

ZAMBIA RESEARCH NOTE

IMF update (Yes, Minister)

*Exactly 12 months have elapsed since a mischievous press statement¹ issued by Treasury secretary Fredson Yamba announced **the imminent completion of negotiations on a funded IMF program** and triggered a sustained rally by Zambian assets.*

*However, although **the Fund has fielded three subsequent missions to Lusaka**, there has been **no substantive movement** in relation to the fabled programme – an eloquent comment on the cumulative fiscal damage from two rounds of election-driven spending in as many years.*

- 1) Now, a fourth **mission has been in-country for several days**, to conduct an Article IV review – Zambia’s first since 2014, incidentally – as well as **“programme discussions”**. Naturally, this was the first issue raised during the finance minister’s interview on ZNBC-TV 1 last Sunday.
- 2) Evidently this was not a subject Mr. Mutati was particularly keen to discuss, as he promptly embarked on **a laboured rehearsal the government’s economic recovery programme** that he insisted on describing as “home-grown”. So, it was more than 25 minutes – and several tangents – later that host Gravazio Zulu was finally able to steer the conversation back to **“the elephant in the room”**, to quote his colourful phrase.
- 3) In response to a direct question on the expected timing for the launch of the IMF programme, the minister helpfully observed that the Fund had raised no issues that had not already been “addressed” in the 2017 budget and/or the medium-term framework. In his telling, the only **outstanding items were the programme benchmarks**: GDP growth; sustainable debt levels; fiscal deficit target; donor support levels.
- 4) Undeterred, his interviewer returned to the question of chronology, demanding point-blank, **“What is the deadline for completing discussions?”** But on this subject, the minister was not to be drawn. “No deadline,” was his judicious response.
- 5) In spite of this spoiler, however, the IMF’s post-mission statement is still worth waiting for. **Issues pending elucidation** include:
 - the current stock of the **Government’s payment arrears**² which the IMF team had projected would end 2016 at Kw 20 billion, equivalent to 9% of GDP;
 - the **implausibly steep drop in inflation** during 2016/Q4, from a rate of 18.85% in Sept. 2016 to a reported 7.5% at year end³, despite the continuing surge in food prices⁴;
 - an **audit of the Food Reserve Authority (FRA)**, reconciling appropriations disbursed against grain purchases and current inventory⁵.

¹ Captioned **“IMF talks end in success”**, the Mar. 22nd statement was e-mailed to international news agencies two hours before the visiting IMF team was scheduled to release its decidedly downbeat assessment of Zambia’s widening fiscal and external imbalances.

² Yet, in his Mar. 19 interview, Mr. Mutati actually took credit for having settled a total of Kw 1 billion over the preceding four months.

³ Although official reports show the rate dropping to 6.80% in February, it is worth noting that the national statistics office has not uploaded a detailed inflation report since Nov. 2016.

⁴ Food insecurity was a significant contributor to the fatal stampede at the Church of Christ event in Lusaka earlier this month.

⁵ There have been persistent reports of extensive smuggling of by ruling party officials and agriculture minister Dora Silya has been named by three defendants in Malawi’s ongoing “Maize-gate” scandal.

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