THE INTERVIEW

'Lack of confidence bogs down Zim'

The International Monetary Fund (IMF) last week produced a damning report detailing how Zimbabwe had veered off course to meet targets set out under the Staff Monitored Programmeme (SMP). Our Assistant Editor, John Kachembere (JK), sat down with Patrick Imam (PI) (pictured), the IMF's country representative in Zimbabwe, to unpack the report. Below are excerpts of the interview.

JK: What does it mean that the Staff Monitored Programme is off-track? Can you please elaborate?

PI: The SMP is off track because basically not all commitments were met. The programme started extremely well, and by June of last year, we were confident that macroeconomic stability was within reach.

The performance against quantitative programme targets was very satisfactory, and performance against the SMP's structural benchmarks was also largely satisfactory.

However, by the end of September and end of December 2019 performance criteria were subsequently missed, owing to the large quasi-fiscal operations by the RBZ. This policy misstep coupled with climate-related shocks led the SMP to go off-track.

Concretely, this means re-engagement with the international community is just delayed. But authorities are fully committed to continue the reform process and restore macroeconomic stability. Therefore, the IMF will continue to work very closely with Zimbabwe, including through the provision of technical assistance.

JK: Is this not an example of a typical IMF programme always failing?

PI: I reject the assertion. Think of the programme in my home country Egypt, or the programme we had with Ireland recently. You have also less known success stories such as the IMF programme with Madagascar. In all these cases, macroeconomic stability was restored, and these economies are growing robustly again.

In fact, I would argue that if all IMF programmes were to always succeed, it would be a sign that the Fund is not taking any risk and only helping member states who have marginal macroeconomic imbalances.

The issue we often face is that member countries come to the IMF with their problems very late in the game, not when their troubles are starting but rather when they have become too difficult to handle by authorities on their own.

As a result, reforms needed to address the ailments are often very tough. When someone is sick, the medicine that the doctor prescribes is proportional to the severity of the disease. So the sicker the patient, the tougher the reforms that are needed to put the patient back on track. The same analogy applies to countries.

And where the IMF differs from most stakeholders is that even when the situation is dire and desperate, the Fund is always present and provides a helping hand, even when the private sector and other key actors are lowly engaged.

It's a sign that we care about our members and that we stick with them even when they go through their darkest hours.

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JK: What are the consequences of being off-track on the SMP?

PI: From the start, the strategy of authorities was to move simultaneously on the economic and political reform front.

The SMP was always meant as a building block to revive the economy, and to create a roadmap to help clear the arrears to creditors and normalise relations with the international community.

The idea was that through a comprehensive and well sequenced reform process, confidence would be rebuilt. The fact that the SMP is off-track means a delay in that long-term goal.

The Fund will continue to stand by Zimbabwe and engage and advise the country going forward. We hope that a mission will come shortly to Zimbabwe to continue our dialogue on how to continue the economic reform process and recalibrate the macroeconomic framework.

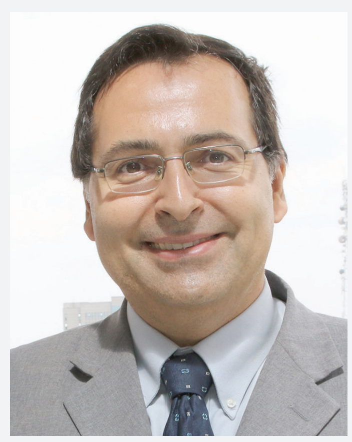
But I really want to highlight that the government owns the reforms and is undertaking them not because of outside pressure, but because its people are asking for them and because it's in the interest of the country. So the reform process will continue.

JK: Many analysts say that there is a confidence problem in Zimbabwe. Do you share the same views?

PI: I often hear this in my discussions, but I think it's a misnomer to say that the issue with Zimbabwe is one of lack of confidence. In general, confidence and economic fundamentals are highly correlated.

Yes, you may have a temporary deviation between confidence and fundamentals, but sooner or later, they will converge. It is hard to think of cases where the fundamentals are weak, but confidence is high, or vice-versa. If you look at the case of Zimbabwe, the reason confidence is low is relatively straightforward to explain.

Inflation is triple digit, the economy is barely growing, if at all, the currency is not yet fully stable, and the gap between the official and parallel rate is nearly 100 percent now. Issues such as corruption or improving the business environment are being tackled, but only slowly.



So the lack of confidence mirrors the fact that strengthening economic fundamentals is still work in progress and not yet fully completed.

In addition, the historical context matters. Confidence is something that is difficult to build, but easy to destroy. Given the past two decades, it's understandable that the Zimbabwean public and investors in general are more skeptical about Zimbabwe's commitment to reform and stability, compared to peers.

Thus, the hurdle rate that the authorities must pass is going to be higher than in other countries and may take longer.

Having said that, a lot of progress has been achieved over the past 18 months, and if this continues, this is bound to translate into stronger fundamentals and hence higher levels of confidence.

JK: By now shouldn't the reforms, even if done unevenly, have had some impact on growth?

PI: Look, this is a very theoretical question, but let me attempt to answer it. When you look at economic reforms, what you want as a policymaker is to have the biggest growth impact with the smallest amount of reforms. In other words, you want to address the biggest constraints to growth. But the question you are implicitly posing is what these are?

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Now in Zimbabwe, since the reform process started, the average worker has seen a significant decline in their actual purchasing power. Most domestic input costs have gone down significantly.

Therefore, you would expect firms in principle to be much more competitive, especially on international markets. But we are not seeing an export boom. On the contrary, many companies are shutting down.

In a depressed economy, the biggest bang for the buck in terms of reforms is probably not on the supply side, such as making labour markets more flexible or restructuring a State-Owned Enterprise. This is because in a depressed environment, deregulating the labour market or dismissing workers from State-Owned Enterprises will not have much of an impact on short-term growth, even if this measure may be desirable for longer-run growth.

The same argument applies to the elimination of broad subsidies such as fuel and electricity. While desirable in themselves, these reforms do not translate into higher growth.

In addition, there is also an interplay taking place among the various reforms the government is undertaking that can sometimes have conflicting effects on growth. For instance, while salaries have become very competitive following the currency reform, this cost benefit has been offset by the elimination of fuel and electricity subsidies which were part of the fiscal reform package. Overall, the impact of these two reforms on the competitiveness on local enterprises is therefore ambiguous.

JK: What can be done to spur growth?

PI: It's probably on the demand side that Zimbabwe would see the biggest growth impact. However, stimulating domestic demand through cutting taxes or raising spending by the government is not a realistic option in the current context, as the budget couldn't and will not sustain that.

So we have to look at foreign demand for growth. But let's take the example of manufacturing or mining. Part of the problem is that key inputs like electricity are erratically supplied, and this holds back output.

Even if a company wants to ramp up production, it cannot do so if essential inputs like electricity are not there. These binding constraints must be addressed to kick start growth. While progress has been made, the supply of reliable electricity on a continuous basis is still not guaranteed all the time.

Similarly, companies need credit to grow, but if banks have low capital ratios and cannot lend, output cannot grow. So making sure that banks' capital is adequate and that these can on-lend to the private sector is also crucial.

Again, the RBZ in the recent Monetary Policy Statement has asked for an increase in capital for all the banks by the end of the year. But it will take time for this to translate into more credit into the economy.

So many of the reforms that were implemented, while desirable and necessary, do not necessarily translate into immediate growth. The impact will be felt over the long.

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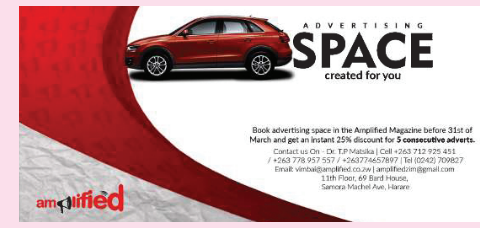
Institutional Watch



AMPLIFIED is a wholly Zimbabwe owned marketplace research company whose aim is to be a cheer leader of business, across all sectors of the economy. On **Friday 13th** it will hold its inaugural **APPRECIATION NIGHT** for those in the Banking and Finance sectors. The primate aim is for those working in the corridors of our economy to know that the market place appreciates all the hard work they are putting inorder for Zimbabwe to tick.

Amplified really feels that making your employees feel valued benefits your **business** in the long-run. Employees who feel **appreciated** and valued at work perform better and prove more productive. Employees who feel **appreciated** and valued in turn feel empowered to share **important** information with their bosses in an open and non-judgmental manner.

Feeling genuinely appreciated lifts people up. At the most basic level, it makes us feel safe, which is what frees us to do our best work. It's also energizing. When our value feels at risk, as it so often does, that worry becomes preoccupying, which drains and diverts our energy from creating value.

So why is it that openly praising or expressing appreciation to other people at work can so easily seem awkward, contrived, mawkish and even disingenuous?

The obvious answer is that we're not fluent in the language of positive emotions in the workplace. We're so unaccustomed to sharing them that we don't feel comfortable doing so. Heartfelt appreciation is a muscle we've not spent much time building, or felt encouraged to build.

Oddly, we're often more experienced at expressing negative emotions — reactively and defensively, and often without recognizing their corrosive impact on others until much later, if we do at all.

Amplified has therefore taken it upon themselves to do exactly that. It is the unwritten constitution of many to become jealousy of those that are doing better than others and instead of building each other and learning from each other we are busy pulling each other down. Its time we took a leaf from the developed economies and learn the art of appreciating one another.

Amplified focuses on market place leadership through the holding of these appreciation nights, corporate trainings, team building and market place research and conferences.

Its through our trainings that we:

• Address Employee Weaknesses

Most employees have some weaknesses in their workplace skills. A training program allows you to strengthen those skills that each employee needs to improve. A development program brings all employees to a higher level so they all have similar skills and knowledge. This helps reduce any weak links within the company who rely heavily on others to complete basic work tasks.

• Structured Training and Development

A structured training and development program ensures that employees have a consistent experience and background knowledge. The consistency is particularly relevant for the company's basic policies and procedures.

All employees need to be aware of the expectations and procedures within the company. This includes safety, discrimination and administrative tasks. Putting all employees through regular training in these areas ensures that all staff members at least have exposure to the information.

• Employee Job Satisfaction

Employees with access to training and development programs have the advantage over employees in other companies who are left to seek out training opportunities on their own. The investment in training that a company makes shows the employees they are valued. The training creates a supportive workplace.

Employees may gain access to training they wouldn't have otherwise known about or sought out themselves. Employees who feel appreciated and challenged through training opportunities may feel more satisfaction toward their jobs.

Providing the necessary training creates an overall knowledgeable staff with employees who can take over for one another as needed, work on teams or work independently without constant help and supervision from others.

Contact our sales team who will help you create a well balanced and resourceful team.

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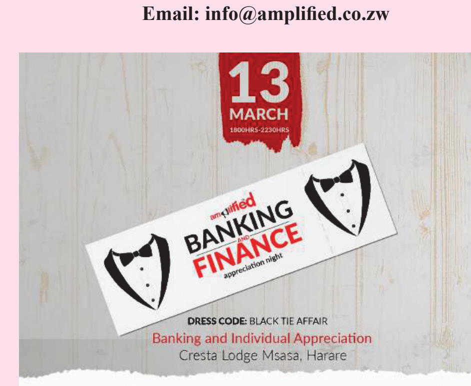

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