

MINISTERIAL STATEMENT
ON THE
GOVERNMENT'S STATE OF ENGAGEMENT WITH THE INTERNATIONAL
MONETARY FUND
BY THE HON. THE MINISTER OF FINANCE, MR MUTATI

Mr Speaker, I thank you most sincerely for according me this opportunity to brief the House on where we are with respect to our discussions with the International Monetary Fund (IMF). This follows not only the point of order raised by the hon. Member of Parliament for Chiengi but also, the need for the Government to keep the nation informed with respect to where we are in these discussions.

Mr Speaker, let me begin by putting our engagement with the fund in perspective. In March, 2017, Cabinet approved that the Government should engage the IMF on a possible programme under the Extended Credit Facility (ECF). The engagement was on the basis of the Economic Stabilisation and Growth Programme (ESGP).

Mr Speaker, the engagement was aimed at leveraging international support for attaining the Government's key objectives of restoring fiscal fitness, debt sustainability, addressing the external sector vulnerabilities, job creation, sustained inclusive growth and development.

Mr Speaker, this engagement does not mean that the IMF is here to bailout Zambia as Her Honour the Vice-President rightly pointed out following the point of order by the hon. Member of Parliament for Chiengi. We have as a nation, defined the ESGP that is required to move the economy forward. The IMF is being engaged to provide the Balance of Payment (BOP) support as well as to provide an independent policy assessment.

Sir, significant progress has so far been made in undertaking policy and structural reforms under the ESGP which the IMF has acknowledged and commended the Government. These reforms are in such areas as agriculture, energy and financial management.

Mr Speaker, the main outstanding issues under discussion with the IMF are the need to take measures to slow down on the pace of debt accumulation and return Zambia's debt risk from high to low and scaling up fiscal consolidation measures, particularly, expenditure restraint. Both these aspects are part of our key reform measures and are clearly outlined in the Economic Stabilisation and Growth Strategy (ESGS). What the IMF has asked is to have these measures accelerated.

Mr Speaker, cabinet, on November 6, 2017, discussed these issues and gave a clear policy direction. This included:

- (a) developing a new financing profile that will ensure the reduction in debt distress from high to moderate over the medium term and to ensure that debt remains sustainable thereafter;
- (b) re-prioritising projects by concentrating on on-going projects;
- (c) re-scoping projects to be implemented in stages to ensure fiscal sustainability. An example is the implementation of the Lusaka/Ndola Dual Carriageway which will be implemented in stages; and
- (d) accelerating the implementation of revenue mobilisation measures such as automation, appointment to tax agents, establishment of single windows at border posts, land titling and tolling.

Mr Speaker, in addition, cabinet resolved the following:

- (a) suspension of new non-concessionary borrowing;
- (b) no commercial contracts that require debt financing should be signed without Treasury Authority; and

(c) tender and legal approvals should not be given where the funds are not available.

Sir, our task as a nation is to ensure that we borrow within our capacity to pay and to re-focus expenditure while enhancing domestic resource mobilisation. Of critical importance is to focus on completing on-going projects. With these measures, the Government has continued to engage the IMF. As part of the engagement, we recently had a visit by the Director of African Department, the New Mission Chief and the Executive Director of Zambia. During the visit, the mission met His Excellency the President, Mr Edgar Chagwa Lungu and Her Honour the Vice-President, Mrs Inonge M. Wina.

Sir, as a member of the IMF, we must utilise a key mandate of the IMF of providing the BOP support to members experiencing BOP problems as has been the case to Zambia since 2015.

Mr Speaker, in addition to the provision of Balance of Payments Support, the International Monetary Fund (IMF) is also a catalyst to access budget support and other flows from multilateral and bilateral co-operating partners. Further, having an IMF-supported programme will enhance flows from the private sector investors and reduce the negative sentiments on the investment climate in the country. This is because many investors mainly rely on the IMF for the assessment of the country's investment climate.

Sir, let me assure the nation through this august House that the Government is resolved to have an IMF-supported programme and it will be kept abreast on a regular basis.

Mr Speaker, I thank you.