0	0	0	0	0
Capital expenditure and net lending	551	355	565	382	483	482	515	351	419	607	743	906
Overall balance (commitment basis)	-260	-162	-75	-76	-328	-71	-292	43	114	48	99	128
Primary balance (commitment basis) 2/	-147	-45	43	46	-208	70	-144	216	300	241	299	334
Overall balance (cash basis)	-53	-73	47	-70	-286	-45	-78	19	93	164	222	254
Primary balance (cash basis) 2/	-19	-52	69	-47	-262	-9	-35	83	167	241	299	334
Financing	260	162	26	76	310	71	292	-43	-114	-48	-100	-128
Domestic financing (net)	-25	8	-46	63	265	87	145	95	50	19	-26	36
Bank	4	44	-46	85	193	152	112	192	50	19	-26	36
Non-bank	-30	-36	0	-22	72	-65	33	-98	0	0	0	0
Foreign financing (net)	-48	8	-65	-26	-247	-266	-243	-235	-262	-296	-290	-438
Disbursements	78	0	90	72	72	18	18	0	0	0	0	0
Amortization due	127	101	125	98	319	254	231	175	172	166	125	233
Of which: Paid	0	44	61	65	68	30	54	53	53	53	31	85
Movement in Zimbabwe's SDR holdings (net)	0	109	-30	0	0	-30	-30	-60	-90	-80	0	0
Other	0	0	0	0	0	0	0	0	0	-50	-165	-205
Change in arrears	333	146	137	39	293	250	391	98	99	229	216	274
Domestic	128	-6	-23	-93	-55	-79	109	-134	-134	0	0	0
Arrears accumulation	128	116	0	79	123	0	132	0	0	0	0	0
Arrears clearance	0	-122	-23	-172	-178	-79	-23	-134	-134	0	0	0
Foreign	205	152	160	132	347	329	282	231	232	229	216	274
Interest	79	96	96	99	97	106	105	109	113	116	122	127
Principal	127	57	64	33	251	224	177	122	119	113	94	148
Statistical discrepancy / Financing gap	0	0	-48	0	-17	0	0	0	0	0	0	0

Sources: Zimbabwean authorities; and IMF staff estimates and projections.

1/ Presentation in keeping with the definitions in the Technical Memorandum of Understanding.

2/ The difference between the primary balance on a commitment and cash basis is the change in domestic arrears.

Table 9. Zimbabwe: Quantitative Targets under the Staff-Monitored Program

(In millions of U.S. dollars, unless otherwise indicated)

	2013 ¹								
	March	June ²				Sept.		Dec. ²	
	Act.	Prog.	Act.	Status		Prog.	Act.	Prog.	Act.
1. Floor on primary budget balance of the central government ^{3,4,5,6,7}	-26	18				80		-47	-262
<i>Adjusted floor</i>		169	-3	Not met		170	-25	-53	Not met
2. Continuous ceiling on new domestic payment arrears ⁸	n.a.	0	n.a.	Not met		0	n.a.		
3. Floor on protected social spending	18	51	58	Met		93	98	144	100
4. Floor on stock of usable international reserves	143	149	143	Not met		169	143	143	143
5. Floor on payments to the PRGT	0.45	0.90	1.05	Met		1.35	1.50	1.80	1.80
6. Continuous ceiling on the stock of new non-concessional external debt contracted or guaranteed by the general government with original maturity of one year or more	0	330	29	Met ⁹		330	29	350	348
7. Ceiling on total stock of arrears to domestic service providers, agricultural input suppliers, and on capital certificates			171				75	117	158
<i>Memorandum Items:</i>									
Broad Money (stock)	3,646	4,043	3,689			4,226	3,757	3,828	3,888
Reserve Money (stock)	227	232	337			243	276	283	272
Disbursements on medical equipment and supplies loan	0	90	30			90	30	72	72
Unbudgeted costs related to the referendum and elections	18	148	47			148	153	153	153
Unbudgeted revenues from telecom licence fees	0	50	40			50	85	91	85

¹ Value of cumulative flows for the calendar year, unless otherwise indicated.² Program performance will be monitored based on the quantitative targets for June and December 2013.³ To be adjusted downwards in any quarter and subsequent quarters by the full amount of any new borrowing disbursed and utilized by central government for priority infrastructure projects.⁴ To be adjusted downwards in any quarter and subsequent quarters by the full amount of any domestic debt issuance by central government ring-fenced for clearance of domestic payment arrears.⁵ To be adjusted upwards (downwards) in Q2 and Q3 of 2013 by the full amount of any shortfall (excess) in unbudgeted costs related to the constitutional referendum and national elections and incurred by central government, relative to programme assumptions.⁶ To be adjusted downwards (upwards) in any quarter and subsequent quarters in 2013 by the full amount of any shortfall (excess) in unbudgeted revenues from telecom licence fees received by central government, relative to programme assumptions.⁷ To be adjusted downwards in Q1 of 2013 by the value of the medical equipment and supplies project loan if the loan were disbursed in that quarter. To be adjusted upwards in Q2 and Q3 of 2013 by the shortfall in the cumulative disbursement on the loan effected through these quarters, relative to programme assumptions. To be adjusted downwards (upwards) in Q4 of 2013 by the full amount of any excess (shortfall) in the cumulative disbursement on the loan for the calendar year, relative to programme assumptions.⁸ For the second SMP review, the continuous ceiling on new domestic payment arrears is replaced with a ceiling on the total stock of arrears to domestic service providers, agricultural input suppliers, and on capital certificates.⁹ A US\$ 319 million non-concessional loan was signed with the Export-Import Bank of China in November, thus breaching the continuous US\$ 330 million

Table 10. Zimbabwe: Status of Structural Benchmarks for 1st and 2nd SMP Reviews

Benchmarks	Macroeconomic Rationale	Review	Status
Tax Policy			
1. Submit to Parliament the new Income Tax Bill.	Enhance tax administration.	1 st	Met.
2. Issue a Statutory Instrument establishing a clear formula for the calculation and remittance of dividends from entities in which the Government holds shares.	Increase transparency and accountability.	1 st	Not met.
3. Submit to Cabinet amendments to the Precious Stones Trade Act to incorporate the principles of the Diamond Policy.	Increase transparency and accountability.	2 nd	Not met.
4. Submit to Parliament amendments to the Precious Stones Trade Act.	Increase transparency and accountability.	2 nd	Not met.
5. Submit to Parliament a new Mines and Minerals Act.	Increase transparency and accountability.	2 nd	Not met.
Public Financial Management			
6. PSC to submit to MoFED a time-bound action plan on measures to modernize the human resources and payroll systems.	Enhance public expenditure and financial management.	1 st	Met.
7. Publish a report on the stock of verified arrears and a strategy to clear validated arrears by December 2013 on MoFED's website.	Enhance public expenditure and financial management.	1 st	Not met.
Financial Sector			
8. Submit to the RBZ Board a framework for contingency planning and systemic crisis management.	Reduce financial sector vulnerabilities.	1 st	Met.
9. Submit amendments to the Banking Act to Parliament aimed at strengthening the Troubled Bank Resolution Framework.	Strengthen legal and regulatory framework and reduce systemic liquidity risks.	2 nd	Not met.
10. Submit the RBZ Debt Relief Bill to Parliament to complete the restructuring of the RBZ balance sheet.	Reduce financial sector vulnerabilities.	2 nd	Met