



ZIMBABWE

October 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE, STAFF REPORT, AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ZIMBABWE

In the context of the 2025 Article IV consultation with Zimbabwe, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its August 27, 2025 consideration of the staff report that concluded the Article IV consultation with Zimbabwe.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 27, 2025, following discussions that ended on June 18, 2025, with the officials of Zimbabwe on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 11, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Zimbabwe.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes 2025 Article IV Consultation with Zimbabwe

FOR IMMEDIATE RELEASE

- Zimbabwe is experiencing a degree of macroeconomic stability due to monetary policy tightening.
- After a sharp slowdown in 2024, economic activity recovered in the first half of 2025 and growth is expected to rebound this year, supported by better climate conditions and record-high gold prices.
- Fiscal financing pressures have intensified despite higher revenues, as net external financing turned negative and spending increased.

Washington, DC – October 2, 2025: On August 27, the Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation with Zimbabwe¹. The authorities have consented to the publication of the Staff Report prepared for this consultation.

Despite lingering policy challenges, Zimbabwe is experiencing a degree of macroeconomic stability. Growth is recovering from a sharp slowdown from 5 percent in 2023 to 1.7 percent in 2024, which was driven by a severe drought that significantly lowered agricultural and hydro-power electricity production, with knock-on effects to other sectors from power shortage. Declining prices for key metal exports also weighed on growth through lower mining output. Economic activity recovered in the first half of 2025, driven by better climate conditions, record high gold prices, and sustained workers' remittances inflows.

Fiscal financing pressures have intensified recently. By 2024, the net external financing had turned negative and the SDR allocation channeled for budget financing had been fully utilized. Improvements in the revenue collection provided some reprieve, with the revenue ratio increasing sharply between 2023 and 2024 achieved through a reduction in VAT tax reliefs, taxation of the public sector employees allowance introduced during the pandemic, increased fees and levies, and steps to reduce smuggling. But spending needs have also increased, notably from higher public sector wages, capital outlays, and servicing the debt taken over by the Treasury from the RBZ and the debt related to the acquisition of assets for the Mutapa investment Fund. The fiscal deficit remained broadly stable between 2023 and 2024, but less financing led to the accumulation of nearly US\$600 million of domestic expenditure arrears in 2024. The deficit was financed by T-bills issuance and direct borrowing from the RBZ's overdraft facility to service debt, contributing to the expansion of domestic liquidity—with the ZiG

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the IMF Executive Board.

monetary base increasing by around 215 percent between the introduction of the ZiG in April 2024 and September 2024—and an overnight drop in the value of the ZiG in September 2024, and a significant buildup of expenditure arrears that continued into 2025.

Following the end-September drop in the value of the ZiG, the RBZ halted monetary financing to pay for the Treasury debt servicing obligations and increased statutory reserve requirements for both ZiG and FX demand deposits and raised the policy rate. The premium between the Willing-Buyer-Willing-Seller (WBWS) and the parallel exchange rates has narrowed, and, with the ZiG monetary base growth slowing to around 30 percent from October 2024 to April 2025, both the WBWS and the parallel market exchange rates have largely stabilized, bringing ZiG monthly inflation down to 0.3 percent in June 2025.

Zimbabwe's economic growth is expected to rebound to 6 percent this year and the current account surplus to widen, both driven by a good agricultural season, record-high gold prices, and sustained remittance inflows. But foreign reserve buffers remain low despite recurring current account surpluses. In addition, growth is expected to slow (to about 3.5 percent) over the medium term, as market confidence in the durability of macroeconomic stabilization remains low, and fiscal financing needs crowd out private sector growth. Inflation is expected to remain low, driven by tight monetary policy. Significant downside risks persist, notably from a return to monetary financing.

Zimbabwe continues its reengagement with international creditors to achieve debt resolution and arrears clearance. The Structured Dialogue Platform (SDP) provides a framework for dialogue on three key pillars: (i) economic reforms; (ii) political-governance reforms; and (iii) farmers' compensation and land tenure reforms. The authorities' reengagement efforts are key for attaining debt sustainability and gaining access to concessional external financing.

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the recent tightening of policies, notably the halting of quasi-fiscal operations and monetary financing, which have helped reduce inflation and achieve a degree of macroeconomic stability. They also noted the growth recovery amid favorable terms of trade and fading effects from adverse climate shocks.

Directors noted however that important challenges remain from fiscal financing pressures and the accumulation of domestic arrears, limited access to official external financing, low reserve buffers, low domestic currency (ZiG) monetization, a persistent gap between the official and parallel exchange rates, structural gaps, and governance vulnerabilities. They recommended building on recent momentum to implement reforms to address these challenges and help achieve long-lasting macroeconomic stability.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of the IMF Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>

Directors stressed that a tighter fiscal stance is needed to close the fiscal financing gap, prevent further accumulation of domestic arrears, and preclude a return to monetary financing. They agreed that adjustment should include both revenue and spending measures, notably to rationalize tax incentives, address tax administration weaknesses, and to reduce spending, particularly on the public compensation bill, while protecting targeted social spending and public investment. Directors emphasized the need to strengthen public financial management to support durable adjustment, and to strengthen the governance framework for the Mutapa Investment Fund to help control fiscal risks.

Directors underscored the importance of enhancing the monetary and FX frameworks to increase policy effectiveness and credibility. They recommended reducing the Reserve Bank of Zimbabwe's FX market footprint by gradually redirecting surrender requirements into the market and eliminating exchange restrictions for current account transactions and CFMs as conditions allow, improving monetary control through market-based instruments, encouraging ZiG demand, and increasing clarity on the mono-currency transitional plan.

Directors welcomed the progress towards strengthening financial sector oversight. They encouraged further steps to strengthen regulatory and supervisory practices, including to implement the Basel III capital standard.

Directors concurred that closing important structural gaps could significantly boost Zimbabwe's economic potential. They welcomed recent progress on AML/CFT reforms and noted that an acceleration of these, as well as of other governance reforms, was critical for reducing vulnerabilities and sustaining medium-term growth.

Directors acknowledged that Zimbabwe continues its reengagement with international creditors under the Structured Dialogue Platform to achieve debt resolution and arrears clearance. They noted that a stronger policy reform track record, supported by an SMP, could help the authorities' reengagement efforts.

It is expected that the next Article IV consultation with Zimbabwe will be held on the standard 12-month cycle.

Table 1. Zimbabwe: Selected Economic Indicators, 2022–30
(Millions of US Dollars Unless Otherwise Specified)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
<i>(annual percentage change, unless otherwise indicated)</i>									
Output and prices									
Real GDP growth ^{1/}	6.1	5.3	1.7	6.0	4.6	3.6	3.5	3.5	3.5
Nominal GDP (US\$ millions)	48,570	44,447	45,719	49,584	51,560	53,441	55,308	57,218	59,237
GDP deflator	274.5	768.6	1097.2	71.1	18.3	10.1	8.0	8.0	8.0
CPI (annual average)	193.4	667.4	736.1	89.0	18.2	10.1	8.0	8.0	8.0
CPI (end-of-period)	243.8	778.8	686.8	30.7	12.7	8.0	8.0	8.0	8.0
Money and credit									
Money supply (M2)	393.3	712.9	930.8	46.1	30.6	20.3	18.0	17.8	17.3
Money Base	300.2	1,842.7	2421.3	29.0	31.4	20.9	18.6	18.1	17.7
Credit to the private sector	388.2	914.1	1070.4	23.6	16.6	13.8	9.8	8.5	7.4
Credit to the central government	470.3	876.4	538.1	479.7	19.7	15.0	15.3	15.7	16.5
Money supply (<i>in percent of GDP</i>)	12.6	11.2	9.4	7.6	8.0	8.5	8.9	9.4	9.9
Credit to the private sector (<i>in percent of GDP</i>)	5.9	6.5	6.3	4.3	4.0	4.0	3.9	3.8	3.7
<i>(ZWL\$ per US\$ until 2023, ZiG in 2024)</i>									
Official exchange rate									
Annual Average Exchange Rate	380.9	3,516.2	16.7						
End-of-Period Exchange Rate	681.7	6,104.7	25.8						
Annual Average Exchange Rate, Year-on-year Percent Change	328.9	901.5	999.6						
End-of-Period Exchange Rate, Year-on-year Percent Change	529.4	791.4	956.8						
<i>(percent of GDP)</i>									
Central government ^{2/}									
Revenue and grants	11.1	11.6	12.9	14.7	15.0	15.1	15.1	15.1	15.1
Expenditure and net lending	12.2	21.1	13.3	15.4	15.4	15.4	15.5	15.5	15.6
Overall balance ^{3/}	-1.1	-9.5	-0.4	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Primary balance ^{3/}	-0.9	-9.2	0.2	-0.1	0.2	0.3	0.2	0.2	0.1
<i>(US\$ millions, unless otherwise indicated)</i>									
Balance of payments									
Exports of goods and services	7,453	7,603	8,252	9,159	9,525	9,833	10,234	10,632	11,006
<i>(annual percentage change)</i>	13.4	2.0	8.5	11.0	4.0	3.2	4.1	3.9	3.5
Imports of goods and services	9,569	10,293	10,715	10,888	11,395	11,826	12,140	12,409	12,996
<i>(annual percentage change)</i>	18.1	7.6	4.1	1.6	4.7	3.8	2.7	2.2	4.7
Current account balance (excluding official transfers)	305	135	501	961	873	801	941	1,058	832
<i>(percent of GDP)</i>	0.6	0.3	1.1	1.9	1.7	1.5	1.7	1.8	1.4
Gross international reserves	597	110	484	800	1,144	1,508	1,933	2,430	2,938
<i>(months of imports of goods and services)</i>	0.7	0.1	0.5	0.9	1.2	1.5	1.9	2.4	2.7
Public debt									
Consolidated public sector debt	18,016	21,077	23,278	23,665	23,893	24,126	24,368	24,616	24,870
<i>(percent of GDP)</i>	66.8	76.1	72.9	49.5	45.5	43.5	42.5	41.5	40.4
Public and publicly guaranteed external debt	16,327	16,538	16,745	16,788	16,739	16,676	16,629	16,614	16,585
<i>(percent of GDP)</i>	60.5	59.6	52.5	35.1	31.9	30.1	29.0	28.0	27.0
Of which: Arrears	10,471	10,770	11,909	12,506	12,976	13,457	13,894	14,268	14,616
<i>(percent of GDP)</i>	38.8	38.8	40.1	28.1	26.6	26.1	26.0	25.8	25.6

Sources: Zimbabwean authorities; IMF staff estimates and projections.

^{1/} At constant 2019 prices.

^{2/} The 2024 expenditure estimate includes QFOs interest charge (transferred to the Treasury).

^{3/} Overall balance and primary balance are on commitment basis based on staff estimates of arrears.



ZIMBABWE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

August 11, 2025

KEY ISSUES

Context. After facing significant macroeconomic volatility in recent decades, Zimbabwe has recently experienced a degree of stability thanks to tighter policies. The halting of quasi-fiscal operations and monetary financing by central bank have helped significantly reduce inflation and exchange rate pressures. Growth has recovered as extreme weather shocks subsided, and terms-of-trade significantly improved. But challenges remain from fiscal financing pressures with very limited access to official external financing and the accumulation of domestic arrears, low monetary policy credibility, a highly dollarized monetary system, low reserve buffers, a persistent gap between the official and parallel exchange rates, and economic governance vulnerabilities.

Outlook. Growth is expected to recover this year as previous negative shocks unwind, but to slow down in the medium term as confidence in the durability of macroeconomic stabilization remains low, and fiscal financing needs crowd out private sector growth. Inflation is expected to remain relatively low, driven by tight monetary policy. Significant downside risks persist, notably from a return to monetary financing.

Policy recommendations. A comprehensive reform package is needed to achieve long-lasting macroeconomic stability. Policy priorities include:

- Durably restoring fiscal discipline by addressing near-term pressures without recourse to monetary financing or further domestic arrears buildup, while strengthening the fiscal framework to secure medium-term fiscal discipline.
- Enhancing the effectiveness and cohesiveness of Zimbabwe's monetary policy and foreign exchange framework. In particular, it should aim at achieving price stability by stabilizing the ZiG nominal exchange rate by controlling base money growth through an appropriate calibration of domestic liquidity conditions rather than FX interventions, while allowing the exchange rate to reflect market conditions.
- Structural reforms to close large structural gaps and improve economic governance, thereby boosting medium-term growth and living standards.

Approved By
Vitaliy Kramarenko
 (AFR) and **Anna**
Ivanova (SPR)

Discussions took place in Harare during June 4–18, 2025. The mission met with President Mnangagwa; Finance Minister Ncube; Reserve Bank of Zimbabwe Governor Mushayavanhu; other senior government officials; senior officials at the Office of the President and Cabinet; members of the Parliament Economic and Budget Committee; and representatives from CSOs, the private sector. The staff team for this consultation comprised Wojciech Stanislaw Maliszewski (Head), Silvia Domit, Yehenew Endegnanew, and Issouf Samake (all AFR), Justine Ayebare (STA), Juan Sebastian Corrales (ICD), Wei Sun (MCM), and Zhibo Tan (SPR). Vitaliy Kramarenko (AFR) participated in selected policy discussions. Tina Burjaliani and Stephanie Fontana-Raina (both LEG) participated in selected technical discussions. Carlos Caceres (IMF Resident Representative), Petronella Chishawa, Andrew Ziswa, and Beatrice Banda (local staff in the IMF Harare Office) assisted the team. Ms. Basutli (OED) and World Bank staff participated in the meetings. Adi Baurzhanuly and Sandrine Ourigou (all AFR) assisted the team at headquarters.

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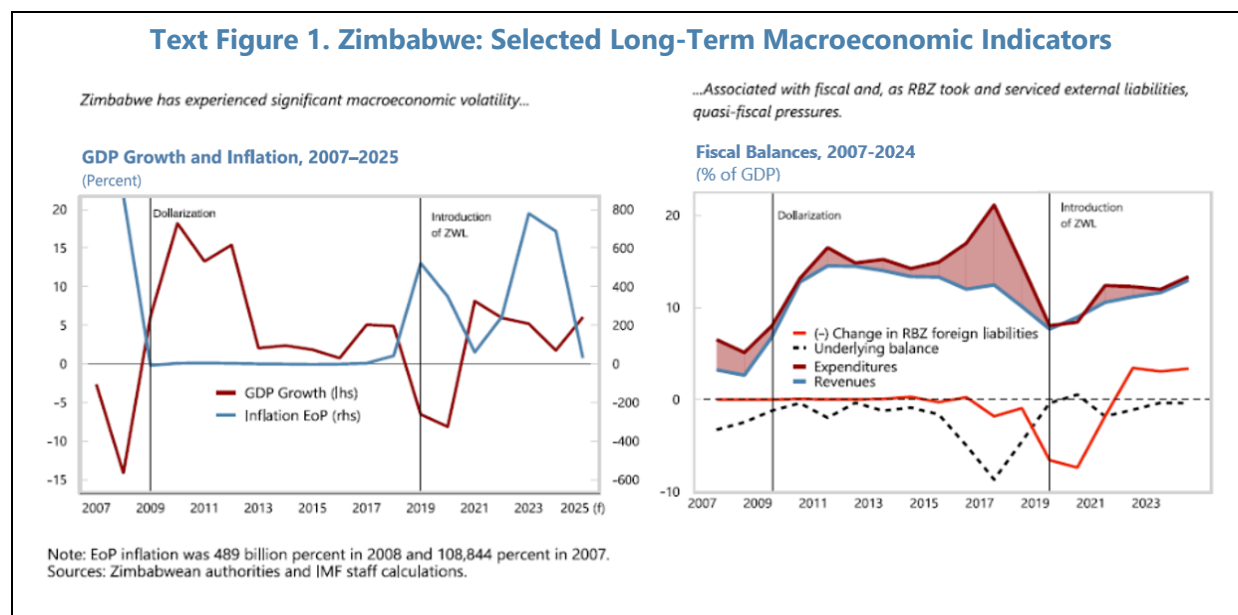
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CONTEXT

1. **Zimbabwe has faced significant macroeconomic challenges.** Over the past two decades, the country has experienced numerous episodes of hyper and high inflation and economic downturns, introduced multiple monetary regimes and currencies, and stopped servicing most of its public external debt, thereby severely limiting access to official external financing.
2. **A degree of macroeconomic stability has been maintained recently.** Tighter policies—notably the halting of quasi-fiscal operations and monetary financing by the Reserve Bank of Zimbabwe (RBZ)—have helped significantly reduce inflation and exchange rate pressures. Growth has also recovered, as extreme weather shocks have subsided, and terms-of-trade have significantly improved.
3. **But important vulnerabilities remain.** The role of the ZiG—a newly introduced currency—in the economy is still limited and monetary policy credibility remains low, as indicated by high dollarization and the elevated parallel exchange rate premium. Fiscal financing pressures, manifesting in the accumulation of domestic arrears, threaten the current fragile stability.



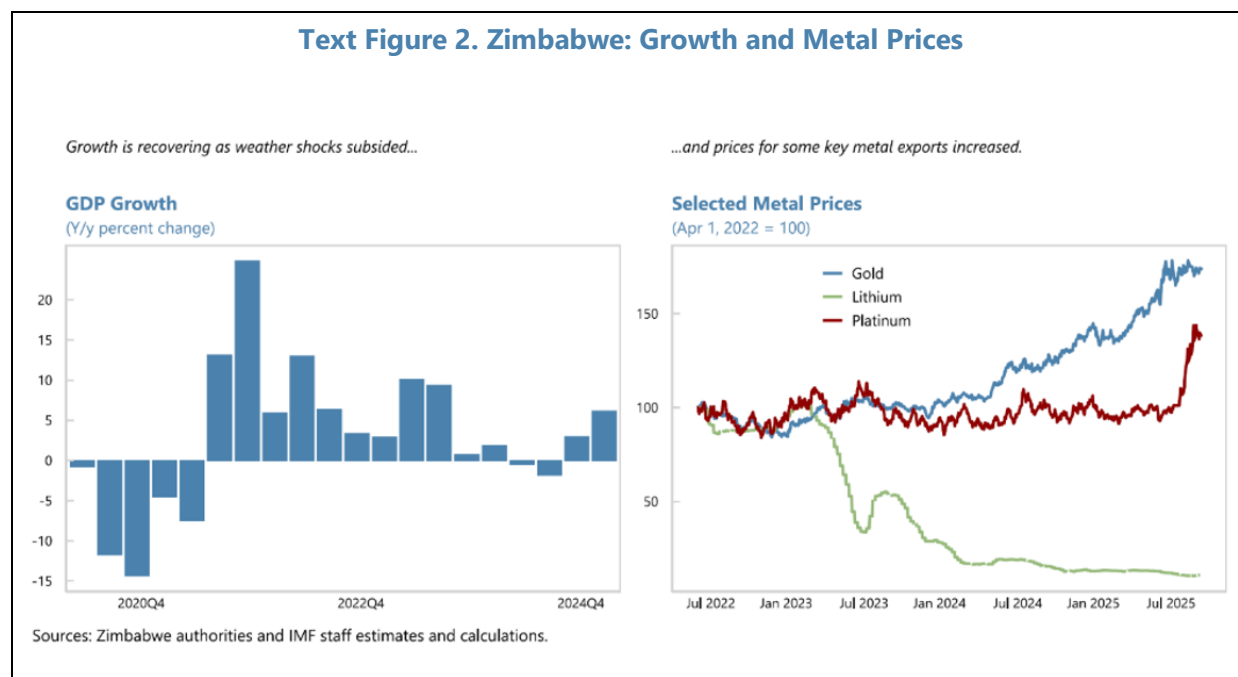
4. **Additional reforms are needed to achieve long-lasting stability.** The current degree of macroeconomic stability provides a window of opportunity to advance reforms that would further increase confidence, strengthen policy credibility and predictability, and secure durable macroeconomic stability. Addressing fiscal pressures is an immediate priority. And while monetary policy has been tightened, a more coherent monetary and exchange rate policy framework is still needed to increase policy effectiveness, remove distortions, and reduce vulnerability to risks amid limited buffers.

RECENT ECONOMIC DEVELOPMENTS

Mounting fiscal financing pressures and loose liquidity conditions led to a sharp drop in the value of the ZiG in September 2024. Tighter monetary policy since then has brought about a degree of macroeconomic stability, but fiscal financing pressures and the build-up of domestic arrears remain unaddressed, amid low buffers and large vulnerabilities.

5. Growth is recovering from a sharp slowdown. Growth had remained robust since the pandemic, but it slowed sharply from around 5 percent in 2023 to 1.7 percent in 2024. The slowdown was driven by a severe drought, which significantly lowered agricultural and hydro-power electricity production, with knock-on effects to other sectors from power shortages. Declining prices for some metal exports also weighed on growth through lower mining output in 2024. Economic activity rose sharply in the first half of 2025, driven by better climate conditions, multi-year high prices for key exports (gold and platinum), and increased workers' remittances.

Text Figure 2. Zimbabwe: Growth and Metal Prices



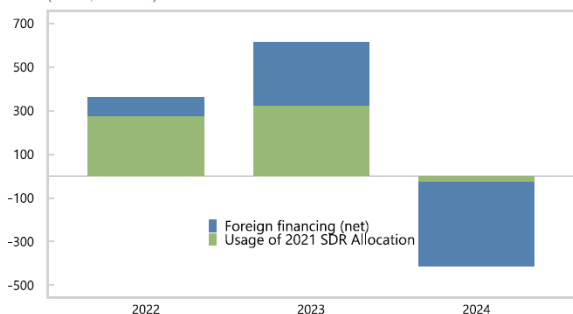
6. Fiscal financing pressures have intensified. By 2024, net external financing turned negative and the SDR allocation channeled for budget financing was fully used. The improvement in revenue collection has provided some reprieve. The revenue ratio increased from around 11.5 percent of GDP in 2023 to 13.0 percent of GDP in 2024, achieved through a reduction in VAT tax reliefs, taxation of the public servant allowance introduced during the pandemic, increased fees and levies, and steps to reduce smuggling. But spending needs also increased, notably from higher public compensation bill, capital outlays related to hosting the 2024 Southern African Development Community (SADC) summit, and the servicing of the debt taken over by the Treasury from the RBZ and of the debt issued in 2023 (about 7 percent of GDP) for the acquisition of assets by the Mutapa Investment Fund (Mutapa). The fiscal balance remained broadly stable between 2023 and 2024, but

less financing led to the accumulation of an estimated US\$600 million of domestic expenditure arrears in 2024, and payment difficulties continued this year.

Text Figure 3. Zimbabwe: Fiscal Developments

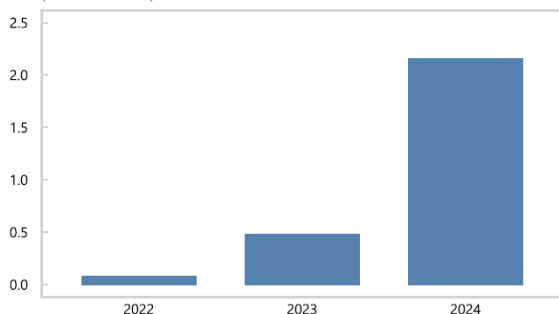
Net external financing turned negative...

External Financing & SDR Allocation Usage
(in US\$ millions)



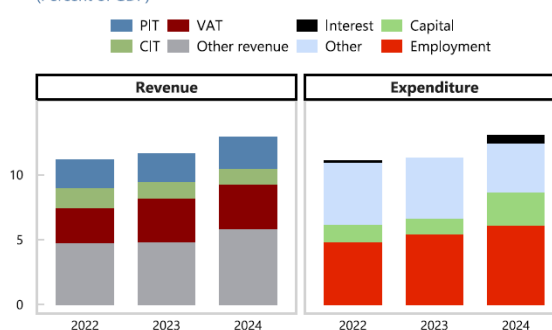
Resulting in substantial accumulation of payment arrears.

Expenditure and Loan Obligations Arrears
(Percent of GDP)



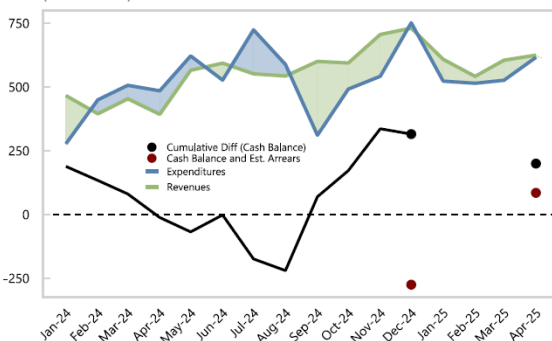
... While spending increases offset revenue gains

Fiscal Revenues and Expenditure
(Percent of GDP)



Additional revenue gains this year where not sufficient to meet financing needs.

Revenues vs. Expenditures and Yearly Balance
(USD million)



Sources: Reserve Bank of Zimbabwe and IMF staff estimates and calculations.

7. Loose liquidity conditions led to a sharp drop in the value of the ZiG in

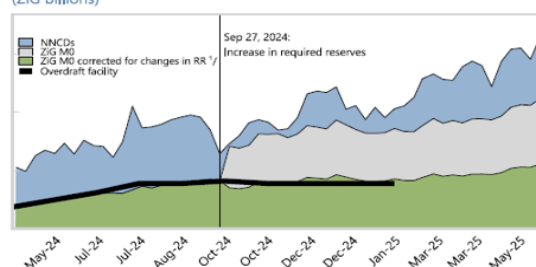
September 2024. The ZiG monetary base increased by around 215 percent between the introduction of the ZiG in April 2024 and September 2024, mirroring the RBZ-provided advances to government to service the debt taken over by the Treasury. The banks were also able to access liquidity absorbed in the Non-Negotiable Certificates of Deposit (NNCDs), which were easily redeemable at the time and quickly grew. The liquidity expansion added to broad money growth, widened the gap vis-à-vis the parallel exchange rate to above 75 percent, and led to an overnight sharp drop in the value of the ZiG in the Willing-Buyer-Willing-Seller (WBWS) market by nearly 43 percent on September 27. This, in turn, caused month-on-month ZiG inflation to exceed 30 percent in October 2024.

8. The currency has remained stable since the RBZ tightened monetary policy. Following the end-September drop in the value of the ZiG, the RBZ stopped monetary financing and increased statutory reserve requirements for both ZiG and FX demand deposits from 15 and 20 percent, respectively, to 30 percent for both, and raised the policy rate from 20 to 35 percent. The premium between the WBWS and the parallel exchange rates has narrowed to about 30 percent, and, with the

Text Figure 4. Zimbabwe: Monetary and FX Developments

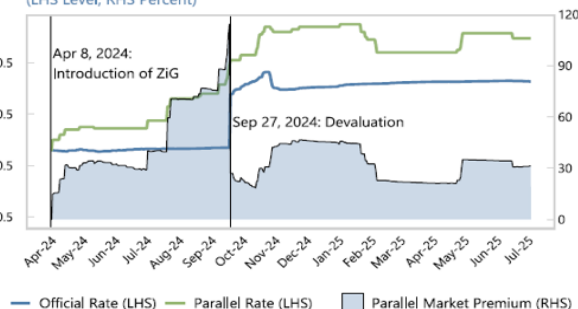
Initially loose liquidity—partly driven by monetary financing—tightened.

ZiG Liquidity & NNCDs (ZiG billions)



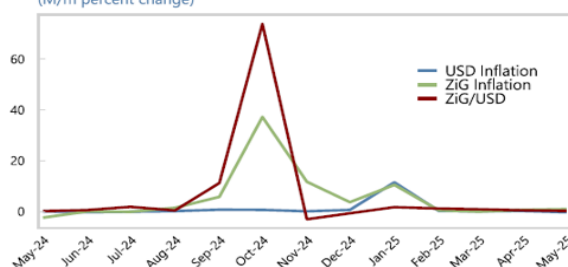
Exchange rates stabilized after a sharp drop.

Official and Parallel Market Exchange Rates (LHS Level; RHS Percent)



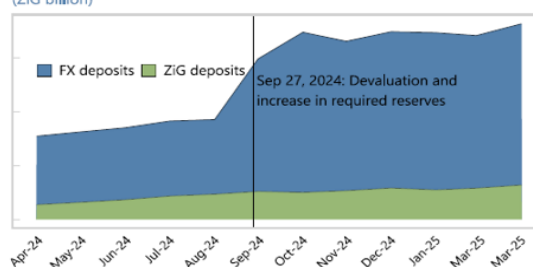
And inflation fell to low levels, reflecting exchange rate stability.

CPI Inflation and Exchange Rate (M/m percent change)



ZiG deposits remain low as a share of money balances.

ZiG and FX Deposits (ZiG billion)



^{1/} The ZiG M0 has been adjusted to reflect the increase in the reserve requirement ratio from 15 percent to 30 percent at the end of September.
Sources: Reserve Bank of Zimbabwe and IMF staff estimates and calculations.

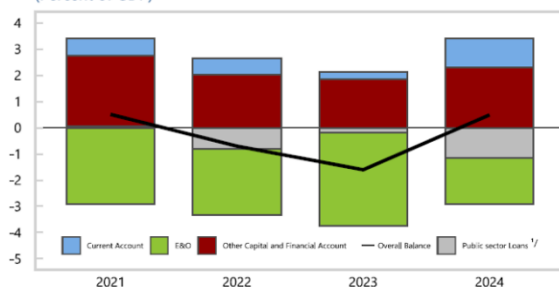
ZiG monetary base growth slowing to around 40 percent from October 2024 to May 2025, both the WBWS and the parallel exchange rates have largely stabilized, bringing ZiG monthly inflation down to 0.3 percent in June 2025. More recently, the RBZ further tightened liquidity conditions by only allowing liquidation of NNCDs to pay taxes and participate in the WBWS market.

9. Reserve buffers remain low despite recurring current account surpluses. The current account surplus increased to 1.1 percent of GDP in 2024 (from 0.3 percent in 2023), driven by gold exports and remittances. Preliminary data point to further improvements in 2025, despite a partial offset from the loss of USAID assistance, as gold prices and remittances remained high and the impact from higher U.S. tariffs is negligible. FX reserve accumulation, however, has been modest, amid longstanding large errors and omissions and, since 2024, negative net external public financing. The RBZ has remained a dominant seller in the WBWS market, stabilizing the rate within a narrow range through FX interventions funded by surrender requirements, raised to 30 percent in February 2025 to boost capacity for interventions and building reserves. Authorized dealers report that uncovered FX demand declined and the RBZ has managed to start building FX reserves reflecting the recent current account strength, but gross international reserves remain low (US\$683 million by late May 2025), covering less than one month of imports. Staff assess the external position to be weaker than the level implied by fundamentals and desirable policies (Annex I).

Text Figure 5. Zimbabwe: External Sector Developments

Persistent and large E&O and now negative public sector financing are offsetting FDIs and CA surplus.

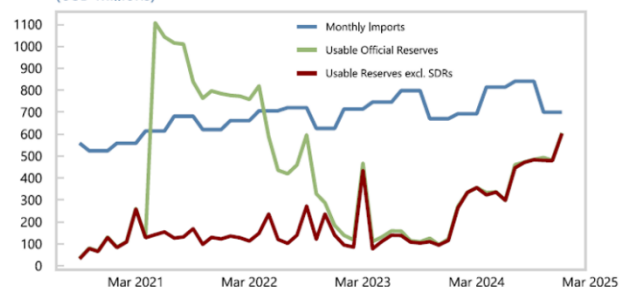
Selected Balance of Payments Indicators
(Percent of GDP)

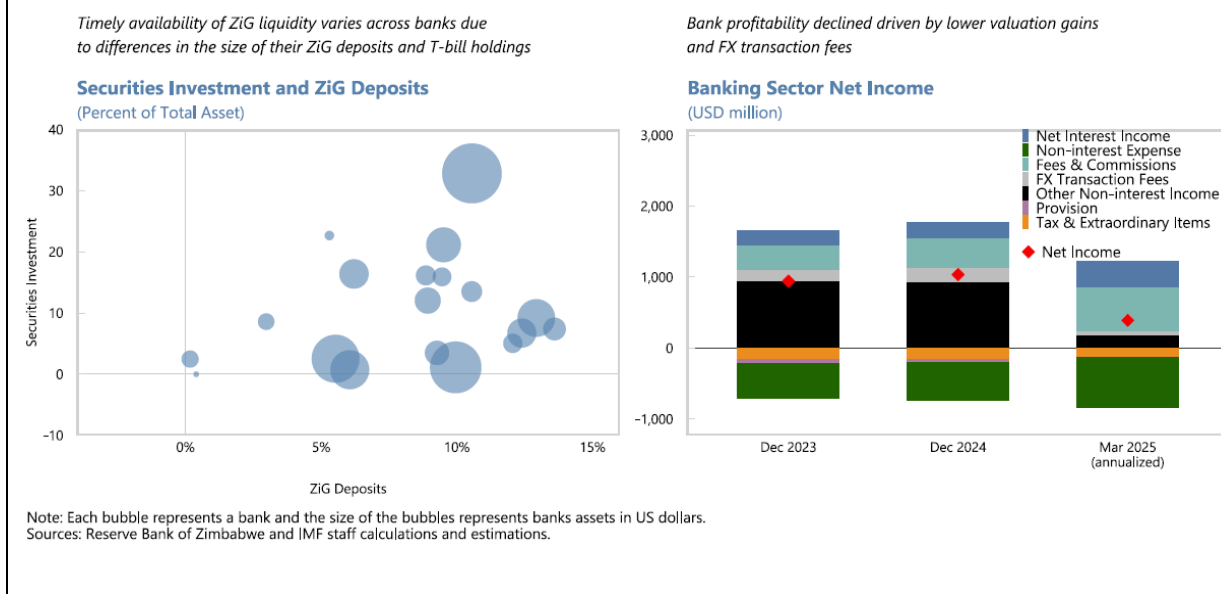


^{1/} Public sector loans include Central Bank and government loans.
Sources: Zimbabwean authorities and IMF staff estimates and calculations.

Reserves have been low, yet gradually increasing.

Usable Reserves and Monthly Imports
(USD millions)



Text Figure 6: Zimbabwe: Financial Sector Developments

10. The monetary system remains highly dollarized. The U.S. dollar remains the main medium of exchange, store of value, and unit of account. The share of ZiG in monetary aggregates is small at around 17 percent, prices are rarely quoted in ZiG, and salaries and goods and services transactions are typically either fully or partially paid in U.S. dollar. Official measures to mandate the formal sector to use the WBWS rate in the pricing of goods and services (Statutory Instrument 81A of 2024) increased dollarization and informality but were repealed in May-2025. The government has announced a plan to transition to a “mono-currency system” by 2030, understood as ZiG becoming the sole legal tender. The plan is to be fleshed out in the forthcoming National Development Strategy II (NDS2) but, for now, the lack of clarity about its operational implications for existing foreign currency bank deposits has increased uncertainty and weighed on financial intermediation.

11. The banking system appears resilient, but bank intermediation remains limited. Banking sector total capital adequacy (30 percent) remained well above the domestic regulatory minimum (12 percent) by March 2025. The special mention loan ratio remained relatively high (27 percent), but the RBZ has started its Asset Quality Review on a pilot bank to correct any under-provisioning and under-reporting of problematic assets. The overall NPL ratio remained low (around 3 percent). Loans to productive sectors account for only 30 percent of assets, with much of the rest allocated in non-remunerating central bank reserves, NNCDs, and government securities. The weekly release of required reserves and delays in principal and interest payments for Treasury securities create challenges for banks to fulfill their ZiG tax obligations, purchase FX, or to access the RBZ’s standby lending facility or interbank borrowing. Bank profitability dropped in Q1-2025 amid exchange rate stability, which weighed on valuation gains.

OUTLOOK AND RISKS

12. Staff's baseline assumes that monetary policy remains tight, but fiscal financing pressures persist, holding back medium-term growth. GDP growth is expected to rebound to 6 percent this year and the current account surplus to widen, both driven by a good agricultural season, record-high gold prices, and sustained remittances inflows. The projections assume that the RBZ remains committed to stabilizing the ZiG and keeping inflation relatively low, while building up reserves from continued current account surpluses and gold royalties remitted to the RBZ. But, without a decisive fiscal adjustment, growth is expected to slow to 3.5 percent in the medium-term, as confidence in the durability of macroeconomic stability remains low, and fiscal financing needs crowd out private sector credit and investment, and domestic arrears continue to build up. Debt dynamics remain unsustainable (See DSA).

Text Table 1. Zimbabwe: Selected Economic Indicators

	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Est.	Proj.					
	(Percent change)							
Real GDP growth	5.3	1.7	6.0	4.6	3.6	3.5	3.5	3.5
Inflation (end year)	778.8	686.8	30.7	12.7	8.0	8.0	8.0	8.0
	(Percent of GDP)							
Current account balance	0.3	1.1	1.9	1.7	1.5	1.7	1.8	1.4
Fiscal balance ^{1/}	-0.5	-0.4	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Arrears ^{2/}	0.5	2.0	1.2	1.1	0.6	0.5	0.5	0.6

Source: IMF staff estimates.

^{1/} Underlying overall balance, which excludes on-lending to Mutapa and transfer to the RBZ to settle some past US\$ commitments.

^{2/} Domestic expenditure and external loan obligation arrears.

13. Significant downside risks persist (Annex II – RAM). Unaddressed fiscal pressures could possibly trigger a return to monetary financing and more financial repression, triggering FX pressures and threatening price and financial sector stability. Susceptibility to shocks, particularly from weather or commodity price volatility, is exacerbated by insufficient foreign reserves and less external support due to the scaling back of overseas development assistance. Taking upfront measures to close fiscal financing gaps and expediting monetary and FX framework reforms would minimize vulnerability to these risks, and the country would also need to seek humanitarian support if shocks materialize. There are, however, potential upside risks if ongoing ZiG stability improves confidence, and private external financing (including from diaspora) is mobilized.

Authorities' Views

14. The authorities saw a stronger medium-term growth outlook and underscored their view that macro instability has multiple causes. Staff's and authorities' growth forecast are similar

for 2025, but the authorities projected higher medium-term growth (of 5 percent), assuming that their commitment to securing macroeconomic stability and pro-business measures would improve confidence, promote investment, and support economic activity. Like IMF staff, the authorities expected monthly inflation to remain low driven by exchange rate stability, bringing annual inflation down significantly in 2025-26. The authorities underscored their view that fiscal pressures are not the only root cause of economic instability, highlighting challenges from climate shocks, commodity price volatility, and geopolitical tensions.

POLICY DISCUSSIONS

Tighter monetary policy and favorable terms of trade have brought about a degree of macroeconomic stability in recent months. To build on this momentum and make this stability long-lasting, additional efforts are needed to restore fiscal discipline and debt sustainability, enhance the monetary policy and foreign exchange framework, and boost medium-term growth.

A. Restoring Fiscal Discipline

15. Staff project sizeable and persistent fiscal financing gaps. Current and announced policies would generate a fiscal financing gap of about 1¼ percent of GDP in 2025 and 2026, shrinking gradually in the medium term to about ½ percent of GDP. For 2025, a substantial increase in the revenue ratio from the ongoing administrative reforms will not be sufficient to cover an increase in the employment costs ratio reflecting last year's salary increases and funding for public services previously provided by USAID, resulting in a deficit of around ¾ percent of GDP. A continuation of revenue gains next year alongside stable non-interest expenditure ratios at historical averages will narrow the deficit to ½ percent of GDP in 2026 and beyond. Below the line, the non-inflationary domestic financing is not sufficient to cover the planned repayment of past domestic arrears and debt servicing costs, notably on external debt related to quasi-fiscal operations transferred from the RBZ to the Treasury, and on bonds issued to purchase assets by Mutapa—the latter adding about ¼ percent of GDP to the annual cost. The resulting negative net financing of about ½ percent of GDP this year will widen further in 2026 reflecting scheduled amortizations before shrinking closer to zero in the medium term. The financing gap estimates account for a partial reprofiling of domestic debt obligations as the authorities suspended debt service payments for 2025 and 2026 on some of the existing US\$-denominated domestic treasury bonds.

16. Persistent fiscal financing gaps are inconsistent with achieving durable macroeconomic stability. Given no access to external financing, limited options to further re-schedule debt, and no room for additional non-inflationary domestic borrowing or monetary financing, staff expect the financing gaps generated by the current policy stance to be met through additional accumulation of domestic arrears. This fuels expectations of a return to monetary financing, undermining policy trust and complicating the RBZ's stabilization task.

17. Staff recommend fiscal measures of about 1¼ percent of GDP in 2025 to reduce the deficits and close financing gaps without incurring new expenditure arrears. This would be

consistent with maintaining financing from the domestic banking system at the estimated available non-inflationary and sustainable financing of $\frac{1}{4}$ - $\frac{1}{2}$ percent of GDP. A combination of revenue and spending measures would be needed:

- The authorities' preferred adjustment approach, which is curtailing spending in case of revenue shortfalls, needs to be supported by PFM improvements.** This approach can lead to unplanned disruptions to public services and project implementation, and, in the absence of realistic budgeting and effective expenditure commitment control, it has failed to prevent new arrears so far. To avoid it and make this approach work in the context of this year's sizeable financing gap, staff recommend: (i) updating revenue forecasts and expenditure plans for Ministries, Departments, and Agencies (MDAs) to align them with expected cash availability on a quarterly basis; (ii) aligning monthly budget releases with the updated expenditure plans; (iii) implementing regulations requiring all large commitments to be approved by the MoFED&IP; and (iv) strengthening sanctions for non-compliance. To close the financing gap, the updated expenditure plans would require significant cuts in spending on goods and services, transfers, and capital this year, equivalent to about $1\frac{1}{4}$ percent of GDP, which should be selected in a way that minimizes disruption to essential services and projects.
- Rationalizing the public compensation bill would support the adjustment while creating room for priority spending.** The public compensation bill has risen sharply, and it now accounts for over 55 percent of government revenue, well above regional averages, with additional upcoming pressures from the government's Health Workforce Compact (WHO, 2024). The authorities are preparing a rationalization strategy based on the Public Service Commission's *"Job Evaluation Report"*, which finds scope for rationalizing staffing and systems automation. Staff's adjustment scenario assumes that these reforms will be implemented next year, resulting in about $\frac{1}{4}$ percent of GDP in net savings starting in 2026.
- On the revenue side, priorities include rationalizing tax incentives and addressing tax avoidance and tax administration weaknesses for medium-term gains.** Most untapped potential is in CIT ([World Bank 2025 Public Finance Review](#)), where rationalizing generous tax incentives would help narrow the tax gap estimated at about $3\frac{1}{2}$ percent of GDP. Strengthening mining sector taxation—including by addressing tax avoidance—could generate additional $\frac{1}{2}$ - $\frac{3}{4}$ percent of GDP in revenue. Addressing revenue administration weaknesses identified in the 2025 Tax Administration Diagnostic Assessment, notably from the unreliable taxpayer registration database while simplifying the system for small-scale traders and the informal sector, would help fully realize estimated gains of $1\frac{1}{2}$ percent of GDP from the new Tax and Revenue Administration System (TaRMS). Given uncertainty surrounding the projected gains, staff conservatively project that these reforms, taken together, could gradually boost the revenue ratio by an estimated 1 percent of GDP in the medium term, with gains from further administrative improvements materializing first, and those from tax policy changes later given the time needed to prepare such reforms. This would create room to increase priority spending after curtailing expenditures to close the financing gap in 2025 (Text Table 2).

- **Social spending should be protected but better targeted.** The authorities should at a minimum maintain the current level of spending on social protection and basic public services, but the now inadequate targeting ([World Bank 2025 Public Finance Review](#)) should be improved by establishing and operationalizing a national social registry, which is now in a pilot phase and is expected to be reviewed by the Cabinet next year in the context of adopting Zimbabwe's National Social Protection policy framework.

Text Table 2. Zimbabwe: Fiscal Financing Gaps and Gains from Potential Adjustment Measures

(Percent of GDP)

	2025	2026	2027	2028	2029	2030
	Projection					
Revenue	14.7	15.0	15.1	15.1	15.1	15.1
Expenditure	15.4	15.4	15.5	15.5	15.5	15.6
Fiscal balance	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Identified financing	-0.5	-0.8	-0.2	-0.1	-0.1	-0.1
Domestic financing (net)	-0.6	-0.3	0.0	0.1	0.0	0.0
Foreign financing (net)	-1.0	-0.9	-0.9	-0.8	-0.6	-0.6
Debt service arrears and reprofiling	1.7	1.0	0.7	0.6	0.5	0.5
Repayment of arrears to suppliers	-0.6	-0.5	0.0	0.0	0.0	0.0
Financing gap (new arrears in the baseline)	1.2	1.1	0.6	0.5	0.5	0.6
Potential measures (cumulative)	1.2	1.1	0.6	0.5	0.5	0.6
Revenue	0.0	0.2	0.4	0.6	0.8	1.0
Employment costs	0.0	0.3	0.3	0.3	0.3	0.3
Other expenditures	1.2	0.6	-0.1	-0.4	-0.6	-0.7

Sources: Zimbabwean authorities, and IMF Staff estimates and projections.

18. To be sustainable, the adjustment must be accompanied by fiscal structural policies to strengthen public financial management (PFM). Regular intra-year updates and better enforcement of expenditure plans would help avoid arrears in case of revenue shortfalls and prevent unbudgeted spending. The coverage of the PFM system should be expanded and its effectiveness strengthened by recording commitment at purchase order stage and subjecting all expenditure categories to commitment controls, including recurring expenditure, such as salaries and utilities, as well as commitments from multi-year contracts. This should be accompanied by institutionalizing quarterly reporting of any new arrears. Introducing a Treasury Single Account (TSA) and reviewing and rationalizing banking arrangements would improve oversight of the Treasury payment process, reduce delays, enhance transparency and accountability, and strengthen cash management.

19. A strengthened governance framework for Mutapa remains key for controlling fiscal risks. Priorities include amending legal provisions applicable to Mutapa (and the companies under its control) to clarify its mandate; integrating it into the budget process, including proceeds obtained from dividends and asset sales; and ensuring adherence to the highest standards of corporate accountability and transparency through appropriate oversight and disclosure and publication of audited financial statements.

Authorities' Views

20. The authorities agreed with staff on the need to address fiscal pressures but regarded current policies as broadly adequate in their preferred more gradual adjustment scenario. They agreed that fiscal financing gaps would persist under current policies, but expected them to be lower than staff's estimates, as they anticipated revenues to be higher by about 0.3 percent of GDP in 2025 and expected to raise additional financing from the sale of land title deeds. Going forward, strengthened administrative efforts to raise revenue should be sufficient to close any remaining financing gap. While the authorities hoped to fully prevent the buildup of new domestic arrears in the medium-term, they considered this objective as unrealistic for this year given structural PFM weaknesses. They explained that their plan to curtail cash spending and partly repay arrears implied a slower adjustment with the focus on ensuring sufficient payments to suppliers to avoid disrupting essential services and projects. The authorities agreed with the medium-term reform agenda, including the implementation of findings from the "Job Evaluation Report" and strengthening the PFM system, which will be supported by IMF technical assistance. They continued to work on tax incentive rationalization but argued that most gains had already been achieved with the removal of the Special Economic Zone tax incentives from the mining sector. They also underscored their commitment to improving taxpayer compliance.

21. The authorities shared plans to clarify Mutapa's mandate and governance structure. They noted that Mutapa's mandate would be clarified in upcoming amendments to the enabling Act, and that an external audit of its financial accounts was under way.

B. The Path to Restoring Debt Sustainability

22. Debt is assessed as unsustainable and in distress (see DSA). Total public and publicly guaranteed debt stood at US\$23.3 billion (72.9 percent of GDP) at end-2024. The external debt stock was US\$16.7 billion (52.5 percent of GDP) at end-2024. Zimbabwe has been accumulating external arrears to its official creditors since the early 2000s, estimated at US\$7.4 billion (23.2 percent of GDP) at end-2024. More recently, the government has started accumulating arrears to external commercial creditors, estimated at US\$47.4 million at the end of 2024 (0.1 percent of GDP) and suspended servicing some of its domestic debt obligations, amounting to US\$425 million (0.8 percent of GDP) in 2025. Current policies are insufficient to restore debt sustainability, which will require a balanced mix of fiscal consolidation, strengthened public debt management, growth-promoting structural reforms, and external arrears resolution, which will pave the way for new financing from multilateral creditors and bilateral official creditors.

23. Zimbabwe continues reengagement with international creditors to achieve debt resolution and arrears clearance. The Structured Dialogue Platform (SDP) provides a framework for dialogue on three key pillars: (i) economic reforms; (ii) political-governance reforms; and (iii) farmers' compensation and land tenure reforms. While progress on several sub-components has been acknowledged, Bilateral Paris Club creditors have made it clear that reengagement requires progress on all three pillars.

24. The authorities have engaged financial and legal advisors to develop their arrears clearance and debt resolution strategy and facilitate discussions with creditors. A roadmap to clearing arrears to the International Financial Institutions (IFIs), including the World Bank, African Development Bank, and European Investment Bank, will be essential to facilitate an eventual debt resolution with official creditors but would likely need to be supported by a bridge loan. While discussions on a potential bridge loan are ongoing, the authorities noted that creditors have called for an IMF Staff Monitored Program (SMP) to be in place before engaging on such financing. Staff indicated that the authorities' program that could be supported by an SMP would need to be broadly aligned with Article IV and recent capacity development advice. The authorities have also initiated discussions with key commercial creditors on debt payments moratoria. Successful implementation of a debt resolution strategy would require a reconciliation of Zimbabwe's debt and the establishment of clear restructuring parameters.

25. A strategy for engaging with official creditors on debt resolution will need to be clarified. It is not clear whether Zimbabwe would be eligible for a treatment under the existing frameworks, the G20 Common Framework or the Heavily Indebted Poor Countries (HIPC) Initiative, due to non-eligibility from protracted arrears to multilateral creditors, and, for HIPC, due to Zimbabwe's income exceeding the end-2004 and end-2010 criteria for IDA eligibility. However, as shown in other cases (e.g., Sri Lanka, Suriname), official creditors may be willing to provide an ad hoc treatment consistent with restoring debt sustainability in due course.

Authorities' Views

26. The authorities broadly agree with the unsustainable debt assessment and underscored their commitment to the reengagement process to achieve debt resolution and arrears clearance. In this context, they noted recent progress in the context of the SDP, where an initial payment to farmers covered by bilateral investment agreements was welcomed by key partners. The authorities noted their plans to launch a fourth pillar of the SDP and the associated working group dedicated to debt resolution, aiming to bring together creditors and provide updates on the government's roadmap to restore debt sustainability. They also emphasized the criticality of the process, as financing options have further narrowed in the face of constrained access to concessional financing from official sector creditors, and increasingly difficult access to non-concessional commercial lenders and the domestic capital market.

C. Developing an Effective Monetary Policy and Exchange Rate Framework

27. Tighter monetary policy has been instrumental to stabilizing the ZiG. The current tight monetary policy stance reflected in the measured increases in the ZiG component of reserves money has been appropriate. Staff estimate that the target growth rate of about 50 percent for 2025 would be consistent with achieving the targeted 30 percent y-on-y inflation by the end of the year.

28. The monetary and exchange rate policy framework, however, needs improvements. The RBZ describes its framework as a hybrid monetary anchor with the nominal exchange rate as an intermediate target, stabilized by keeping reserve money growth under check. It also maintains that the ZiG operates under a floating exchange rate system, and that the local currency component has been anchored and fully backed by a composite basket of reserves comprising foreign currency and precious metals (2024 Mid-Term Monetary Policy Statement). This structure creates interrelated challenges:

- **The anchoring and backing of the ZiG by the composite basket of reserves may create confusion about what constitutes the nominal anchor.** These notions are typically associated with a fixed parity.
- **The WBWS exchange rate does not appear to fluctuate in response to market conditions.** RBZ FX interventions dominate the market turnover, stabilizing the rate within a narrow range, which is not consistent with a floating exchange rate arrangement. The rate does not systematically respond to a buildup in FX demand when the RBZ is absent from the market as agents expect periodic interventions at the stabilized rate. Exchange restrictions and capital flow measures (CFM) also interfere with the working of the FX market (Box 1), including the increase in surrender requirements.
- **Liquidity management through required reserve and NNCDs does not support monetary policy transmission, market development, and demand for ZiG.** Banks are required to fulfil the reserve requirement daily and can only get a release of any remaining balance weekly, and to purchase 30-day non-interest-bearing NNCDs when their ZiG liquidity exceeds discretionary

levels computed by the RBZ for each bank. This weakens the monetary policy transmission by preventing liquidity smoothing and increasing interest rate volatility, does not promote active liquidity management by banks and money market development, and imposes increasing costs on banks given the relatively fast buildup of FX reserves through surrender requirements that needs to be sterilized.

29. Staff recommend moving to a more transparent, market-based FX system and a more coherent monetary policy framework. A credible monetary and FX policy framework is essential to establish the ZiG as a stable and more widely used national currency. In the long run, staff recommend a more flexible FX regime and inflation targeting. But given the high degree of dollarization and strong pass-through from the exchange rate to prices, staff initially recommend achieving price stability (ultimate objective) by stabilizing the ZiG nominal exchange rate against a suitable basket of currencies (intermediate target) by controlling base money growth (operational target) through an appropriate calibration of domestic liquidity conditions rather than FX interventions. The latter should be limited to smoothing excessive volatility, while allowing the exchange rate to reflect market conditions. For this approach to be effective, changes are needed to make the framework more transparent and coherent. This requires:

- **Reducing the RBZ's footprint and restrictions in the FX market.** Establishing a market-determined exchange rate requires reducing the RBZ footprint in the FX market by gradually re-directing surrender requirements into the market through authorized dealers and eliminating market barriers from exchange restrictions (Box 1), in line with the IMF's latest Article VIII recommendations. This is essential to make the exchange rate an effective intermediate target. It will also help narrow the gap between the WBWS and parallel market rates, bolstering confidence in the ZiG and reducing economic distortions. In the longer term, a comprehensive package of macroeconomic, financial, and structural policies should allow for a gradual relaxation of CFMs.
- **Improving liquidity management and monetary control.** These require introducing more effective monetary policy instruments. The RBZ should reduce the role of direct monetary instruments by phasing out NNCDs and replacing them with indirect and tradable securities carrying a market-based interest rate. The RBZ should relax the daily fulfillment of reserve requirements, allow for intertemporal smoothing and release any remaining balance at a higher frequency. The RBZ should also establish a deposit facility and improve access to its standby lending facility.

Box 1. Exchange Restrictions for Current Transactions and Transfers and Capital Flow Measures (CFMs)

Exchange restrictions. Exchange restrictions subject to Fund approval under Article VIII arise from:

- (1) the rationing and allocation of foreign exchange by the RBZ, which results in undue delays for FX for current international transactions;
- (2) a requirement for tax clearance certificates to access the WBWS market;
- (3) a cash margin requirement to access the WBWS market;
- (4) limits on converting ZiG into FX for certain current international transactions, including for moderate family remittances, travel purposes, and dividends;
- (5) direct limits on payments, including limits on remittances for moderate family living expenses;
- (6) 5 % administrative penalty fee on non-acquitted foreign payments for red-flagged importers before making payments for imports.
- (7) restriction on payments under non-registered supplier credit agreements.

CFMs. Surrender requirements were increased from 25 percent to 30 percent in February 2025, giving rise to a tightening of a previously assessed CFM under the Institutional View (IV) on the Liberalization and Management of Capital Flows. The tightening is considered not appropriate, as the implementation cannot be seen as temporary and is made without the necessary macroeconomic adjustments and should be removed as soon as conditions allow.

30. Further steps are needed to increase usage of the ZiG in the economy. Fiscal discipline and enhancements to the current monetary and FX frameworks would help improve confidence in the ZiG. These should be complemented by measures to both enhance the demand for ZiG—most notably, by increasing the share of Treasury’s operations (revenues and expenditures) in ZiG and, once fiscal conditions allow, removing the intermediated money transfer tax (IMTT) on electronic bank transfers, as ZiG transactions are disproportionately electronic.

31. Additional clarity on the mono-currency transitional plan would help reduce uncertainty. The authorities should provide more clarity on the operational implications of the mono-currency transitional plan, including clarifying if the use of a mono-currency will be limited to domestic transactions, allowing for bank deposits to remain denominated in both currencies.

32. Staff welcomed recent progress towards strengthening financial sector oversight with IMF technical assistance, while emphasizing key outstanding priorities. The RBZ has adopted the Basel liquidity coverage ratio as a supervisory requirement and is finalizing the framework of net stable funding ratio. The authorities are also finalizing the macroprudential, crisis preparedness and management, corporate governance, and cyber security frameworks. Staff welcomed these steps and emphasized the importance of implementing the Basel III capital standard, including a conservative definition of available capital and regulatory capital requirement. The RBZ should continue with its Asset Quality Review as it accumulates experience from the pilot. Banks’ net open FX positions (NOP) remain high, at almost 60 percent in December 2024. The RBZ recently directed banks to significantly reduce these positions to 10 percent (single currency) and 20 percent (all currencies) of capital.

Authorities' Views

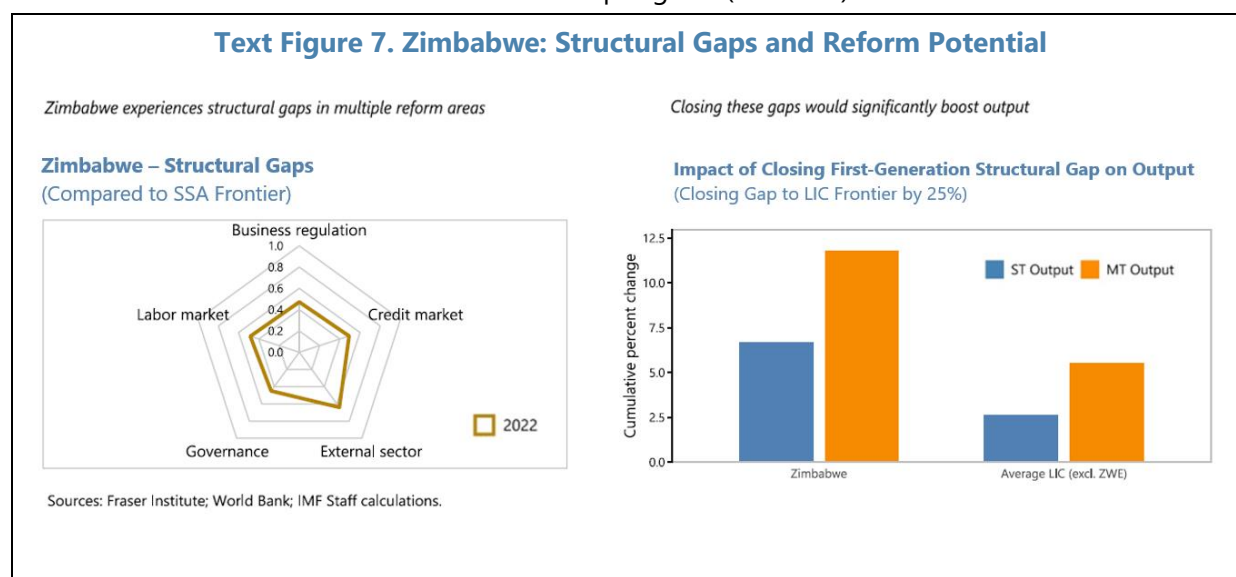
33. The RBZ underscored its commitment to price stability and policy reforms. The RBZ has adopted communication into its monetary policy toolkit and clarified the hierarchy of its policy objectives and targets in line with staff advice. Noting the effectiveness of the recent policies to stabilize the ZiG and lower inflation, the authorities remain committed to maintaining the tight monetary policy stance, enhanced by the recent tightening of NNCDs redemption requirements. The RBZ plans to move away from using direct monetary policy tools and adopt indirect monetary policy tools in the medium to long term, starting from the introduction of multiple tenors for NNCDs and renumeraling them, and the introduction of a Term Deposit Facility to enable the use of interest rates as a monetary policy tool. The authorities noted that the forthcoming NDS2 will clarify the operational implications for the USD and ZiG bank deposits, and policies on export surrender requirements in the context of plans to transition to a mono-currency system by 2030.

34. The RBZ expressed reservations regarding staff's recommendations on surrender requirements and Article VIII assessment. The RBZ underscored its view that the WBWS rate is fully market-determined and questioned both staff's assessment that it is a dominant player in the WBWS market, as well as the need to re-direct all or part of the current 30 percent surrender requirement to the market, arguing that it would reduce scope for the RBZ to intervene to stabilize the rate, and would make the task of building the international reserve buffer more difficult. The authorities were open to directing any incremental surrender requirements (above the current 30 percent) to the market and limiting FX interventions to smooth excessive volatility when a more transparent interbank FX trading platform and other fundamentals are in place, including less market segmentation whereby there is limited FX trading among banks due to correspondent banking restrictions and settlement risk. The RBZ has requested IMF technical assistance in establishing an interbank trading system. The authorities disagreed with staff's exchange rate restrictions assessment, deeming many restrictions as desirable macroprudential policies and arguing that the latest unified FX guidelines had removed remaining *de jure* restrictions, with any *de facto* continuation of previous requirements due to agents' own internal procedures.

35. The authorities noted their plans to continue to improve financial sector oversight. They planned to finalize the Basel III capital framework after reviewing recommendations from recent IMF technical assistance building on the 2019 Financial Sector Stability Review (FSSR). They also hoped to review the NOP formula, given international best practice, to reflect the dollarized nature of the economy.

D. Structural Reforms to Boost Medium-Term Growth

36. As durable macroeconomic stability is restored, structural reforms will be crucial to boost medium-term growth and improve living standards. Zimbabwe experiences large structural gaps in multiple reform areas, standing out among peers and holding back its growth potential. Staff estimate that, taken together, a package of first-generation reforms to close structural gaps in business regulation, the labor market, the external sector, and economic governance could boost output by between 5 to 10 percent over the medium term. Additional credit market reforms could further increase output gains (Annex III).



37. Ongoing efforts to strengthen governance and anti-corruption frameworks should be enhanced to help secure durable macroeconomic stability and boost medium-term growth. The IMF's 2020 Governance and Corruption Assessment (GCA) identifies severe governance weaknesses and corruption vulnerabilities in the state functions of fiscal governance (public financial management, revenue administration, and the extractive industries), central bank governance, financial sector oversight, market regulations, rule of law and AML/CFT. The GCA also identified significant shortcomings in the anti-corruption legal and institutional frameworks, and lack of transparency and accountability across the public sector. There has been progress in the development of the National Anti-Corruption Plan (NACP 2), which focuses on enhancing accountability, transparency, and integrity within the public sector and is expected to be informed by findings from the IMF's 2020 Governance and Corruption Assessment as well as lessons from NACP 1, but reforms to reduce corruption vulnerabilities—which weigh on growth prospects—should be accelerated. Efforts to implement a corruption prevention plan and operationalize an integrity committee within Mutapa are ongoing and should be expedited to strengthen governance frameworks, integrity and accountability for State-Owned Enterprises.

38. Staff welcome recent progress on AML/CFT reforms. The establishment of an electronic register for beneficial ownership (BO) information and completion of the 2024 National Risk Assessment (NRA) on critical sectors are welcome. The NRA identified the medium low money

laundering threat facing the economy, while the institutional vulnerability in tackling such threat was rated at medium high. Going forward, AML/CFT priorities include: (i) expediting company registration on the BO register and sharing information with competent authorities, law enforcement agencies, and reporting entities, (ii) strengthening capacity building and law enforcement for ML/TF activities, and (iii) stepping up efforts to identify politically exposed persons and implement related preventative measures.

Authorities' Views

39. The authorities broadly agreed with these recommendations. On AML/CFT issues, they planned to issue a legal instrument to establish a deadline for company registration on the BO register. Some critical sectors, such as banking, had not established designated AML functions by 2023, the data cut-off time for the NRA. Given the recent enhancement in AML regulation, these sectors should be better placed to address ML risks. The Financial Intelligence Unit has also planned to engage with development partners to build capacity at competent authorities and law enforcement agencies and to use the 2024 NRA to inform the Zimbabwe's 2025-2029 AML/CFT Strategy, focusing on enhancing risk management, regulatory compliance, and institutional capacity. The Anti-Corruption Commission shared plans to develop an "anti-corruption preventive measures toolkit" that would help mitigate risks from SOEs, and to establish an integrity commission for Mutapa.

E. Other Article IV Issues

40. Data issues. The quality of data provided generally meets standards, yet significant issues remain regarding coverage and consistency. The Consumer Price Index (CPI) has historically reflected a blended inflation measure, combining the U.S. dollar and local currency values. Following the introduction of the new currency, CPI data based exclusively on ZIG prices has started to be reported and published as an analytical series, while the blended CPI continues to be compiled and disseminated as the headline inflation rate. Monetary data are adequately covered in central bank surveys but should be expanded to fully cover other financial corporations and some FSIs are missing. The authorities are transitioning to accrual-based fiscal reporting, but timely and accurate data on arrears are missing, and there are data gaps for state-owned enterprises (SOEs). Persistent errors and omissions compromise the quality of external sector statistics, and the high turnover of staff negatively impacts the consistency of balance of payments compilation.

41. Data revisions. Zimbabwe's national accounts have been revised to reflect the new currency introduced in early 2024 (the ZiG) and the 2024 Economic Census. These have led to a large upward revision to the level of nominal GDP of about 26 and 40 percent in 2023 and 2024, respectively.

STAFF APPRAISAL

42. A degree of macroeconomic stability has been maintained recently. Tighter policies—notably the halting of quasi-fiscal operations and monetary financing by the central bank—have helped significantly reduce inflation and exchange rate pressures.

43. Growth is expected to recover but to remain subdued in the medium-term, amid low inflation. Growth is expected to rebound to 6 percent this year, as extreme weather shocks have subsided, terms-of-trade have significantly improved, and remittances inflows remain robust. But growth is expected to slow to 3.5 percent in the medium-term, as market confidence in the durability of macroeconomic stabilization remains limited, and fiscal financing needs continue to crowd out private sector credit and investment. Inflation is expected to remain low amid tight liquidity and reduced exchange rate pressures, but still subject to significant uncertainty emanating from potential fiscal pressures.

44. Significant challenges and downside risks persist. The parallel exchange rate premium remains elevated, the role of the ZiG in the economy is limited, and uncertainty about the path towards a mono-currency system is high. Fiscal financing pressures remain unaddressed, with the authorities resorting to further accumulation of domestic arrears. Reserve buffers are low, and IMF staff assess the external position to be weaker than the level implied by fundamentals and desirable policies. The World Bank intermediation remains limited. Without reforms to cement recent progress towards macroeconomic stability, the economy remains vulnerable as policy space to accommodate shocks is limited and policy reversals cannot be ruled out.

45. Staff recommend a comprehensive reform package to achieve long-lasting macroeconomic stability. The current degree of macroeconomic stability provides a window of opportunity to advance reforms that would further increase confidence, strengthen policy credibility and predictability, and secure durable macroeconomic stability. Policy priorities revolve around two pillars. First, addressing fiscal pressures and repairing structural weaknesses in the fiscal framework to secure fiscal discipline. Second, enhancing the effectiveness and cohesiveness of Zimbabwe's monetary policy and foreign exchange framework.

46. A tighter fiscal policy stance is needed to durably restore macroeconomic stability. Given no access to external financing, limited options to further re-schedule debt, no definitive plans to sell assets, and no room for additional non-inflationary domestic borrowing or monetary financing, the current policy stance generates financing gaps that will likely continue to be met by further accumulation of domestic arrears.

47. To be sustainable, the fiscal adjustment must include both revenues and spending measures and be accompanied by fiscal structural reforms. On the revenue side, priorities include rationalizing generous CIT tax incentives, as well as addressing tax avoidance and tax administration weaknesses. Adjusting spending, particularly on the employment cost, would support the adjustment while creating room for targeted social spending. These should be accompanied by

better planning and stronger political commitment to prevent the recurrence of arrears, as well as structural policies to strengthen public financial management.

48. A strengthened governance framework for the Mutapa Investment Fund remains key for controlling fiscal risks. Priorities include amending applicable legal provisions to clarify Mutapa's mandate, integrating it into the budget process, and ensuring adherence to highest standards of corporate accountability and transparency through appropriate oversight disclosure and publication of audited financial statements.

49. A more coherent monetary and exchange rate policy framework is needed. While tighter monetary policy has helped alleviate exchange rate pressures, important shortcomings remain. In particular, ambiguity remains about the nominal anchor, the WBWS exchange rate does not appear to fluctuate in response to market conditions, liquidity management through reserve requirement and NNCDs does not support monetary policy transmission, market development and demand for ZiG.

50. Staff recommend moving to a more transparent market-based FX system and a more coherent monetary policy framework. Priorities include: (i) clarifying and better operationalizing the monetary policy framework, with price stability as the primary objective, the exchange rate as the intermediate target, and money growth as the operational target; (ii) ensuring that the exchange rate is market determined, including by reducing the RBZ's FX market footprint and eliminating the exchange restrictions for current account transactions and CFMs as conditions allow; and (iii) improving liquidity management and monetary control by replacing NNCDs with indirect and tradable securities, relaxing the daily fulfillment of reserve requirements and frequently releasing remaining balances establishing a deposit facility, and improving access to the RBZ's standby lending facility. These reforms are essential to establish the ZiG as a stable and more widely used national currency and should be complemented by measures to enhance the demand for ZiG and to remove existing disincentives. Additional clarity on the mono-currency transitional plan would help reduce uncertainty.

51. The authorities should build on recent progress towards strengthening the financial sector oversight. Staff underscore the importance of implementing Basel III capital standards, reducing banks' net open FX positions, and expanding the RBZ's Asset Quality Review beyond its pilot.

52. As durable macroeconomic stability is restored, concurrent structural and economic governance reforms will be crucial to boost medium-term growth and improve living standards. Zimbabwe experiences large structural gaps in multiple reform areas and governance vulnerabilities. A package of reforms to close structural gaps in credit markets, business regulation, the labor market, the external sector, and economic governance could significantly increase Zimbabwe's economic potential. Addressing governance vulnerabilities is also critical to boosting growth.

53. These policies would also support the authorities' efforts to restore debt sustainability.

Debt is assessed as unsustainable and in distress. A policy track record could help Zimbabwe reengage with the international community to secure external arrears resolution, paving the way for new financing from multilateral and official bilateral creditors.

54. It is recommended that the next Article IV consultation with Zimbabwe be held on the standard 12-month cycle.

55. The authorities did not request, and staff does not recommend, approval of the exchange rate restrictions maintained inconsistently with Article VIII obligations.

Table 1. Zimbabwe: Selected Economic Indicators, 2022–30
(Millions of US Dollars Unless Otherwise Specified)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
<i>(annual percentage change, unless otherwise indicated)</i>									
Output and prices									
Real GDP growth ^{1/}	6.1	5.3	1.7	6.0	4.6	3.6	3.5	3.5	3.5
Nominal GDP (US\$ millions)	48,570	44,447	45,719	49,584	51,560	53,441	55,308	57,218	59,237
GDP deflator	274.5	768.6	1097.2	71.1	18.3	10.1	8.0	8.0	8.0
CPI (annual average)	193.4	667.4	736.1	89.0	18.2	10.1	8.0	8.0	8.0
CPI (end-of-period)	243.8	778.8	686.8	30.7	12.7	8.0	8.0	8.0	8.0
Money and credit									
Money supply (M2)	393.3	712.9	930.8	46.1	30.6	20.3	18.0	17.8	17.3
Money Base	300.2	1,842.7	2421.3	29.0	31.4	20.9	18.6	18.1	17.7
Credit to the private sector	388.2	914.1	1070.4	23.6	16.6	13.8	9.8	8.5	7.4
Credit to the central government	470.3	876.4	538.1	479.7	19.7	15.0	15.3	15.7	16.5
Money supply (<i>in percent of GDP</i>)	12.6	11.2	9.4	7.6	8.0	8.5	8.9	9.4	9.9
Credit to the private sector (<i>in percent of GDP</i>)	5.9	6.5	6.3	4.3	4.0	4.0	3.9	3.8	3.7
<i>(ZWL\$ per US\$ until 2023, ZiG in 2024)</i>									
Official exchange rate									
Annual Average Exchange Rate	380.9	3,516.2	16.7						
End-of-Period Exchange Rate	681.7	6,104.7	25.8						
Annual Average Exchange Rate, Year-on-year Percent Change	328.9	901.5	999.6						
End-of-Period Exchange Rate, Year-on-year Percent Change	529.4	791.4	956.8						
<i>(percent of GDP)</i>									
Central government ^{2/}									
Revenue and grants	11.1	11.6	12.9	14.7	15.0	15.1	15.1	15.1	15.1
Expenditure and net lending	12.2	21.1	13.3	15.4	15.4	15.5	15.5	15.5	15.6
Overall balance ^{3/}	-1.1	-9.5	-0.4	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Primary balance ^{3/}	-0.9	-9.2	0.2	-0.1	0.2	0.3	0.2	0.2	0.1
<i>(US\$ millions, unless otherwise indicated)</i>									
Balance of payments									
Exports of goods and services	7,453	7,603	8,252	9,159	9,525	9,833	10,234	10,632	11,006
<i>(annual percentage change)</i>	13.4	2.0	8.5	11.0	4.0	3.2	4.1	3.9	3.5
Imports of goods and services	9,569	10,293	10,715	10,888	11,395	11,826	12,140	12,409	12,996
<i>(annual percentage change)</i>	18.1	7.6	4.1	1.6	4.7	3.8	2.7	2.2	4.7
Current account balance (excluding official transfers)	305	135	501	961	873	801	941	1,058	832
<i>(percent of GDP)</i>	0.6	0.3	1.1	1.9	1.7	1.5	1.7	1.8	1.4
Gross international reserves	597	110	484	800	1,144	1,508	1,933	2,430	2,938
<i>(months of imports of goods and services)</i>	0.7	0.1	0.5	0.9	1.2	1.5	1.9	2.4	2.7
Public debt									
Consolidated public sector debt	18,016	21,077	23,278	23,665	23,893	24,126	24,368	24,616	24,870
<i>(percent of GDP)</i>	66.8	76.1	72.9	49.5	45.5	43.5	42.5	41.5	40.4
Public and publicly guaranteed external debt	16,327	16,538	16,745	16,788	16,739	16,676	16,629	16,614	16,585
<i>(percent of GDP)</i>	60.5	59.6	52.5	35.1	31.9	30.1	29.0	28.0	27.0
Of which: Arrears	10,471	10,770	11,909	12,506	12,976	13,457	13,894	14,268	14,616
<i>(percent of GDP)</i>	38.8	38.8	40.1	28.1	26.6	26.1	26.0	25.8	25.6

Sources: Zimbabwean authorities; IMF staff estimates and projections.

^{1/} At constant 2019 prices.

^{2/} The 2024 expenditure estimate includes QFOs interest charge (transferred to the Treasury).

^{3/} Overall balance and primary balance are on commitment basis based on staff estimates of arrears.

Table 2. Zimbabwe: Monetary Survey, 2022–2030
(Millions of ZiG; unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
Reserve Bank of Zimbabwe (RBZ)									
Net foreign assets	-1,113	-9,094	-56,912	-48,348	-30,524	-5,127	22,977	51,024	83,933
Net domestic assets	1,155	9,903	42,934	74,651	65,084	46,895	26,546	7,473	-15,061
Net credit to financial corporations	-261	-1,426	-7,340	-12,493	-17,758	-19,328	-22,831	-28,517	-35,563
Claims on central government	138	1,275	15,949	58,318	65,643	70,824	76,384	82,349	88,735
of which: Government securities	38	888	13,877	16,224	18,264	19,684	21,182	22,760	24,418
of which: Loans (incl. overdraft)	100	387	2,072	42,094	47,379	51,139	55,201	59,589	64,317
Other items, net ^{1/}	1,278	10,054	34,325	28,826	17,199	-4,600	-27,007	-46,360	-68,233
Monetary base	42	809	20,395	26,303	34,560	41,768	49,523	58,497	68,871
Monetary base (LCU)	24	232	3,516	5,352	8,309	11,590	15,559	20,268	25,934
Monetary base (FX)	18	577	16,879	20,952	26,252	30,178	33,964	38,229	42,938
Banks									
Net foreign assets	192	1,558	9,113	14,253	19,335	24,077	29,086	34,345	39,822
Net domestic assets	740	5,998	69,536	100,995	131,056	156,639	183,961	216,199	253,569
Claims on the RBZ	262	2,392	29,908	38,069	51,095	59,342	69,945	83,781	100,158
Net credit to central government	112	976	5,475	15,778	22,589	30,138	39,487	51,171	66,086
Credit to other public sector	20	168	551	1,000	1,237	1,412	1,578	1,764	1,972
Credit to private sector	430	4,376	51,295	63,478	74,072	84,329	92,602	100,490	107,992
Other items, net ^{1/}	-85	-1,914	-17,693	-17,330	-17,937	-18,582	-19,652	-21,007	-22,639
Deposits	932	7,556	78,649	115,248	150,391	180,716	213,047	250,544	293,391
of which: FX deposits	579	5,711	64,431	92,204	115,178	132,188	148,579	167,132	187,483
Monetary survey									
Net foreign assets	-921	-7,536	-47,799	-34,095	-11,189	18,950	52,063	85,369	123,755
Net domestic assets	1,857	15,106	92,335	149,513	161,835	162,148	161,556	166,034	170,926
Net credit to central government	190	1,854	11,833	68,596	82,120	94,415	108,853	125,995	146,747
Credit to other public sector	65	312	564	1,000	1,237	1,412	1,578	1,764	1,972
Credit to private sector	436	4,417	51,698	63,881	74,476	84,732	93,005	100,893	108,396
Other Items, net ^{1/}	1,167	8,522	28,241	16,035	4,002	-18,411	-41,880	-62,617	-86,190
Broad money (M3)	934	7,561	78,763	115,418	150,646	181,098	213,620	251,404	294,681
Money (M2)	928	7,544	77,767	113,611	148,412	178,548	210,770	248,218	291,118
Money (M2, LCU)	349	1,833	13,336	21,407	33,234	46,360	62,190	81,087	103,635
Money (M2, FX)	579	5,711	64,431	92,204	115,178	132,188	148,579	167,132	187,483
Memorandum items									
	<i>(Annual percentage change)</i>								
Credit to private sector	388.2	914.1	1,070.4	23.6	16.6	13.8	9.8	8.5	7.4
Net credit to central government	470.3	876.4	538.1	479.7	19.7	15.0	15.3	15.7	16.5
Monetary base	300.2	1,842.7	2,421.3	29.0	31.4	20.9	18.6	18.1	17.7
Monetary base (LCU)	126.0	886.1	1,416.5	52.2	55.2	39.5	34.2	30.3	28.0
Monetary base (FX)		3,083.3	2,825.1	24.1	25.3	15.0	12.5	12.6	12.3
M2	393.3	712.9	930.8	46.1	30.6	20.3	18.0	17.8	17.3
M2 (LCU)	250.3	425.5	627.6	60.5	55.2	39.5	34.1	30.4	27.8
M2 (FX)	554.2	886.1	1,028.2	43.1	24.9	14.8	12.4	12.5	12.2
Nominal GDP growth	297.4	814.9	1,118.1	81.4	23.7	14.1	11.8	11.8	11.8
	<i>(Percent of GDP)</i>								
Credit to private sector	5.9	6.5	6.3	4.3	4.0	4.0	3.9	3.8	3.7
Monetary base	0.6	1.2	2.5	1.8	1.9	2.0	2.1	2.2	2.3
Monetary base (LCU)	0.3	0.3	0.4	0.4	0.4	0.5	0.7	0.8	0.9
Monetary base (FX)	0.2	0.9	2.1	1.4	1.4	1.4	1.4	1.5	1.5
M2	12.6	11.2	9.4	7.6	8.0	8.5	8.9	9.4	9.9
M2 (LCU)	4.7	2.7	1.6	1.4	1.8	2.2	2.6	3.1	3.5
M2 (FX)	7.8	8.5	7.8	6.2	6.2	6.3	6.3	6.3	6.4

Sources: Zimbabwean authorities; and IMF staff estimates and projections.

^{1/} Includes valuation adjustment from currency reform.

Table 3a. Zimbabwe: Central Government Operations, 2022–30
(Millions of ZiG)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
Revenue	823	7,838	106,459	219,199	277,272	318,736	356,308	398,202	445,318
Tax revenue	783	7,653	97,596	205,344	260,149	299,192	334,461	373,787	418,013
Personal income tax	161	1,470	20,709	43,936	54,006	61,892	69,188	77,323	86,472
Corporate income tax	117	873	9,885	21,480	24,408	28,111	31,424	35,119	39,274
Other direct taxes	11	100	1,325	4,160	4,464	5,348	5,979	6,682	7,472
Customs	55	668	6,510	16,920	30,396	34,945	39,064	43,657	48,823
Excise	97	1,003	11,701	24,349	32,213	37,019	41,383	46,249	51,721
VAT	198	2,261	28,112	57,395	72,222	83,188	92,994	103,928	116,225
Other indirect taxes	143	1,278	19,354	37,105	42,439	48,689	54,429	60,829	68,026
Non-tax revenue	40	185	8,864	13,855	17,123	19,543	21,847	24,416	27,305
Expenditure and net lending	904	14,225	109,674	229,489	283,985	325,599	365,040	408,882	458,465
Cash expenditure	891	13,836	97,395	228,852	280,706	321,925	359,791	402,347	450,441
Current expenditure	717	7,016	85,056	204,765	249,203	283,793	317,129	354,021	395,641
Employment costs	358	3,679	50,148	120,718	149,302	170,403	190,490	212,888	238,077
Interest payments	11	203	4,456	9,403	11,277	12,240	13,566	14,764	16,243
Foreign	8	101	2,079	4,807	3,494	3,625	3,263	2,846	3,165
Domestic	3	102	2,377	4,596	7,783	8,616	10,303	11,919	13,078
Goods & services	168	2,018	20,265	33,415	40,620	46,360	51,825	57,919	64,772
Subsidies and current transfers	180	1,116	10,187	41,229	48,005	54,790	61,248	68,450	76,549
Capital expenditure and net lending	187	7,209	24,618	24,724	34,782	41,805	47,911	54,861	62,824
Capital expenditure	100	819	21,410	20,606	28,989	34,842	39,931	45,723	52,360
Net lending	87	6,390	3,208	4,118	5,793	6,963	7,980	9,138	10,464
o/w: Capital transfers: to Mutapa and RBZ ^{1/}		6,045							
Overall balance (commitment)	-81	-6,387	-3,214	-10,289	-6,713	-6,863	-8,733	-10,679	-13,147
Overall balance (cash)	-68	-5,998	9,064	-9,653	-3,434	-3,189	-3,483	-4,145	-5,123
Underlying overall balance (commitment)	-81	-341	-3,214	-10,289	-6,713	-6,863	-8,733	-10,679	-13,147
Primary balance (commitment)	-70	-6,183	1,241	-887	4,564	5,377	4,833	4,085	3,096
Primary balance (cash)	-65	-5,856	11,127	-887	4,564	5,377	4,833	4,085	3,096
Underlying primary balance (commitment)	-70	-138	1,241	-887	4,564	5,377	4,833	4,085	3,096
Financing	199	7,256	2,830	10,289	6,713	6,863	8,733	10,679	13,147
Domestic financing (net)	158	6,043	-9,755	-8,386	-4,988	865	1,946	94	-948
RBZ	61	535	-312	3,294	0	0	0	0	0
Banks	98	555	-4,056	6,925	3,405	4,533	5,908	7,583	9,453
Non-banks	-1	4,954	-5,387	-18,605	-8,393	-3,668	-3,962	-7,489	-10,401
Foreign financing (net)	13	441	-6,441	-15,504	-17,273	-19,998	-19,148	-16,683	-17,395
Disbursements	30	770	568	850	347	280	317	342	370
Amortization	17	329	7,009	16,354	17,620	20,279	19,465	17,025	17,765
Change in arrears ^{2/}	29	772	19,025	34,180	28,975	25,996	25,935	27,268	31,491
Domestic	8	429	16,502	21,306	18,622	14,458	15,549	19,003	24,043
Foreign ^{3/}	21	343	2,523	12,874	10,352	11,538	10,386	8,265	7,448
Errors and omissions ^{4/}	-118	-870	384	...	...	...	...	...	...

Sources: Zimbabwean authorities; and IMF staff estimates and projections.

^{1/} On-lending to Mutapa for equity purchase and transfer to the RBZ to settle some past US\$ commitments.

^{2/} Staff estimates. Arrears accumulation excludes farmers' compensation.

^{3/} Accumulated arrears on foreign debt do not include valuation adjustment. The stock of arrears could differ from that in the balance of payments table.

^{4/} A negative (positive) number means that financing is lower (higher) than the overall balance on commitment basis.

Table 3b. Zimbabwe: Central Government Operations, 2022–30
(Percent of GDP, ZiG-Based)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
Revenue	11.1	11.6	12.9	14.7	15.0	15.1	15.1	15.1	15.1
Tax revenue	10.6	11.3	11.9	13.8	14.1	14.2	14.2	14.2	14.2
Personal income tax	2.2	2.2	2.5	2.9	2.9	2.9	2.9	2.9	2.9
Corporate income tax	1.6	1.3	1.2	1.4	1.3	1.3	1.3	1.3	1.3
Other direct taxes	0.1	0.1	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Customs	0.8	1.0	0.8	1.1	1.6	1.7	1.7	1.7	1.7
Excise	1.3	1.5	1.4	1.6	1.7	1.8	1.8	1.8	1.8
VAT	2.7	3.3	3.4	3.8	3.9	3.9	3.9	3.9	3.9
Other indirect taxes	1.9	1.9	2.4	2.5	2.3	2.3	2.3	2.3	2.3
Non-tax revenue	0.5	0.3	1.1	0.9	0.9	0.9	0.9	0.9	0.9
Total expenditure & net lending	12.2	21.1	13.3	15.4	15.4	15.5	15.5	15.5	15.6
Cash expenditure	12.1	20.5	11.8	15.3	15.2	15.3	15.3	15.3	15.3
Current expenditure	9.7	10.4	10.3	13.7	13.5	13.5	13.5	13.4	13.4
Employment costs	4.9	5.4	6.1	8.1	8.1	8.1	8.1	8.1	8.1
Wages & salaries (incl. grants & transfers)	4.9	5.4	6.1	7.3	7.3	7.3	7.3	7.3	7.3
Extra budgetary units & grant-aided institutions salaries	0.7	0.8	5.5	0.7	0.7	0.7	0.7	0.7	0.7
Interest payments	0.2	0.3	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Foreign	0.1	0.2	0.3	0.3	0.2	0.2	0.1	0.1	0.1
Domestic	0.0	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.4
Goods & services	2.3	3.0	2.5	2.2	2.2	2.2	2.2	2.2	2.2
Subsidies and current transfers	2.4	1.7	1.2	2.8	2.6	2.6	2.6	2.6	2.6
Capital expenditure and net lending	2.5	10.7	3.0	1.7	1.9	2.0	2.0	2.1	2.1
Capital expenditure	1.4	1.2	2.6	1.4	1.6	1.7	1.7	1.7	1.8
Net lending	1.2	9.5	0.4	0.3	0.3	0.3	0.3	0.3	0.4
o/w: Capital transfer: to Mutapa and RBZ ^{1/}		8.9							
Overall balance (commitment)	-1.1	-9.5	-0.4	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Overall balance (cash)	-0.9	-8.9	1.1	-0.6	-0.2	-0.2	-0.1	-0.2	-0.2
Underlying overall balance (commitment)	-1.1	-0.5	-0.4	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Primary balance (commitment)	-0.9	-9.2	0.2	-0.1	0.2	0.3	0.2	0.2	0.1
Primary balance (cash)	-0.9	-8.7	1.4	-0.1	0.2	0.3	0.2	0.2	0.1
Underlying primary balance (commitment)	-0.9	-0.2	0.2	-0.1	0.2	0.3	0.2	0.2	0.1
Financing	2.7	10.7	0.3	0.7	0.4	0.3	0.4	0.4	0.4
Domestic financing (net)	2.1	8.9	-1.2	-0.6	-0.3	0.0	0.1	0.0	0.0
RBZ	0.8	0.8	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Banks	1.3	0.8	-0.5	0.5	0.2	0.2	0.3	0.3	0.3
Non-banks	0.0	7.3	-0.7	-1.2	-0.5	-0.2	-0.2	-0.3	-0.4
Foreign financing (net)	0.2	0.7	-0.8	-1.0	-0.9	-0.9	-0.8	-0.6	-0.6
Disbursements	0.4	1.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Amortization	0.2	0.5	0.9	1.1	1.0	1.0	0.8	0.6	0.6
Change in arrears ^{2/}	0.4	1.1	2.3	2.3	1.6	1.2	1.1	1.0	1.1
Domestic	0.1	0.6	2.0	1.4	1.0	0.7	0.7	0.7	0.8
Foreign ^{3/}	0.3	0.5	0.3	0.9	0.6	0.5	0.4	0.3	0.3
Errors and omissions ^{4/}	-1.6	-1.3	0.0	...	...	...	...	...	...
Memorandum item:									
Nominal GDP (LCU, millions)	7,384	67,559	822,938	1,492,856	1,846,343	2,107,293	2,355,695	2,632,679	2,944,180

Sources: Zimbabwean authorities; and IMF staff estimates and projections.

^{1/} On-lending to Mutapa for equity purchase and transfer to the RBZ to settle some past US\$ commitments.

^{2/} Staff estimates. Arrears accumulation excludes farmers' compensation.

^{3/} Accumulated arrears on foreign debt do not include valuation adjustment. The stock of arrears could differ from that in the balance of payments table.

^{4/} A negative (positive) number means that financing is lower (higher) than the overall balance on commitment basis.

Table 4a. Zimbabwe: Balance of Payments, 2022–30
(USD Millions)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
<i>(US\$ millions, unless otherwise indicated)</i>									
Current Account	305	135	501	961	873	801	941	1,058	832
Balance on goods	-1,132	-1,453	-1,262	-455	-538	-612	-476	-298	-460
Exports of goods	7,000	7,204	7,795	8,674	9,018	9,307	9,690	10,070	10,423
Imports of goods	8,132	8,656	9,057	9,129	9,556	9,920	10,167	10,367	10,883
Balance on services	-983	-1,237	-1,202	-1,274	-1,332	-1,381	-1,429	-1,479	-1,531
Primary income (net)	-624	-434	-478	-494	-510	-531	-551	-573	-595
Secondary income (net)	3,044	3,260	3,443	3,185	3,254	3,326	3,397	3,408	3,418
of which: Workers' Remittances	1,971	2,162	2,575	2,631	2,690	2,752	2,814	2,814	2,814
Capital Account	282	220	206	150	156	163	170	177	184
Financial Account	-302	-511	-313	1,255	997	915	948	931	670
Direct investment	-337	-604	-465	-467	-485	-502	-520	-538	-558
Portfolio investment	94	23	23	-38	-39	-41	-42	-43	-45
Other investment	-59	70	130	1,760	1,521	1,458	1,509	1,513	1,273
Currency and Deposit (net)	-696	-62	-367	103	93	84	75	66	57
Loans (net)	637	-43	497	216	179	308	209	199	175
Central bank	290	193	295	0	0	0	0	0	0
General government	104	-109	233	561	518	545	483	390	376
Other sectors/ (NFCs, HH, NPISHs)	242	-127	-31	-346	-339	-237	-274	-191	-201
Unidentified capital and other flows				1,441	1,249	1,066	1,225	1,248	1,041
Errors and Omissions	-1,231	-1,579	-797	...	...	...	...	...	...
Overall Balance	-341	-713	223	-144	33	49	163	304	347
Financing	341	713	-223	144	-33	-49	-163	-304	-347
Accumulation of external arrears ^{1/}	99	225	151	460	311	315	262	193	161
Reserve accumulation (minus = increase)	241	487	-374	-316	-344	-364	-425	-497	-508
Memorandum:									
Reserve assets	597	110	484	800	1,144	1,508	1,933	2,430	2,938
Months of import cover	0.7	0.1	0.5	0.9	1.2	1.5	1.9	2.4	2.7
<i>(percent of GDP)</i>									
Current account	0.6	0.3	1.1	1.9	1.7	1.5	1.7	1.8	1.4
Exports of goods and services	15.3	17.1	18.0	18.5	18.5	18.4	18.5	18.6	18.6
Imports of goods and services	19.7	23.2	23.4	22.0	22.1	22.1	21.9	21.7	21.9
<i>(annual percentage change)</i>									
Exports of goods and services	13.4	2.0	8.5	11.0	4.0	3.2	4.1	3.9	3.5
Imports of goods and services	18.1	7.6	4.1	1.6	4.7	3.8	2.7	2.2	4.7

Sources: Zimbabwean authorities; IMF staff estimates and projections.

^{1/} Arrears accumulation in the BoP excludes farmers' compensation and blocked funds.

Table 4b. Zimbabwe: Balance of Payments, 2022–30
(Percent of GDP)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.		Est.			Proj.			
	<i>(percent of GDP)</i>								
Current Account	0.6	0.3	1.1	1.9	1.7	1.5	1.7	1.8	1.4
Balance on goods	-2.3	-3.3	-2.8	-0.9	-1.0	-1.1	-0.9	-0.5	-0.8
Exports of goods	14.4	16.2	17.0	17.5	17.5	17.4	17.5	17.6	17.6
Imports of goods	16.7	19.5	19.8	18.4	18.5	18.6	18.4	18.1	18.4
Balance on services	-2.0	-2.8	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6
Primary income (net)	-1.3	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Secondary income (net)	6.3	7.3	7.5	6.4	6.3	6.2	6.1	6.0	5.8
of which: Workers' Remittances	4.1	4.9	5.6	5.3	5.2	5.2	5.1	4.9	4.8
Capital Account	0.6	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Financial Account	-0.6	-1.1	-0.7	2.5	1.9	1.7	1.7	1.6	1.1
Direct investment	-0.7	-1.4	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Portfolio investment	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other investment	-0.1	0.2	0.3	3.5	3.0	2.7	2.7	2.6	2.1
Currency and Deposit (net)	-1.4	-0.1	-0.8	0.2	0.2	0.2	0.1	0.1	0.1
Loans (net)	1.3	-0.1	1.1	0.4	0.3	0.6	0.4	0.3	0.3
Central bank	0.6	0.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.2	-0.2	0.5	1.1	1.0	1.0	0.9	0.7	0.6
Other sectors/ (NFCs, HH, NPISHs)	0.5	-0.3	-0.1	-0.7	-0.7	-0.4	-0.5	-0.3	-0.3
Unidentified capital and other flows				2.8	2.3	1.9	2.1	2.1	1.7
Errors and Omissions	-2.5	-3.6	-1.7	...	...	...	...	...	...
Overall Balance	-0.7	-1.6	0.5	-0.3	0.1	0.1	0.3	0.5	0.6
Financing	0.7	1.6	-0.5	0.3	-0.1	-0.1	-0.3	-0.5	-0.6
Accumulation of external arrears ^{1/}	0.2	0.5	0.3	0.9	0.6	0.6	0.5	0.3	0.3
Reserve accumulation (minus = increase)	0.5	1.1	-0.8	-0.6	-0.7	-0.7	-0.8	-0.9	-0.9
Memorandum:	<i>(US\$ millions)</i>								
Reserve assets	597	110	484	800	1,144	1,508	1,933	2,430	2,938
Months of import cover	0.7	0.1	0.5	0.9	1.2	1.5	1.9	2.4	2.7
	<i>(annual percentage change)</i>								
Exports of goods and services	13.4	2.0	8.5	11.0	4.0	3.2	4.1	3.9	3.5
Imports of goods and services	18.1	7.6	4.1	1.6	4.7	3.8	2.7	2.2	4.7

Sources: Zimbabwean authorities; IMF staff estimates and projections.

^{1/} Arrears accumulation in the BoP excludes farmers' compensation and blocked funds.

Table 5. Zimbabwe: Financial Soundness Indicators

Financial Soundness Indicators ^{1/}	Dec-2019	Dec-2020	Dec-2021	Dec-2022	Dec-2023	Dec-2024
Capital Adequacy						
Regulatory capital to risk-weighted assets	33.4	29.8	26.3	30.2	29.6	29.4
Percentage of banks greater or equal to 10 percent	100.0	100.0	100.0	100.0	100.0	100.0
Percentage of banks below 10 and above 6 percent minimum	0.0	0.0	0.0	0.0	0.0	0.0
Percentage of banks below 6 percent minimum	0.0	0.0	0.0	0.0	0.0	0.0
Capital to assets	12.4	11.8	12.7	15.1	18.4	20.7
Asset Quality						
Foreign exchange loans to total loans	0.8	0.5	0.4	2.3	2.5	1.7
Past-due loans to gross loans ^{2/}	18.3	33.8	41.6	38.3	35.9	32.5
Nonperforming loans (past due > 90 days) ^{3/}	1.8	0.3	0.9	1.7	2.1	3.4
Watch-listed loans (past due < 90 days) ^{4/}	16.6	33.5	40.7	36.6	33.8	29.1
Provisions as percent of past-due loans	18.0	9.3	11.6	11.5	12.6	13.9
Earnings and Profitability						
Net profit (before tax and extraordinary items)/net income	120.6	120.0	117.8	120.6	115.6	114.6
Return on assets	12.8	10.1	9.6	15.1	19.4	19.0
Return on equity	62.9	53.0	50.0	68.5	75.8	69.0
Expenses/income	29.5	39.9	42.7	27.7	14.8	11.8
Liquidity						
Liquid assets/total assets	51.7	53.0	44.6	44.7	41.1	33.7
Liquid assets/short-term liabilities	67.2	68.0	57.3	58.0	54.6	46.3
Loans/deposits	38.4	40.4	49.1	54.4	59.4	65.0
Liquid assets/total deposits	92.8	88.2	71.5	71.8	73.4	62.6
Foreign exchange liabilities/total liabilities	21.5	35.1	33.8	43.0	74.3	82.6
Excess Reserves to Broad Money	21.2	6.9	0.2	0.0	0.2	4.0
Sensitivity to market risk						
Net foreign exchange assets (liabilities) to shareholders' funds	-49.34	-141.44	-132.83	-134.48	52.97	57.97

Source: Reserve Bank of Zimbabwe.

^{1/} Based on all banks.^{2/} Past due loans are defined as the aggregate of special mention, substandard, doubtful, and loss loans.^{3/} Non-performing loans are defined as the aggregate of substandard, doubtful, and loss loans.^{4/} Watch-listed loans are the same as special mention loans.

Annex I. External Sector Assessment

Overall Assessment: *The external position of Zimbabwe in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. This is driven by the high level of external debt which is in distress, critically low foreign reserves, and the large degree of REER overvaluation. With the introduction of ZiG in April 2024 and the large depreciation of ZiG in September 2024, the new exchange rate framework has not effectively addressed the previous real exchange rate disequilibrium. Given the C ratings for external sector statistics (Annex IV), data shortcomings increase uncertainty surrounding the ESA,*

Potential Policy Responses: *Liberalizing the FX market is key to providing relevant information in the decision regarding the monetary policy stance and the strengthening of the credibility of the ZiG. The authorities should also implement fiscal consolidation to improve the current account position. In addition, it should implement growth-friendly macroeconomic policies that strengthen the trade balance, anchor inflation expectations, build confidence in the domestic economy to boost private capital inflows and shore up reserves, and strengthen Zimbabwe's external competitiveness.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Zimbabwe does not collect and publish the data regarding the international investment position. As a proxy, the monetary survey provides data for the net foreign assets (NFA)-to-GDP ratio. The NFA-to-GDP ratio in 2024 was -4.1 percent, decreasing from a balanced position in 2022. It is projected to increase to 3.4 percent in 2029 with economic reforms and implementation of sound policies. If the public external debt is further taken into account for the NFA in the financial sector, the NFA-to-GDP ratio is -40.7 percent in 2024.

Assessment. Given the improvement in the CA in the medium term, the net foreign asset position is projected to improve, but risks to external sustainability remain high.

Current Account

Background. Zimbabwe's current account (CA) surplus increased to 1.1 percent of GDP in 2024, from 0.3 percent of GDP in 2023, due to strong growth in the production and prices of Zimbabwe's key mining exports (gold) coupled with resilient growth of worker remittances, and somewhat improved fiscal balance. The CA balance is projected to be in surplus in 2025 due to high gold prices and strong remittances. In the medium term, the CA surplus is expected to gradually pick up on account of an acceleration in mining activities for lithium as new green mineral mines are completed and become operational, a recovery in gold production, and anticipated benefits of macroeconomic stabilization.

Assessment. According to the EBA-lite estimates, the adjusted current account balance is -0.4 percent of GDP, and the adjusted current account norm is 1.7 percent of GDP in 2024. The adjustor to the CA norm reflects the need for the adjustment of the current account to accumulate foreign assets in the medium term. The size of the adjustor is 0.3 percent of GDP and is calculated as the product of the coefficient before NIIP in the regression of CA model and the difference between the NFA in the medium term under sound economic policies and the NFA in 2024 divided by the GDP in 2024. The current account gap is assessed at -2.1 percent of GDP. -3.3 percent of GDP is explained by policy gaps in Zimbabwe compared to trading partners, especially the cyclically adjusted fiscal balance and the change in reserves. The overall external debt position, external default and inadequate reserves, and the consistently large errors and omissions term which indicate a large capital flight further corroborate that Zimbabwe's external position is weaker than the level implied by fundamentals and desirable policies.

Zimbabwe: EBA-lite Model Estimates for 2024
(In Percent of GDP)

	CA model 1/
CA-Actual	1.1
Cyclical contributions (from model) (-)	0.1
Additional temporary/statistical factors (-)	
Natural disasters and conflicts (-)	1.5
Adjusted CA	-0.4
CA Norm (from model) 2/	1.4
Adjustments to the norm 3/ (+)	0.3
Adjusted CA Norm	1.7
CA Gap	-2.1
o/w Relative policy gap	-3.3
Elasticity	-0.2
REER Gap (in percent)	13.6

1/ Based on the EBA-lite 3.0 methodology

2/ Cyclically adjusted, including multilateral consistency adjustments.

3/ The adjustor is calculated as the product of the coefficient before NIIP in the regression of CA model and the difference between the NFA in the medium term under sound economic policies and the NFA in 2024 divided by the GDP in 2024.

Real Exchange Rate

Background. Since the introduction of ZiG in April 2024, the exchange rate used by the RBZ in the WBWS market had remained stable for several months. The WBWS rate depreciated by about 45 percent on September 27, 2024. This was due to the large increase of ZiG monetary base during April 2024—September 2024, which widened the gap between the WBWS exchange rate vis-à-vis the parallel rate from 25 percent to 100 percent. In conjunction with the September devaluation, the Monetary Policy Committee (MPC) increased the statutory reserve requirements for both ZiG and FX demand deposits from 15 and 20 percent, respectively, to 30 percent for both (the policy rate was raised from 20 percent to 35 percent, but it has a limited impact on liquidity conditions). The WBWS and the parallel exchange rates stabilized, which together with low growth in the ZiG monetary base (adjusted for the change in reserves requirements) suggest that the monetary policy stance has remained tight. However, the parallel premium has remained at in the range of 20-30—indicating a persistent disequilibrium. The ZiG-based real effective exchange rate also depreciated following the nominal depreciation in 2024, but the impact on competitiveness has been small given the limited role of the national currency in the economy.

Assessment. Based on the elasticity of -0.2, the CA gap implies an overvaluation of the real effective exchange rate by 13.6 percent. Due to multiple changes in the currency regime during the past 20 years and hyperinflation, it is hard to construct a reliable and consistent domestic price index relative to foreign countries. The data for the REER to be used in the REER model is not available and it is not possible to assess Zimbabwe's equilibrium exchange rate using the REER model.

Capital and Financial Accounts: Flows and Policy Measures

Background. Capital flow measures (CFM) under the Institutional View (IV) still appear to be in place. These are: approval requirements for capital account transfers, surrender requirements (which were increased from 25 percent to 30 percent in February 2025), cash withdrawal and related measures on outflows, limits on foreign investments, and limits on external borrowing. In 2024, the financial account turned to the net lending position on the back of repayment of loans from commercial lenders. Non-debt creating inflows, notably FDI, decreased relative to 2023 given macroeconomic volatility and policy uncertainty. Portfolio investments recorded lower net outflows in 2024. The credibility dividends that stand to be gained from the economic reforms could potentially improve the outlook for FDI and portfolio investments if such regime is properly revised and implemented.

Assessment. Staff continue to encourage the appropriate mix of policies to avoid disruptive capital outflows associated with broader economic instability. A comprehensive package of macroeconomic, financial, and structural policies should be pursued to allow for the relaxation of CFMs, to shore up reserves, and to mitigate currency distortions, financial system stress and output losses.

FX Intervention and Reserves Level

Background. The exchange rate regime is classified as *de jure* floating and *de facto* other managed. Central bank intervention in the FX market was pervasive in 2024. Long-standing capital control measures exist, including an FX surrender requirement of 25 percent of export receipts (the surrender requirement increased to 30 percent of export receipts in February 2025). FX reserves increased in the last months of 2024, reaching US\$484 million by end-December (from US\$179 million at the time of the introduction of the ZiG).

Assessment. Gross international reserves continue to be significantly below adequate levels: inadequate to cover one month of imports as of end-2024 and much lower than both the 3-months of imports rule-of-thumb and the model-based benchmark from the IMF toolkit for assessing reserve adequacy in low-income countries, which suggests that 5.4 months of imports is the adequate level for Zimbabwe. Given depleted reserves, FX management should be consistent with reserve accumulation goals for the reserve coverage under the new currency regime, while considering the dual currency system and seasonality of FX demand/supply.

Annex II. Risk Assessment Matrix¹

Source of Risk	Likelihood	Expected Impact	Policy Response
Conjunctural Risks			
Trade policy and investment shocks.	High	Medium. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	Push forward faster implementation of the AfCFTA to boost regional trade. Step-up implementation of structural reforms to create a stable business environment to attract FDI and improve competitiveness in the context of a stronger dollar.
Tighter financial conditions and systemic instability.	Medium	Medium. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Step-up implementation of structural reforms to create a stable business environment to attract FDI and improve competitiveness in the context of a stronger dollar. Advance reforms to improve economic performance and gain support from the international community to pave the way towards arrears clearance unlocking financing from IFIs.
Commodity price volatility.	Medium	High. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Seek humanitarian support. Create fiscal space for grain imports to support the most vulnerable and improve targeting of social support systems. Adjust monetary policy as needed.

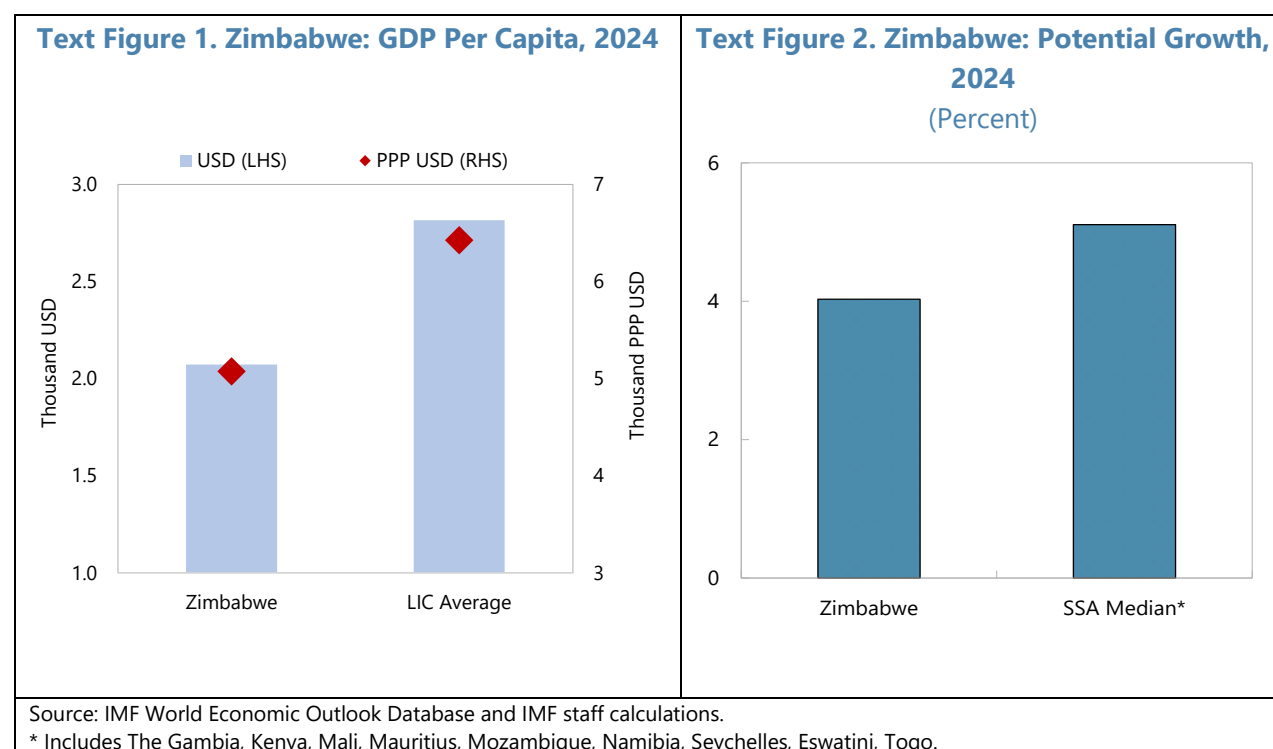
¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risk	Likelihood	Expected Impact	Policy Response
Structural Risks			
Deepening geoeconomic fragmentation.	High	High. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	Push forward faster implementation of the AfCFTA to boost regional trade. Step-up implementation of structural reforms to create a stable, more transparent business environment to attract FDI and improve competitiveness in the context of a stronger dollar.
Climate change.	Medium	High. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Seek humanitarian support. Create fiscal space for grain imports to support the most vulnerable parts of the population. Rationalize agricultural support schemes to support long-term growth and resilience.
Potential Domestic Risks			
Fiscal policy slippages.	High	High. Lack of adjustment to financing gaps and limited additional financing options result in recourse to monetary financing, triggering FX pressures and threatening price and financial sector stability.	Take upfront measures to close the financing gap and prepare a credible contingency plan to respond to revenue shortfalls. Focus efforts on improving revenue collection and streamlining spending.
Slow reengagement from delays in advancing reforms.	High	High. Delays in advancing reforms and garnering support from the international community would maintain the status quo, exacerbating economic imbalances and worsening policy confidence.	Advance reforms to gain support of the international community to pave the way for arrears clearance, unlocking financing from IFIs and restoring access to international financial markets.

Annex III. Structural Reforms to Boost Economic Potential¹

Despite robust economic growth in recent years, Zimbabwe's economic performance has lagged its peers. Staff estimate that reforms to close structural gaps in areas such as the external sector, credit markets, labor market, business regulation, and economic governance could significantly boost medium-term output.

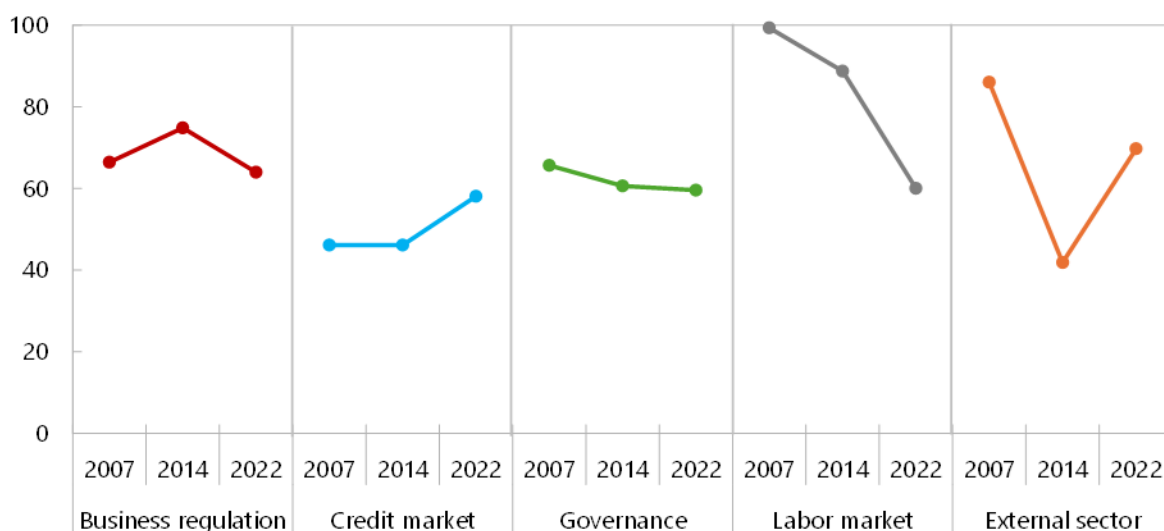
1. Zimbabwe's economic performance can be improved. Output growth has averaged around 2 percent in the past decade, and it has been insufficient to significantly raise living standards. GDP per capita remains below the LIC average (Figure 1) and staff estimates suggest that potential growth lags regional peers (Figure 2).



2. Persistent structural challenges hold back Zimbabwe's economic potential. A range of indicators suggest that Zimbabwe lags its peers in several structural areas, notably trade and financial openness, market de-regulation and bureaucratic procedures, credit market regulations, hiring and firing flexibility, and overall economic governance. Despite robust growth performance in recent years, progress in most of these structural areas remains muted (Table 1 and Figure 3).

¹ Prepared by Andrea Medici (amedici@imf.org), Juan Sebastian Corrales (jcorrales@imf.org), and Marina M. Tavares (mmendestavares@imf.org).

Text Figure 3. Zimbabwe: Gaps Relative to Low Income Countries (LIC) Frontier. 2007–22
(Percent)



Source: Fraser Institute; World Bank; IMF Staff calculations.

Note: Indicators are normalized between 0 and 1 over 2000–2021. Higher values imply better institutional and regulatory quality. Gaps are calculated as the relative difference in values between SSA Frontier (maximum value in group) and Zimbabwe. Thus, a larger gap implies that the country is further away from the frontier.

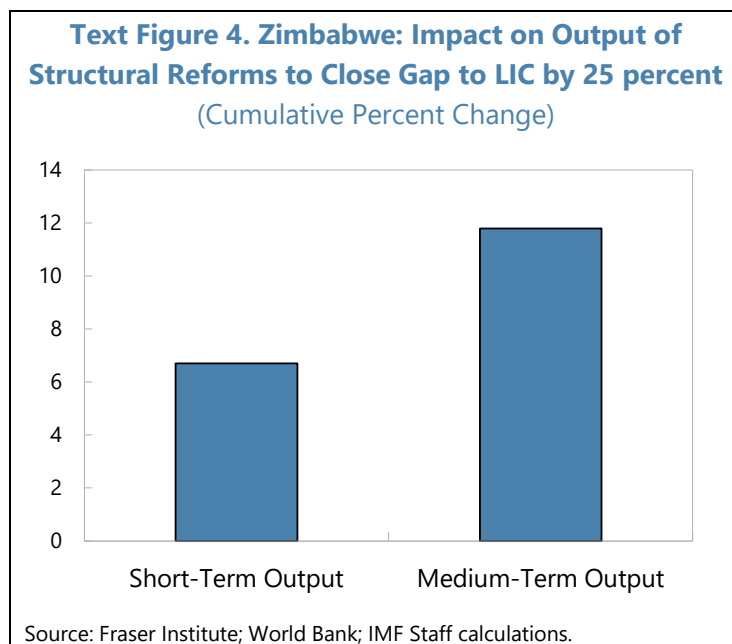
Text Table 1. Zimbabwe: Definitions of Structural Indicators

Structural Indicator	Definition
Governance	Measures the perception of the quality of governance along six dimensions: voice and accountability, rule of law, political stability, government effectiveness, regulatory quality, and control of corruption.
External sector	Measures the degree of trade and financial openness along four main dimensions: tariff and non-tariff barriers, exchange rate flexibility and constraints of the movement of physical and human capital (such as capital controls, travel restrictions).
Business regulation	Measures the degree to which regulation and bureaucratic procedures restrain entry and reduce competition. This indicator also captures the presence of impartial public administration.
Credit market regulation	Measures the extent to which credit is supplied to the private sector, the presence of interest rate controls, and the extent to which the banking industry is privately owned.
Labor market regulation	Measures the degree of flexibility of hiring and firing regulation, and centralized collective bargaining.

Sources: World Bank and Fraser Institute.

3. Focused structural reforms could significantly boost growth. We estimate the growth impact of a package of first-generation reforms to close 25 percent of Zimbabwe’s structural gaps relative to the LIC frontier. The analysis focuses on reforms to business regulation, the external

sector, credit markets, and overall economic governance, using data for around 50 LICs and nearly 80 emerging market economies over the period 2000–20. The estimation follows IMF (2023), employing the local projection method proposed by Jordà (2005)² to estimate the dynamic macroeconomic effects controlling for other factors that could influence the estimates. Results suggest that closing 25 percent of Zimbabwe’s 2022 first-generation structural gaps could boost output by up to 6.7 percent in the short run and up to 11.8 percent over the medium term³ (Figure 4), and by an additional 2.7 percent if credit reforms are included.



² Jordà, Òscar. 2005. "Estimation and Inference of Impulse Responses by Local Projections." AER 95 (1): 161–182.

³ IMF 2023 *Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies*

Annex IV. Data Issues

Table 1. Zimbabwe: Assessment for Surveillance
Data Adequacy Assessment Rating ^{1/}

C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	C	C	C	C	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	C	C		
Granularity 3/	B		C	B	C		
			B		C		
Consistency			C	C		C	
Frequency and Timeliness	B	B	B	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. While the quality of data provided is usually sufficient, there are issues with the coverage and consistency, timeliness and frequency has improved in recent months. Until the introduction of the new currency, while CPI data is consistently provided, it was a measure of blended inflation - a mix of US dollar and Zimbabwe dollar inflation - instead of pure Zimbabwe inflation. After the introduction of the new currency, CPI data based on only ZiG prices has started to be reported and published as an analytical series. The blended CPI continues to be compiled and disseminated as the headline inflation rate for Zimbabwe. Monetary data provides sufficient coverage in the central bank and other depository surveys but could provide additional coverage to other financial corporations given their significance in Zimbabwe (TA by STA in 2023) and could compile and publish missing FSI data which are based on the 2019 FSI Guide methodology. Reflecting transactions outside PFMS, lack of data for SOEs, absence of details for legacy debt, fiscal risks from SOEs are large and have a high probability of materialization. Additionally, there are large and persistent errors and omissions which undermine the data quality for external sector statistics. Furthermore, gaps in the IIP and financial account, and the loss of experienced staff affects the consistency of the BoP compilation.

Changes since the last Article IV consultation. Timeliness and frequency across all the macro statistics has improved compared to the previous Article IV consultation. New revised GDP estimates were provided during the mission based on National Economic Census (NEC) which was carried out for 2023 and with support from STA. The revised estimates were published at the end of June. There have also been some improvements in the monetary statistics such as including ZiG/FX currency split to some (but not all) of the monetary survey categories.

Corrective actions and capacity development priorities. Recent CD provided by STA in National accounts helped the authorities to produce revised GDP estimates. Additional support will be provided in rebasing their GDP. Support was also provided for the coordinator in data standards to enable him to submit the required data on the available platform. CD is also planned within this year in the areas of wage bill management, SOE risk profiling and monitoring, Government Finance statistics and Public sector debt statistics to help the authorities address PFM issues.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. During the mission revised GDP estimates were submitted. The revised estimates were used in the article IV consultation discussions. The authorities have also started providing CPI in the local currency for the recently introduced ZiG.

Other data gaps. To ensure the data have a consistent time series, the IMF Statistics Department (STA) stands ready to assist authorities to review the compiled data based on the new currency introduced in April 2024.

Table 2. Zimbabwe: Data Standards Initiatives

Zimbabwe participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since March 2023.

Table 3. Zimbabwe: Table of Common Indicators Required for Surveillance
As of July 22, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Zimbabwe ⁸	Expected Timeliness ^{6,7}	Zimbabwe ⁸
Exchange Rates	15-May-25	15-May-25	D	D	D	30	...	30
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	May-25	July. 2025	M	M	M	30	1M	30
Reserve/Base Money	May-25	July. 2025	M	M	M	30	2M	30
Broad Money	May-25	July. 2025	M	M	M	30	1Q	30
Central Bank Balance Sheet	May-25	July. 2025	M	M	M	30	2M	30
Consolidated Balance Sheet of the Banking System	May-25	July. 2025	M	M	M	30	1Q	30
Interest Rates ²	Apr-25	May. 2025	M	M	M	30	...	30
Consumer Price Index	Apr-25	May. 2025	M	M	M	30	2M	5
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Apr. 2025	June. 2025	M	M	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Apr. 2025	June. 2025	M	M	Q	30	1Q	30
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Q1 2025	May. 2025	Q	I	Q	365	2Q	90
External Current Account Balance	Q4 2024	May. 2025	Q	I	Q	90	1Q	90
Exports and Imports of Goods and Services	Q4 2024	May. 2025	M	I	M	30	12W	30
GDP/GNP	Q4 2024	May. 2025	A	A	Q	365	1Q	270
Gross External Debt	Q4 2024	May. 2025	A	I	Q	365	2Q	90
International Investment Position	NA	NA	NA	NA	A	...	3Q	...

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex V. Implementation of Past IMF Advice

2024 Article IV Consultation Recommendations	Implementation Status
Monetary and Exchange Rate	
The RBZ should set the monetary policy stance to pursue the intermediate exchange rate target.	<i>Partially implemented.</i> The monetary policy stance has remained tight since the September 2024 devaluation with the objective of stabilizing the exchange rate, but the current framework continues to have several operational shortcomings (Section C).
The RBZ should consider adjusting the monetary policy stance to boost the attractiveness of the ZiG, and a further tightening of liquidity conditions may be appropriate.	<i>Partially implemented.</i> The monetary stance has been tight, but the liquidity management through Non-Negotiable Certificates of Deposits (NNCDs) does not support market development and demand for ZiG, and ZiG usage remains limited.
Establish a well-functioning FX market requires: (1) identifying remaining impediments (including the WBWS market) and reforming it to facilitate price discovery; (2) reviewing surrender requirements (potentially channeling them directly to the market to make it more liquid); and (3) adjusting an intervention strategy and procedures accordingly (regular FX auctions could enhance the system's transparency).	<i>Ongoing progress.</i> The authorities repealed Statutory Instrument 81A and issued consolidated guidelines to reduce restrictions on FX transactions. They expressed reservations about phasing out the surrender requirement. Further efforts are required to implement an FX intervention strategy aimed at mitigating excess and undue volatility.
Gradually phase out the use of NNCDs and develop indirect monetary instruments. This should be accompanied by liberalizing credit regulations (including interest rate restrictions) and developing financial markets.	<i>Not implemented.</i> The RBZ plans to start remunerating NNCDs.
Fiscal, Debt, and SOEs	
Strengthen the mining tax law and administration (that could over time bring additional ½-¾ percent of GDP).	<i>Partially implemented.</i> The 2025 budget introduced measures on (1) methodology for Determination of Mineral Royalties; (2) royalty on Quarry Stones and Coal; and (3) deemed Date of Sale of Minerals.
Given informality, additional revenue efforts should focus mainly on broadening the tax base, building on progress in the performance of customs and administrative improvements (stemming mostly from the recent rollout of the new Tax and Revenue Management System)	<i>Partially implemented.</i> The 2025 budget extended relief to taxpayers and incorporated Micro and Small Enterprises (MSE) into the tax base to promote taxpayer compliance. It also extended the Virtual Focalization System for the VAT taxable transactions to MSE.

2024 Article IV Consultation Recommendations	Implementation Status
Fiscal, Debt, and SOEs (continued)	
Rationalize employment costs	<i>Not implemented.</i>
Debt management—consider developing a comprehensive plan to address the newly contracted debt and the transferred QFO-related liabilities previously serviced by the RBZ	<i>Ongoing progress.</i> The authorities have approached the lenders for debt reprofiling (payment moratorium, deferral of collateralized debt; etc.).
Confine Mutapa’s activities to clearly defined objectives aligned with the National Development Strategy NDS1 (2021-2025).	<i>No change.</i>
Mutapa’s annual operating budget, capital investment, asset sales, and borrowing plans should be subject to approval by MoFEDIP. Individual borrowing proposals and requests for public guarantees should also be approved by MoFEDIP. Some of these requirements are already in place (in the Public Finance Management Act and in the Public Debt Management Act),	<i>No change.</i>
To reduce risks emanating from SOEs, fiscal responsibility legislation could also be considered, with the focus on strengthening procedural and transparency rules to improve the monitoring and control of all relevant fiscal (and quasi-fiscal) operations of the public sector	<i>No change.</i>
Financial	
Complete the formulation of the regulation to align with the Basel III Capital Standards and prioritize the (underlying) tasks to optimize the usage of resources and operationalize in key areas to align with international best practice	<i>Ongoing progress.</i> Several FSSR recommendations have been implemented. The alignment with Basel III capital standard needs further refinement in RBZ’s capital regulations.
Governance	
Tackle the remaining AML/CFT weaknesses, in line with FATF standards, to improve risk-based supervision of AML/CFT regulated sectors, implementation of an electronic register for beneficial ownership, and a risk-based approach.	<i>Ongoing progress.</i> Efforts to implement an electronic register and to improve off-site supervision tools are ongoing but need to be sped up. The authorities have completed their 3rd National Risk Assessment.
Implement the recommendations of the National Anti-Corruption Strategy (NACS) and the 2020 IMF governance diagnostics report.	<i>Partially implemented.</i> There has been some progress in implementing the NACS and the 2020 IMF governance diagnostics report. The AML/CFT framework has helped enhance identification and verification of beneficial ownership information.



ZIMBABWE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION — DEBT SUSTAINABILITY ANALYSIS

August 11, 2025

Approved by
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Prepared jointly by the staff of the International Monetary Fund (IMF) and International Development Association (IDA), in consultation with the authorities, using the debt sustainability framework for low-income countries approved by the Boards of both institutions.

Risk of external debt distress	In debt distress
Overall risk of debt distress	In debt distress
Granularity in the risk rating	Unsustainable
Application of judgement	No

Zimbabwe's debt remains unsustainable and assessed to be in "external and overall debt distress".¹ Significant arrears are owed to multilateral and official bilateral creditors, which stands as an obstacle to its path towards official concessional financing and market access. Most indicators regarding the external and total public debt continue to breach the indicative thresholds in both the baseline and shock scenarios throughout the medium term. Restoring debt sustainability requires (i) fiscal discipline that restrains further accumulation of debt; (ii) transparently embarking on a credible plan to clear arrears to multilateral creditors; and (iii) reaching an agreement with bilateral official and other creditors on a comprehensive treatment of Zimbabwe's external debt. Sustained implementation of sound macroeconomic policies, growth-friendly monetary and fiscal policy reforms, along with governance and structural reforms that focus on improving Zimbabwe's competitiveness, will help restore macroeconomic stability, set the stage for sustainable long-term growth, and build a policy track record required for debt relief.

¹ Zimbabwe has a Composite Indicator (CI) score of 2.06 based on the April 2025 WEO and the World Bank's 2023 CPIA data vintages. This corresponds to a "weak" debt carrying capacity for Zimbabwe, which is the same classification as under the previous DSA.

BACKGROUND ON DEBT

1. Zimbabwe's public and publicly guaranteed (PPG) debt stood at 72.9 percent of GDP at end-2024 (Text Table 1).² While declined as percent of US\$ GDP, the total debt stock reached US\$23.3 billion at end-2024 up from US\$21.2 billion at end-2023. The increase was primarily driven by (i) the inclusion of the outstanding stock of the SDR allocation equivalent to US\$870 million on-lent from the RBZ to the Treasury used to meet financing needs during 2021-24, and (ii) the accumulation of domestic arrears amounting to US\$1.1 billion, reflecting previously unreported outstanding stock that the authorities certified in the context of preparing a repayment plan.

2. Zimbabwe has been accumulating external arrears to its creditors since the early 2000s, now estimated at US\$7.4 billion. The bulk of the external arrears are owed to Paris Club creditors (53 percent) and multilateral creditors (35 percent). Arrears to non-Paris Club creditors are also rising, now around 11 percent of the total external arrears. Although arrears to the IMF's PRGT were cleared in 2016, arrears to other multilateral creditors continue to pile up and have reached US\$1.5 billion to the World Bank, US\$657 million to the African Development Bank, and US\$418 million to the European Investment Bank by the end of 2024. The arrears to commercial creditors are estimated at US\$47.4 million at the end of 2024 as the authorities suspended some of the payments and are in negotiations with some creditors for a debt moratorium. In a bid to signal its commitment towards reengagement with creditors, Zimbabwe resumed token payments in 2021 and made US\$50.6 million token payments to its multilateral creditors, 16 Paris Club (PC) creditors, China, and other creditors in 2024. The authorities set up a high-level Structured Dialogue Platform to engage with donors and creditors on a coordinated approach to facilitate reengagement with the international creditor community and seek debt relief.

3. The composition of Zimbabwe's debt is concentrated within official sector creditors—with official bilateral creditors holding 37 percent and multilateral creditors holding 16 percent of the total public external debt. Out of the US\$6.2 billion outstanding to bilateral creditors, Paris Club creditors account for 65 percent. Almost all the outstanding debt (98 percent) to Zimbabwe's 16 Paris Club creditors are in arrears. The 35 percent balance to bilateral creditors is owed to non-Paris Club creditors, primarily China, with an outstanding obligation plus arrears of around US\$2 billion, the largest single creditor by far. Commercial creditors, particularly Afreximbank, and legacy debt from past policy reforms account for the balance of the debt (some of the external loans are collateralized on the proceeds from mineral exports).

² The DSA is based on the revised official GDP figures published in June 2025 (see paragraph 11).

Text Table 1. Zimbabwe: Public and Publicly Guaranteed Debt, 2024 ^{1/}

	Arrears and Penalties		Total	% of GDP	% of Total	Total	% of GDP	% of Total
	DOD							
	US\$ millions; as of end-2024					US\$ millions; as of end-2023		
Total public debt	13,552	9,642	23,194	78.1	100	21,180	76	100
External	8,336	8,409	16,745	56.4	72.2	16,538.2	59.7	78.1
Multilateral creditors	162.4	2,598.9	2,761.2	9.3	11.9	2,751.1	9.9	13.0
o/w IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank (IBRD + IDA)	83.0	1,503.2	1,586.2	5.3	6.8	1,556.9	5.6	7.4
AfDB (ADB + ADF)	19.5	656.9	676.4	2.3	2.9	693.5	2.5	3.3
EIB	6.8	418.4	425.3	1.4	1.8	434.9	1.6	2.1
Other Multilaterals	53.0	20.4	73.4	0.2	0.3	65.7	0.2	0.3
Bilateral Creditors	1,450.7	4,758.7	6,209.4	20.9	26.8	6,235.0	22.5	29.4
Paris Club	54.8	3,952.2	4,007.0	13.5	17.3	4,110.1	14.8	19.4
o/w Germany	28.4	951.8	980.2	3.3	4.2	1,012.9	3.7	4.8
o/w France	1.2	843.6	844.8	2.8	3.6	863.5	3.1	4.1
o/w United Kingdom	0.0	459.2	459.2	1.5	2.0	463.8	1.7	2.2
Non-Paris Club	1,395.8	806.5	2,202.4	7.4	9.5	2,124.9	7.7	10.0
o/w China	1,319.2	773.8	2,093.0	7.1	9.0	2,015.6	7.3	9.5
o/w India	73.8	8.1	81.9	0.3	0.4	81.7	0.3	0.4
o/w South Africa	0.0	24.4	24.4	0.1	0.1	24.4	0.1	0.1
Commercial creditors	991.0	1,051.4	2,042.4	6.9	8.8	393.2	1.4	1.9
o/w Afrexim	300.0	1,045.4	1,345.4	4.5	5.8	372.2	1.3	1.8
o/w TDB/PTA	691.0	6.0	697.0	2.3	3.0	20.9	0.1	0.1
o/w Other commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legacy debt	5,732.0	0.0	5,732.0	19.3	24.7	7,159.0	25.9	33.8
Former farm owners	3,500.0	0.0	3,500.0	11.8	15.1	3,500.0	12.6	16.5
RBZ Debt	2,232.0	0.0	2,232.0	7.5	9.6	3,659.0	13.2	17.3
o/w Assumed by Treasury	2,232.0	0.0	2,232.0	7.5	9.6	2,156.0	7.8	10.2
o/w Afreximbank	1,010.7	0.0	1,010.7	3.4	4.4	1,010.7	3.7	4.8
Others (outstanding blocked funds)	0.0	0.0	0.0	0.0	0.0	1,503.0	5.4	7.1
Domestic debt	5,216.5	1,232.8	6,449.3	21.7	27.8	4,641.7	16.8	21.9
T-Bills	195.5	139.3	334.8	1.1	1.4	359.8	1.3	1.7
T. Bonds	5,021.0	9.9	5,030.8	16.9	21.7	4,177.2	15.1	19.7
o/w Issued for Blocked Funds	1,896.6	0.0	1,896.6	6.4	8.2	1,205.6	4.4	5.7
o/w Other issuances	3,124.4	0.0	3,124.4	10.5	13.5	2,971.6	10.7	14.0
Arrears to service providers	0.0	1,083.7	1,083.7	3.7	4.7	104.6	0.4	0.5
Memo items						0.0	0.0	0.0
Collateralized debt	1,310.7		1,310.7	4.4	5.7	1,382.9	5.0	6.5
Contingent liabilities			-		-		0.0	0.0
Nominal GDP			45,718.8			44,446.6	0.0	0.0
ZWL\$ per US\$ (eop)			25.8			2.4	0.0	0.0
ZWL\$ per US\$ (avg)			16.7			1.5	0.0	0.0

Sources: Zimbabwe Public Debt Management Office and IMF staff estimates.

^{1/} Compensation for former farm owners and blocked fund liabilities are classified as external debt in the DSA while the authorities classify them as domestic debt.

4. The fast-paced accumulation of domestic public debt in 2023 exacerbated overall public debt vulnerabilities, negatively impacting domestic capital markets. The share of domestic debt in total public debt climbed significantly from 9 percent in 2022 to 28 percent in 2024 largely driven by the substantial US\$2.85 billion treasury bond issuance in 2023 used to on-lend for asset purchases to the Mutapa Investment Fund and to settle some past US\$ commitments of the RBZ. The concentration of the bonds issued in 2023 among domestic banks and a single major private asset manager, with minimal participation by other non-bank financial institutions (pensions funds, insurance companies, and the social security fund), raises concerns about financial sector vulnerability due to the high banks-sovereign nexus and the potential for crowding out private sector lending and real investments. Moreover, the overall domestic debt burden has increased sharply, compounded by continued reliance on high-cost, short-term domestic financing given limited other financing sources. The government has more recently partially reprofiled domestic debt obligations, temporarily suspending servicing treasury bonds related to blocked funds (see below), RBZ, Fidelity Gold Refinery and RBZ printing and minting. This, together with an accumulation of arrears to suppliers, signals a further tightening of financing constraints and a deterioration in the government's debt servicing capacity.

5. Hangovers from past policy decisions created legacy debt that continue to weigh heavily on the debt burden—one arising from external borrowing through the RBZ to finance QFO-related spendings, one from the 2019 currency reform act (known as blocked funds), and another from the land reform act of the early 2000s.

- Regularizing previous RBZ quasi-fiscal operations by transferring them to the Treasury amounted to about 5 percent of GDP in assumed debt for the central government.** External FX liabilities, mainly from the consolidated Afreximbank loans on-lent to the treasury by the RBZ, among others, have now been transferred to the fiscus. The transfer represents an important step to restore fiscal discipline and plug in the sources of macroeconomic instability. However, the cost of servicing the QFO-related debt and additional T-bonds issued to on-lend to the Mutapa Investment Fund has deepened the debt burden.
- A Global Compensation Deed between the government and former farm owners has created a large unfunded liability.** In the early 2000s, a challenging process triggered land reform with the issuance of a presidential decree to amend the Land Acquisition Act and allow the government to assume immediate ownership of land targeted for acquisition and issued orders for owners to vacate farms. Starting in the early 2010s, the government recognized the need to find a durable solution to land tenure security, though the progress on this front has been slow. In July 2020, the government and former farm owners reached agreement over a global compensation for land improvements of US\$3.5 billion. Government proposals on the payment schedule to the former farm owners were rejected by the group, posing an obstacle to the reengagement process as key creditor groups have listed resolution of the land governance issue as a precondition for reengagement. About one-third (1,300) of the former farm owners are negotiating with the government to sign individual agreements for their compensation through the issuance of US\$ Treasury bonds, ranging from 2 to 10 years. In April 2025, Zimbabwe paid US\$3.1 million—allocated from the 2025 budget as debt service—to a “first batch” of 378 farms. The remainder of the US\$311 million due to this group of farmers will be paid in US\$ treasury bonds with 2- to 10-year maturities and interest of 2 percent.
- Another legacy liability arose from the authorities’ commitments to fully compensate accredited stakeholders for losses incurred during the 2019 currency reform.** Following the currency conversion in early 2019, the RBZ announced that it would compensate stakeholders for losses on cash flows generated in Zimbabwe that could not be repatriated due to FX shortages, estimated at US\$3.8 billion. The transfer of these losses—known as “blocked funds”—from the RBZ and the private sector to the central government was approved by Parliament in December 2021 following two separate verifications by RBZ and the Ministry of Finance. However, the verification exercise continued after the initial approved sum by parliament and some additional claims have been recognized by the authorities. Treasury bonds issued to blocked funds claimants currently stood around US\$1.9 billion, including the April 2024 issuances to regularize obligations with the Trade and Development Bank (TDB) totaling US\$691 million. The authorities have been making payments for blocked funds using a combination of cash payments and the redemption/discounting of zero-coupon bonds with

maturity ranging from 3 to 20 years. There remains an outstanding unfunded liability of about US\$800 million on blocked funds for which the authorities have not issued any bonds nor provided a credible plan to extinguish (discussions to restructure some are currently ongoing).

6. Owing to its arrears to bilateral and multilateral creditors, Zimbabwe has limited access to official financing, and its path to debt relief is uncertain.³ Reengagement with the international community and a comprehensive debt treatment are required to restore debt sustainability. The authorities have expressed a renewed commitment to reengage with the international community under the Structured Dialogue Platform (SDP) and have recently engaged financial and legal advisors to help prepare an updated debt restructuring strategy and assist in the discussions with creditors on reprofiling debt obligations, which is not currently sufficient to restore sustainability. The international creditor community has stressed the need for both economic reforms (to be assessed through successful completion of Staff Monitored Program(s) with the IMF) and political-governance reforms, along with the resolution of the land reform compensation issues as prerequisites to advance reengagement.

DEBT COVERAGE

7. The public debt coverage includes public and publicly guaranteed (PPG) debt of the central government, the central bank, and some state-owned enterprises (SOEs) (Text Table 2). While monitoring of SOEs' finances is improving, debt transparency remains a concern. The authorities have published key documents to enhance reporting, including the Medium-Term Debt Management Strategy (2022–25), the 2023 Public Debt Bulletin, and the Arrears Clearance, Debt Relief, and Restructuring strategy. Despite progress reconciling, transferring, and reporting on quasi-fiscal operations by the RBZ and some SOEs, further efforts are needed to improve SOE reporting in the budget and fiscal risk statements, including for the Mutapa Investment Fund. The World Bank is providing capacity building and technical support to SOEs, focusing on commercial entities under Mutapa Investment Fund. Support includes training on debt recording, standardized reporting templates, and International Public Sector Accounting Standards (IPSAS)-compliant financial reporting. The Bank has also recommended establishment of a comprehensive database of government guarantees and is assisting Mutapa Investment Fund in developing a digital dashboard for financial performance tracking. Strengthening implementation of the Public Debt Management Act, especially the requirement for SOEs to submit financial statements and borrowing plans for approval, remains critical for effective fiscal risk monitoring and reporting.

³ Zimbabwe maintains access to financing from non-Paris Club official bilateral creditors.

Text Table 2. Zimbabwe: Coverage of Public Sector Debt

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Sources: Zimbabwe authorities and IMF staff estimates and projections.

8. The external DSA covers the central government debt, the RBZ's external debt, and private external debt. Debt is measured on a gross basis and the residency criterion is used to distinguish domestic and external debt. Two sources of legacy debt—one arising from blocked funds for which the authorities have not issued any bonds and the other from the Global Compensation Deed —are also included as part of the external debt stock. This follows an agreement between World Bank and IMF staff to record these two liabilities under external debt stock for the purpose of the DSA, given that they are denominated in U.S. dollars and in the absence of clear financing sources and detailed information about the current residency of the holders of the farmers' compensation claims and the blocked funds.

9. A combined contingent liability stress test is undertaken to reflect potential additional liabilities not captured in the baseline debt coverage⁴ (Text Table 3). The contingent liability stress test consists of:

- *1 percent of GDP.* For elements of general government debt not directly included in the debt stock—including low recovery rates on guarantees to the agricultural sector.⁵
- *2 percent of GDP.* The default shock to cover risks from unaccounted SOEs debt.⁶
- *4.1 percent of GDP.* Reflecting a default public-private partnership shock, based on the World Bank's PPP database.

⁴ Equivalent to 12.1 percent of GDP, to account for risks from other unaccounted elements of public sector debt, SOE debt, PPPs, and financial market risks.

⁵ There are different types of guaranteed schemes where the government is exposed to: (i) bank credit lines to finance agriculture and other activities; and (ii) the public Horticulture Fund, which facilitates credit to farmers through the financial system. There is an ongoing effort from the Ministry of Finance and Economic Development to further identify the nature of risks faced by the government and to improve the reporting on the flows and costs of guaranteed schemes.

⁶ The reversion to the default value of 2 percent (from 5.9 percent in the previous DSA) reflects the inclusion of arrears to service providers in the total public debt stock (see Text Table 1).

- *5 percent of GDP.* To capture risks that may arise from the financial sector, the pre-defined default calibration is applied. Other relevant factors with financial sector implications include capital controls, and restrictions on FX transactions.

Text Table 3. Zimbabwe: Calibration of the Standard Contingent Liability Shock

1 The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	1.0	To capture large guarantees to the agriculture sector
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	4.1	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		12.1	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Sources: Zimbabwe authorities and IMF staff estimates and projections.

BACKGROUND ON MACRO FORECASTS

10. Zimbabwe is experiencing a degree of macroeconomic stability, but the broader authorizing environment for further reform remains challenging. Real GDP growth fell to 2 percent in 2024 from 5.3 percent in 2023 due to a 15 percent drop in agricultural output from drought, reduced electricity production, and weaker platinum and lithium prices. Fiscal financing pressures have worsened despite improved revenue collection driven by a reduction in VAT tax reliefs, taxation of the COVID public servant allowance, increased fees and levies, and steps to reduce smuggling. However, rising spending needs, particularly on wages, capital projects, and debt servicing, combined with limited financing, have led to the accumulation of nearly US\$600 million in domestic expenditure arrears in 2024. After loose liquidity conditions and rapid expansion of the ZiG monetary base had led to a sharp drop in the value of ZiG in September 2024, the RBZ implemented tighter monetary policies, including halting monetary financing, raising reserve requirements and policy rates, and restricting Non-Negotiable Certificates of Deposit (NNCD) liquidations, which helped stabilize the exchange rate and reduce monthly inflation to 0.3 percent by June 2025. The parallel exchange rate premium has narrowed but remains elevated at around 30 percent, reflecting exchange restrictions and low monetary policy credibility, as further evidenced by high levels of dollarization.

11. The macro forecasts in the DSA are consistent with the baseline macroeconomic framework under Zimbabwe's 2025 Article IV consultation.

- The DSA is based on the revised GDP figures published in June 2025. The revision follows the completion of an economic census by the Zimbabwe National Statistics Agency, which provided a more comprehensive assessment of the country's economic activity. The updated GDP series, covering the period from 2019 onward, led to a significant upward revision of nominal GDP levels. As a result, relative to previous DSAs, key macroeconomic and debt indicators expressed as ratios to GDP declined substantially (Text Table 4). At end-2024, using the previous GDP series, total PPG debt, external debt, and domestic debt would reach 101.8 percent of GDP, 73.2 percent of GDP, and 28.6 percent of GDP, respectively—significantly higher than the revised ratios of 72.9 percent, 52.5 percent, and 20.5 percent of GDP, respectively, under the updated GDP series.

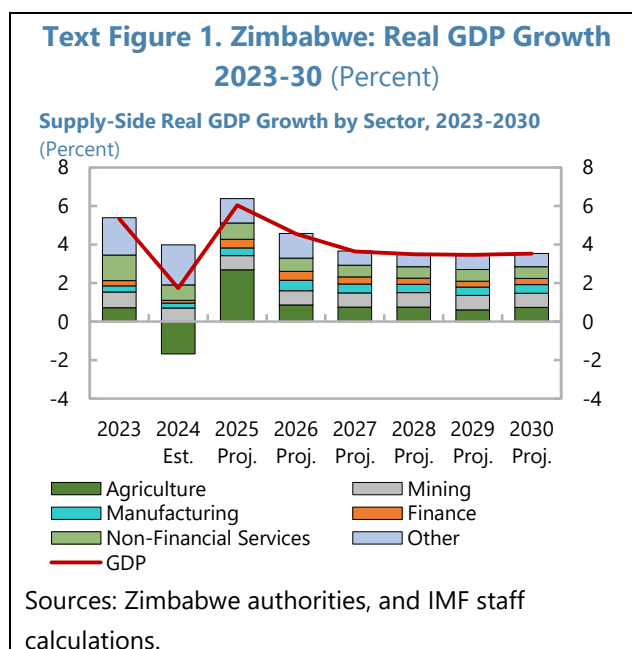
- The projections assume that the RBZ remains committed to stabilizing ZiG contributing to relatively low and stable inflation and moderate re-monetization. Yet, without a decisive fiscal adjustment, pressures persist, resulting in continued domestic and external arrears accumulation (added to debt stock).
- Growth projections are broadly similar to the previous DSA. Growth is supported by better macroeconomic stability, favorable terms of trade, stable remittances, and continued expansion in mining and tourism sectors. Without a comprehensive solution to address fiscal pressures, medium-term growth prospects remain subdued, with potential growth at 3.5 percent (Text Figure 1).
- The current account balance is estimated to be 1.1 percent of GDP in 2024 and is projected to fluctuate moderately with a surplus between 1 and 2 percent of GDP over the medium term, reflecting gold (the main exports of Zimbabwe) and other export commodity prices and a stable remittance inflow.
- The primary fiscal balance is projected to improve gradually over the medium term. While expenditure is expected to remain broadly stable, revenues are projected to rise from 12.9 percent of GDP in 2024 to 14.7 percent of GDP in 2025 before stabilizing at around 15.1 percent of GDP over the medium term. This represents an upward revision from the previous DSA due to strong revenue collection in 2024 and new measures introduced this year aimed at sustaining performance.

Table 4. Zimbabwe: Macroeconomic Framework

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual			Proj			Proj		
Real GDP (growth)									
Current DSA	6.1	5.3	1.7	6.0	4.6	3.6	3.5	3.5	3.5
Previous DSA (July 2024)	6.1	5.3	2.0	6.0	4.5	3.5	3.5	3.5	
Inflation, average (percent)									
Current DSA	193.4	667.4	736.1	89.0	18.2	10.1	8.0	8.0	8.0
Previous DSA (July 2024)	193.4	667.4	635.3	23.6	8.0	5.8	5.1	5.1	
Inflation, e.o.p. (percent)									
Current DSA	243.8	778.8	686.8	30.7	12.7	8.0	8.0	8.0	8.0
Previous DSA (July 2024)	243.8	778.8	407.8	9.7	6.6	5.1	5.1	5.1	
Primary balance, based on DSA (percent of GDP) ^{1/}									
Current DSA	-0.9	-9.2	0.2	-0.1	0.2	0.3	0.2	0.2	0.1
Current DSA (previous GDP)	-1.4	-11.6	0.2	-0.1	0.3	0.4	0.3	0.2	0.1
Previous DSA (July 2024)	-1.5	-15.0	-3.6	-0.4	-0.5	0.3	0.7	1.0	
Revenues and grants (percent of GDP)									
Current DSA	11.1	11.6	12.9	14.7	15.0	15.1	15.1	15.1	15.1
Current DSA (previous GDP)	16.6	14.6	18.1	20.5	20.9	21.1	21.1	21.1	21.1
Previous DSA (July 2024)	16.6	14.6	15.6	15.9	16.2	16.5	16.8	17.0	
Current account (percent of GDP)									
Current DSA	0.6	0.3	1.1	1.9	1.7	1.5	1.7	1.8	1.4
Current DSA (previous GDP)	0.9	0.4	1.5	2.7	2.4	2.1	2.4	2.6	2.0
Previous DSA (July 2024)	0.9	0.4	-0.3	0.4	0.7	0.8	0.9	1.1	
Non-interest current account (percent of GDP)									
Current DSA	1.4	1.2	1.8	4.1	4.5	4.5	4.6	4.5	4.0
Current DSA (previous GDP)	2.0	1.5	2.5	5.8	6.3	6.3	6.4	6.3	5.6
Previous DSA (July 2024)	2.0	1.4	0.7	1.2	1.4	1.4	1.4	1.6	
Exports of goods and services (growth)									
Current DSA	13.4	2.0	8.5	19.5	8.2	4.4	3.4	2.8	3.0
Previous DSA (July 2024)	13.4	2.0	1.8	7.8	5.8	4.4	4.6	5.6	
FDI (percent of GDP)									
Current DSA	0.7	1.4	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Current DSA (previous GDP)	1.0	1.7	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Previous DSA (July 2024)	1.0	1.6	1.1	1.1	1.1	1.1	1.1	1.1	
Reserves (months of imports)									
Current DSA	0.7	0.1	0.5	0.9	1.2	1.5	1.9	2.4	2.7
Previous DSA (July 2024)	0.8	0.1	0.3	0.3	0.3	0.3	0.3	0.3	

Sources: Zimbabwean authorities and IMF staff estimates.

^{1/} The actual primary balance used in the DSA includes (i) estimates of SOE expenditures and (ii) is net of the residual financing gap. As such, it is different to the one which appears in the baseline macroframework



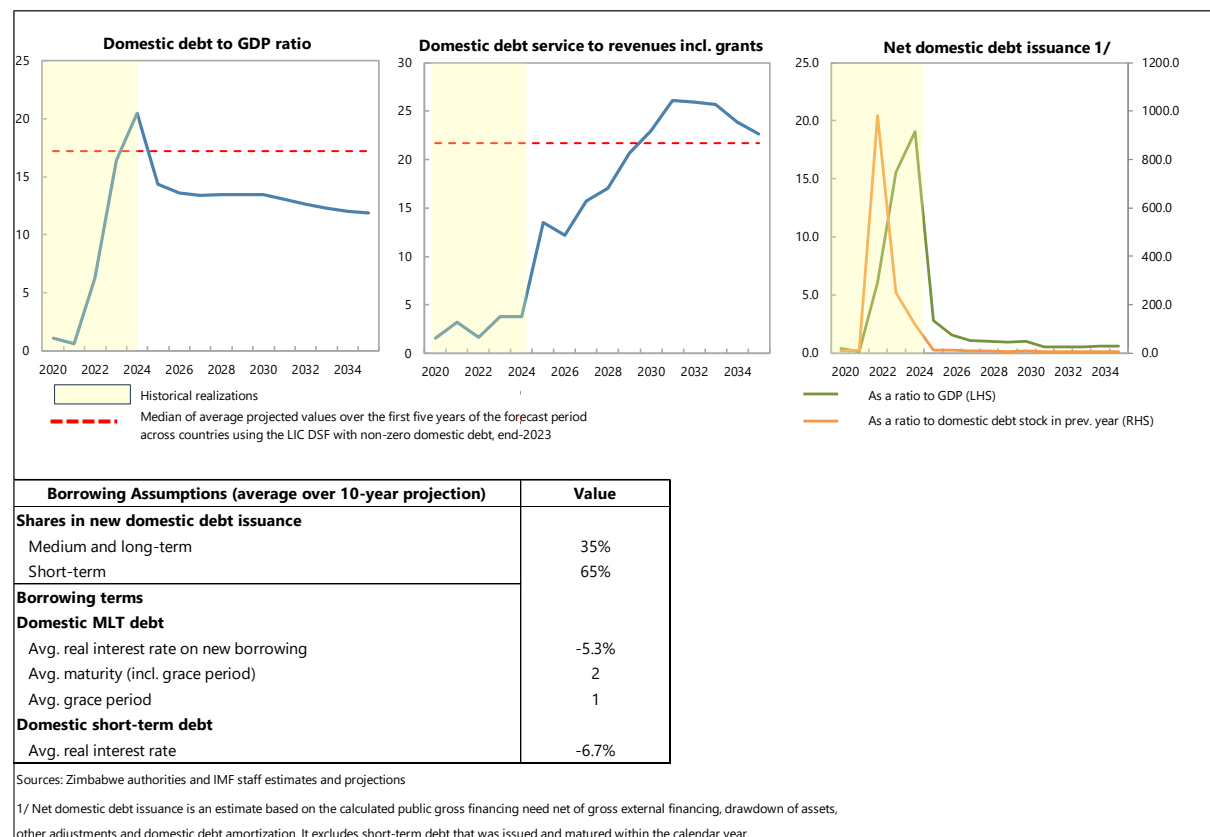
12. The financing assumptions reflect those in the authorities' Medium-Term Debt Management Strategy.

Most external debt service is assumed to be financed through (i) further arrears accumulation with the exception of the token payments to IFIs, Paris Club creditors, China and India; (ii) loans with BADEA, Kuwait, IFAD and OPEC Fund (a small portion relative to arrears); and (iii) collateralized part of external commercial borrowing. Beyond this, the domestic financial markets would constitute the primary source of budget financing, as access to external financing remains constrained due to external arrears and the distressed debt sustainability rating. The DSA assumes that (i) US\$-denominated domestic bonds related to blocked funds, RBZ, Fidelity Gold Refinery and RBZ printing and minting are not serviced for two years as part of a partial reprofiling of domestic debt obligations but are rolled over at maturity afterwards, and (ii) the budget deficit will be financed through the disbursement of the existing external loan of US\$30.4 million from Kuwait, IFAD, and the OPEC Fund, and in the domestic debt market. The strategy assumes that the bulk of the residual financing needs will be met by accumulation of domestic arrears and the rest by financing from the domestic markets, with 30 percent denominated in ZiG, while the balance would be in USD reflecting the higher share of T-bills/bond issuances in USD.

13. Zimbabwe's domestic debt is expected to decline steadily over the medium term, but pressures on domestic debt servicing would remain (Text Figure 2). After decreasing to 14.4 percent of GDP in 2025 from 20.5 percent in 2024, reflecting mainly average and end-of-period exchange rate dynamics, domestic debt is expected to gradually fall to 12 percent by 2035. The projected reduction is driven by higher GDP levels, even as domestic debt continues to rise in nominal terms. The higher revised GDP impacted the domestic debt-to-GDP ratio trajectory compared to the previous DSA: under the previous GDP series, the domestic debt trajectory would have remained above the peers' median benchmark of 17.2 percent of GDP over the medium term. The domestic debt service-to-revenue ratio (including grants) is projected to rise through 2031,

crossing above the peers' median benchmark of 22 percent by 2030, before declining thereafter, indicating further worsening in the government's debt servicing capacity.

Text Figure 2. Zimbabwe: Indicators of Domestic Public Debt, 2020–34



14. Risks to the baseline scenario are tilted to the downside. Policy space is limited to respond to external shocks from commodity price volatility, geoeconomic fragmentation, and climate change. Adverse climatic shocks would slow down energy and agricultural production. Furthermore, new fiscal risks that might emerge from the activities of the Mutapa Investment Fund, bailing out and recapitalizing ailing SOEs, and unsustainable budgetary and quasi-fiscal spending could exacerbate debt sustainability concerns. Upside risks over the medium to long term include expansion of mining capacity and exports aided by favorable commodity prices, successful reengagement with the international community, arrears' clearance, debt treatment, and the liberalization of the exchange rate that could reverse informality and, with restored confidence, attract private external financing.

15. The realism tools suggest that the underlying macroeconomic assumptions are broadly plausible. Apart from the unusually large size of the residuals reflecting stock-flow adjustments that put the unexpected changes of the drivers of debt below the 25th percentile of the distribution of LICs with DSA, the other realism and forecast error tools underlying the assumptions do not appear to raise red flags (Figures 3 and 4). The projected fiscal path is not skewed to the tail

of the historical distribution of comparator countries, and the projected growth for 2025 is slightly above the range of potential growth paths under various fiscal multipliers and persistence parameters (Figure 4). Differences in debt-to-GDP ratios between the current and the previous DSAs vintages are largely driven by exchange rate dynamics, particularly the divergence between average and end-of-period exchange rates relative to the previous year. In 2025, the public debt-to-GDP ratio is projected to decline, reflecting the stabilization of the exchange rate and a narrower gap between average and end-of-period exchange rates compared to 2024.

16. The gross financing sources in the stress test scenarios are consistent with the macroeconomic framework and the underlying debt structure. Specifically, all the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external medium- and long-term debt in the external DSA. These stress tests scenarios are merely illustrative as Zimbabwe's external financing sources are quite limited. The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests. In the public DSA, 30 percent of the additional financing needs resulting from the stress test are met by external medium- and long-term borrowing and the remainder is absorbed by the domestic debt market through issuances of ZiG and USD-denominated debt to resident holders. In the absence of international reengagement and debt relief, the gross financing needs may not be fully met. Uncertainty surrounding progress on international re-engagement, clearance of arrears, and the debt restructuring strategy implies that access to new external financing will remain constrained.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

17. Zimbabwe's debt carrying capacity continues to be classified as weak, and its composite indicator score has slightly improved to 2.06 from 1.87 in the previous vintage (Text Table 5). Based on calculations from the LIC-DSF composite indicator index (reflecting updates in World Bank's Country Policy and Institutional Assessment (CPIA) index, real growth rates, reserve coverage, remittances, and world growth), Zimbabwe continues to be rated as having a weak debt carrying capacity, using the April 2025 WEO updates and the 2023 World Bank CPIA vintages. As a result, the relevant indicative debt thresholds for countries with weak debt-carrying capacity as shown in Text Table 6 are applied.

18. The full range of standard stress tests are conducted for Zimbabwe, including stress tests on real GDP growth, the primary balance, exports, current transfers, foreign exchange (FX) depreciation, and the combination shock. The first four shocks are calibrated to the variables' lower historical average minus one standard deviation, or its baseline projection minus one standard deviation. The FX depreciation considers a nominal depreciation of 30 percent in line with the default setting for the shock for the first year of the projection, while the combination shock applies half the magnitude of the individual shocks in the second or third years of the projection period.

Two tailored stress tests are also conducted—the contingent liability stress test and the commodity price shock.

Text Table 5. Zimbabwe: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.987	1.15	56%
Real growth rate (in percent)	2.719	3.694	0.10	5%
Import coverage of reserves (in percent)	4.052	7.504	0.30	15%
Import coverage of reserves^2 (in percent)	-3.990	0.563	-0.02	-1%
Remittances (in percent)	2.022	6.173	0.12	6%
World economic growth (in percent)	13.520	2.973	0.40	20%
CI Score			2.06	100%
CI rating			Weak	

Debt Carrying Capacity	Weak
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Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.06	Weak 1.87	Weak 1.89

Sources: IMF staff estimates

Text Table 6. Zimbabwe: Debt Carrying Capacity and Applicable Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Sources: IMF staff estimates

DEBT SUSTAINABILITY AND RISK RATING

A. External Debt Sustainability Analysis

19. Zimbabwe’s external debt is assessed to be in distress and unsustainable. The PV of external debt-to-GDP in the baseline exceeds the indicative thresholds of 30 percent until 2028, and external debt-to-export ratios in the baseline exceed the indicative thresholds of 140 percent until 2030 (Figure 1). In addition, the protracted accumulation of substantial arrears to external creditors without the likelihood of any politically or socially feasible adjustment path that would allow authorities to meet all its current and future financial obligations renders the debt position unsustainable. External debt liquidity indicators (debt service-to-export ratio and debt service-to-revenue ratios) are within the relevant thresholds in the baseline partly because of the use of exceptional financing via arrears accumulation and the constrained access to new official external financing over the last two decades. Furthermore, due to the lack of clarity on the payment schedule for legacy debts such as the compensation to former farmers (the payment in 2025 to former farmers is included in debt service obligations) and blocked funds for which the authorities have not issued any treasury bonds, the liquidity indicators do not fully capture Zimbabwe’s future debt service obligations. Moreover, the treatment of arrears—which are capitalized to the stock but not add to debt service—underestimate PV and liquidity indicators relative to a scenario without exceptional financing via further arrears accumulation.

20. Standard stress test scenarios indicate that the debt burden indicators exceed their respective thresholds throughout the forecast horizon. The stress tests of the combined contingent liabilities and the primary balance shocks reflect the most severe impacts and show a worsening debt profile if the risks materialize (Figure 1). These results highlight the significant risks for further deterioration of debt burdens. The magnitude of the results suggests that in addition to fiscal consolidation and macro stabilization, a comprehensive debt relief package would be needed to restore Zimbabwe’s debt sustainability as favorable debt dynamics and fiscal consolidation would be insufficient to durably restore debt sustainability to moderate risk within a reasonable timeframe (Figure 1, Table 1).

B. Public Debt Sustainability Analysis

21. Under the baseline scenario, Zimbabwe’s overall public debt remains above the benchmark and assessed to be in distress and unsustainable. As a share of GDP, the PV of the overall public debt is projected to remain until 2034 above the 35 percent benchmark for countries with weak debt carrying capacity (Figure 2; Table 2). Total public debt (both domestic and external) is projected to remain elevated throughout the projection horizon with protracted arrears accumulation. The liquidity indicator on overall public debt, i.e., debt service-to-revenue ratio, is also elevated due to the impact of continuous high-cost, short-term domestic financing/refinancing that relies primarily on non-concessional domestic market financing (Figure 2).

22. Stress tests reinforce the debt assessment. Under stress tests, the PV of the debt-to-GDP ratio would remain above the indicative benchmarks over the projection horizon, while the PV of debt-to-revenue and the debt service-to-revenue ratio would remain much higher under the stress scenarios, particularly the growth and commodity prices shocks.

RESTORING DEBT SUSTAINABILITY

23. Restoring debt sustainability will require a balanced mix of fiscal consolidation, strengthened public debt management, growth-promoting structural reforms, and external arrears resolution, which will pave the way for new financing from multilateral creditors and contributions by bilateral official creditors toward restoring debt sustainability. Recent progress includes:

- The authorities' Structured Dialogue Platform set up in 2022 continues to hold meetings at the technical level to engage with creditors and stakeholders on economic and political reforms required for reengagement.
- The authorities have engaged financial and legal advisors to develop their arrears clearance and debt resolution strategy and facilitate discussions with creditors. A roadmap to clearing arrears to the International Financial Institutions (IFIs), including the World Bank, African Development Bank, and European Investment Bank, will be essential to facilitate an eventual debt resolution with official creditors, but would likely need to be supported by a bridge loan. While discussions on a potential bridge loan are ongoing, the authorities noted that creditors have called for an IMF Staff Monitored Program (SMP) to be in place before engaging on such financing. Staff indicated that the authorities' program that could be supported by an SMP would need to be broadly aligned with Article IV and recent capacity development advice. The authorities have also initiated discussions with key commercial creditors on debt payments moratoria. Successful implementation of a debt resolution strategy would also require a reconciliation of Zimbabwe's debt and the establishment of clear restructuring parameters.
- A strategy for engaging with official creditors on debt resolution will need to be clarified. It is not clear whether Zimbabwe would be eligible for a treatment under the existing frameworks, the G20 Common Framework or the Heavily Indebted Poor Countries (HIPC) Initiative, due to non-eligibility from protracted arrears to multilateral creditors (and, for HIPC, due to Zimbabwe's income exceeding the end-2004 and end-2010 criteria for IDA eligibility). However, as shown in other cases (e.g., Sri Lanka, Suriname), official creditors may be willing to provide an ad hoc treatment consistent with restoring debt sustainability in due course.

CONCLUSION

24. Zimbabwe's debt remains unsustainable and assessed to be in "external and overall debt distress". Most indicators regarding the external and total public debt continue to breach the indicative thresholds in both the baseline and shock scenarios throughout the medium term. Domestic debt has been increasing as a share of GDP due to increased local financing, even as new external borrowing remains constrained. The existence of significant arrears to multilateral and official bilateral creditors, compounded by difficulties with reprofiling collateralized external commercial loans, stands as an obstacle to a path towards the resumption of official financing and market access. Restoring debt sustainability requires a credible plan to clear accumulated arrears to multilateral creditors and reaching an agreement with other creditors on a comprehensive treatment of Zimbabwe's external debt, along with strengthened efforts to control fiscal risks, including improving the governance of the Mutapa Investment Fund. The continuous implementation of sound macroeconomic policies, growth-friendly monetary and fiscal policy reforms, along with governance and structural reforms that focus on improving Zimbabwe's competitiveness, will help to restore macroeconomic stability and set the stage for sustainable long-term growth that could build track record for debt relief. Legacy debt and unfunded liabilities, including a compensation agreement for displaced farmers, further aggravate the debt overhang. While obligations created by quasi-fiscal activities of the RBZ have now been transferred to the treasury, other materializing contingent liabilities pose additional fiscal risks to the government.

AUTHORITIES' VIEWS

25. The authorities broadly concurred with staff's assessment that public and external debt remain unsustainable and in distress. In light of constrained access to concessional financing, they emphasized the necessity of relying on non-concessional commercial borrowing and the domestic market, despite the unfavorable terms. They expressed satisfaction with the implementation of the Public Debt Management Act, noting that all borrowing, including by the Mutapa Investment Fund, is subject to oversight by the External and Domestic Debt Management Committee. Progress is being made on legacy debt, with treasury bonds issued to settle blocked funds and ongoing discussions to restructure remaining obligations. The authorities also highlighted the Structured Dialogue Platform as a central pillar of Zimbabwe's Arrears Clearance, Debt Relief and Restructuring Strategy, viewing it as a transparent and inclusive process to foster confidence in the debt resolution process, focusing on economic growth, governance reforms, land tenure issues, and compensation for former farm owners. They reiterated their commitment to these reforms and underscored the importance of a successful SMP in restoring access to external financing and achieving national development goals.

Table 1. Zimbabwe: External Debt Sustainability Framework, Baseline Scenario, 2022–44
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2044	Historical	Projections
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	77.4 60.5	76.5 59.7	66.9 52.5	45.4 35.1	41.8 31.9	39.7 30.1	38.7 29.0	37.6 28.0	36.4 27.0	33.0 24.1	27.7 19.6	56.5 41.8	37.4 27.9
Change in external debt	26.8	-1.0	-9.5	-21.6	-3.6	-2.0	-1.1	-1.1	-1.1	-0.7	-0.5		
Identified net debt-creating flows	2.7	5.5	-4.2	-6.6	-4.6	-3.9	-4.0	-4.1	-3.6	-3.4	-3.0	-3.3	-4.1
Non-interest current account deficit	-1.4	-1.2	-1.8	-2.7	-2.4	-2.2	-2.4	-2.5	-2.1	-2.1	-1.9	0.3	-2.2
Deficit in balance of goods and services	4.4	6.1	5.4	3.5	3.6	3.7	3.4	3.1	3.4	3.4	3.6	6.1	3.4
Exports	15.3	17.1	18.0	18.5	18.5	18.4	18.5	18.6	18.6	17.9	16.8		
Imports	19.7	23.2	23.4	22.0	22.1	22.1	21.9	21.7	21.9	21.3	20.4		
Net current transfers (negative = inflow)	-6.3	-7.3	-7.5	-6.4	-6.3	-6.2	-6.1	-6.0	-5.8	-5.7	-5.5	-6.4	-6.0
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	0.6	0.1	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.2	0.0	0.6	0.3
Net FDI (negative = inflow)	-0.7	-1.4	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-1.1	-0.9
Endogenous debt dynamics 2/	4.7	8.0	-1.4	-3.0	-1.3	-0.8	-0.7	-0.6	-0.6	-0.5	-0.2		
Contribution from nominal interest rate	0.7	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.7	0.8		
Contribution from real GDP growth	-3.4	-4.5	-1.3	-3.7	-2.0	-1.5	-1.3	-1.3	-1.3	-1.1	-0.9		
Contribution from price and exchange rate changes	7.4	11.7	-0.8	...	...	...	...	...	...	...	...
Residual 3/	24.1	-6.5	-5.3	-15.0	1.0	1.9	2.9	3.0	2.5	2.8	2.5	6.3	1.0
of which: exceptional financing	-0.2	-0.5	-0.3	-0.9	-0.6	-0.6	-0.5	-0.3	-0.3	-0.1	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	37.7	34.1	32.2	30.4	28.8	27.4	25.9	23.3	19.1		
PV of PPG external debt-to-exports ratio	...	...	209.1	184.7	174.5	165.3	155.6	147.5	139.6	130.3	113.4		
PPG debt service-to-exports ratio	6.9	9.7	7.6	8.3	6.7	6.6	5.6	4.4	4.1	0.7	0.1		
PPG debt service-to-revenue ratio	9.5	14.3	9.9	9.7	7.6	7.5	6.4	5.0	4.7	0.8	0.1		
Gross external financing need (Million of U.S. dollars)	2886.1	2626.1	2450.0	2048.5	2178.0	2355.5	2125.2	1911.4	2028.1	1107.5	24.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.1	5.3	1.7	6.0	4.6	3.6	3.5	3.5	3.5	3.5	3.4	2.0	3.8
GDP deflator in US dollar terms (change in percent)	-12.7	-13.1	1.1	2.3	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	8.4	0.2
Effective interest rate (percent) 4/	1.3	1.0	1.0	1.3	1.5	1.7	1.7	1.7	1.8	2.0	2.8	1.4	1.7
Growth of exports of G&S (US dollar terms, in percent)	13.4	2.0	8.5	11.0	4.0	3.2	4.1	3.9	3.5	2.8	2.8	7.7	4.0
Growth of imports of G&S (US dollar terms, in percent)	18.1	7.6	4.1	1.6	4.7	3.8	2.7	2.2	4.7	3.0	3.0	4.7	3.2
Grant element of new public sector borrowing (in percent)	...	...	...	36.6	36.6	36.6	36.6	36.6	36.6	36.6	36.6	...	36.6
Government revenues (excluding grants, in percent of GDP)	11.1	11.6	13.9	15.8	16.1	16.3	16.3	16.3	16.3	16.3	16.3	13.2	16.2
Aid flows (in Million of US dollars) 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	36.6	36.6	36.6	36.6	36.6	36.6	36.6	36.6	...	36.6
Nominal GDP (Million of US dollars)	48,570	44,447	45,719	49,584	51,560	53,441	55,308	57,218	59,237	70,636	96,210		
Nominal dollar GDP growth	-7.3	-8.5	2.9	8.5	4.0	3.6	3.5	3.5	3.5	3.5	3.5	10.7	4.0
Memorandum items:													
PV of external debt 7/	...	...	52.2	44.4	42.1	40.1	38.5	37.0	35.4	32.2	27.3		
In percent of exports	...	...	289.2	240.2	228.0	217.9	208.2	199.1	190.6	180.2	161.8		
Total external debt service-to-exports ratio	52.1	49.2	45.4	42.2	40.7	40.8	38.6	36.5	34.7	25.4	16.9		
PV of PPG external debt (in Million of US dollars)	...	...	17256.2	16914.1	16617.1	16249.6	15927.7	15678.2	15361.5	14646.9	18373.3		
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	...	-0.7	-0.6	-0.7	-0.6	-0.5	-0.6	0.3	0.2		
Non-interest current account deficit that stabilizes debt ratio	-28.2	-0.2	7.7	18.9	1.2	-0.1	-1.3	-1.4	-0.9	-1.4	-1.4		

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - p(1 + g) + \epsilon \alpha (1 + r)/(1 + g + p + g))$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in U.S. dollar terms; ϵ = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

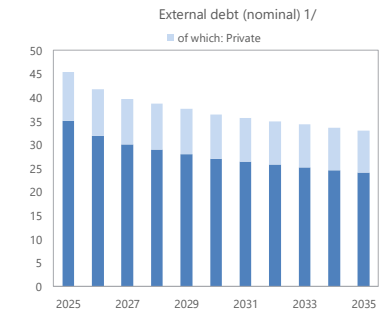
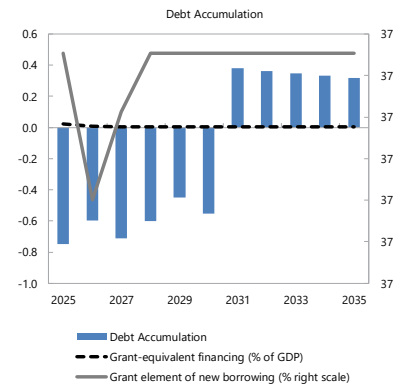


Table 2. Zimbabwe: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–44
(In percent of GDP, unless otherwise indicated)

	Actual			Projections										Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2044	Historical	Projections	Definition of external/domestic debt	Residency-based
Public sector debt 1/	66.8	76.1	72.9	49.5	45.5	43.5	42.5	41.5	40.4	35.9	30.6	233.1	41.0		
of which: external debt	60.5	59.7	52.5	35.1	31.9	30.1	29.0	28.0	27.0	24.1	19.6	41.8	27.9		
Change in public sector debt	26.9	9.3	-3.2	-23.5	-4.0	-2.0	-1.0	-1.0	-1.0	-0.7	-0.3				
Identified debt-creating flows	24.0	7.6	-10.0	-5.0	-3.5	-2.7	-2.4	-2.4	-2.4	-1.9	-1.3	1141.9	-2.6		
Primary deficit	0.9	9.2	-0.2	0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.1	0.3	0.8	-0.1		Yes
Revenue and grants	11.1	11.6	12.9	14.7	15.0	15.1	15.1	15.1	15.1	15.1	15.1	13.1	15.1		
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Primary (noninterest) expenditure	12.1	20.8	12.8	14.7	14.8	14.9	14.9	15.0	15.0	15.3	15.4	13.8	15.0		
Automatic debt dynamics	23.1	-1.6	-9.8	-5.1	-3.2	-2.4	-2.2	-2.3	-2.2	-2.1	-1.6				
Contribution from interest rate/growth differential	-4.9	-5.4	-2.8	-5.1	-3.2	-2.4	-2.2	-2.3	-2.2	-2.1	-1.6				
of which: contribution from average real interest rate	-2.5	-2.1	-1.5	-0.9	-1.1	-0.8	-0.8	-0.8	-0.8	-0.8	-0.6				
of which: contribution from real GDP growth	-2.3	-3.4	-1.3	-4.2	-2.2	-1.6	-1.5	-1.4	-1.4	-1.2	-1.0				
Contribution from real exchange rate depreciation	27.9	3.9	-7.0	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	814.7	0.0		
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Residual	2.9	1.7	6.8	-18.4	-0.5	0.6	1.4	1.4	1.3	1.2	1.0	-1137.6	-0.7		
Sustainability indicators															
PV of public debt-to-GDP ratio 2/	...	...	74.5	49.7	45.3	42.7	41.2	39.9	38.5	34.4	29.5				
PV of public debt-to-revenue and grants ratio	...	...	576.2	338.7	301.6	282.5	272.6	263.6	254.3	227.4	194.8				
Debt service-to-revenue and grants ratio 3/	11.1	18.1	13.7	23.2	19.8	23.3	23.5	25.7	27.7	23.4	22.5				
Gross financing need 4/	2.2	11.2	1.6	2.0	1.7	2.6	2.7	3.0	3.3	3.4	3.1				
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.1	5.3	1.7	6.0	4.6	3.6	3.5	3.5	3.5	3.5	3.4	2.0	3.8		
Average nominal interest rate on external debt (in percent)	0.9	1.0	0.7	1.0	0.6	0.6	0.5	0.4	0.4	0.0	0.0	1.2	0.3		
Average real interest rate on domestic debt (in percent)	-69.0	-86.0	-91.4	-40.0	-12.4	-6.1	-4.0	-4.0	-4.0	-3.3	-1.9	-49.1	-8.1		
Real exchange rate depreciation (in percent, + indicates depreciation)	80.1	6.3	-9.6	...	...	...	...	...	...	...	...	14.5	...		
Inflation rate (GDP deflator, in percent)	274.5	768.6	1097.2	71.1	18.3	10.1	8.0	8.0	8.0	8.0	8.0	344.4	14.9		
Growth of real primary spending (deflated by GDP deflator, in percent)	7.8	80.9	-37.3	22.3	4.8	4.3	3.8	3.8	3.9	3.8	3.8	8.6	5.7		
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-26.0	-0.2	3.0	23.5	3.7	1.8	0.8	0.8	0.9	0.9	0.6	-7.7	3.3		
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

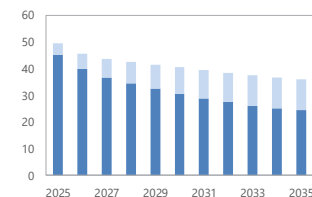
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (i.e., a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

Public sector debt 1/

■ of which: local-currency denominated
■ of which: foreign-currency denominated



■ of which: held by residents
■ of which: held by non-residents

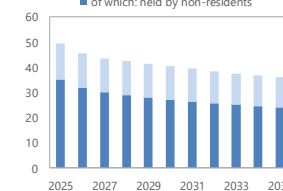


Table 3. Zimbabwe: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35
(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	34	32	30	29	27	26	25	25	24	24	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	34	33	31	30	29	27	26	25	23	22	21
B. Bound Tests											
B1. Real GDP growth	34	37	39	37	35	33	32	32	31	30	30
B2. Primary balance	34	35	35	36	36	36	37	38	38	39	40
B3. Exports	34	34	35	34	31	29	27	26	25	25	24
B4. Other flows 3/	34	35	36	34	32	29	27	26	25	24	24
B5. Depreciation	34	41	37	35	33	32	31	31	31	30	29
B6. Combination of B1-B5	34	38	41	38	36	33	31	30	29	28	27
C. Tailored Tests											
C1. Combined contingent liabilities	34	37	37	38	39	40	42	43	45	46	48
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	34	36	38	36	33	31	28	27	26	25	24
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	185	174	165	156	147	140	138	136	134	132	130
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	185	177	170	163	157	147	140	134	129	123	117
B. Bound Tests											
B1. Real GDP growth	185	174	165	156	147	140	138	136	134	132	130
B2. Primary balance	185	187	192	192	194	194	200	206	212	217	222
B3. Exports	185	199	224	212	197	182	174	166	163	159	156
B4. Other flows 3/	185	190	196	185	171	156	148	141	138	135	132
B5. Depreciation	185	174	158	148	141	135	135	134	133	131	130
B6. Combination of B1-B5	185	196	191	194	180	166	158	152	149	146	143
C. Tailored Tests											
C1. Combined contingent liabilities	185	200	204	208	211	215	225	236	247	258	269
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	185	236	241	220	197	174	158	150	146	142	139
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	8	7	7	6	4	4	1	1	1	1	1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	8	6	7	9	11	14	15	15	16	16	16
B. Bound Tests											
B1. Real GDP growth	8	7	7	6	4	4	1	1	1	1	1
B2. Primary balance	8	7	8	10	11	13	13	15	17	19	22
B3. Exports	8	7	9	11	14	14	10	8	4	3	2
B4. Other flows 3/	8	7	8	12	14	14	11	7	3	3	2
B5. Depreciation	8	7	7	5	2	2	-1	-1	0	0	0
B6. Combination of B1-B5	8	7	9	12	13	13	10	6	3	3	2
C. Tailored Tests											
C1. Combined contingent liabilities	8	7	10	10	10	11	10	11	13	14	15
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	8	8	10	15	18	17	13	8	3	2	1
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	10	8	7	6	5	5	2	1	1	1	1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	10	7	8	11	13	16	17	17	18	18	17
B. Bound Tests											
B1. Real GDP growth	10	9	10	8	6	6	2	2	1	1	1
B2. Primary balance	10	9	10	12	14	16	16	18	21	23	26
B3. Exports	10	8	8	11	14	13	10	8	3	3	2
B4. Other flows 3/	10	8	9	13	16	16	12	8	4	3	2
B5. Depreciation	10	10	10	7	3	3	-1	-1	1	1	0
B6. Combination of B1-B5	10	8	10	15	16	16	12	8	4	3	2
C. Tailored Tests											
C1. Combined contingent liabilities	10	9	12	12	13	14	12	14	15	17	18
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	10	9	11	17	20	19	14	9	3	2	1
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Zimbabwe: Sensitivity Analysis for Key Indicators of Public Debt, 2025–35
(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	50	45	43	41	40	38	38	37	36	35	34
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	53	14	4	2	1	1	1	1	1	1	1
B. Bound Tests											
B1. Real GDP growth	53	57	65	68	72	75	80	85	90	95	101
B2. Primary balance	53	53	55	55	55	55	55	56	57	59	60
B3. Exports	50	47	47	45	43	41	39	37	36	35	35
B4. Other flows 3/	50	48	48	46	44	41	39	38	36	35	35
B5. Depreciation	53	53	50	48	47	46	45	45	45	45	45
B6. Combination of B1-B5	53	51	51	48	47	46	45	44	43	42	41
C. Tailored Tests											
C1. Combined contingent liabilities	53	61	59	58	58	59	60	61	63	64	67
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	53	54	56	59	63	67	71	76	82	87	93
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	339	302	283	273	264	254	248	242	237	232	227
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	339	94	28	13	9	8	8	8	8	8	8
B. Bound Tests											
B1. Real GDP growth	339	381	432	452	475	499	529	561	594	630	668
B2. Primary balance	339	354	366	362	361	361	365	371	379	387	396
B3. Exports	339	311	311	300	286	271	258	248	240	234	229
B4. Other flows 3/	339	320	319	307	291	274	260	249	241	235	229
B5. Depreciation	339	354	331	319	310	301	298	296	294	294	295
B6. Combination of B1-B5	339	342	335	321	313	303	296	290	284	278	274
C. Tailored Tests											
C1. Combined contingent liabilities	339	408	390	386	386	387	394	403	414	426	441
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	339	404	415	442	455	468	486	505	541	578	617
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	23	20	23	23	26	28	28	27	27	25	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	23	6	3	1	1	1	1	1	1	1	1
B. Bound Tests											
B1. Real GDP growth	23	25	49	66	86	104	120	134	149	163	177
B2. Primary balance	23	22	46	63	70	74	79	83	87	91	94
B3. Exports	23	20	24	28	34	36	36	34	29	27	25
B4. Other flows 3/	23	20	25	30	37	39	38	34	30	27	25
B5. Depreciation	23	22	32	34	39	43	46	47	49	50	51
B6. Combination of B1-B5	23	22	35	42	49	54	57	57	57	56	54
C. Tailored Tests											
C1. Combined contingent liabilities	23	22	67	74	71	74	76	77	79	80	81
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	23	26	44	67	90	108	122	134	148	163	177
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

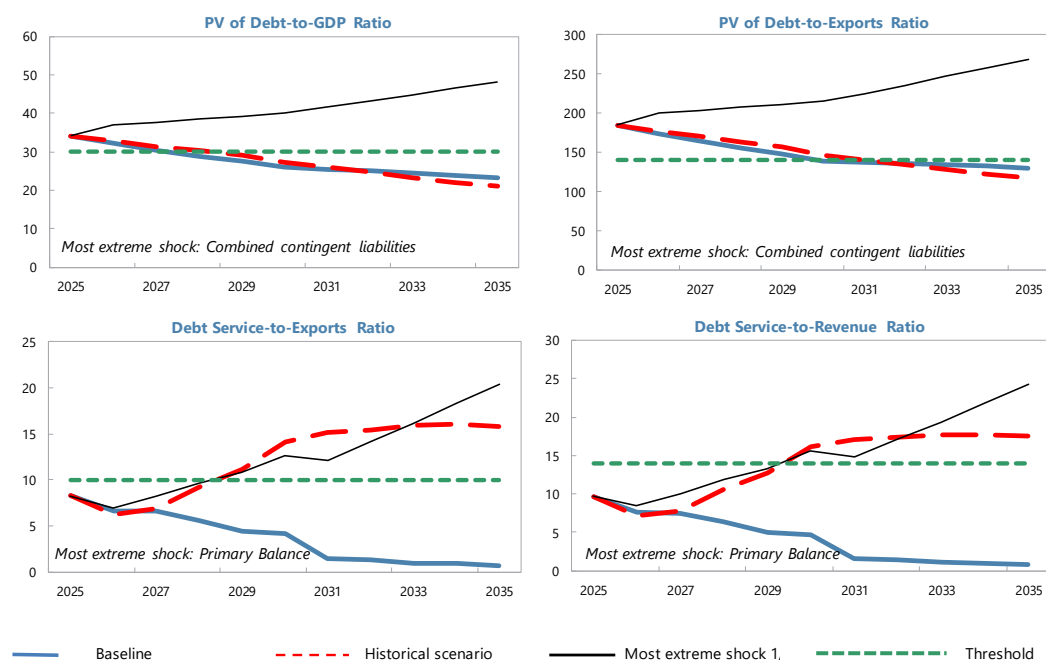
Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 1. Zimbabwe: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2025–35^{1/2/}



Customization of Default Settings			Borrowing assumptions on additional financing needs resulting from the stress tests*			
	Size	Interactions		Default	User defined	
Tailored Stress			Shares of marginal debt			
			External PPG MLT debt		100%	
			Terms of marginal debt			
			Avg. nominal interest rate on new borrowing in USD		3.3%	9.0%
			USD Discount rate		5.0%	5.0%
			Avg. maturity (incl. grace period)		18	5
			Avg. grace period		5	1
Combined CL	Yes					
Natural disaster	n.a.	n.a.				
Commodity price	No	No				
Market financing	n.a.	n.a.				

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

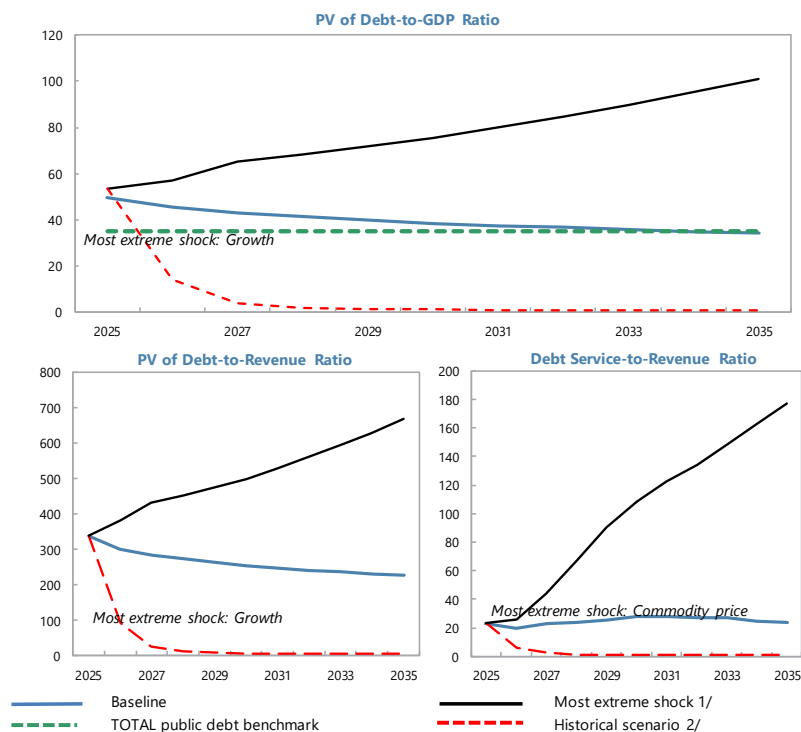
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research

Figure 2. Zimbabwe: Indicators of Public Debt Under Alternative Scenarios, 2025–35



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	1%	30%
Domestic medium and long-term	34%	30%
Domestic short-term	65%	40%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.3%	12.0%
Avg. maturity (incl. grace period)	18	10
Avg. grace period	5	1
Domestic MLT debt		
Avg. real interest rate on new borrowing	-5.3%	-5.3%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	-6.7%	-6.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The historical scenario for the evolution of overall public debt is not representative in cases of past hyperinflationary episodes.

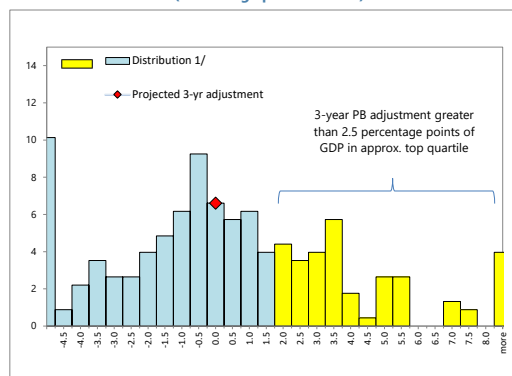
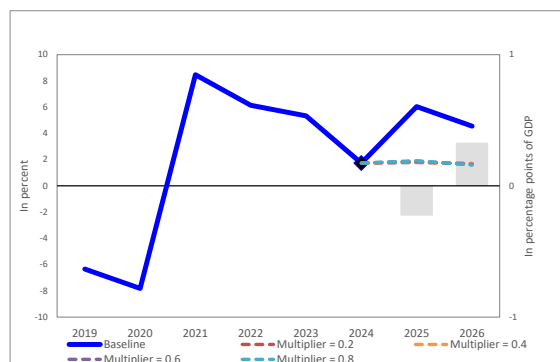
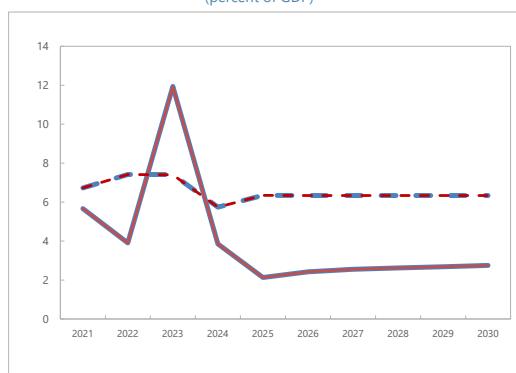
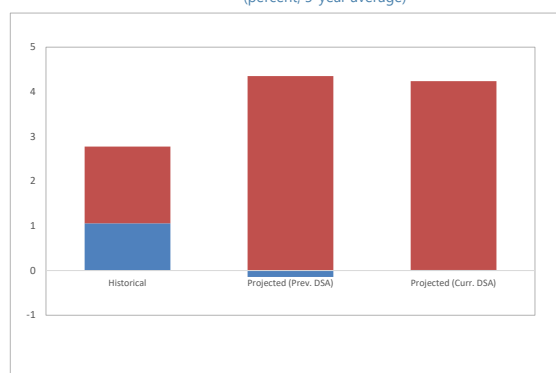
Figure 3. Zimbabwe: Drivers of Debt Dynamics—Baseline Scenario, 2020–35^{1/2/3/}

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Zimbabwe: Realism and Forecast Error Tools**3-Year Adjustment in Primary Balance
(Percentage points of GDP)****Fiscal Adjustment and Possible Growth Paths 1/****Public and Private Investment Rates 1/
(percent of GDP)****Contribution to Real GDP growth
(percent, 5-year average)**

Sources: Zimbabwe authorities and IMF staff estimates and projections

1/ Data show nominal investment rates due to data limitations for real investment.



ZIMBABWE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

August 11, 2025

Prepared By

The IMF's African Department
(In Consultation with other Departments and the World Bank)

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FUND RELATIONS

(As of Jun 30, 2025)

Membership Status: Joined: September 29, 1980;

Article VIII

General Resources Account:

SDR Million

%Quota

Quota

706.80

100.00

IMF's Holdings of Currency (Holdings Rate)

706.47

99.95

Reserve Tranche Position

0.33

0.05

SDR Department:

SDR Million

%Allocation

Net cumulative allocation

1,016.02

100.00

Holdings

1.88

0.19

Outstanding Purchases and Loans: None

Latest Financial Commitments:

Arrangements:

	Date of	Expiration	Amount Approved	Amount Drawn
<u>Type</u>	<u>Arrangement</u>	<u>Date</u>	<u>(SDR Million)</u>	<u>(SDR Million)</u>
Stand-By	Aug 02, 1999	Oct 01, 2000	141.36	24.74
Stand-By	Jun 01, 1998	Jun 30, 1999	130.65	39.20
EFF	Sep 11, 1992	Sep 10, 1995	114.60	86.90

Overdue Obligations and Projected Payments to Fund ^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Principal					
Charges/Interest	<u>15.05</u>	<u>29.66</u>	<u>29.66</u>	<u>29.67</u>	<u>29.64</u>
Total	<u>15.05</u>	<u>29.66</u>	<u>29.66</u>	<u>29.67</u>	<u>29.64</u>

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangements

On April 5, 2024, Zimbabwe introduced a new domestic currency—named the Zimbabwe Gold (ZiG) and adopted a de jure floating exchange rate arrangement. The de facto exchange rate arrangement remains classified as other managed.

Following the introduction of the ZiG, the authorities have adopted new exchange measures. On April 8, 2024, the authorities announced the official discontinuation of the Foreign Exchange Auction System under which auction were being conducted once a week by the RBZ to selling foreign exchange (FX) to eligible market participants¹. In place of the Foreign Exchange Auction System, the authorities announced the adoption of a market determined exchange rate system under the willing buyer willing seller trading arrangement.

Zimbabwe has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. Zimbabwe maintains the following exchange restrictions subject to IMF approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement:

- (1) a longstanding exchange restriction subject to IMF jurisdiction arising from unsettled balances under an inoperative bilateral payment agreement with Malaysia;
- (2) an exchange restriction arising from the rationing and allocation of foreign exchange by the RBZ, which results in undue delays for FX for current international transactions;
- (3) an exchange restriction arising from the requirement for tax clearance certificates to access the WBWS market;
- (4) an exchange restriction arising from the cash margin requirement to access the willing-buyer-willing-seller (WBWS) market;
- (5) an exchange restriction arising from limits on converting ZiG into FX for certain current international transactions, including for moderate family remittances, travel purposes, and dividends;
- (6) an exchange restriction arising from direct limits on payments, including limits on remittances for moderate family living expenses and a limitation on dividends to the trading profits from the year concerned;
- (7) an exchange restriction arising from 5% administrative penalty fee on non-acquitted foreign payments for red-flagged importers before making payments for imports; and
- (8) an exchange restriction arising from restrictions on payments under non-registered supplier credit agreements.

¹ See Section 2.1, Exchange Control Directive RZ56/2024, April 8, 2024.

Article IV Consultations

Zimbabwe is on the standard 12-month consultation cycle. The Executive Board discussed the staff report for the 2024 Article IV consultation on July 31, 2024.

Technical Assistance (since April 2024, as of May 27, 2025)

Lead Department	Technical Assistance Area	Mission Purpose	Dates of Delivery
	Public Financial Management	Budget Preparation and Macro fiscal	August 12-23, 2024
	Tax Administration	Revenue administration framework	May 23-June 5, 2024
		Revenue Management System	July 24-Aug 9, 2024
		improving the compliance of the private sector	Sept 2-13, 2024
		Revenue administration	February 11-26, 2025
		Revenue administration	May 5-9, 2025
		Gender/Inequality - Developing a Trustee Trader Program for Micro-Enterprises	March 31-April 11, 2025
		Gender - Developing a Trustee Trader Program for Micro-Enterprises	Oct 24-Nov 8, 2024
		Leadership capacity development (hybrid)	Jan 20-24, 2025
		Audit	August 6-19, 2024
	Tax Policy	Tax Policy	March 31-April 8, 2025
	Expenditure Policy	Expenditure Policy	May 1-2, 2024
MCM	Debt Management	Developing a Debt Database Validation Procedures Manual and Calendar	July 22-Aug 2, 2024
	Financial Supervision and Regulation	FSSR Oct FY25 Implementation of the Basel III Capital Framework	Dec 2-6, 2024
		AFS FY25 - RBS Framework Enhancement - AML - P2P	Oct 14-18, 2024
		Banking Regulation and Supervision	March 17-21, 2025
		Governance (On-site Examination)	May 27-June 5, 2025
		Cyber Risk Supervision - Onsite Examination Guidance (second)	September 23-October 4, 2024
		FSSR Final Assessment	November 26-28, 2024
		FSSR -Basel III Capital Framework	March 17-21, 2025
	Financial Crisis Management	Financial Crisis Management	Nov 26-28, 2024
ICD	Macroeconomic Frameworks	Macroeconomic Frameworks	Dec 9-13, 2024
	Macroeconomic Frameworks	Macroeconomic Frameworks	February 24-28, 2025
STA	Real Sector - National Accounts	Real Sector - National Accounts-PIE	Nov 11-22, 2024
		Real Sector - National Accounts-PIE	May 19-30, 2025
	Government Finance	Government Finance-PSD	Feb 6-12, 2025

JOINT MANAGERIAL ACTION PLAN

(As of June 2025)

Title	Products	Delivery Date
World Bank work program in the next 12 months	Technical Assistance <ul style="list-style-type: none"> • Flagship report on growth and jobs • Tax policy and tax administration • Debt management and transparency • Strengthening SOE financial reporting • PFM and expenditure management strengthening • Strengthening regulatory environment for private sector development • Financial sector strengthening • Energy Sector – solar PV pipeline, priority investments, national electrification analysis • Health public expenditure review • Gender and gender-based violence • Social Protection – roll-out of a national Social Registry • Strengthening agricultural policies driving the transformation of agrifood systems • Agriculture Public Expenditure Review • Strengthening irrigation development • Poverty monitoring and analysis, including distributional impacts of economic reforms. • Covid-19 Emergency Response and Essential Health Services Project • Energy Sector Support Project 	Ongoing

Title	Products	Delivery Date
World Bank provides to IMF	Grant financing <ul style="list-style-type: none"> • Updates on policy reform work: impact of climatic shocks, assessment of social assistance and basic public service delivery needs, improving the business climate, efficiency, and effectiveness of agriculture spending; PFM and procurement • Timing, scope, and conclusions of Bank's missions • Update on arrears clearance • Update on fragility 	Continuous
IMF provides to World Bank	<ul style="list-style-type: none"> • Updates on medium-term macroeconomic framework • Updates on economic discussions • Updates on policy reform work: PFM, tax and financial sector reforms, national accounts, governance • Timing, scope, and conclusions of missions 	Continuous
Joint products in next 12 months	<ul style="list-style-type: none"> • DSA for 2025 Article IV consultation 	July 2025

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

A. World Bank

<https://financesapp.worldbank.org/en/countries/Zimbabwe>

B. African Development Bank

<https://www.afdb.org/en/countries/southern-africa/zimbabwe>

**Statement by Adriano Isaias Ubisse, Executive Director for Zimbabwe, Pedro Silva,
Alternative Executive Director and Gonaya Basutli, Senior Advisor to Executive Director
August 27, 2025**

The Zimbabwean economy continues to demonstrate remarkable resilience in the face of significant domestic and external challenges, including from climate-related shocks, loss of foreign aid and exceptional global policy uncertainty. Moreover, lack of access to affordable international financing, including in crisis situations, has weighed on the authorities' efforts to replenish fiscal and external buffers to comfortable levels. Nevertheless, the authorities continue to make determined efforts to further entrench macroeconomic stability to create enabling conditions for sustained growth and development. Going forward, the authorities will attach great prominence on enhancing policy credibility, consistency, predictability, and sustainability to consolidate the hard-won stability gains. As such, the authorities seek to pursue congruent fiscal and monetary policies to support the stability of the local currency but underscore the need for a gradual and measured approach that balances the growth and inflation objectives. Importantly, the authorities are prioritizing international re-engagement to normalize creditor relations and regain access to vital external financing essential to unleash the country's substantial growth potential.

Introduction

1. On behalf of our Zimbabwean authorities, we thank staff for the constructive Fund engagement during the Article IV Mission. While they broadly share the thrust of the staff's policy recommendations, our authorities would have preferred more rebalancing of the staff report to better reflect the policy adjustments made to remove several exchange restrictions since last year. The authorities also have reservations on staff's characterization of the exchange rate and monetary frameworks, on which the authorities continue to make notable progress.
2. The Zimbabwean economy is experiencing a strong rebound, following a drought-induced growth slowdown in 2024. The favorable rains realized in 2025 provided strong growth impetus in agriculture and hydro-power production that has also supported increased power-dependent industrial activity. Importantly, the authorities' efforts to stabilize macroeconomic conditions through an appropriately tight monetary policy and complementary fiscal policy measures have delivered sustained price and exchange rate stability and improved the business environment.
3. Reform implementation under the first National Development Strategy (NDS1: 2021-2025) was strong. The authorities are committed to build on the firm foundations laid under NDS1 through further reforms under the NDS2: 2026-2030, which is currently being finalized. To further entrench macro-economic stability, NDS2 will focus on ten key priority areas, including the achievement of strong and inclusive economic development and growth, financial deepening and structural transformation, infrastructural development and food security and climate resilience, among others. It will support the attainment of both the Sustainable Development Goals and the goals of Vision 2030. Additionally, the NDS2 will provide granular details and key milestones on the de-dollarization roadmap towards the return to a mono currency by 2030, and clarity on the operational implications for USD and ZiG bank deposits, and export surrender requirements.

Recent Economic Developments and Outlook

4. Economic growth is recovering strongly from the much weaker 1.7 percent growth in 2024. The economy is projected to expand by 6 percent in 2025. The firm recovery in economic activity in 2025 is expected to benefit from favorable climatic conditions resulting in significant growth in the agriculture sector. Growth will also be driven by increased activity in other sectors such as Information Communication, Technology (ICT), and wholesale and retail trade, as well as the mining sector that is benefiting from high international prices for gold and platinum. In the medium-term, our authorities are optimistic that growth will remain robust at around 5 percent, underpinned by above-trend multi-sector performance. Growth is also expected to benefit from the improved economic stability, increased investment in gold, lithium, iron and steel production as well as payoffs from continued structural reform implementation.
5. Inflationary pressures continue to abate, supported by a tight monetary policy stance and exchange rate stability. Accordingly, month-on-month inflation ranged between -0.1 and 0.9 percent over the first 6 months of 2025. Looking ahead, inflation should remain low as the base effects wane and year on year inflation is expected to decline to 30 percent by end-2025 against the backdrop of tight monetary conditions.
6. Meanwhile, the current account performance has remained strong, with surpluses realized over the past decade. This strong performance was largely driven by robust mining sector performance as well as resilient remittance inflows. Specifically, the high international prices for gold and record high tobacco production continue to underpin exports and current account performance. At the same time, increased investments in lithium and growing demand spurred by the green transition are expected to sustain future exports. Considering robust exports and current account performance, the authorities have adopted a reserves accumulation strategy to shore up their reserve buffers to cushion the economy against external shocks. This strategy is also consistent with their plans to back the local currency in the context of the mono-currency targeted for 2030. Accordingly, gross reserves have firmed significantly from US\$530 million in December 2024 to US\$731 million in June 2025.

Fiscal Policy

7. The authorities are firmly committed to fiscal prudence and are pursuing resolute and pragmatic policies aimed at gradually reducing fiscal pressures. They have already achieved very strong gains in fiscal revenues and have instituted stricter controls over discretionary spending. Furthermore, their track record of having achieved budget deficits of below 3 percent for the 5-year period from 2018-2022, alongside the halting of deficit financing by the central bank, demonstrates their commitment to fiscal discipline. That said, while the transfer of quasi-fiscal operations of the Reserve Bank of Zimbabwe to the budget in 2023 was essential, it continues to exert undue pressure on public finances, resulting in a wider financing gap, in the context of limited financing options. The authorities underscore the importance of strengthening public financial management (PFM) and are making strides to achieve this, guided by staff's PFM recommendations. Technical work is underway for a cash-management plan. To address the issue of new domestic arrears accumulation, the authorities are focusing on ensuring sufficient payments to suppliers to avoid disrupting essential services and projects, while strengthening the PFM system, supported by IMF

technical assistance. They will also promote adherence to strict cash budgeting principles, while exploring options to streamline non-essential spending and restructure some of their debt service obligations, guided by the Public Financial Management Reform Strategy (PFMR 2021-2025). Furthermore, they have begun monthly tracking of the fiscal financing gap as a monitoring tool, consistent with the IMF's recommendations on quarterly updates to plans, commitment controls at the purchase order stage, arrears reporting, TSA and cash management reforms. The authorities will also continue to enhance the management of the public service wage bill, in line with the recommendations of the recent Job Evaluation Report. They are firmly committed to restoring the slight breach of the wage bill to revenues ratio back to within the 55 percent target.

8. The authorities are unwavering in their commitment to enhancing domestic revenue mobilization by modernizing tax systems and expanding the tax base, including through fully incorporating emerging sectors and supporting the formalization of economic activities in the SME sector. Improving the efficiency of tax administration and exploring digital fiscal solutions to enhance tax compliance also ranks high on their revenue mobilization agenda, along with legislative and regulatory reforms to reduce the cost of compliance and simplify tax legislation, while also tightening loopholes to address tax avoidance practices, and streamlining VAT exemptions and tax incentives. For the medium term, the authorities are pursuing a Medium-Term Revenue Strategy that clearly defines the growth trajectory for the revenue to GDP ratio, and specific strategies to achieve a revenue target in the order of 22 percent to 25 percent of GDP.
9. The Mutapa Investment Fund (MIF) is an integral part of the authorities' plan for the effective management of public sector assets and transformation of the operation of state-owned enterprises (SOEs). Effectively, the MIF aims to reduce fiscal risks associated with the SOEs and enhance their contribution to sustainable growth. In this vein, the authorities continue to demand the highest levels of transparency and accountability from the MIF. The operations of the MIF are, thus, subject to the applicable laws and regulations under the Public Finance Management Act. Further, all the entities under MIF are expected to have strong governance frameworks and progress to that effect has already been achieved, including ensuring timeous production of audited financial statements and conducting of annual general meetings, among others. The MIF has submitted the required quarterly reports, including for the first quarter of this year, and is undergoing an external audit for 2024. Going forward, the authorities plan to clarify Mutapa's mandate and governance structure in upcoming amendments to the enabling Act.

Debt Management and Arrears Clearance

10. The achievement of debt sustainability ranks high on the authorities' priorities. They view Zimbabwe's debt distress as a structural barrier to inclusive and sustainable growth and are actively pursuing critical reforms under the Arrears Clearance and Debt Resolution Roadmap to restore debt sustainability and unlock the needed external financing that is critical for advancing the country's development agenda. and continue to value adherence to prudent public debt management practices, in line with their Medium-Term Debt Management Strategy. In that regard, they continue to make payments, including for legacy debts (blocked funds entities and payments to Former Farm Owners (FFOs) based on agreed terms) and

token payments to the International Financial Institutions and the sixteen Paris Club Bilateral Creditors.

11. The authorities also view international re-engagement as critical to facilitate arrears clearance and debt resolution to place public debt on a sustainable footing. To garner the international community's support, the Zimbabwean authorities have established a Structured Dialogue Platform (SDP) with all creditors and development partners, aimed at institutionalizing dialogue on economic and governance reforms to guide the Arrears Clearance and Debt Resolution Process. The SDP continues to hold meetings and High-Level Debt Resolution Forums, the latest of which were held in April and May 2025.
12. The authorities are advancing reforms under the SDP's three pillars, namely, Economic reforms, Governance reforms, and Land Tenure and Compensation of Former Farm Owners, including resolution of Bilateral Investment Protection and Promotion Agreements (BIPPAs). Importantly, the authorities recognize the criticality of a balanced mix of fiscal consolidation, strengthened public debt management, growth-promoting structural reforms, and external arrears resolution, which will pave the way for new financing from multilateral creditors and bilateral official creditors. Going forward, the clearance of arrears to International Financial Institutions (IFIs) will be essential for debt resolution with official creditors and may require a bridge loan. The authorities view this as a priority and plan to launch a fourth pillar under the SDP, dedicated to debt resolution. Additionally, the importance of an IMF Staff Monitored Program (SMP) in this regard cannot be overemphasized, and the authorities continue to engage with staff on the parameters of such a program.

Monetary and Exchange Rate Policies

13. The Reserve Bank of Zimbabwe (RBZ) upholds price stability as the sole objective of monetary policy. Consistent with Fund advice, the RBZ has continued to communicate its monetary framework in which the exchange rate is an intermediate target while reserve money is the operational target. Within this context, the central bank has sustained a sufficiently tight monetary policy stance to durably anchor and foster price, currency and exchange rate stability. Under this arrangement that has worked well thus far, the RBZ has kept money supply growth under control to anchor expectations, stabilize the exchange rate, and place inflation onto a firm downward path. Moreover, the RBZ has maintained its position to discontinue quasi-fiscal operations which were transferred to the Treasury and halted monetary financing of the fiscal deficit. This policy thrust has supported sustained disinflation without compromising economic growth prospects.
14. Going forward, the authorities are committed to further refinements to the monetary policy framework to further entrench price and currency stability. To this end, in their recent monetary policy pronouncements, the RBZ re-affirmed its commitment to further strengthen the monetary policy framework. In this vein, the RBZ incorporated communication into the RBZ monetary policy toolkit and envisage transitioning from the use of direct to indirect tools, including multiple tenors for NNCDs and establishment of a Term Deposit Facility. Considering the still elevated year on year inflation owing to base effects, the Reserve Bank has maintained a tight monetary policy stance and has not adjusted the policy rate and statutory reserve levels to avoid de-anchoring of inflation expectations. Future monetary

policy decisions will remain data- dependent to avoid a pre-mature loosening of monetary policy that could reverse the hard-won gains made thus far.

15. On the exchange rate front, the RBZ continues to reform the foreign exchange market, to allow greater interplay of market forces and increased flexibility in the Willing-Buyer Willing-Seller (WBWS) market. The WBWS market has served the country well, with the market clearing and entities trading daily, and the RBZ confining its interventions to smoothening volatile market conditions and liquefying the FX market. Going forward, RBZ sees merit in creating a new interbank FX trading platform while simultaneously addressing the current market segmentation. Presently, there is limited FX trading among banks due to correspondent banking restrictions and accompanying settlement risks. The Fund's technical assistance in establishing the interbank trading system will be key, and the authorities have already requested such assistance. Regarding exchange restrictions in Box 1 of the Staff Report, the authorities view the Fund's position as already overtaken by policy actions taken to remove several of them as they applied to the abandoned auction system. Specifically, the requirement for a tax clearance certificate to access FX, rationing or allocation of FX and implementation of a cash margin are no longer applicable since abandonment of the FX auction system. In addition, according to the current policy, dividends are 100 percent remittable.

Financial Sector Policies

16. The Zimbabwean banking sector remains profitable and adequately capitalized, with satisfactory asset quality (the non-performing loan ratio is low at around 3 percent). Nevertheless, the authorities remain vigilant to emerging financial stability vulnerabilities and are determined to continue strengthening regulatory and supervisory practices. Plans to finalize the Basel III capital framework are underway, incorporating guidance from recommendations from recent IMF technical assistance and based on the 2019 Financial Sector Stability Review (FSSR).
17. Safeguarding financial sector integrity and strengthening the anti-money laundering regime remains critical to maintain Zimbabwe's compliance with FATF requirements since the country's exit from the FATF grey list in 2022 and removal from the European Commission's list of High-Risk Third countries. The authorities are closing outstanding legal gaps and strengthening the effectiveness of combating financial crime. The third iteration of the National Risk Assessment (NRA) was completed in April 2025, with the assistance of the World Bank. The NRA will be used to inform Zimbabwe's 2025-2029 AML/CFT Strategy, focusing on enhancing risk management, regulatory compliance, and institutional capacity. In addition, Government has successfully amended the Private Voluntary Organizations Act to address outstanding deficiencies relating to the importance of cooperation between public authorities and Non-Profit Organizations (NPOs) and combating the abuse of NPOs for terrorist financing. They have also established an electronic register for beneficial ownership (BO) information and aim to expedite company registration on the BO register and sharing information with competent authorities, law enforcement agencies, and reporting entities as well as strengthen capacity building and law enforcement for ML/TF activities.
18. Our authorities recognize the importance of enhanced access to financial services in achieving sustainable and inclusive economic development and growth. To this end,

Government continues in collaborative efforts in the implementation of the National Financial Inclusion Strategy (NFIS) II (2022-2026), through various activities that foster an inclusive and resilient financial system in Zimbabwe. The RBZ, in partnership with other stakeholders, is pursuing programs to advance financial literacy in the various provinces.

Structural and Governance Reforms

19. The authorities are advancing structural reforms to strengthen governance, accelerate economic transformation, and promote a conducive environment for diversification, private sector development, and inclusive growth. To this effect, the authorities continue to implement the recommendations of the 2020 Governance and Corruption Assessment. Concurrently, they are strengthening the capacity of the Zimbabwe Anti-Corruption Commission (ZACC). So far, progress has been made in the development of the National Anti-Corruption Plan (NACP 2), which focuses on enhancing accountability, transparency, and integrity within the public sector drawing from the findings of the IMF's 2020 Governance and Corruption Assessment as well as lessons from NACP 1. To improve the business environment, the authorities have made a high-level commitment to improve the ease of doing business by addressing the high regulatory and utility costs and enhancing border efficiency. The aim is to create a conducive business environment that attracts both domestic and foreign investment, fosters innovation and promotes sustainable economic growth through streamlining business regulations, reducing compliance costs and eliminating bureaucratic inefficiencies. They continue to leverage the Zimbabwe Investment and Development Agency (ZIDA), the one-stop investment shop, to streamline investment procedures and reduce turnaround times.
20. The country's elevated vulnerability to climate change-induced extreme weather events places mitigation and adaptation efforts high on the authorities' climate agenda. Along with efforts to enhance climate resilience, the Government is also set to finalize the carbon credit regulatory framework which sets out the specific guidelines to safeguard the market. Furthermore, ensuring inclusive access to social protection remains a priority and the authorities are working to establish a single social registry supported by the Integrated Social Protection Management Information System (ISPMIS), which will help with better targeting. Cabinet is expected to review the system in the context of adopting Zimbabwe's National Social Protection policy framework.

Conclusion

21. Our authorities reiterate their resolve to implement an appropriate mix of mutually reinforcing policies designed to entrench macroeconomic stability and support inclusive and sustainable growth. They view structural reform implementation as crucial to realizing their developmental goals. At the same time, our authorities value re-engagement with the international community and seek to normalize creditor relations to unlock critical and affordable external financing. They appreciate Fund advice and technical support and look forward to Executive Directors' support in concluding the 2025 Article IV consultations.