AEDS Position on the IMF First Review of Zimbabwe's Staff-Monitored Programme

1. Introduction

Zimbabwe has made notable progress in restoring macroeconomic stability, with stronger economic growth, declining inflation, improved fiscal performance and greater external resilience providing encouraging signs of policy credibility. The International Monetary Fund (IMF)'s first review of the Staff-Monitored Programme confirms that the authorities have broadly met their commitments and established a stronger foundation for economic recovery.

However, Africa Economic Development Strategies (AEDS) considers this progress an important first step rather than an end in itself. Significant challenges remain, particularly around debt sustainability, social-spending execution, economic diversification, public financial management and institutional reform. The following assessment therefore highlights the key milestones achieved, the vulnerabilities that could undermine the gains, and the priority areas requiring further strengthening to ensure that macroeconomic stabilisation translates into inclusive, productive and sustainable economic transformation.

2. Macroeconomic Stabilisation

AEDS welcomes the IMF's first review of Zimbabwe's Staff-Monitored Programme (SMP) as a significant milestone in the country's efforts to restore macroeconomic stability and policy credibility. The authorities have demonstrated strong programme implementation, meeting all five quantitative targets and all structural benchmarks assessed under the first review. This progress is supported by a marked improvement in economic performance, with real GDP growth reaching 8.3% in 2025, driven largely by the recovery in agriculture, strong mining activity and favourable gold prices.

Growth is projected at 5% in 2026, while inflation has remained firmly in single digits. More recent Reserve Bank of Zimbabwe data show year-on-year ZiG inflation at 3.2% in July 2026, providing further evidence of improved price stability. The sustained single-digit inflation is well aligned with AEDS' projection of inflation dynamics, which is anticipated to close the year at around 5%.

3. Fiscal and External Position

Fiscal performance has also strengthened, with revenue mobilisation exceeding expectations and creating scope for the authorities to build fiscal buffers. The reported ZiG14.2 billion revenue surplus over expenditure in the first half of 2026 is an encouraging development, provided that the improved fiscal position is sustained and translated into stronger public investment and service delivery. Similarly, the improvement in the external position and continued current-account strength provide an important buffer against external shocks. The IMF confirms that Zimbabwe's current-account surplus remains robust.

The IMF projects medium-term growth of only around 4.2%, while the recovery remains heavily dependent on mining, gold prices and agricultural performance.

4. Vulnerabilities and Areas Requiring Strengthening

4.1 Commodity, Climate, Energy and Policy Risks

AEDS is of the view that the current gains remain vulnerable to commodity-price volatility, climate shocks, energy and geopolitical disruptions, and domestic policy slippages. Zimbabwe's dependence on gold and agriculture leaves growth, foreign-exchange earnings and fiscal revenues exposed to external and climatic conditions.

Our view is that the authorities should place greater emphasis on economic diversification, productivity growth, mining and agricultural value addition, manufacturing, export development and private-sector investment.

4.2 Debt Sustainability and Resolution

The most significant unresolved challenge remains debt sustainability. Zimbabwe's external public debt continues to be assessed by the IMF as unsustainable and in distress.

The SMP should consequently be viewed as a mechanism for rebuilding credibility and establishing a track record that can support arrears clearance and debt restructuring, rather than as a solution to the country's financing constraints. AEDS supports a transparent and comprehensive debt-resolution strategy, strengthened debt management and firm safeguards against the accumulation of new unsustainable liabilities.

4.3 Social Protection and Public Financial Management

AEDS is particularly concerned by the under-execution of protected social and priority spending, which was the main programme target that was not achieved. This highlights an important distinction between fiscal discipline and effective fiscal management. Strong fiscal balances are meaningful only when government resources are efficiently converted into essential services, human capital and productive investment. The IMF itself identifies improved budget execution, commitment controls, public financial management and arrears management as critical priorities.

Whilst AEDS supports Treasury's approach aimed at sustaining fiscal discipline, it emphasises that fiscal consolidation should be achieved through better expenditure management rather than indiscriminate expenditure restraint, while protecting education, healthcare, food security and social protection for vulnerable households.

4.4 Foreign-Exchange and Governance Reforms

The continued tight monetary policy stance has contributed to a stable exchange rate (and an average of ZiG26 to 1 US$ for the first half of 2026) and a narrowing parallel market exchange rate premium (averaging around 18% during the first half of 2026). At the same time, deeper reforms are required to strengthen the functioning of the foreign-exchange market, improve monetary transmission and build confidence in the ZiG.

The IMF's call for a comprehensive FX liberalisation strategy and greater reliance on market-based monetary instruments is therefore important. In the same vein, AEDS calls for a complete overhaul of the liquidity management framework by fostering coordination between Treasury and RBZ with a view to ensuring timely settlement of principal and interest payments on securities. Governance and institutional reforms must also remain central. Stronger oversight of fiscal risks, state-owned enterprises, gold incentives, public procurement and debt-management operations will be essential to sustain investor and public confidence.

5. Conclusion

Undeniably, Zimbabwe has established a sustainable macroeconomic stability pathway which is guaranteed into the unforeseeable future. Going forward, authorities should turn stability into productivity-led, socially inclusive, debt-sustainable growth, create quality jobs, expand household incomes and build a more resilient and diversified economy.

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AFRICA ECONOMIC DEVELOPMENT STRATEGIES

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AEDS is a development think tank actively involved in co-creation of solutions to Africa's challenge through evidence-based policy advisory and capacity building of economic units in Africa