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STAFF MONITORED PROGRAM (SMP) FACTSHEET

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The Government of Zimbabwe (GoZ) convened a High-Level Structured Dialogue Platform (SDP) Forum in Harare on November 25 2024 for the Arrears Clearance and Debt Resolution Process. The key highlight from this Forum is Treasury's steady commitment to signing off on and successfully implementing a 'wet' International Monetary Fund (IMF) Staff Monitored Program (SMP) by the end of the first quarter of 2025. Here are some facts about an IMF SMP.

What is an SMP?

An SMP is an informal agreement between an IMF member country and IMF staff to monitor the member country's economic program.

Who Are Stakeholders Involved in an SMP

These include the IMF Staff, Government Ministries, Departments and Agencies (MDAs), Reserve Bank of Zimbabwe (RBZ), Development Partners, civil society, academia, private sector players and the media.

Why SMP?

It is an engagement and re-engagement channel for GoZ as the nation battles external debt overhang and its ripple effects on the economy and citizens. As such, in line with the National Development Strategy I (NDSI), GoZ must engage with creditors to show goodwill and find sustainable, concessional options to resolve the debt problem.

Usually, an SMP is implemented by countries faced with macroeconomic instability or with a record of policy inconsistency. As such, a commitment to an SMP is critical for GoZ to establish a good rapport and track record of policy implementation.

Successful implementation of an SMP can help pave the way for Zimbabwe's Arrears Clearance and Debt Resolution including an IMF financial arrangement provided on concessional terms.

In addition, a successfully implemented SMP is generally considered a stepping stone for heavily indebted poor countries Heavily Indebted Poor Countries (HIPC) to be likely considered and selected for debt relief under the IMF and World Bank HIPC initiative.

Should Citizens Care About SMP?

- Yes, citizens should care because they are key stakeholders as debt unsustainability places a heavy fiscal burden on their shoulders- bringing about social and economic deprivations, environmental degradation, climate injustices and tax inequality.
- Furthermore, implementing reforms under a dry (inadequately funded) SMP will reduce social spending, exposing and disproportionately affecting vulnerable groups.
- A case in point is the structural adjustment programs of the early 1990's which led to the reduction of civil service, deregulation, currency devaluations and reduction of social spending particularly in health and education.



What are Progress Markers for SMP?

The SMP falls under the Economic Growth and Stability reforms.

Progress markers for a successful implementation of an SMP include attaining a market-determined exchange rate, tight fiscal and monetary policies, a budget deficit of below 3% of national output (GDP), efficiency in revenue mobilization and debt recovery, and improved public service delivery.

Has any progress been registered Toward a successful SMP Implementation?

To date, GoZ has registered goodwill, secured audience and dialogue with creditors and development partners, secured credible process facilitators, and appointed legal (Kepler-Karst Law Firm) and financial advisors (Global Sovereign Advisory) to help negotiate with creditors and develop clearance options for arrears.

GoZ has kept the budget gap below 3% of GDP in line with the NDS I target, transferred RBZ liabilities to the Treasury to suppress quasi-fiscal operations (QFOs), introduced a new currency and interbank market based on a willing-buyer-willing-seller (WBWS) system, tight monetary policy stance, and development of a social registry among other accomplishments.

What are Possible SMP Challenges

The SMP road will likely be bumpy. For instance, vulnerable groups will be exposed without a 'wet' SMP to support the social sectors through the 2025 National Budget. The impacts of El-Nino-induced drought are still widespread: food insecurity, food shortages, elevated food import bills and an electricity deficit.

More spending is also expected as GoZ supports the 2024/25 agriculture subsidies for smallholder farmers, salary adjustments, and payment of annual bonuses.

Other outlook risks include deepening informality, resource leakages from corruption and illicit dealings, global geopolitical rifts and geoeconomic fragmentation which will sustain increased volatility of commodity prices in 2025.

What is the Role of CSOs and Development Partners in an SMP?

These play important roles in monitoring policy implementation, policy lobbying and advocacy, simplifying technical SMP information to make it palatable for all groups and helping to disseminate information widely and timely to citizens.

What is the Role of Citizens in an SMP?

Citizens provide IMF Staff with information on their local socio-economic challenges which helps reduce the social impacts of proposed economic reforms, thus ensuring the longevity of policies. They also must participate to hold their government accountable to its commitments.

What is the Role of the Private Sector in an SMP?

The private sector provides IMF Staff with information on their environmental and operational challenges, thus helping formulate sustainable policies that instill business predictability and profitability.



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