



ZIMBABWE

May 2026

REQUEST FOR A STAFF-MONITORED PROGRAM— PRESS RELEASE; AND STAFF REPORT

In the context of the Request for a Staff-Monitored Program, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information, following discussions that ended on February 6, 2026, 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 March 30, 2026.

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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International Monetary Fund
Washington, D.C.



IMF Management Approves a Staff Monitored Program for Zimbabwe

FOR IMMEDIATE RELEASE

Staff Monitored Programs (SMPs) are informal agreements between national authorities and IMF staff to monitor the authorities' economic program. As such, they do not entail endorsement by the IMF Executive Board. SMP staff reports are issued to the Board for information.

- IMF Management has approved a 10-month Staff-Monitored Program (SMP) for Zimbabwe aimed at consolidating recent stabilization gains and strengthening macroeconomic management.
- The program emphasizes prudent budget execution, improved cash and expenditure controls, sustained monetary discipline, and governance reforms to enhance transparency and manage fiscal risks.
- The SMP supports the authorities' social protection efforts and forms part of their broader strategy to build a credible reform track record and advance re-engagement with the international community.

Washington, DC – April 16, 2026: IMF Management has approved a 10-month non-financing Staff-Monitored Program (SMP) for Zimbabwe. The program aims to consolidate recent stabilization gains, strengthen macroeconomic management, and support the authorities' efforts to advance re-engagement with the international community.

Zimbabwe's economic recovery continues, supported by tight monetary policy, improving fiscal discipline, and favorable external conditions. Growth strengthened in 2025, with solid performances in agriculture and mining, supported by high gold prices and recovering platinum and lithium output. Inflation declined sharply, reaching 4.4 percent in March 2026, aided by a stable foreign exchange rate and tight monetary conditions. Sustained policy efforts will help entrench macroeconomic stability, deepen confidence in the ZiG, enhance foreign exchange market functioning, rebuild reserve buffers, and reinforce the foundations for durable and inclusive growth.

The program supports the authorities' commitment to prudent budget execution and sound expenditure control. In line with the 2026 budget, spending in the first half of the year will be anchored on a conservative revenue outlook to ensure alignment with available resources and avoid the accumulation of new domestic arrears. The authorities will strengthen fiscal discipline and transparency through enhanced monitoring and reporting of domestic arrears and clearer institutional responsibilities.

Improving cash planning and public financial management is a central pillar of the program. The authorities will enhance institutional arrangements for cash management and improve

short-term liquidity forecasting to support more predictable and credible budget execution. Over time, broader public financial management reforms, including strengthened budget controls, improved commitment recording, and progress toward a Treasury Single Account—will enhance the efficiency, transparency, and discipline of public spending.

The program will support efforts to maintain low and stable inflation and preserve progress in easing foreign exchange market pressures. It will also help lay the foundations for strengthening the monetary policy framework, including measures to promote demand for the ZiG, enhance monetary policy operations, and improve foreign exchange market efficiency.

Structural reforms under the program aim to strengthen governance and improve the management of fiscal risks. This includes measures to enhance transparency through the publication of audited financial statements for state-owned enterprises under the Mutapa Investment Fund, and to limit fiscal risks through adherence to the Public Debt Management Act and improved reporting of public sector liabilities.

The program also supports the authorities' efforts to strengthen social protection. The Zimbabwe Social Registry will be further operationalized to improve the targeting and delivery of social assistance and ensure support reaches the most vulnerable households.

The SMP is intended to help Zimbabwe establish a credible track record of policy implementation as a steppingstone toward a potential Fund-supported program and to support the authorities' broader roadmap for arrears clearance and re-engagement with the international community.



ZIMBABWE

REQUEST FOR A STAFF-MONITORED PROGRAM

March 30, 2026

EXECUTIVE SUMMARY

Context. Zimbabwe is taking steps to address its longstanding macroeconomic challenges. The country has been in debt default and excluded from international capital markets and most official financing for over 25 years, during which it experienced multiple episodes of very high inflation and economic downturns. A combination of better policies and favorable external conditions has recently brought about much needed stability, with inflation recently falling to single digits, alongside multi-year high GDP growth and current account surpluses. This favorable outlook has created a window of opportunity to consolidate recent progress and advance reforms.

Request for a Staff-Monitored Program (SMP). The authorities have requested a 10-month staff-monitored program to support their efforts to consolidate recent stabilization gains and build foundations for broader reforms. The program is focused on executing the 2026 budget prudently and enhancing PFM controls, containing wage-bill pressures, and strengthening social protection. Policies under the program will also aim to sustain monetary discipline, consolidate progress in restoring FX market equilibrium, and lay foundations for further liberalizing the FX market and improving the monetary policy framework. The program will also support strengthening governance measures to enhance transparency, manage fiscal risks, and address corruption vulnerabilities. This SMP request is part of the authorities' broader strategy to re-engage with the international community to achieve arrears clearance and debt resolution. Staff supports the authorities' SMP request.

Outlook and risks. Zimbabwe's strong economic momentum is expected to continue. Growth and the current account surplus are projected to remain elevated, boosted by mining activity amid record-high gold prices and recovering agriculture following a severe drought. Inflation is expected to remain in single digits, driven by tight monetary policy and contained FX pressures. Key risks to the program include, on the downside, a potential sharp correction in gold prices, impact of the conflict in the Middle East, adverse weather shocks and policy slippages. On the upside, program spillovers to confidence and financing could significantly boost growth.

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

Discussions took place in Harare during January 28–February 6, 2026. The mission met with Finance Minister Hon. Prof. Ncube, Reserve Bank of Zimbabwe Governor Dr. Mushayavanhu, the Chief Executive Officer of Mutapa Investment Fund Dr. Mangudya, other senior government officials, and representatives from the private sector. The staff team for this mission comprised Wojciech Stanislaw Maliszewski (Head), Silvia Domit, Yehenew Endegnanew, and Issouf Samake (all AFR), Wei Sun (MCM), and Zhibo Tan (SPR). Alissa Ashcroft, Tina Burjaliani, Natasha Dusabe, and Olya Kroytor (all LEG), as well as Natalie Manuilova (FAD), Juan Sebastian Corrales (ICD), and Justine Ayebare (STA) participated in selected technical discussions. Daniel Gurara (IMF Resident Representative), Petronella Chishawa, Andrew Ziswa, and Danai Chihota (local staff in the IMF Harare Office) assisted the team. Gonaya Basutli (OED), World Bank staff, and the authorities' financial advisers participated in the meetings. Adi Baurzhanuly and Mistire Kifle (both AFR) assisted the team from headquarters.

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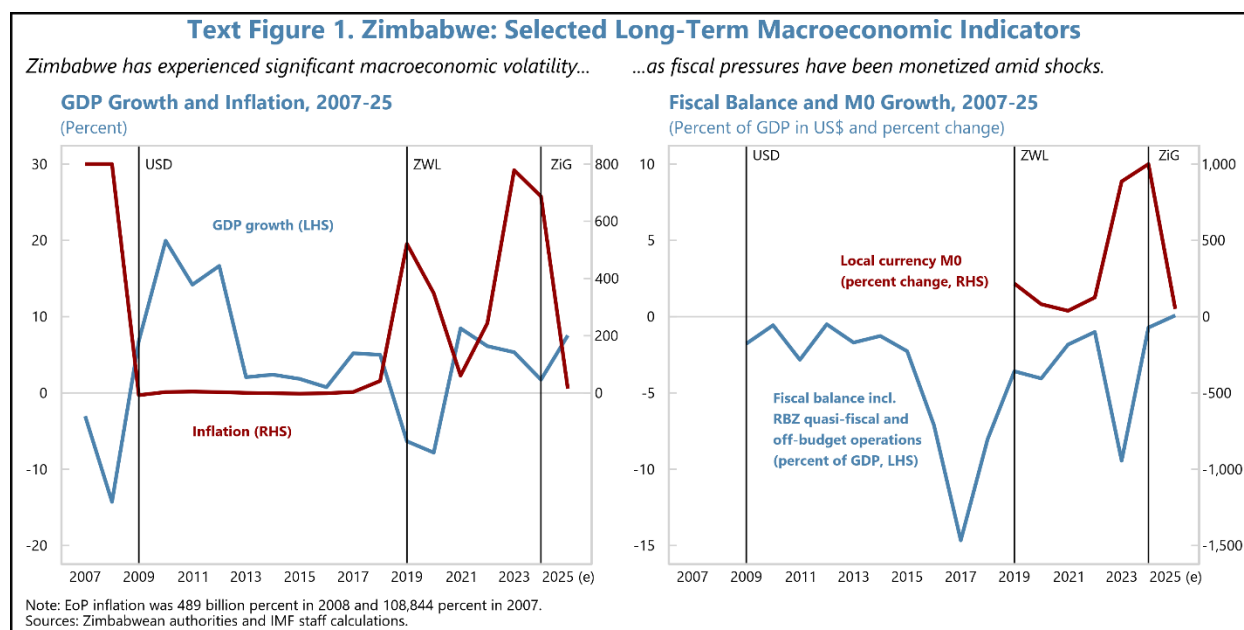
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CONTEXT

1. Zimbabwe is taking steps to address its longstanding macroeconomic challenges.

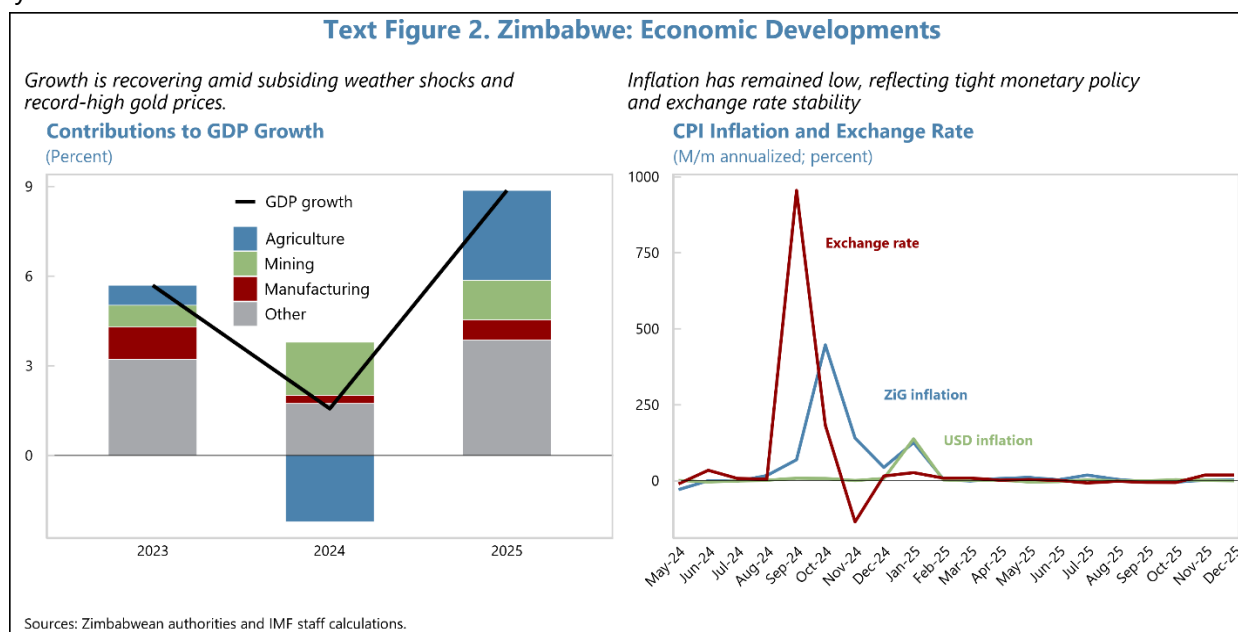
Recent years have seen important shifts in macroeconomic policies, including the cessation of monetary financing and a tightening of the monetary stance by the Reserve Bank of Zimbabwe (RBZ), which has sharply reduced inflation. Fiscal policy has also adjusted but remains under pressure given the constrained financing: past inflationary episodes eroded domestic savings, while net external financing has been negative, reflecting unresolved external arrears and the cost of servicing external commercial obligations from past RBZ quasi-fiscal operations. Favorable external conditions, including multi-year-high gold prices and a rebound in agriculture following a severe drought, have aided stabilization efforts, boosting economic activity, fiscal revenue, and the current account.



2. The authorities have requested a 10-month Staff-Monitored Program (SMP) to consolidate recent stabilization gains. The program will aim to strengthen macroeconomic management through targeted reforms. It will focus on prudent budget execution, enhanced cash and expenditure controls, sustained monetary discipline, improved foreign exchange market functioning, laying foundations for further liberalizing the FX market and strengthening the monetary policy framework, governance reforms to enhance transparency and manage fiscal risks, and social protection efforts. The SMP request is part of the authorities' broader strategy to build a track record of policy implementation in the process of re-engaging with the international community on arrears clearance and debt restructuring.

RECENT ECONOMIC DEVELOPMENTS

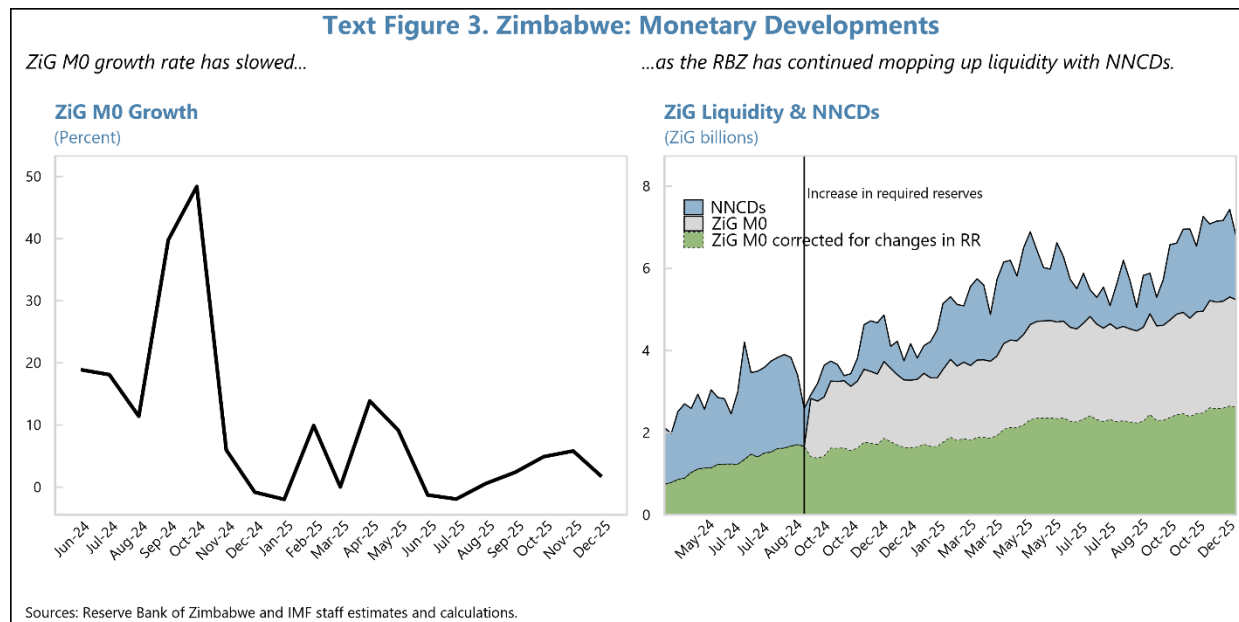
3. Macroeconomic stability and favorable external conditions have supported a strong economic recovery. Growth strengthened in 2025Q3 with robust activity spread across sectors, particularly agriculture—continuing rebound from the 2024 drought—and mining, amid multi-year-high gold and recovering platinum and lithium prices. Strong mining performance lifted the current account surplus to 4 percent of GDP in 2025 and high-frequency data point to continued momentum into 2026 amid high metal prices. Reflecting a stable foreign exchange rate, ZiG Y-o-Y CPI inflation fell to 4 percent in January, from around 90 percent mid-2025 and over 600 percent a year earlier.



4. Stability has been underpinned by tight monetary policy. The RBZ has maintained a tight monetary stance, with the policy rate remaining at 35 percent. After the relatively fast ZiG M0 growth in 2024, the local currency monetary base dynamics has slowed—markedly in the second half of 2025—as liquidity has been more strictly controlled through zero-interest Non-Negotiable Certificates of Deposit (NNCDs). Monetary financing has stopped, with the positive net financing from the RBZ in 2025 only reflecting the use of government deposits to recapitalize the RBZ.

5. Tight monetary policy and strong inflows have helped ease exchange rate pressures and improve FX reserve buffers. The RBZ FX interventions from surrender requirements, tight monetary policy, and the current account strength helped reduce pressures in the official FX market. The parallel market premium persists—as the official FX market is limited to bona fide imports and other eligible current account transactions—but has narrowed from around 30 mid-2025 to below 20 percent since end-2025. Foreign exchange reserves reached 1 month of import cover, up from about half a month at end-2024. The reserve buildup was driven by the remainder of surrender requirements, fiscal transfer from royalty payments by gold operators, large valuation gains due to

higher gold prices, and other FX flows in the RBZ balance sheet. The external position of economy in 2025 was assessed as moderately weaker than the level implied by medium-term fundamentals and desirable policies (see Annex II, External Sector Assessment).



6. Still, the economy remains dollarized and the ZiG is only slowly gaining acceptance.

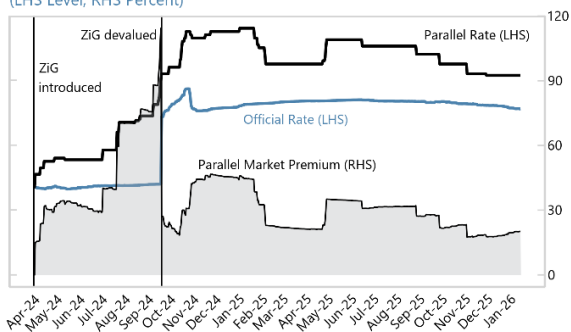
The share of FX deposits in the banking sector has remained high and increasing, and about two-third of transactions by value in the National Payment System are conducted in USD. In this context, the recently published National Development Strategy II (NDS2) clarified that the envisaged transition to a “mono-currency” system would be contingent on conditions precedent—low and stable single-digit inflation, FX reserves of 3-6 months of imports cover, FX market functioning without segmentation, stable exchange rate with minimum over/undervaluation, increased demand for local currency, efficient and secure payment system, as well cohesive fiscal and monetary policies—rather than being anchored to a fixed date. It also clarified that USD-assets, and notably foreign currency bank deposits, would be preserved in such transition.

Text Figure 4. Zimbabwe: External and Monetary Developments

The exchange rate has remained stable, and the parallel premium has narrowed.

Official and Parallel Market Exchange Rates

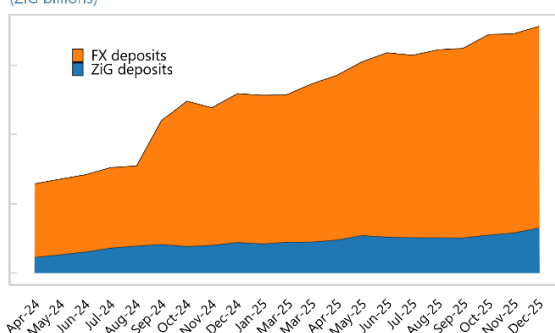
(LHS Level; RHS Percent)



ZiG deposits remain small.

ZiG and FX Deposits

(ZiG billions)

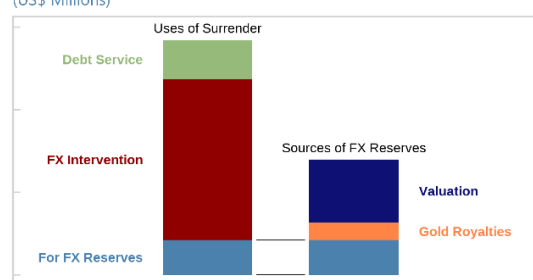


Sources: Reserve Bank of Zimbabwe and IMF staff estimates and calculations.

The RBZ intervened in the WBWS market while building FX reserves

RBZ Surrender & Reserve Accumulation, 2025

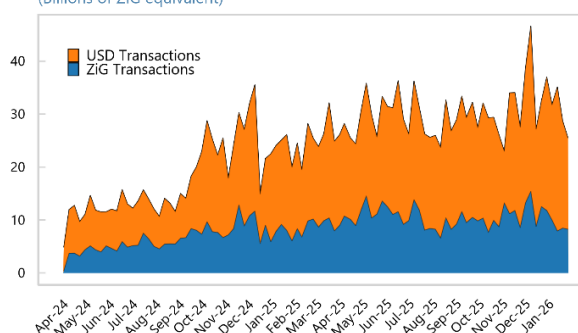
(US\$ Millions)



Transactions in USD continue to dominate the national payment system.

National Payment System Transactions

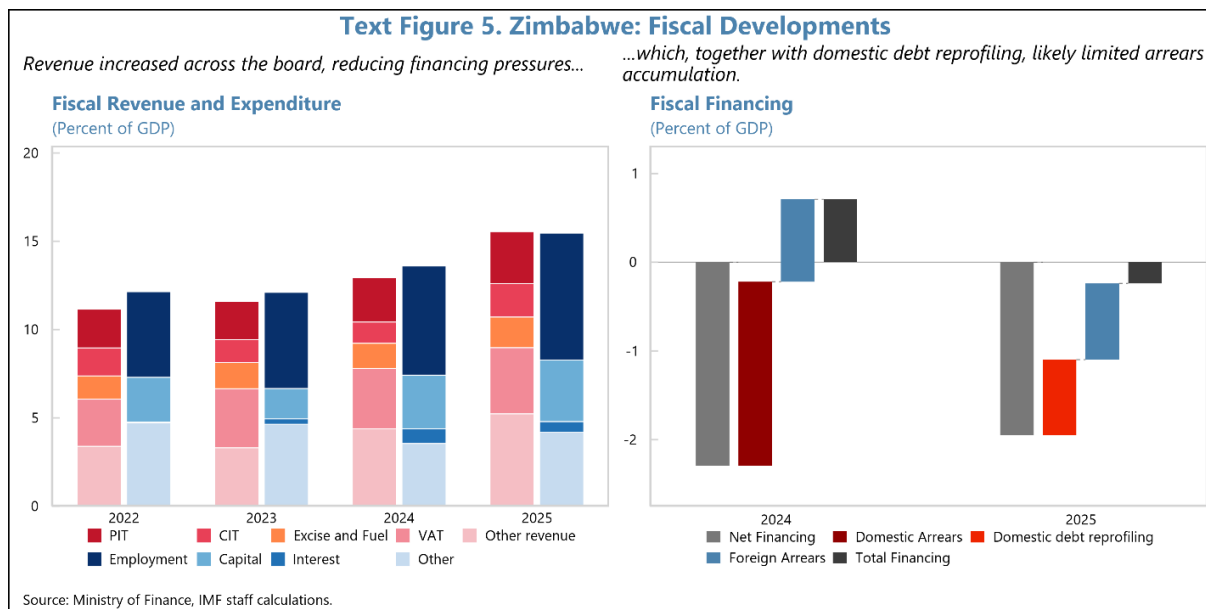
(Billions of ZiG equivalent)



7. The fiscal position likely improved in 2025. Staff estimate that, on a commitment basis, the overall fiscal deficit shrank from 0.7 percent in 2024 to a balance in 2025, and the primary balance improved by a similar magnitude to reach 0.7 percent of GDP:

- **The revenue-to-GDP ratio rose sharply.** The increase from about 13 percent in 2024 to 15.5 percent in 2025 was fueled by higher mining revenues—which reached 3.9 percent of GDP in 2025, up from 2.7 percent in 2024—buoyant consumption taxes, and higher PAYE taxes from public sector wages. These gains have been supported by administrative improvements, including enhanced tax collection from large taxpayers and increased VAT fiscalization, and bolstered by low inflation levels which preserve tax value.
- **The revenue performance more than offset rising spending pressures.** Total spending increased from 13.6 percent of GDP in 2024 to 15.6 percent in 2025, reflecting higher spending on goods and services, and on the public wage bill, driven mainly by hiring in priority sectors and the full-year effect of salary increases in 2024. Capital outlays also increased, partly to recapitalize the RBZ and partly to repay expenditure arrears to suppliers.

- **Staff's estimate assumes no net increase in expenditure arrears.** In 2024, despite a cash surplus, the combination of modest revenue gains and substantial amortization payments on liabilities taken over from the RBZ led to a significant accumulation of expenditure arrears to suppliers. In 2025, strong revenue performance and a moratorium on servicing some of the domestic debt eased financing constraints, and preliminary figures indicate that the budget repaid about US\$350 million of past arrears, even though the government still accrued ZiG arrears on reimbursements to the three platinum mining houses. Since complete data on new expenditure arrears in 2025 are not yet available, staff conservatively estimate net expenditure arrears at zero in 2025.



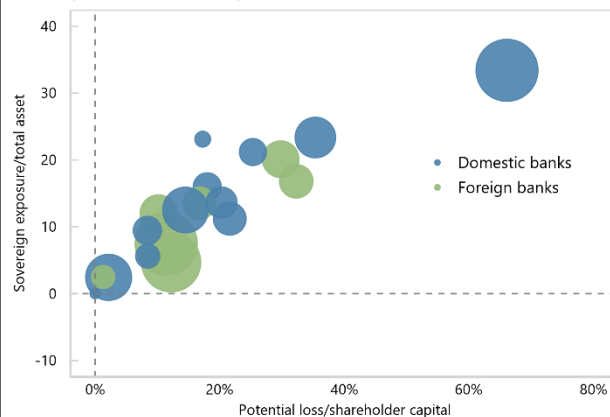
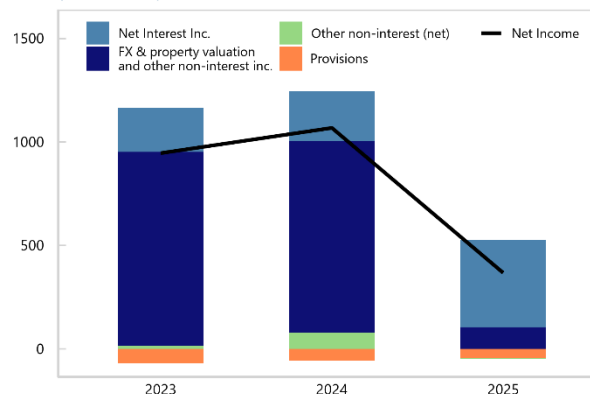
8. The banking system appears resilient. The sector reported total capital adequacy (28 percent) is well above the domestic regulatory minimum (12 percent), following very sizeable fluctuations from large net open FX positions which are still being reconciled. The overall NPL ratio is low (3.5 percent) through December, although the share of watch-listed loans remains high (26 percent), reflecting some foreign banks' assessment of sovereign credit risk. The RBZ has completed three Asset Quality Thematic Reviews and is finalizing its communication and corrective actions toward unsatisfactory credit management practices.

9. Banks, however, remain vulnerable to sovereign credit risk, and profitability has fallen. The banking sector holds 11 percent of assets in government securities, with domestic banks disproportionately exposed and facing periodic liquidity pressures amid delays in principal and interest payments for these securities. Domestic banks are also more exposed to indirect sovereign risk through government expenditure arrears to suppliers and service providers (notably in the construction and agriculture sectors), which can create pressures on loan repayment capacity. Banks' nominal returns on assets dropped sharply in 2025, as exchange rate stability and softer inflation reduced valuation gains in FX assets and investment properties.

Text Figure 6. Zimbabwe: Financial Sector Developments

Banks are vulnerable to sovereign credit risk...

...And profitability has fallen.

Sovereign Exposure and Potential Losses under Stress
(Percent of bank asset)**Banking Sector Net Income**
(US\$ millions)

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

Notes: Default exposures by government contractors and agricultural input providers are assumed to distribute proportionately across banks.

OUTLOOK AND RISKS

10. Zimbabwe's strong economic momentum is forecast to continue. Growth is projected at 7.5 percent and 5 percent in 2025 and 2026, respectively, reflecting the strong agriculture rebound from the 2024 drought and solid mining performance. The momentum is expected to continue in the medium term. Higher oil prices notwithstanding, the recent further increase in IMF World Economic Outlook (WEO) gold prices will support current account surpluses and a gradual pickup in investments, sustaining growth at 4.2 percent. Annual inflation is expected to remain in single-digit territory in 2026—with the impact of the increase in fuel prices estimated at ½ percentage point—and throughout the forecast amid contained FX pressures.

Text Table 1. Zimbabwe: Selected Economic Indicators, 2023–2031

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.		Est.				Proj.		
	<i>(Percent change)</i>								
Real GDP growth	5.3	1.7	7.5	5.0	4.2	4.2	4.2	4.2	4.2
Inflation (end year)	778.8	686.8	15.0	9.0	8.0	8.0	8.0	8.0	8.0
	<i>(Percent of GDP)</i>								
Current account balance	0.3	1.1	4.0	3.7	3.5	3.0	2.6	2.1	1.5
Primary Balance	-9.2	0.2	0.7	0.6	0.5	0.5	0.5	0.5	0.5
Overall fiscal balance	-9.5	-0.7	0.1	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Financing gap ^{1/}	0.5	2.0	0.1	0.0	2.0	1.8	1.6	1.9	0.8
Reserves ^{2/}	0.1	0.5	1.2	1.3	1.7	2.1	2.4	2.7	3.0

Source: IMF staff estimates.

^{1/} Statistical discrepancies for 2023–2025.^{2/} Months to imports.

11. The program baseline reflects the following:

- Monetary conditions are expected to remain tight to contain FX pressures and inflation, and to support further FX reserve accumulation. The 2026 balance of payments projections conservatively assume ongoing unidentified outflows in the capital account to account for unreported imports and capital flight reflected in large errors and omissions in the historical data. These are expected to decrease over time as the program builds confidence and encourages re-monetization. As a result, the program targets a relatively modest rise in FX reserves from 1.2 to 1.3 months of imports in 2026, with further increases in the medium term.
- Sustained fiscal primary surpluses are expected to be driven by additional revenue gains. The revenue-to-GDP ratio is expected to increase by about ½ percentage point to 16 percent of GDP in 2026 based on policies announced in the budget. Additional revenue gains from administrative improvements in the medium term will gradually bring the revenue ratio to 17 percent, which is significantly above the historical average. The incremental gains will fund somewhat higher spending, mainly on the wage bill in 2026 and on infrastructure projects from then on, with the primary balance surplus remaining at around ½ percent of GDP throughout the forecast horizon. The overall balance turns negative from 2026 due to large interest payments. There is no financing gap in 2026 under the baseline, but gaps in the range of 1½-2 percent of GDP emerge in 2027 and beyond, as the partial moratorium on domestic debt payments ends, financing remains constrained, and the authorities gradually repay about ½ percent of GDP per year to fully clear past expenditure arrears (estimated at 3.2 percent of GDP or US\$1.7 billion) by 2025.

	2025	2026	2027	2028	2029	2030	2031
	Act.	Budg. ^{1/}	Proj.				
				Proj.			
Revenue	15.5	16.9	16.0	16.2	16.4	16.6	16.8
Expenditure	15.5	17.1	16.7	17.0	17.3	17.5	17.7
Fiscal balance	0.1	-0.2	-0.8	-0.9	-0.9	-0.9	-0.9
Primary balance	0.7	0.3	0.6	0.5	0.5	0.5	0.5
Identified financing	-0.2	0.8	-1.1	-0.9	-0.7	-0.9	0.1
Domestic financing (net)	-0.9	-0.3	0.6	-0.4	-0.3	-0.5	-0.4
Repayment of arrears to suppliers	0.0	-0.1	-0.6	-0.5	-0.5	-0.5	0.0
Debt reprofiling	0.9	0.5	-1.1	0.0	0.0	0.0	0.0
Foreign financing (net)	-1.0	-0.7	-1.1	-0.8	-1.0	-0.7	-0.6
Change in external arrears	0.9	1.3	1.1	0.9	1.1	0.7	1.0
Financing gap 2/	0.1	0.0	2.0	1.8	1.6	1.9	0.8
Memorandum item:							
Debt service (scheduled)	3.7	2.6	3.1	2.7	2.8	2.8	2.7

Sources: Zimbabwean authorities, and IMF Staff estimates and projections.
1/ Cash-based operations.
2/ Statistical discrepancies for 2025.

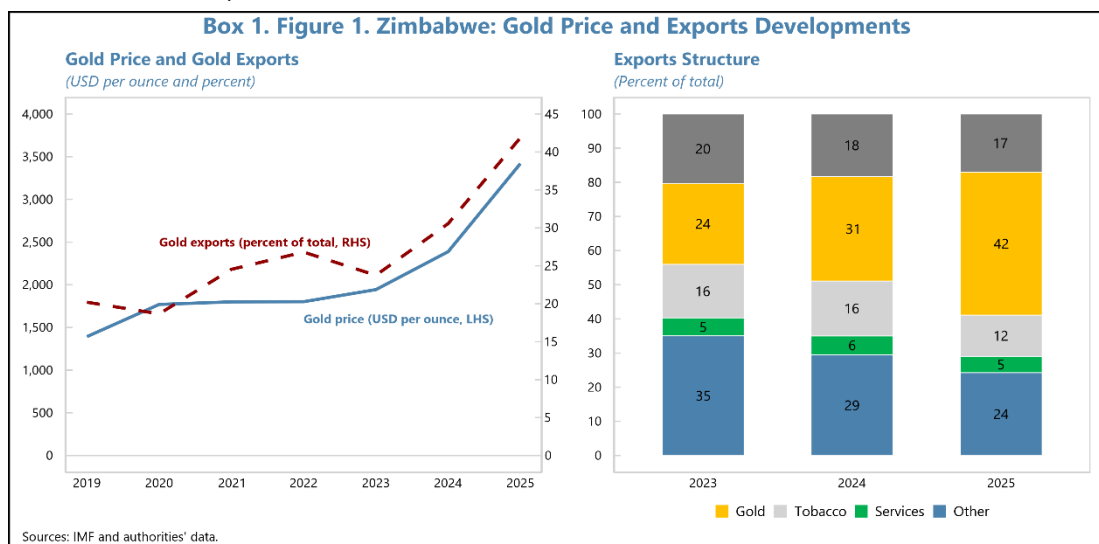
- External and overall public debt is unsustainable and in distress (see 2025 Article IV DSA). The authorities indicated that they would seek debt restructuring and the fiscal path will be revisited at that time.

12. The outlook is subject to important risks (Annex I RAM). In the near term, upside risks include stronger-than-expected growth momentum, which would also ease fiscal pressures. In the medium term, possible program spillovers to confidence and financing, a resolution of external arrears, debt restructuring, and regained public and private access to external financing could have significant growth dividends. On the downside, key risks include a sharp gold price correction (Box 2), further increases in fuel and input prices and trade disruptions due to the conflict in the Middle East, adverse weather shocks, and policy slippages or slow reform progress. Given that access to external financing remains limited and monetary policy is constrained by high dollarization, materialization of the adverse shocks beyond the current WEO assumptions would require a combination of fiscal adjustment and external assistance.

Box 1. Macroeconomic Implications of a Gold Price Correction

Tailwinds from record-high gold prices have supported Zimbabwe’s economy. Staff estimates a meaningful worsening of the growth, fiscal, and external outlooks under a gold price downward correction scenario.

While gold prices remain high, a potential correction could have significant economic implications for Zimbabwe. Gold prices reached their all-time high in early 2026 and are expected to remain elevated in the program baseline. A potential large price reversal could have large economic implications, since gold accounts for around 40 percent of exports, 10 percent of GVA, around 5 percent of formal employment (and a large share of informal employment), and an estimated 5 percent of fiscal revenues (accounting for spillovers to other sectors).



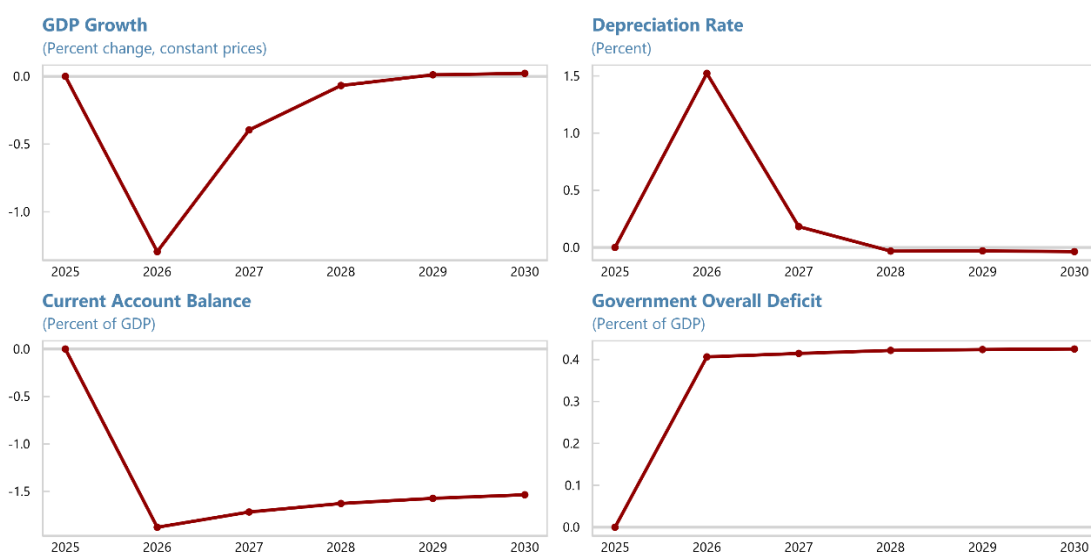
A moderate gold price correction would have a meaningful impact on the program baseline. We estimate the impact of lower gold prices through an augmented version of a semi-structural comprehensive adaptive expectations model calibrated to Zimbabwe. We simulate a downside scenario where gold prices decline by 25 percent relative to the 2026 baseline, which would still keep prices above the 2025 levels. This scenario would generate a:

Box 1. Macroeconomic Implications of a Gold Price Correction (Concluded)

- (i) Moderate exchange rate response—in line with the high degree of dollarization—limiting its shock absorption role;
- (ii) Drop in GDP growth of about 1.5 pp, driven by lower exports, investment, and consumption;
- (iii) Increase in the government overall deficit of about 0.4 percent of GDP due to lower mining sector tax revenues and lower growth; and
- (iv) A current account deterioration of 2 percent of GDP.
- (v) While the model does not estimate the financial sector impact of such a scenario, banks' limited exposures to the mining sector suggest it would be modest.

Box 1. Figure 2. Zimbabwe: Estimated Impact of a 25 Percent Decrease in Gold Price in 2026

(Deviations from baseline, percentage points)



Source: IMF staff calculations.
 Note: Given model limitations and data uncertainty, results should be treated as illustrative.

PROGRAM POLICIES

The authorities' staff-monitored program aims to consolidate recent stabilization gains and build foundations for fiscal, monetary, and governance reforms, while also supporting efforts to strengthen social protection. The program focuses on strengthening budget execution and PFM controls to prevent expenditure arrears accumulation, and on containing wage-bill pressures. Policies under the program aim to sustain monetary discipline, consolidate progress in restoring FX market equilibrium, and lay foundations for further liberalizing the FX market and improving the monetary policy framework. The program will also support strengthening governance to enhance transparency, manage fiscal risks, and address corruption vulnerabilities. The SMP is part of the authorities' broader strategy to re-engage with the international community to advance external arrears clearance and debt restructuring.

A. Restoring Fiscal Discipline

13. The program is based on the staff’s revenue projection of 16 percent of GDP. This assumes 0.5 percent of GDP gains from administrative improvements (Text Table 3), including efforts to strengthen taxpayer-register quality through quarterly monitoring and reporting of filing and payment rates among new VAT and PAYE registrants (**end-March SB, Memorandum of Economic and Financial Policies—MEFP 121**). Yields from tax policy changes in the budget are expected to be modest: the ½ percentage point VAT hike is offset by the ½ percentage point reduction in the tax on electronic ZiG transactions (IMTT). Given the uncertainty, staff projections do not include the announced doubling of the gold royalty rate for industrial miners if gold prices stay above the US\$5,000 per ounce threshold.

14. To prevent a new expenditure arrears build-up, spending will be aligned with the staff’s revenue projection. The commitment in the budget and under the program is to cap spending in the first half of 2026 at an annualized US\$9 billion consistent with the 16 percent of GDP revenue projection. To that end, spending restraints will come from non-priority goods, including travel allowances and other operational costs of extra budgetary units. The caps are reflected in expenditure ceilings and cash release plans for the first half of the year (**Prior Action #1, MEFP Table 1**).

15. Additional spending would be released during the second half of the year only if revenue performance allows. The budget revenue target of 16.9 percent of GDP is considerably higher than staff’s projection but could materialize with stronger economic activity and additional revenue from gold royalties if the gold price stays above US\$5000 per ounce.

Text Table 3. Zimbabwe: Yields from Selected New Revenue and Tax Administration Measures in 2026 – Staff Estimates

	Expected yields	
	(US\$ million)	(Percent of GDP)
Total Revenue projection for 2026	9,000.0	16.0
Revenue projection without tax measures	8,766.1	15.5
Total expected yields	233.9	0.5
New tax policy	16.0	0.0
<i>Of which:</i>		
Local currency IMTT reduction and allowable deduction effect on CIT	-68.0	-0.1
Increase of VAT rate (from 15% to 15.5%)	73.8	0.1
Tax administration	217.8	0.4
New tax administration measures 1/	111.5	0.2
Enhancement of ZIMRA performance 2/	106.3	0.2

Sources: Zimbabwe authorities; and IMF Staff calculations.

1/ Includes: (1) Enhancing Taxation of Electronic Commerce; (2) Enforcement of Presumptive Tax Collection; (3) Rental Income Tax; (4) Migration from Presumptive Tax to Self-Assessment; and (5) VAT on Imported Services.

2/ Includes: (1) Voluntary domestic taxes, customs and excise; (2) Post Clearance Verifications (PCVs); (3) Post Clearance Audits (PCAs); and (4) Register new taxpayers and informal sector traders.

16. To help durably contain expenditure arrears buildup, the authorities will implement the following critical Public Financial Management (PFM) reforms under the program:

- *Improved cash planning* through: (i) clarifying mandates and responsibilities of the Cash Management Committee (CMC) and the Cash Management Secretariat (CMS), (ii) holding the inaugural CMC meeting; and (iii) developing a cash planning template with clear submission timelines, reconciliation to the public financial management system (PFMS), and variance analysis **(Prior Action #2, MEFP Table 1)**.
- *Improved expenditure arrears monitoring* through: (i) requiring all ministries, departments, and agencies (MDAs) to quarterly report expenditure arrears based on an updated reporting format **(Prior Action #3, MEFP Table 1)**; (ii) adopting Terms of Reference for the Office of the Auditor-General to conduct independent audits of expenditure arrears across MDAs **(Prior Action #4, MEFP Table 1)**.
- *Enhance public financial management* by: (i) expanding PFMS functionality to cover U.S. dollar transactions; (ii) requiring MDAs to process all U.S. dollar payment requests through this system; (iii) implementing full earmarking of funds to capture all expenditures **(end-September SB, MEFP ¶117)**.
- *A centralized and more effective payment process* by developing a Treasury Single Account (TSA) reform strategy **(end-June SB, MEFP ¶120)**.
- In addition to measures to prevent new expenditure arrears under the program, the 2026 budget already announced a plan to repay outstanding arrears and requires a mandatory Treasury concurrence for contracts above US\$2 million (Box 2).

Box 2. The Authorities' Expenditure Arrears Clearance Strategy

The authorities plan to repay the large stock of outstanding expenditure arrears by 2030, with priority given to social benefits and essential services.

Preliminary estimates point to a large stock of expenditure arrears. Preliminary and unvalidated data for end-2024 point to about US\$1.7 billion, or 3.7 percent of GDP, in total expenditure arrears. They are largely USD-denominated and concentrated in capital spending and social benefits.

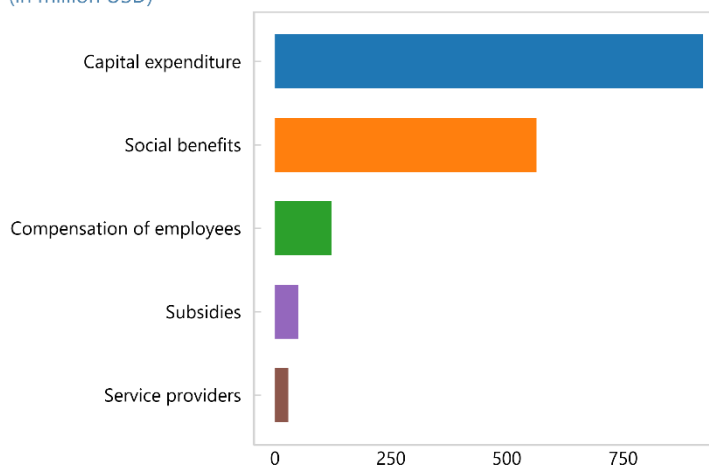
The authorities' strategy pairs stock validation with a rules-based five-year repayment path.

A Treasury-led task force (CIAU and Office of the Auditor General) will verify claims against delivery and compliance, while intra public sector cross-debts are reduced through netting out. Verified arrears will be converted into identical, non-tradable five-year securities, complemented by annual reverse auction buybacks up to a revenue linked ceiling, drawing on the reverse-auction mechanism used in other countries; asset/debt swaps may be used for arrears to pension and social insurance institutions.

Priority will be given to social benefits and essential services. Payment prioritization will aim to minimize socioeconomic harm and avoid service disruption while preventing new expenditure arrears. Category 1 (social benefits and compensation) and Category 2 (utilities and education related services) are prioritized ahead of Category 3 (capital and other arrears).

Box 2. Figure 1. Zimbabwe: Expenditure Arrears

(in million USD)



Source: MoFEDIP; Expenditure Arrears Clearance Strategy (Nov 2025).

17. The program will support measures to contain fiscal pressures from the wage bill.

Public employment costs rose rapidly in the past and contributed to the imbalances that undermined the full dollarization system. The sharp devaluation that followed reduced public sector wages, but efforts to restore their purchasing power—combined with gaps in strategic workforce planning and limited central coordination of compensation policy—continue to exert fiscal pressures. Employment costs remain elevated relative to regional comparators and are projected to increase further in 2026, reflecting additional wage increases, hiring in priority sectors, and the implementation of the Job Evaluation Exercise (JEE), which will de-bunch the salary scale. To contain these pressures: (i) the authorities will develop a medium-term staffing plan to bring the employment cost-to-revenue ratio down to below 50 percent in the medium-term (**end-June SB, MEFP 118**), and (ii) the program includes an indicative target (IT) ceiling on central government employment costs.

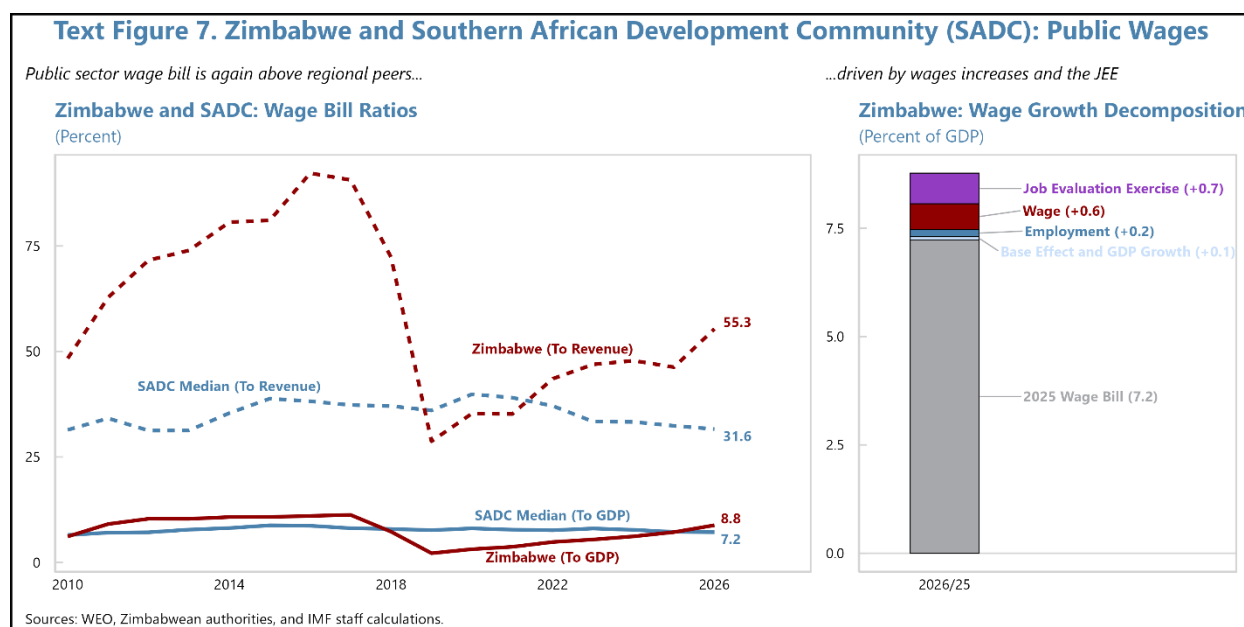
18. To help efforts to improve social cohesion, the program will also take measures to strengthen social protection. To this end, the authorities will adopt and publish a user manual for

all operational modules of Zimbabwe’s social registry (**end-June SB, MEFP 119**). The program also includes an indicative target (IT) floor on protected social and priority spending.

B. The Path to Restoring Debt Sustainability

19. Debt is assessed as unsustainable and in distress (see 2025 Article IV DSA). The total public and publicly guaranteed debt and external debt stocks are estimated at US\$22.8 billion (43.8 percent of GDP) and US\$15.2 billion (29.2 percent of GDP), respectively, at end-2025.¹ The public debt-to-GDP ratio declined substantially, from 70.4 percent in 2024, reflecting the stabilization of the exchange rate and a narrower gap between the average and end-of-period exchange rates in 2025 compared to 2024. Zimbabwe has been accumulating external arrears to its official creditors since the early 2000s, estimated at US\$7.7 billion (14.7 percent of GDP) at end-2025. The government has recently started accumulating arrears to external commercial creditors, estimated at US\$98.1 million (0.2 percent of GDP) at end-2025, and suspended servicing some of its domestic debt obligations, amounting to US\$455 million (0.9 percent of GDP) in 2025, which are scheduled to resume in 2027.

20. Zimbabwe continues reengagement with international creditors to achieve arrears clearance and debt resolution. The Structured Dialogue Platform (SDP) guides discussions on three pillars: economic growth and stability reforms, governance reforms, and land-tenure reforms, farmers’ compensation, and the resolution of Bilateral Investment Protection and Promotion Agreements (BIPPAs). A successful SMP is central to the economic pillar, and progress is also needed on the other two pillars, where progress has been made on compensation of acquired farms which are protected by BIPPAS and compensation of the former farm owners.



¹ End-2025 debt figures are preliminary and subject to change.

21. The authorities have engaged financial and legal advisors and prepared an updated roadmap for the arrears clearance and debt resolution process. The roadmap envisages: (i) securing an agreement on an SMP with the IMF staff, (ii) clearing arrears with International Financial Institutions (IFIs), which will require external support built upon successful implementation of the SMP, and (iii) achieving eligibility for an Upper Credit Tranche (UCT) program with the IMF and requesting a debt treatment. Any Fund-supported UCT program would require debt to return to a moderate risk of debt distress over of the medium term. Discussions on a potential bridge loan to support the clearance of arrears to IFIs are ongoing between the authorities and potential bilateral partners. Successful implementation of a comprehensive strategy to restore debt sustainability would involve a reconciliation of Zimbabwe's debt and the establishment of clear debt restructuring parameters.

22. Still, a strategy for engaging with official creditors on restoring debt sustainability, including debt relief, will need to be developed. It is unlikely that Zimbabwe would be eligible for a treatment under 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 and Suriname), official creditors may be willing to provide bilateral relief or contributions consistent with a comprehensive strategy to restore debt sustainability under a Fund-supported program in due course.

23. The SMP will support improving debt statistics. This includes Integrating DMFAS 7 with the Public Financial Management Information System (PFMIS) and the Reserve Bank of Zimbabwe Central Securities Depository (CSD), which will improve the completeness, accuracy, and timeliness of debt data.

C. Monetary Policy and Exchange Rate Policies

24. Implementing the staff-recommended FX regime of a floating exchange rate stabilized through appropriately calibrated monetary targets faces challenges. Consistent with past Article IV advice, stabilizing the ZiG nominal exchange rate (intermediate target) through control of reserve money (operational target) is expected to support price stability (primary objective) in Zimbabwe's highly dollarized economy with strong exchange rate pass-through to prices. In the context of the multicurrency system, authorities highlighted implementation constraints related to very low demand for ZiG and the costs and effectiveness of relying exclusively on monetary policy operations. In this context, the RBZ has continued to steer the official exchange rate by intervening in the WBWS market, where it remains the dominant FX seller. Its tight monetary policy has reduced pressures on the parallel rate, even though stringent ZiG reserve requirement rules constraining banks' capacity to meet client FX demand for bona fide current account transactions contributed to residual spillovers to the parallel market.

25. The program aims, as a transitional policy, to consolidate progress in restoring FX market equilibrium and to maintain low and stable inflation. As part of a transitional approach, the authorities and staff will closely monitor the rolling one-month average of FX demand backlogs

and the parallel market premium. Any significant deterioration from current levels is expected to be discussed, justified, and addressed by the authorities. To strengthen price discovery and enhance the responsiveness of the exchange rate to market conditions, the RBZ will refine its methodology for the reference exchange rate series by calculating it as a weighted average of all transaction prices and will start publishing it (**continuous SB, MEFP 125**). Monetary policy will maintain a tightening bias, anchored by the SMP's base money target calibrated under a gradual re-monetization assumption, without introducing further distortions to artificially constrain FX demand. Until the comprehensive strategy to liberalize the FX market is adopted, the authorities have also committed to refraining from increases in the foreign exchange surrender requirement, which, with some exceptions, applies to all export sectors at 30 percent, (**MEFP, 127**). While small increases to the surrender requirements could be justifiable in the context of a broader policy adjustment and as a temporary measure in response to capital flight, any policy changes in this area will be subject to consultation with staff.^{2,3}

26. To improve the monetary and FX framework, the authorities will develop a comprehensive FX market liberalization strategy (end-September SB, MEFP 126). The strategy will also aim to support the authorities' objectives to transition to a "mono-currency" and inflation-targeting. Given policy complementarities, such a strategy should cover:

- **Promoting demand for ZiG** through changes to economic incentives, fiscal operations (e.g.: increasing the share of Treasury's revenues and expenditures in ZiG), public debt management (e.g.: issuance of local currency bonds), financial market development (e.g.: development of domestic debt markets), and capital flow management.
- **Improving monetary policy operations.** Current liquidity management tools, such as required reserves and NNCDs, do not support monetary policy transmission, market development, or demand for ZiG. The strategy will aim to strengthen monetary policy operations through liquidity forecasting and developing indirect market-based instruments. It will also include steps to develop analytical toolkits to assess and monitor the relationships between the primary objective, intermediate target, and operational target underpinning the monetary policy framework.
- **Enhancing FX market functioning and developing an FX intervention strategy.** The RBZ plans to improve FX market functioning through a new interbank FX trading platform, which they believe will help—when combined with efforts to mitigate structural factors such as counterparty risks affecting corresponding banking relations—address market segmentation. A

² Capital Flow Management Measure (CFM) and the increase in the percent of the surrender requirement will likely be considered a tightening of a CFM that is subject to assessment according to the Institutional View of Liberalization and Management of Capital Flows.

³ Other CFMs include approval requirements for capital account transfers, cash withdrawal and related measures on outflows, limits on foreign investments, and limits on external borrowing. Exchange restrictions in place which are subject to IMF approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement are unsettled Malaysia bilateral payment agreement, FX rationing and allocation by the RBZ, tax clearance certificate requirement, cash-margin requirement, limits on converting ZiG to FX, limits on remittances and dividends, administrative penalty fee for red-flagged importers, restrictions on payments under non-registered supplier credit agreements. Please refer to Zimbabwe 2025 Article IV staff report for details.

complementary FX intervention strategy will aim to reduce excess exchange rate volatility and gradually limit the RBZ's presence in the market.

27. Authorities will continue to strengthen the financial stability framework. The RBZ has adopted the Basel III Liquidity Coverage Ratio and is finalizing the standards and guidelines for the Net Stable Funding Ratio and the Basel III capital rules with IMF technical assistance. It has taken efforts to improve banks' corporate governance, cybersecurity, payment system oversight, macroprudential, crisis management frameworks, and consolidated supervision. The RBZ has completed three asset quality thematic reviews (AQRs) to validate participating banks' credit risk management practices and correct anomalies where necessary. In February 2025, it issued a Circular directing banking institutions to comply with the FX net open positions of 10 percent for single currency and 20 percent for all currencies, respectively. The central bank is consulting the banking industry, reviewing the formula, and planning to take a staged approach to implement the new regulation. The RBZ will review the current organizational structures and consider establishing separate, dedicated financial stability and resolution units for macroprudential regulation, supervision, and crisis management respectively.

D. Strengthening Governance

28. The SMP will support the authorities' efforts to enhance governance and fiscal risk management from Mutapa Investment Fund's (Mutapa) operations. Efforts will be made in three key areas:

- Mutapa published its first audited annual financial statement in 2025. While this was a step in the right direction, to further strengthen transparency and align disclosure with international best practice, Mutapa will publish audited IFRS-consistent financial statements for all its subsidiaries except those under Corporate Rescue Proceedings or Administration (**end-September SB, MEFP ¶122**).
- Mutapa and all its subsidiaries (excluding those under Corporate Rescue Proceedings or Administration) will continue refraining from contracting, guaranteeing, or otherwise assuming any borrowing or debt-like obligation without the prior written approval of the Ministry of Finance, Economic Development and Investment Promotion (**continuous SB, MEFP ¶122**).
- To enhance fiscal risks monitoring, the authorities will produce, in consultation with Fund staff, an extended Fiscal Risks Statement for the budget documentation that quantifies and discloses the fiscal risks stemming from the financial performance of state-owned enterprises.

29. The program will support the authorities' efforts to strengthen their governance framework. The authorities have recently outlined policy goals that would help address some of Zimbabwe's important governance gaps in order to reduce structural barriers to growth and improve business and investor confidence. In particular, the authorities' NDS2 outlined their goal to achieve full technical compliance with the Financial Action Task Force (FATF) recommendations and to strengthen the integrity of the financial sector by enhancing anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks and aligning with international standards. In addition to these efforts, and in line with their NDS2 and the IMF's 2020 Governance and Corruption Assessment, the authorities will prepare, in consultation with Fund staff, and publish

a comprehensive anti-corruption strategy, accompanied by a policy matrix that sets out clear responsibilities, timelines, and measurable actions (**end-September SB, MEFP ¶31**).

PROGRAM ISSUES

30. The authorities have requested a 10-month staff-monitored program. The program will start in March, with three review test dates (Text Table 4). As a demonstration of their commitment to program objectives, the authorities have completed all four prior actions (**MEFP Table 1**).

31. Program performance will be monitored through quarterly program reviews. Progress in implementing the policies under the SMP will be assessed against the quantitative targets, indicative targets, and structural benchmarks set out in MEFP Tables 2–3. These are defined in the attached Technical Memorandum of Understanding (TMU), which also specifies the program’s data reporting requirements, including the continuous commitments monitored under the SMP.

- *Quantitative and indicative targets (MEFP, Table 2).* The program will be monitored through quarterly quantitative targets on net international reserves, new central bank credit to the nonfinancial public sector, primary fiscal balance, and changes to local currency monetary base. Continuous quantitative target will cover contracting and guaranteeing of new external non-concessional borrowing. Indicative targets will set a floor on central government revenue collection and social spending, as well as ceilings on the accumulation of new domestic expenditure arrears, central government employment costs, and changes in domestic debt.
- *Structural benchmarks (MEFP Table 3).* The SMP’s ten structural benchmarks will aim to support the 2026 budget revenue target, contain fiscal pressures from expenditure arrears, enhance PFM, contain wage bill pressures, improve social protection, improve FX market efficiency and liberalization, as well as strengthening governance to address vulnerabilities, enhance transparency, and manage fiscal risks.

32. The SMP will be supported by IMF Capacity Development (CD). Zimbabwe is one of the largest beneficiaries of IMF CD programs. The authorities have already received capacity development support related to the agreed structural benchmarks on tax administration (SB#4), the public financial management system (SB#5), and the wage bill (SB#6). Technical assistance by the World Bank on the Social Protection system (SB#3) is ongoing. And the authorities have requested IMF technical assistance on FAD’s state-owned enterprise health check toolkit, to reinforce their efforts to enhance fiscal risks monitoring (SB#8 and SB#9). Following the 2019 IMF Governance and Anti-Corruption Assessment for Zimbabwe, Fund staff remain ready to provide additional technical assistance as the authorities prepare their anti-corruption strategy and policy matrix (SB#10).

Text Table 4. Zimbabwe: Proposed Program Timeline

Test date / Target	Planned reviews (tentative)		
	Review	Review Deadline	Review based on:
End-Mar. 2026	First	Jul-26	Mar. 2026 test
End-Jun. 2026	Second	Oct-26	Jun. 2026 test
End-Sep. 2026	Third	Jan-27	Sep. 2026 test

STAFF APPRAISAL

33. Zimbabwe is well-positioned to build on recent stabilization gains and establish a credible track record that supports progress on arrears clearance and debt resolution. After decades of repeated inflation episodes, policy slippages, and prolonged external default, recent tighter policies—supported by favorable external conditions—have helped bring down inflation sharply while growth and the external position strengthened but is assessed as moderately weaker than the level implied by medium-term fundamentals and desirable policies.

34. The authorities' request for a 10-month Staff-Monitored Program appropriately prioritizes near-term macro stability and core institutions. The program's focus on prudent 2026 budget execution and stronger public financial management controls would raise credibility of macroeconomic policies. In the context of fiscal restraint, sustaining monetary discipline and improving FX market functioning would consolidate progress in restoring FX market equilibrium, while the development of a comprehensive FX market liberalization strategy would lay foundations for improving the monetary and FX policy framework. Gains in macroeconomic stability would be reinforced with governance reforms aiming to enhance transparency and manage fiscal risks, and address corruption vulnerabilities.

35. The near-term outlook is favorable, but risks are material and highly concentrated. Growth momentum and the current account surplus are expected to remain elevated, supported by mining activity amid high gold prices and a recovery in agriculture following drought, while inflation is projected to remain in single digits under tight policies. Key downside risks include a sharp gold price correction, higher fuel and input prices and trade disruptions due to the conflict in the Middle East, adverse weather shocks, and policy slippages.

36. Maintaining revenue efforts and strengthening expenditure controls are essential for meeting the targeted primary surplus—which is the program's anchor—aligned with available non-inflationary financing. Staff welcomes the ongoing administrative efforts to strengthen revenue collection, combined with the emphasis on improved cash planning and clearer roles for the Cash Management Committee/Secretariat, strengthened arrears reporting, and independent arrears audits across MDAs. Completing reforms to expand the public financial management system to cover U.S. dollar transactions and advancing the Treasury Single Account strategy will be critical to

preventing new arrears and improving commitment controls. Staff also welcomes steps to strengthen control over public employment costs, which are critical to fiscal pressures.

37. Tackling the arrears overhang will require credible validation, transparent prioritization, and a rules-based repayment path consistent with financing constraints. Staff notes the authorities' approach of pairing stock validation with a structured repayment plan, including prioritization to protect essential services and vulnerable groups, while emphasizing that avoiding new arrears—through tighter controls and realistic budgeting—remains the first line of defense for credibility.

38. Sustaining disinflation will hinge on preserving monetary discipline and minimizing quasi-fiscal risks. Staff underscores the importance of maintaining the cessation of monetary financing of fiscal deficits and continuing tight liquidity management, while addressing analytical and operational complications stemming from legacy balance-sheet swings and past quasi-fiscal operations.

39. FX market reforms should continue to deepen price discovery and reduce segmentation, while carefully managing confidence in the local currency. Progress in restoring FX market equilibrium and laying foundations for strengthening the monetary policy framework and further liberalizing the FX market are key program objectives. Staff encourage further steps that strengthen transparency and market-oriented mechanisms of price discovery, while recognizing the authorities' concerns about the hysteresis of low local currency demand in a highly dollarized environment.

40. Strengthening governance and fiscal risk management will be essential to sustain stabilization and support re-engagement on debt resolution. Staff welcomes commitments to deepen transparency at the Mutapa Investment Fund (including broader audited, IFRS-consistent subsidiary reporting), maintain safeguards against unapproved borrowing, expand fiscal risk disclosures, and publish a comprehensive anti-corruption strategy with a time-bound action matrix. These steps, alongside progress under the Structured Dialogue Platform and the broader arrears-clearance roadmap, can help strengthen policy credibility with stakeholders.

41. Staff supports the authorities' request for a Staff-Monitored Program and considers it an important step toward restoring debt sustainability and unlocking external financing over time. Strong and consistent implementation—supported by targeted capacity development—will be essential to translate the current window of macro stability into durable reforms and a credible basis for arrears clearance and eventual debt treatment discussions.

Table 1. Zimbabwe: Selected Economic Indicators, 2023–31
(Millions of US Dollars Unless Otherwise Specified)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.		Est.			Proj.			
<i>(annual percentage change, unless otherwise indicated)</i>									
Output and prices									
Real GDP growth ^{1/}	5.3	1.7	7.5	5.0	4.2	4.2	4.2	4.2	4.2
Nominal GDP (US\$ millions)	44,447	45,719	53,474	56,713	57,406	59,827	62,350	64,994	67,762
GDP deflator	768.6	1097.2	61.5	13.3	8.0	8.0	8.0	8.0	8.0
CPI (annual average)	667.4	736.1	81.4	8.0	8.0	8.0	8.0	8.0	8.0
CPI (end-of-period)	778.8	686.8	15.0	9.0	8.0	8.0	8.0	8.0	8.0
Money and credit									
Money supply (M2)	712.9	930.8	37.6	27.8	26.0	23.7	21.6	20.7	19.5
Money Base	1,842.7	2421.3	44.2	27.9	25.9	23.6	21.5	20.6	19.4
Credit to the private sector	914.1	1070.4	35.3	29.6	18.8	18.9	17.5	16.4	16.7
Credit to the central government	876.4	2391.6	58.4	13.3	8.8	9.8	10.8	11.7	12.7
Money supply (<i>in percent of GDP</i>)	11.2	9.4	7.5	8.1	9.0	9.9	10.7	11.5	12.2
Credit to the private sector (<i>in percent of GDP</i>)	6.5	6.3	4.9	5.3	5.6	6.0	6.2	6.4	6.7
<i>(ZWL\$ per US\$ until 2023, ZiG in 2024)</i>									
Official exchange rate									
Annual Average Exchange Rate	3,516.2	16.7	26.7						
End-of-Period Exchange Rate	6,104.7	25.8	27.4						
Annual Average Exchange Rate, Year-on-year Percent Change	901.5	999.6	59.6						
End-of-Period Exchange Rate, Year-on-year Percent Change	791.4	956.8	6.2						
<i>(percent of GDP)</i>									
Central government^{2/}									
Revenue and grants	11.6	12.9	15.5	16.0	16.2	16.4	16.6	16.8	17.0
Expenditure and net lending	21.1	13.6	15.5	16.7	17.0	17.3	17.5	17.7	17.9
Overall balance ^{3/}	-9.5	-0.7	0.1	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Primary balance ^{3/}	-9.2	0.2	0.7	0.6	0.5	0.5	0.5	0.5	0.5
<i>(US\$ millions, unless otherwise indicated)</i>									
Balance of payments									
Exports of goods and services	7,603	8,252	11,002	13,825	14,685	15,320	16,067	16,822	17,290
<i>(annual percentage change)</i>	2.0	8.5	33.3	25.7	6.2	4.3	4.9	4.7	2.8
Imports of goods and services	10,293	10,715	11,553	13,828	14,854	15,749	16,741	17,814	18,749
<i>(annual percentage change)</i>	7.6	4.1	7.8	19.7	7.4	6.0	6.3	6.4	5.3
Current account balance (excluding official transfers)	135	501	2,129	2,120	1,994	1,796	1,628	1,371	1,016
<i>(percent of GDP)</i>	0.3	1.1	4.0	3.7	3.5	3.0	2.6	2.1	1.5
Gross international reserves	110	484	1,181	1,537	2,157	2,777	3,397	4,050	4,703
<i>(months of imports of goods and services)</i>	0.1	0.5	1.2	1.3	1.7	2.1	2.4	2.7	3.0
Public debt									
Consolidated public sector debt	21,077	22,460	22,843	22,523	22,916	23,331	23,746	24,172	24,609
<i>(percent of GDP)</i>	76.1	70.4	43.8	42.3	41.4	40.4	39.5	38.5	37.6
Public and publicly guaranteed external debt	16,538	15,326	15,223	15,318	15,228	15,200	15,189	15,148	15,375
<i>(percent of GDP)</i>	59.6	48.0	29.2	28.8	27.5	26.3	25.2	24.1	23.5
<i>Of which: Arrears</i>	10,770	10,905	11,127	11,842	12,390	12,851	13,466	13,886	14,534
<i>(percent of GDP)</i>	38.8	36.7	21.3	22.3	22.4	22.3	22.4	22.1	22.2

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, 2023–31
(Millions of ZiG; Unless Otherwise Specified)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.		Est.			Proj.			
Reserve Bank of Zimbabwe (RBZ)									
Net foreign assets	-9,094	-56,912	-24,440	-5,635	25,644	61,977	98,466	134,726	176,157
Net domestic assets	9,903	77,307	53,858	43,250	21,727	-3,409	-27,293	-48,898	-73,637
Net credit to financial corporations	-1,426	-7,340	-7,206	-12,940	-21,547	-29,504	-37,843	-47,979	-56,818
Claims on central government	1,275	50,322	73,132	85,250	92,031	99,320	107,155	115,554	124,582
of which: Government securities	888	13,877	15,417	17,960	19,357	20,831	22,383	24,014	25,731
of which: Loans (incl. overdraft)	387	36,445	57,715	67,290	72,674	78,490	84,772	91,540	98,850
Other items, net ^{1/}	10,054	34,325	-12,068	-29,060	-48,758	-73,225	-96,605	-116,473	-141,401
Monetary base	809	20,395	29,419	37,615	47,371	58,568	71,173	85,828	102,519
Monetary base (LCU)	232	3,516	5,307	8,399	11,604	15,632	20,492	26,877	34,857
Monetary base (FX)	577	16,879	24,111	29,215	35,766	42,936	50,681	58,951	67,662
Banks									
Net foreign assets	1,558	9,113	9,891	14,507	15,187	16,033	16,916	17,835	18,792
Net domestic assets	5,998	69,536	97,394	122,585	157,451	197,373	242,352	294,728	354,410
Claims on the RBZ	2,392	29,908	40,660	47,941	65,355	83,395	103,047	126,283	149,959
Net credit to central government	976	5,475	3,605	1,610	2,388	4,176	7,286	12,066	18,968
Credit to other public sector	168	551	673	800	900	1,013	1,141	1,285	1,447
Credit to private sector	4,376	51,295	69,271	90,012	107,051	127,467	149,959	174,603	203,938
Other items, net ^{1/}	-1,914	-17,693	-16,815	-17,779	-18,244	-18,678	-19,082	-19,509	-19,901
Deposits	7,556	78,649	107,286	137,091	172,638	213,406	259,268	312,563	373,202
of which: FX deposits	5,711	64,431	87,389	105,741	129,474	155,429	183,465	213,404	244,944
Monetary survey									
Net foreign assets	-7,536	-47,799	-14,548	8,871	40,831	78,010	115,382	152,561	194,949
Net domestic assets	15,106	126,708	125,613	129,101	132,792	136,538	144,589	161,058	179,836
Net credit to central government	1,854	46,206	73,211	82,931	90,265	99,097	109,778	122,674	138,295
Credit to other public sector	312	564	1,127	1,255	1,355	1,468	1,595	1,739	1,901
Credit to private sector	4,417	51,698	69,965	90,707	107,746	128,162	150,654	175,298	204,633
Other items, net ^{1/}	8,522	28,241	-18,691	-45,791	-66,573	-92,189	-117,438	-138,653	-164,993
Broad money (M3)	7,561	78,763	107,425	137,300	172,950	213,875	259,971	313,618	374,785
Money (M2)	7,544	77,767	107,021	136,820	172,410	213,267	259,287	312,847	373,917
Money (M2, LCU)	1,833	13,336	19,632	31,079	42,936	57,838	75,822	99,443	128,973
Money (M2, FX)	5,711	64,431	87,389	105,741	129,474	155,429	183,465	213,404	244,944
Memorandum items									
						<i>(Annual percentage change)</i>			
Credit to private sector	914.1	1,070.4	35.3	29.6	18.8	18.9	17.5	16.4	16.7
Net credit to central government	876.4	2,391.6	58.4	13.3	8.8	9.8	10.8	11.7	12.7
Monetary base	1,842.7	2,421.3	44.2	27.9	25.9	23.6	21.5	20.6	19.4
Monetary base (LCU)	886.1	1,416.5	51.0	58.3	38.2	34.7	31.1	31.2	29.7
Monetary base (FX)	3,083.3	2,825.1	42.8	21.2	22.4	20.0	18.0	16.3	14.8
M2	712.9	930.8	37.6	27.8	26.0	23.7	21.6	20.7	19.5
M2 (LCU)	425.5	627.6	47.2	58.3	38.1	34.7	31.1	31.2	29.7
M2 (FX)	886.1	1,028.2	35.6	21.0	22.4	20.0	18.0	16.3	14.8
Nominal GDP growth	814.9	1,118.1	73.6	18.9	12.5	12.6	12.6	12.6	12.6
						<i>(Percent of GDP)</i>			
Credit to private sector	6.5	6.3	4.9	5.3	5.6	6.0	6.2	6.4	6.7
Monetary base	1.2	2.5	2.1	2.2	2.5	2.7	2.9	3.1	3.3
Monetary base (LCU)	0.3	0.4	0.4	0.5	0.6	0.7	0.8	1.0	1.1
Monetary base (FX)	0.9	2.1	1.7	1.7	1.9	2.0	2.1	2.2	2.2
M2	11.2	9.4	7.5	8.1	9.0	9.9	10.7	11.5	12.2
M2 (LCU)	2.7	1.6	1.4	1.8	2.2	2.7	3.1	3.6	4.2
M2 (FX)	8.5	7.8	6.1	6.2	6.8	7.2	7.6	7.8	8.0

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

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

Table 3a. Zimbabwe: Central Government Operations, 2023–31
(Millions of ZiG)

	2023	2024	2025		2026		2027	2028	2029	2030	2031
	Act.		A.IV	Act.	Budg.	Proj.			Proj.		
Revenue	7,838	106,459	219,199	222,085	287,646	271,003	309,174	352,335	401,515	457,571	521,150
Tax revenue	7,653	97,596	205,344	212,297	269,882	264,962	301,514	343,712	391,807	446,639	508,839
Personal income tax	1,470	20,709	43,936	42,080	56,027	51,590	58,422	66,242	75,116	85,189	96,588
Corporate income tax	873	9,885	21,480	27,069	25,321	32,817	37,301	42,467	48,349	55,049	62,644
Other direct taxes	100	1,325	4,160	3,546	4,632	6,185	7,338	8,739	10,377	12,290	14,489
Customs	668	6,510	16,920	15,584	31,533	19,144	21,918	25,151	28,854	33,096	37,921
Excise	1,003	11,701	24,349	24,669	33,419	30,516	34,711	39,552	45,067	51,353	58,482
VAT	2,261	28,112	57,395	53,651	74,924	68,637	78,360	89,642	102,537	117,278	134,023
Other indirect taxes	1,278	19,354	37,105	45,698	44,026	56,072	63,464	71,918	81,506	92,384	104,691
Non-tax revenue	185	8,864	13,855	9,788	17,764	6,042	7,660	8,623	9,708	10,932	12,311
Expenditure and net lending	14,223	111,924	229,489	220,916	290,881	283,793	325,747	371,724	423,161	482,260	549,126
Cash expenditure	13,835	97,395	228,852	220,272	290,881	271,382	323,921	370,011	421,956	481,536	531,824
Current expenditure	7,015	86,921	204,765	171,210	249,804	249,102	277,147	313,092	351,739	396,382	446,854
Employment costs	3,679	50,905	120,718	102,789	152,256	150,184	166,377	185,279	206,332	229,785	259,879
Wages & salaries (excl. grants & transfers)	3,185	45,561	109,674	91,997	...	134,283	150,453	169,398	190,752	214,832	243,040
Extra budgetary units & grant-aided institutions salaries	494	4,588	11,044	10,792	...	15,901	15,924	15,882	15,580	14,953	16,840
Interest payments	202	6,859	9,403	8,806	8,483	22,587	26,621	30,691	34,361	38,998	44,112
Foreign	100	4,482	4,807	4,384	2,628	14,119	15,614	16,155	16,406	17,242	17,823
Domestic	102	2,377	4,596	4,422	5,855	8,468	11,007	14,536	17,956	21,756	26,289
Goods & services	2,018	15,911	33,415	40,782	47,446	53,344	55,605	62,658	69,862	78,539	88,706
Subsidies and social benefits	1,116	14,003	41,229	18,833	41,620	22,987	27,773	33,630	40,284	48,088	54,157
Capital expenditure and net lending	7,209	25,002	24,724	49,706	41,077	34,690	48,600	58,632	71,422	85,878	102,271
o/w: Capital transfers: to Mutapa and RBZ ^{1/}	6,045										
Overall balance (commitment)	-6,385	-5,464	-10,289	1,169	...	-12,789	-16,573	-19,389	-21,646	-24,690	-27,976
Overall balance (cash)	-5,997	9,064	-9,653	1,812	-3,235	-378	-14,747	-17,676	-20,441	-23,965	-10,673
Primary balance (commitment)	-6,183	1,395	-887	9,975	...	9,798	10,048	11,302	12,716	14,309	16,136
Primary balance (cash)	-5,856	11,127	-887	9,975	5,248	8,300	-642	-244	243	835	16,136
Financing	7,153	5,836	10,289	-3,118	...	12,789	16,573	19,389	21,646	24,690	27,976
Domestic financing (net)	6,043	-9,755	-8,386	-12,801	...	-4,295	11,655	-8,789	-6,597	-12,956	-10,882
RBZ	535	-312	3,294	2,805	...	0	0	0	0	0	0
Banks	555	-4,056	6,925	-2,287	...	-2,109	778	1,727	2,921	4,372	6,162
Non-banks	4,954	-5,387	-18,605	-13,319	...	-2,186	10,877	-10,516	-9,518	-17,329	-17,043
Foreign financing (net)	439	-9,154	-15,504	-14,794	...	-11,744	-21,224	-17,555	-24,345	-19,368	-19,021
Disbursements	770	568	850	811	...	2,033	254	288	311	336	363
Amortization	331	9,722	16,354	15,605	...	13,777	21,478	17,842	24,655	19,703	19,384
Change in arrears ^{2/}	671	24,745	34,180	24,477	...	28,828	26,142	45,732	52,587	57,014	57,879
Domestic	327	17,105	21,306	12,193	...	7,167	6,053	27,160	26,518	37,041	25,928
Debt reprofiling	...	...	...	12,193	...	8,831	-21,752	0	0	0	0
Repayment	...	...	...	0	...	-1,498	-10,689	-11,546	-12,473	-13,473	0
Other (financing gap)	...	...	...	0	...	-165	38,495	38,705	38,991	50,514	25,928
Foreign ^{3/}	344	7,640	12,874	12,284	...	21,661	20,089	18,573	26,069	19,972	31,950
Errors and omissions ^{4/}	-768	-372	...	1,949							

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, 2023–31
(Percent of GDP; ZiG-Based)

	2023	2024	2025		2026		2027	2028	2029	2030	2031
	Act.		A.IV	Act.	Budg.	Proj.			Proj.		
Revenue	11.6	12.9	14.7	15.5	16.9	16.0	16.2	16.4	16.6	16.8	17.0
Tax revenue	11.3	11.9	13.8	14.9	15.9	15.6	15.8	16.0	16.2	16.4	16.6
Personal income tax	2.2	2.5	2.9	2.9	3.3	3.0	3.1	3.1	3.1	3.1	3.1
Corporate income tax	1.3	1.2	1.4	1.9	1.5	1.9	2.0	2.0	2.0	2.0	2.0
Other direct taxes	0.1	0.2	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.5	0.5
Customs	1.0	0.8	1.1	1.1	1.9	1.1	1.1	1.2	1.2	1.2	1.2
Excise	1.5	1.4	1.6	1.7	2.0	1.8	1.8	1.8	1.9	1.9	1.9
VAT	3.3	3.4	3.8	3.8	4.4	4.0	4.1	4.2	4.2	4.3	4.4
Other indirect taxes	1.9	2.4	2.5	3.2	2.6	3.3	3.3	3.3	3.4	3.4	3.4
Non-tax revenue	0.3	1.1	0.9	0.7	1.0	0.4	0.4	0.4	0.4	0.4	0.4
Total expenditure & net lending	21.1	13.6	15.4	15.5	17.1	16.7	17.0	17.3	17.5	17.7	17.9
Cash expenditure	20.5	11.8	15.3	15.4	17.1	16.0	16.9	17.2	17.4	17.7	17.3
Current expenditure	10.4	10.6	13.7	12.0	14.7	14.7	14.5	14.6	14.5	14.5	14.5
Employment costs	5.4	6.2	8.1	7.2	9.0	8.8	8.7	8.6	8.5	8.4	8.5
Wages & salaries (incl. grants & transfers)	4.7	5.5	8.1	6.4	...	7.9	7.9	7.9	7.9	7.9	7.9
Extra budgetary units & grant-aided institutions salaries	0.7	0.6	8.1	0.8	...	0.9	0.8	0.7	0.6	0.5	0.5
Interest payments	0.3	0.8	0.6	0.6	0.5	1.3	1.4	1.4	1.4	1.4	1.4
Foreign	0.1	0.5	0.3	0.3	0.2	0.8	0.8	0.8	0.7	0.6	0.6
Domestic	0.2	0.3	0.3	0.3	0.3	0.5	0.6	0.7	0.7	0.8	0.9
Goods & services	3.0	1.9	2.2	2.9	2.8	3.1	2.9	2.9	2.9	2.9	2.9
Subsidies and social benefits	1.7	1.7	2.8	1.3	2.4	1.4	1.5	1.6	1.7	1.8	1.8
Capital expenditure and net lending	10.7	3.0	1.7	3.5	2.4	2.0	2.5	2.7	2.9	3.1	3.3
o/w: Capital transfer: to Mutapa and RBZ ^{1/}	8.9										
Overall balance (commitment)	-9.5	-0.7	-0.7	0.1	...	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Overall balance (cash)	-8.9	1.1	-0.6	0.1	-0.2	0.0	-0.8	-0.8	-0.8	-0.9	-0.3
Primary balance (commitment)	-9.2	0.2	-0.1	0.7	...	0.6	0.5	0.5	0.5	0.5	0.5
Primary balance (cash)	-8.7	1.4	-0.1	0.7	0.3	0.5	0.0	0.0	0.0	0.0	0.5
Financing	10.6	0.7	0.7	-0.2	...	0.8	0.9	0.9	0.9	0.9	0.9
Domestic financing (net)	8.9	-1.2	-0.6	-0.9	...	-0.3	0.6	-0.4	-0.3	-0.5	-0.4
RBZ	0.8	0.0	0.2	0.2	...	0.0	0.0	0.0	0.0	0.0	0.0
Banks	0.8	-0.5	0.5	-0.2	...	-0.1	0.0	0.1	0.1	0.2	0.2
Non-banks	7.3	-0.7	-1.2	-0.9	...	-0.1	0.6	-0.5	-0.4	-0.6	-0.6
Foreign financing (net)	0.6	-1.1	-1.0	-1.0	...	-0.7	-1.1	-0.8	-1.0	-0.7	-0.6
Disbursements	1.1	0.1	0.1	0.1	...	0.1	0.0	0.0	0.0	0.0	0.0
Amortization	0.5	1.2	1.1	1.1	...	0.8	1.1	0.8	1.0	0.7	0.6
Change in arrears ^{2/}	1.0	3.0	2.3	1.7	...	1.7	1.4	2.1	2.2	2.1	1.9
Domestic	0.5	2.1	1.4	0.9	...	0.4	0.3	1.3	1.1	1.4	0.8
Debt reprofiling	...	...	...	0.9	...	0.5	-1.1	0.0	0.0	0.0	0.0
Repayment	...	...	...	0.0	...	-0.1	-0.6	-0.5	-0.5	-0.5	0.0
Other (financing gap)	0.0	0.0	...	0.0	...	0.0	2.0	1.8	1.6	1.9	0.8
Foreign ^{3/}	0.5	0.9	0.9	0.9	...	1.3	1.1	0.9	1.1	0.7	1.0
Errors and omissions ^{4/}	-1.1	0.0	...	0.1	...	...	...	...	...	...	...
Memorandum item:											
Nominal GDP (LCU, millions)	67,559	822,938	1,492,856	1,428,821	1,698,800	1,698,800	1,911,225	2,151,433	2,422,166	2,727,410	3,071,623

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, 2023–31
(USD Millions)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.		Est.			Proj.			
	<i>(US\$ millions, unless otherwise indicated)</i>								
Current Account	135	501	2,129	2,120	1,994	1,796	1,628	1,371	1,016
Balance on goods	-1,453	-1,262	963	1,703	1,729	1,658	1,617	1,521	1,296
Exports of goods	7,204	7,795	10,477	13,287	14,134	14,756	15,490	16,231	16,686
Imports of goods	8,656	9,057	9,513	11,584	12,405	13,098	13,873	14,710	15,390
Balance on services	-1,237	-1,202	-1,515	-1,705	-1,899	-2,086	-2,291	-2,513	-2,756
Primary income (net)	-434	-478	-610	-1,081	-1,074	-1,039	-989	-956	-909
Secondary income (net)	3,260	3,443	3,291	3,204	3,238	3,264	3,291	3,319	3,385
of which: Workers' Remittances	2,162	2,575	2,821	2,849	2,878	2,907	2,936	2,965	3,030
Capital Account	220	206	154	167	174	181	189	197	205
Financial Account	-686	-313	2,046	2,654	2,151	1,874	1,868	1,391	1,271
Direct investment	-604	-465	-972	-966	-1,019	-1,108	-1,197	-1,295	-1,350
Portfolio investment	23	23	42	41	42	43	44	45	45
Other investment	-105	130	2,975	3,579	3,128	2,939	3,021	2,641	2,576
Currency and Deposit (net)	-62	-367	103	93	-14	-10	-10	-10	-10
Loans (net)	-43	497	355	578	1,058	921	1,170	991	970
Central bank	193	295	174	0	0	0	0	0	0
General government	-109	233	122	392	637	488	627	462	418
Other sectors/ (NFCs, HH, NPISHs)	-127	-31	59	186	420	432	543	530	552
Unidentified capital and other flows ^{1/}			2,517	2,908	2,084	2,028	1,861	1,660	1,616
Errors and Omissions	-1,755	-797	...	...	...	...	...	...	...
Overall Balance	-713	223	237	-367	17	104	-51	177	-50
Financing	713	-223	-237	367	-17	-104	51	-177	50
Exceptional Financing	226	151	460	723	603	516	671	476	703
Reserve accumulation (minus = increase)	487	-374	-697	-356	-620	-620	-620	-653	-653
Memorandum:									
Reserve assets	110	484	1,181	1,537	2,157	2,777	3,397	4,050	4,703
Months of import cover	0.1	0.5	1.2	1.3	1.7	2.1	2.4	2.7	3.0
	<i>(percent of GDP)</i>								
Current account	0.3	1.1	4.0	3.7	3.5	3.0	2.6	2.1	1.5
Exports of goods and services	17.1	18.0	20.6	24.4	25.6	25.6	25.8	25.9	25.5
Imports of goods and services	23.2	23.4	21.6	24.4	25.9	26.3	26.8	27.4	27.7
	<i>(annual percentage change)</i>								
Exports of goods and services	2.0	8.5	33.3	25.7	6.2	4.3	4.9	4.7	2.8
Imports of goods and services	7.6	4.1	7.8	19.7	7.4	6.0	6.3	6.4	5.3
Sources: Zimbabwean authorities; IMF staff estimates and projections.									
^{1/} Unidentified capital and other flows work as the error and omission term for the projection periods.									

Table 4b. Zimbabwe: Balance of Payments, 2023–31
(Percent of GDP)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.		Est.			Proj.			
	<i>(percent of GDP)</i>								
Current Account	0.3	1.1	4.0	3.7	3.5	3.0	2.6	2.1	1.5
Balance on goods	-3.3	-2.8	1.8	3.0	3.0	2.8	2.6	2.3	1.9
Exports of goods	16.2	17.0	19.6	23.4	24.6	24.7	24.8	25.0	24.6
Imports of goods	19.5	19.8	17.8	20.4	21.6	21.9	22.3	22.6	22.7
Balance on services	-2.8	-2.6	-2.8	-3.0	-3.3	-3.5	-3.7	-3.9	-4.1
Primary income (net)	-1.0	-1.0	-1.1	-1.9	-1.9	-1.7	-1.6	-1.5	-1.3
Secondary income (net)	7.3	7.5	6.2	5.6	5.6	5.5	5.3	5.1	5.0
of which: Workers' Remittances	4.9	5.6	5.3	5.0	5.0	4.9	4.7	4.6	4.5
Capital Account	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Financial Account	-1.5	-0.7	3.8	4.7	3.7	3.1	3.0	2.1	1.9
Direct investment	-1.4	-1.0	-1.8	-1.7	-1.8	-1.9	-1.9	-2.0	-2.0
Portfolio investment	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other investment	-0.2	0.3	5.6	6.3	5.4	4.9	4.8	4.1	3.8
Currency and Deposit (net)	-0.1	-0.8	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Loans (net)	-0.1	1.1	0.7	1.0	1.8	1.5	1.9	1.5	1.4
Central bank	0.4	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
General government	-0.2	0.5	0.2	0.7	1.1	0.8	1.0	0.7	0.6
Other sectors/ (NFCs, HH, NPISHs)	-0.3	-0.1	0.1	0.3	0.7	0.7	0.9	0.8	0.8
Unidentified capital and other flows ^{1/}			4.7	5.1	3.6	3.4	3.0	2.6	2.4
Errors and Omissions	-3.9	-1.7	...	...	...	...	...	...	...
Overall Balance	-1.6	0.5	0.4	-0.6	0.0	0.2	-0.1	0.3	-0.1
Financing	1.6	-0.5	-0.4	0.6	0.0	-0.2	0.1	-0.3	0.1
Exceptional Financing	0.5	0.3	0.9	1.3	1.1	0.9	1.1	0.7	1.0
Reserve accumulation (minus = increase)	1.1	-0.8	-1.3	-0.6	-1.1	-1.0	-1.0	-1.0	-1.0
Memorandum:	<i>(US\$ millions)</i>								
Reserve assets	110	484	1,181	1,537	2,157	2,777	3,397	4,050	4,703
Months of import cover	0.1	0.5	1.2	1.3	1.7	2.1	2.4	2.7	3.0
	<i>(annual percentage change)</i>								
Exports of goods and services	2.0	8.5	33.3	25.7	6.2	4.3	4.9	4.7	2.8
Imports of goods and services	7.6	4.1	7.8	19.7	7.4	6.0	6.3	6.4	5.3

Sources: Zimbabwean authorities; IMF staff estimates and projections.

^{1/} Unidentified capital and other flows work as the error and omission term for the projection periods.

Table 5. Zimbabwe: External Financing Table, 2025–2031 (Percent of GDP)

	2025	2026	2027	2028	2029	2030	2031
I. Total Requirement	2.8	3.0	2.3	2.2	2.4	2.2	2.5
Current Account Deficit	-4.0	-3.7	-3.5	-3.0	-2.6	-2.1	-1.5
Public Sector Debt Amortization	1.1	0.8	1.1	0.8	1.0	0.7	0.6
Reserves accumulation	1.3	0.6	1.1	1.0	1.0	1.0	1.0
Other Capital Flows ^{1/}	4.4	5.3	3.6	3.4	3.0	2.5	2.4
II. Total Sources	2.0	1.7	1.3	1.4	1.3	1.4	1.4
Official Transfers (Current and Capital)	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Foreign Direct Investment, net	1.8	1.7	1.8	1.9	1.9	2.0	2.0
Private Sector Loans, net	-0.1	-0.3	-0.7	-0.7	-0.9	-0.8	-0.8
Loan Disbursements to Public Sector	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Portfolio Investment, net	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
III. Financing Gap (I-II)	0.9	1.3	1.1	0.9	1.1	0.7	1.0
IV. Expected Sources of Financing							
Exceptional Financing (Accumulation of arrears)	0.9	1.3	1.1	0.9	1.1	0.7	1.0

^{1/} Other investment excludes the private sector loans (net) and general government loans (net).

Table 6. Zimbabwe: Financial Soundness Indicators, December 2019 – December 2025

Financial Soundness Indicators^{1/}	Dec-2019	Dec-2020	Dec-2021	Dec-2022	Dec-2023	Dec-2024	Dec-2025
Capital Adequacy							
Regulatory capital to risk-weighted assets	33.4	29.8	26.3	30.2	29.6	29.4	27.7
Percentage of banks greater or equal to 10 percent	100.0	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	0.0
Percentage of banks below 6 percent minimum	0.0	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	17.1
Asset Quality							
Foreign exchange loans to total loans	0.8	0.5	0.4	2.3	2.5	1.7	1.0
Past-due loans to gross loans ^{2/}	18.3	33.8	41.6	38.3	35.9	32.5	29.7
Nonperforming loans (past due > 90 days) ^{3/}	1.8	0.3	0.9	1.7	2.1	3.4	3.5
Watch-listed loans (past due < 90 days) ^{4/}	16.6	33.5	40.7	36.6	33.8	29.1	26.3
Provisions as percent of past-due loans	18.0	9.3	11.6	11.5	12.6	13.9	12.8
Earnings and Profitability							
Net profit (before tax and extraordinary items)/net income	120.6	120.0	117.8	120.6	115.6	114.6	140.3
Return on assets	12.8	10.1	9.6	15.1	19.4	19.0	5.9
Return on equity	62.9	53.0	50.0	68.5	75.8	69.0	20.5
Expenses/income	29.5	39.9	42.7	27.7	14.8	11.8	64.2
Liquidity							
Liquid assets/total assets	51.7	53.0	44.6	44.7	41.1	33.7	35.2
Liquid assets/short-term liabilities	67.2	68.0	57.3	58.0	54.6	46.3	46.2
Loans/deposits	38.4	40.4	49.1	54.4	59.4	65.0	62.6
Liquid assets/total deposits	92.8	88.2	71.5	71.8	73.4	62.6	60.2
Foreign exchange liabilities/total liabilities	21.5	35.1	33.8	43.0	74.3	82.6	79.0
Excess Reserves to Broad Money	21.2	6.9	0.2	0.0	0.2	4.0	4.0
Sensitivity to market risk							
Net foreign exchange assets (liabilities) to shareholders' funds	-49.34	-141.44	-132.83	-134.48	-145.14	57.97	-0.01

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. Risk Assessment Matrix¹

Source of Risk	Likelihood	Expected Impact	Policy Response
Conjunctural Risks			
Escalating Trade Measures and Prolonged Uncertainty.	High	Medium. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge, especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	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.
Geopolitical Tensions	High	Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	Push forward faster implementation of the AfCFTA to boost regional trade. Step-up implementation of structural reforms to create a stable business environment. Diversify economic structure.
Fiscal Vulnerabilities and Higher Long-Term Interest Rates.	High	Medium. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.	Step-up implementation of structural reforms to create a stable business environment to attract FDI and improve competitiveness. Advance reforms to improve economic performance and gain support from the international community to pave the way towards arrears clearance unlocking financing from IFIs.

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
Commodity price volatility.	High	High. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	Seek humanitarian support. Create fiscal space for grain imports to support the most vulnerable and improve targeting of social support systems. Allow automatic stabilizers and avoid procyclical tightening in fiscal policy. Adjust monetary policy as needed. Enhance liquidity and reserves management to smooth external adjustment. Conduct structural reforms to reduce commodity dependence.
Decline in International Aid	High	A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries. Such an additional aid withdrawal would strain public finances, worsen current accounts, increase debt vulnerabilities, and lead to a further deterioration in living conditions and food security.	Create fiscal space to cope with adverse shocks and ensure the basic expenditure.
Structural Risks			
Cyberthreats.	High	High. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	Invest in physical and human capital to increase cyber security and resilience to cyber-attacks.
Climate change.	Medium	High. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic 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.

Source of Risk	Likelihood	Expected Impact	Policy Response
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 II. External Sector Assessment

Overall Assessment: *The external position of Zimbabwe in 2025 was moderately 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, low foreign reserves, and the REER overvaluation. The exchange rate used by the RBZ in the WBWS market remained stable in 2025 and the gap between the parallel exchange rate and the WBWS rate narrowed to around 20 percent by the end of 2025. Data shortcomings—C ratings for external sector statistics, see 2025 Article IV staff report Annex IV—and the impact of natural disasters increase uncertainty surrounding the ESA.*

Potential Policy Responses: *Enhancing the functioning of 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, they 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 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 2025 was -1.0 percent, decreasing from a balanced position in 2022. It is projected to increase to 9.9 percent in 2030 with economic reforms and implementation of sound policies. If public external debt is further taken into account for the NFA in the financial sector, the NFA-to-GDP ratio is -30.5 percent in 2025.

Assessment. Given the positive CA in the medium term and notwithstanding projected unidentified capital outflows in the balance of payments (BoP), 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 is projected to increase to 4.0 percent of GDP in 2025, from 1.1 percent of GDP in 2024, 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 2026 due to high gold prices and strong remittances. The medium-term current account balance is projected to remain strong, supported by high gold prices.

Assessment. According to the EBA-lite estimates, the adjusted current account balance is 2.8 percent of GDP, and the adjusted current account norm is 3.9 percent of GDP in 2025. 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 2025 divided by the GDP in 2025. The current account gap is assessed at -1.1 percent of GDP. -4.2 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. Although improved relative to last year, 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 2025 (In Percent of GDP)

	CA model 1/
CA-Actual	4.0
Cyclical contributions (from model) (-)	0.0
Natural disasters and conflicts (-)	1.2
Adjusted CA	2.8
CA Norm (from model) 2/	3.6
Adjustments to the norm (+) 3/	0.3
Adjusted CA Norm	3.9
CA Gap	-1.1
o/w Relative policy gap	-4.2
Elasticity	-0.1
REER Gap (in percent)	9.9

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 2025 divided by the GDP in 2025.

Real Exchange Rate

Background. The exchange rate used by the RBZ in the WBWS market remained stable in 2025. The parallel premium (the gap between the parallel exchange rate and WBWS rate) narrowed to around 20 percent by the end of 2025. This is mainly because the monetary policy stance has remained tight: the Monetary Policy Committee (MPC) kept the statutory reserve requirements for both ZiG and FX demand deposits at 30 percent (the policy rate was maintained at 35 percent, but it has a limited impact on liquidity conditions). The ZiG-based real effective exchange rate appreciated in 2025 due to higher inflation relative to trading partners, 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 -0.1, the CA gap implies an overvaluation of the real effective exchange rate by 9.9 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 2025, the financial account was in the net lending position on the back of repayment of loans from commercial lenders. Non-debt creating inflows, notably FDI, increased relative to 2024 given macroeconomic stability. Portfolio investments recorded small net outflows. The credibility dividends that stand to be gained from the

economic reforms could potentially improve the outlook for FDI and portfolio investments in the medium term.

Assessment. Staff continue to encourage the appropriate mix of policies to avoid disruptive capital outflows associated with broader economic instability. Staff encouraged the authorities to relax these measures as soon as economic conditions permit. 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 2025. Long-standing capital control measures exist (the surrender requirement increased to 30 percent of export receipts in February 2025). FX reserves increased to about US\$1.2 billion by end-December (from US\$179 million at the time of the introduction of the ZiG in 2024).

Assessment. Gross international reserves increased fast in 2025 (around 1.5 month of imports at the end of 2025), but continue to be significantly below adequate levels: 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.

Appendix I Letter of Intent

Harare, Zimbabwe
March 24, 2026

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Madame Georgieva:

1. **The attached Memorandum of Economic and Financial Policies (MEFP) describes the economic objectives and policies of the Government of Zimbabwe under a proposed Staff-Monitored Program (SMP).** Also attached is a Technical Memorandum of Understanding (TMU), which defines the information and monitoring arrangements agreed with IMF staff.
2. **The Government of Zimbabwe requests IMF support through a Staff-Monitored Program (SMP) to consolidate macroeconomic stability, establish a credible track record of policy implementation, and advance re-engagement with the international community in support of external arrears clearance and debt restructuring.** This request reflects Zimbabwe's constrained policy environment, marked by limited fiscal space, accumulated domestic arrears, and the absence of access to concessional external financing.
3. **The program is anchored in our National Development Strategy 2 (2026-2030) and the 2026 National Budget. Fiscal and public financial management policies are the primary anchors of the program.** Our government is committed to restoring budget discipline, preventing the accumulation of domestic expenditure arrears, strengthening cash management and commitment controls, safeguarding priority social spending, and improving transparency and oversight in the management of public resources.
4. **The policies set out in the MEFP aim to:**
 - restore fiscal credibility through conservative budget execution, strengthened cash management, and enhanced fiscal risk oversight of public entities and off-budget activities;
 - mobilize domestic revenue through tax policy and administration, while containing expenditure pressures, including from the public wage bill;
 - prevent the accumulation of domestic expenditure arrears and address legacy arrears by strengthening public financial management and commitment controls, including rolling out USD payment functionality in the PFMS, fully earmarking all expenditures, and improving arrears monitoring, audit, and reporting;

- enhance PFM and cash consolidation through preparation and implementation of the Treasury Single Account (TSA) reform strategy, including a phased rollout of the core TSA and bank account rationalization;
- maintain macroeconomic stability through supportive monetary and exchange-rate policies, including none monetary financing of the budget;
- strengthen fiscal risk management and transparency related to the Mutapa Investment Fund (MIF) by continuing to ensure that MIF and its subsidiaries obtain prior written approval from the Ministry of Finance, Economic Development and Investment Promotion before contracting, guaranteeing, or assuming any borrowing or debt-like obligation, and by maintaining the publication of audited IFRS-consistent financial statements-with the auditor's opinion-for MIF and its subsidiaries according to the agreed schedule; and
- reinforce governance and anti-corruption efforts through the preparation and publication of a comprehensive Anti-Corruption Strategy 2 - 2026 to 2030 and accompanying policy matrix, in line with the national commitment under NDS2.

5. To kick start the implementation of the program, we have taken onboard the four prior actions, as described in Table 1 of the MEFP, and all have been implemented. We shall provide timely information necessary for monitoring economic developments and the implementation of policies defined in the program, as agreed in the TMU, or upon request.

6. The Government of Zimbabwe believes that the measures and policies set forth in the attached MEFP are adequate to achieve the objectives of the program, but stands ready to take additional measures, as necessary, to ensure its success. We will consult the IMF on the adoption of such measures in advance of any revision to our economic and financial policies, in accordance with the IMF's policies on such consultations.

7. The Government authorizes the IMF to publish this letter, the attached MEFP and TMU, and the related staff report.

Sincerely yours,

/S/

Hon. Prof. Mthuli Ncube
Minister of Finance and Economic Development
Government of Zimbabwe

/S/

Dr. John Mushayavanhu
Governor
Reserve Bank of Zimbabwe

Attachments (2):

- I. Memorandum of Economic and Financial Policies (MEFP)
- II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

I. CONTEXT AND OBJECTIVES OF THE STAFF-MONITORED PROGRAM

1. The Staff-Monitored Program (SMP) will support Zimbabwe's efforts to stabilize the economy, enhance growth prospects, and reengage with the international community on the arrears clearance and debt restructuring process. Macroeconomic stabilization and growth-enhancing policies under the program will enhance Zimbabwe's development prospects. The SMP is also part of a broader initiative under the Structured Dialogue Platform (SDP). The SDP institutionalizes the engagement with creditors and development partners towards Zimbabwe's external arrears clearance and debt restructuring. We expect that launching and establishing a track record in policy implementation under the SMP—a key element of the SDP's economic reforms pillar—will accelerate the reengagement process and improve prospects for external arrears clearance, debt restructuring, and access to official concessional financing. Concessional external financing remains key for achieving the country's long-term development goals, as embodied in our National Development Strategy II (NDS2) for the period 2026–2030 on which the 2026 national budget is anchored, and consistent with our vision to transform Zimbabwe into an upper middle-income economy. In that regard, we expect that a successful SMP will pave the way for an IMF financial arrangement.

II. RECENT ECONOMIC DEVELOPMENTS

2. Strong growth prospects continue to underpin the outlook for the economy. Over the past five years, since Covid19, Zimbabwe has recorded strong growth, moderated by the El Nino induced drought in 2024. Real GDP growth bounced to 8.5 percent in 2021, 6.1 percent in 2022 and 5.3 percent in 2023 (average real GDP growth was 5.6 percent over the past five years). The 2024 EL Nino induced drought adversely impacted on agriculture, moderating real GDP growth to 1.7 percent. Growth is estimated at 6.6 percent in 2025 and projected at 5.0 percent in 2026 driven by better climate conditions, record high gold prices, and increased workers' remittances. Economic growth will be anchored on strong performance of key sectors, including agriculture, mining and quarrying, manufacturing, electricity generation, and wholesale and retail trade. Favorable weather conditions are expected to bolster agricultural production, while higher investment in the manufacturing sector is expected to drive industrial output.

3. Rapid decline in inflation. Inflation eased to 15 percent by end-2025 and further to 4.1 percent in January 2026. It is projected to remain in single-digit levels in 2026, last achieved in 1997, supported by a stable exchange rate resulting from tight monetary and fiscal policies.

4. A range of policies has helped increase revenues and reduce fiscal deficit in 2025. Zimbabwe is implementing a Cash Budgeting framework, and this implies automatic expenditure rationalization and prioritization. Further, Zimbabwe is implementing revenue mobilization

initiatives, including enhancing the tax administration, strengthening anti-smuggling strategies, streamlining of tax expenditures and digitalization for efficiency gains and expanded revenue collection initiatives. The revenue ratio increased from 14.3 percent of GDP in 2024 to 15.1 percent of GDP in 2025, driven by buoyant economic activity, improvement in tax administration and new tax measures, such as taxes of fast food and betting. This helped reduce the budget deficit to 0.4 percent of GDP and achieve a primary surplus of 0.2 percent of GDP. While tight financing prevented fulfilling all spending obligations as planned, we made efforts to reduce the accumulation of domestic expenditure arrears and paid some of these obligations.

5. Monetary policy has been significantly tightened, helping stabilize the exchange rate and sharply reduce inflation. Fiscal financing pressures during the initial stages of ZiG introduction had expanded domestic liquidity, widened the Willing-Buyer-Willing-Seller (WBWS)-parallel market gap, and contributed to the sharp drop in the value of the ZiG in September 2024. In response, we halted monetary financing and maintained very tight liquidity conditions to reduce the growth in ZiG monetary base which eased exchange rate pressures and significantly reduced inflation. This has ensured exchange rate stability throughout the year 2025.

6. The external position strengthened markedly. Merchandise exports surged by 31.3 percent to US\$10.2 billion in 2025 from US\$7.8 billion in 2024, led by minerals that grew by 39.4 percent to US\$8.2 billion, with gold exports substantially rising by 67.7 percent to US\$4.2 billion on higher volumes and prices, PGMs increased by 23.8 percent to US\$1.88 billion, and lithium rose by 19.4 percent to US\$642.8 million. Driven by this mining export boom and supported by earlier exchange rate adjustments, Zimbabwe's merchandise trade balance in 2025 marked a historic shift from chronic deficits to intermittent surpluses. As a result, the country registered a current account surplus of US\$2.13 billion in 2025, up sharply from US\$501.2 million in 2024, also aided by resilient diaspora remittances amounting to US\$2.82 billion and improved terms of trade. These very positive trends contributed to enhance Zimbabwe's external buffers, supporting ZiG stability and reserve buildup. They underscore Zimbabwe's export competitiveness, commodity price tailwinds, and current account strength.

III. MACROECONOMIC OUTLOOK

7. The program's comprehensive reform package is expected to deliver more durable macroeconomic stability and boost growth. Government has been implementing structural and macroeconomic reforms over the past seven years, beginning with the inception of the Transitional Stabilization Plan (2018) and expanded during NDS1 (2021-2025). The Government launched NDS2 in November 2025, with additional reforms designed to support progress toward Vision 2030: "To be an empowered and prosperous upper middle-income society by 2030." The implementation of fiscal reforms addressed the "twin deficit" problem, while currency reforms introduced the interbank market for foreign currency and enhanced price discovery.

8. Further reforms are expected to strengthen economic performance across key sectors. Reforms were expanded in 2024 through the introduction of a foreign-currency-backed local

currency, the Zimbabwe Gold (ZiG), alongside tight monetary policy to sustain currency and exchange rate stability. In 2025, the Government advanced additional reforms focused on improving the ease of doing business and reducing regulatory and compliance costs across 12 subsectors of the economy, including agriculture, tourism, retail, transport, health, energy and power, manufacturing, broadcasting, telecommunications, the liquor industry, construction, and financial services. As of December 2025, reforms in five of the twelve sectors had been approved by Cabinet.

9. Policies and reforms to be pursued under the are expected to strengthen policy credibility, predictability and further entrench durable price stability. Government is implementing policy measures to expand ZiG usage and adoption. The objective of the reforms is to entrench private sector as the engine for economic growth and attract investment in key sectors of the economy.

IV. PROGRAM POLICIES

10. The SMP policies will aim to consolidate macroeconomic stability and support re-engagement with creditors. We will sustain the current policies of non-monetization of budget deficits and prevent the accumulation of new domestic expenditure arrears by strengthening fiscal discipline through continued public financial management reforms. We will also advance reforms to further strengthen monetary and exchange rate policy framework, including additional measures to improve FX market functioning and strengthen monetary policy operations. In parallel, we will implement governance and institutional reforms to mitigate fiscal risks and enhance transparency, with a view to establishing a credible policy track record that supports arrears clearance and the restoration of access to external financing.

A. Fiscal Policy and Public Financial Management

11. The execution of the 2026 budget will be central to demonstrating our commitment to sound macroeconomic management. As already announced in the Budget Presentation, the 2026 Budget will entrench macroeconomic stability (currency, exchange rate and price stability) by continuing cash budgeting policy stance. Government has identified expenditure arrears as a risk to fiscal sustainability, hence a process of identifying and auditing expenditure arrears commenced in 2025.

12. In 2026, the Government will sustain prudent fiscal policy and complementary monetary policy to durably anchor macroeconomic stability. In that regard, the national budget for the first half of the year will be executed on the basis of a conservative full-year revenue envelope of US\$9.0 billion. To that end expenditure ceilings and cash release plan will be aligned with revenue generation and available net financing, consistent with principles of cash budgeting. Weekly and monthly expenditures will be monitored to ensure total expenditure does not exceed US\$4.2 billion in the first half of the year (MEFP Table 1, Prior Action #1).

13. We will complement conservative budget execution with strengthened cash management. To strengthen cash management, we have issued a revised circular to clarify the individual mandates and responsibilities of the Cash Management Committee (CMC) in cash management. The re-established CMC, supported by the Cash Management Secretariat, held its first and second meetings on February 02 and 09, 2026, and a standard monthly cash management template, with clear submission timelines, reconciliation to PFMS, and variance analysis is being developed. (MEFP Table 1, Prior Action #2).

14. Government has adopted a strategy to clear domestic arrears over a five-year period. The strategy envisages the clearance of domestic expenditure arrears through budget allocations over the five-year horizon. Current expenditure arrears are estimated at US\$1.7 billion as of December 31, 2024, although they are still pending validation through an audit by the Auditor General's Office. As part of the strategy, Government has allocated US\$304.5 million in the 2026 National Budget toward expenditure arrears clearance.

15. We will verify and audit the largest categories of existing domestic arrears. To this end, we will focus on arrears related to dam construction and water supply projects, road development, and the Input Support Scheme, which together account for about 76 percent of total domestic arrears as of end-2024. We will also strive to complete as soon as feasible the audit of expenditure arrears for 2024 and, after arrears stock taking, for 2025. In support of this process, Ministry of Finance, Economic Development and Investment Promotion has developed and adopted the Terms of Reference for the Auditor-General Office of Zimbabwe to conduct independent audits of expenditure arrears across MDAs for end years 2024 and 2025 (MEFP Table 1, Prior Action #4).

16. Going forward, we will strive to avoid accumulating new domestic expenditure arrears. To this end, we have issued a revised circular to all ministries, departments, and agencies (MDAs) to improve domestic expenditure arrears monitoring. The circular introduces quarterly reporting template of domestic expenditure arrears on a rolling basis across quarters beginning with the first quarter of 2026 (Table 1, Prior Action #3). For timely quarterly expenditure arrears monitoring purpose, the initial focus will be on the Ministry of Finance, Economic Development and Investment Promotion (MoFED&IP), the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) and the Ministry of Transport and Infrastructure Development (MoTID).

17. Strengthening PFMS functionality and advancing toward full commitment control will be essential going forward. We will operationalize the US dollar payment functionality in the PFMS and issue a Treasury circular requiring all MDAs to process all USD payment requests through the PFMS, with the Treasury issuing payment instructions exclusively from the PFMS. We will also configure the PFMS to require Funds Reservations for all expenditures, including recurring costs and capital projects, and to record earmarking for multi-year capital projects using Internal Order numbers. (MEFP Table 3, SB #5).

18. The management of the public wage bill will be central to strengthening expenditure policy. Government is managing employment costs to ensure that they don't exceed 50 percent of total revenue collections. In the 2026 budget, employment costs are slightly above the 50-percent

threshold; however, Government has instituted a set of near- and medium-term policy measures aimed at reducing the ratio to the desired level. These measures include aligning salary adjustments with revenue performance, implementing recommendations from the Job Evaluation Exercise Reports, rationalizing staffing levels based on workload assessments, maintaining a hard freeze on new recruitment except in critical sectors, promoting multitasking, and redeploying staff from MDAs with excess personnel to those with shortages. Additional measures include payroll audits, digitization of human-resource management systems, and the elimination of ghost workers. To further strengthen medium-term wage bill management, MOFED&IP will develop a medium-term staffing plan with a view to bringing the employment cost to below 50 percent of revenue, ensuring that the total wage bill-to-GDP ratio converges towards 8.4 percent over the medium run (MEFP Table 3, SB #6).

19. Social and priority spending will be protected. We will strive to maintain the budgeted level of spending (US\$592 million) for social programs anchored on the Zimbabwe Social Registry developed by Government: (i) the Presidential Input Scheme; (ii) Basic Education Assistance Module (BEAM); (iii) Food Deficit Mitigation; (iv) Harmonized Cash Transfers; and (v) Social Protection Management Information System. Also, in coordination with the Ministry of Public Service, Labor and Social Welfare, we will adopt and publish a user manual covering all operational modules of the Zimbabwe Social Registry (ZISO), including registration, eligibility determination, updating, and data management (MEFP Table 3, SB #3).

20. We will also advance reforms to strengthen cash management and oversight through the adoption of a Treasury Single Account (TSA). To that end, we will develop, with IMF technical assistance support, a TSA reform strategy, including bank account rationalization plan and a phased roadmap for introducing a core TSA and expanding its coverage (MEFP Table 3, SB #7). Expanding TSA coverage is expected to improve payment efficiency, transparency, and accounting, while supporting more effective cash and liquidity management in coordination with the RBZ.

21. In parallel, domestic revenue mobilization will remain the main funding source of budget financing and a key pillar for achieving our development goals. Our domestic revenue mobilization strategy 2026 to 2030 will focus on a combination of targeted tax policy and strengthened tax administration measures. Over the next ten months, we will improve taxpayers' register quality by monitoring and quarterly reporting the percentage of new VAT and PAYE registrants who file and pay (MEFP Table 3, SB #4). We will also implement a compliance-improvement strategy for large and medium-sized corporate taxpayers, to enhance filing and payment discipline, with the aim of raising on-time filing and payment rates for VAT and PAYE for large and medium-sized taxpayers. In parallel, we will develop and operationalize a strategy to address tax arrears, incorporating risk-based and behaviorally informed interventions to improve collection performance and recover a meaningful share of outstanding collectible tax debts.

22. We will enhance transparency across Mutapa Investment Fund's operations. As part of our transparency efforts, the Mutapa Investment Fund published its inaugural financial statement in December 2025. To further strengthen disclosure and align with international best practice, Mutapa will publish audited IFRS-consistent financial statements for all its subsidiaries-excluding those

under Corporate Rescue Proceedings or Administration: for 21 subsidiaries for the 12-month period ending December 31, 2024 and for 5 subsidiaries for the period ending on 31 December 2023 MEFP Table 3, SB#9.

23. We will reinforce governance and strengthen fiscal risk management. Mutapa and all its subsidiaries (excluding those under Corporate Rescue Proceedings or Administration) will continue refraining from contracting, guaranteeing, or otherwise assuming any borrowing or debt-like obligation without the prior written approval of the Ministry of Finance, Economic Development and Investment Promotion (MEFP Table 3, SB#8). To enhance fiscal risks monitoring, MoFED&IP will produce, in consultation with Fund staff, an extended Fiscal Risks Statement for the budget documentation that quantifies and discloses the fiscal risks stemming from the financial performance of state-owned enterprises. Building on our commitments under NDS2, we will further strengthen transparency and borrowing procedures by requiring Mutapa and its subsidiaries to publish all contingent liabilities and borrowings, while subjecting any borrowing above specified thresholds to prior Ministerial approval and Parliamentary notification.

B. FX Market and the Monetary Policy Framework

24. We have taken steps to clarify our exchange rate policy and enhance transparency in the FX market. Specific measures include the following:

- We have made progress in stabilizing FX market and reducing parallel market premium. Stabilizing the ZiG exchange rate is critical to strengthen confidence and support demand for the local currency. To this end, we have maintained a tight monetary policy stance and conducted regular FX market interventions using proceeds from surrender requirements, which help re-distribute FX proceeds more widely across the system.
- The RBZ and the MOFED&IP have streamlined and consolidated the regulations for FX market operations. Specifically, the RBZ has replaced the existing regulatory framework with a single comprehensive set of operational rules and regulations clarifying and eliminating any legal uncertainty that: (i) banks are now free to determine their exchange rates in the interbank market as well as in transactions with their clients; (ii) all willing sellers of FX are now free to set the price for their FX; and (iii) we have removed any rules or guidance requiring banks to ration or prioritize their FX sales to customers. MOFED&IP has also repealed Statutory Instrument 81A to eliminate any restrictions on the pricing of goods and services based on the prevailing WBWS rate.
- The August 2025 Monetary Policy Statement clarified the monetary policy framework. The statement communicated a hybrid framework with price stability as the primary objective, nominal exchange rate as the intermediate target, and reserve money as the operational target.
- The RBZ is developing a new FX trading platform with World Bank technical assistance. The design of the platform draws on regional experience to reduce structural fragmentation and enhance market efficiency. The platform aims to incentivize interbank FX transactions by

improving transparency and price discovery. It will also address key structural rigidities, including market segmentation.

25. Going forward, we will consolidate progress in restoring FX market equilibrium and further improve price signals. We will provide IMF staff with timely information on the parallel market premium and backlog in the FX demand pipeline to monitor progress toward market clearing (MEFP Table 3, SB #1). We will refine the methodologies for computing reference rate series using a weighted average price of all market transactions. These rates will be published for reference only and will not dictate price formation in subsequent trading sessions.

26. We will also develop a comprehensive strategy to further liberalize the FX market (MEFP Table 3, SB #2). The strategy will support in the long run our intention to transition to a "mono-currency" system and an inflation targeting monetary policy framework. Given complementarities across policies, the strategy will be developed jointly by MOFED&IP and RBZ, requesting technical assistance from the IMF where necessary. The strategy will outline a feasible path designed to address existing rigidities. Specifically:

- Promoting demand for ZiG. We will identify coherent and supportive policy measures—covering changes to economic incentives, fiscal operations (e.g., increasing the share of Treasury's revenues and expenditures in ZiG), public debt management (e.g.: issuance of local currency bonds), financial market development (e.g.: development of domestic debt markets), and capital flow management—to encourage broader use of the ZiG.
- Improving monetary policy operations. The strategy will set up steps to strengthen liquidity forecasting and management through market-based open market operations (OMOs) using indirect instruments. It will also include steps to develop analytical toolkits to assess and monitor the relationships between the primary objective, intermediate target, and operational target underpinning the monetary policy framework.
- Enhancing FX market functioning and developing an FX intervention strategy. Accompanying the planned introduction of the new FX trading platform, the strategy will set up a transition path to a competitive and market-clearing mechanism for FX market operations. A complementary FX intervention strategy will align with the RBZ's risk appetite and program targets, aiming to reduce excess exchange rate volatility and gradually limit the RBZ's presence in the market.

27. We will refrain from further increases in the foreign exchange surrender requirement until the comprehensive strategy to liberalize the FX market is adopted. Temporary and time-bound increases could be justifiable in response to intensification of capital outflows. Any additional surrender requirement will be channeled through the market.

28. To strengthen the RBZ institutionally, we recognize the need to update the RBZ Act to reinforce central bank autonomy and clarify the policy mandate. In particular, under the revised framework, RBZ will not extend credit to the government. With IMF technical assistance, we will continue efforts to address legacy RBZ balance sheet weaknesses and improve monetary and financial reporting. To prepare the groundwork for future cooperation with the Fund, we plan to

request a Safeguards Assessment (SA) of the RBZ in the third quarter of the SMP year as we progress towards a possible IMF arrangement. The SA will assist us in assessing RBZ's financial controls and its findings will allow us to institute the necessary corrective measures.

C. Maintaining Financial Sector Stability

29. We will continue to strengthen the financial stability framework. Guided by the recommendations of the 2018 Financial Sector Stability Review (FSSR), we have adopted the Basel III Liquidity Coverage Ratio and are finalizing the standards and guidelines for the Net Stable Funding Ratio and the Basel III capital rules with IMF technical assistance. We are improving banks' corporate governance, cybersecurity, payment system oversight, macroprudential, and crisis management frameworks, and implementing consolidated supervision. We will prioritize the implementation of Basel III capital standards. We will review the current organizational structures and consider establishing separate, dedicated financial stability and resolution units for macroprudential regulation, supervision, and crisis management respectively. We have started asset quality thematic reviews (AQRs) to validate banks' credit risk management practices and correct anomalies where necessary. In February 2025, we issued a Circular directing banking institutions to comply with the FX net open positions of 10 percent (single currency) and 20 percent (all currencies), respectively. We are consulting the banking industry, reviewing the formula, and planning to take a staged approach to implement the new regulation.

D. Governance and Structural Reforms

30. Strengthening economic governance remains key to lifting Zimbabwe's growth prospects. Government successfully introduced the electronic government procurement (E-GP) system and completed development of the National Standard Price List (NSLP), which sets the maximum prices that MDAs must use when procuring various goods and services within the E-GP system, procurement plans, and budget formulation. In addition, Government initiated pooled procurement for selected goods and services—such as uniforms for security services—to optimize economies of scale through bulk purchasing.

31. We will further strengthen our governance framework. In line with our commitment under NDS2 to enhance integrity and accountability across the public sector, we will prepare, in consultation with IMF staff, a comprehensive anti-corruption strategy, accompanied by a policy matrix that sets out clear responsibilities, timelines, and measurable actions (MEFP Table 3, SB #10). The strategy will advance reform priorities in the NDS2, which reflects the recommendations of the IMF's 2020 Governance and Corruption Assessment. Once finalized, we will publish the strategy to enhance transparency and provide a clear roadmap for implementation.

V. PROGRAM MONITORING

32. The program monitoring will be based on prior actions (MEFP Table 1), quantitative targets (MEFP Table 2) and structural benchmarks (MEFP Table 3). The quantitative targets and

the structural benchmarks are defined in the attached Technical Memorandum of Understanding (TMU). The 10-month SMP will have three review test dates set for end-March, end-June, and end-September 2026. To support program monitoring, we will provide IMF staff with statistical data and other information specified in the TMU, as well as any additional information the IMF staff may request. We will also establish a program monitoring committee at the outset of the SMP-including representation from the IMF Resident Representative Office-to coordinate the preparation of review missions and the assessment of performance under the program.

Table 1. Zimbabwe: Prior Actions

Item	Proposed measures	Objectives	Status
1	To operationalize the provision in the Public Finance Law to execute the budget on the basis of a conservative annual revenue projection in the first half of the year, the Ministry of Finance, Economic Development and Investment Promotion (MOFED&IP) shall issue a budget circular with revised expenditure ceilings consistent with the revenue projection of US\$9 billion to be reflected in the cash release plan calibrated to the typical in-year revenue pattern.	Restore fiscal discipline – Prevent arrears build-up	Completed
2	To improve cash planning: (i) the MOFED&IP shall issue a memo to state the individual mandates and responsibilities of the Cash Management Committee (CMC) and Cash Management Secretariat (CMS) with respect to cash management; (ii) the CMC shall hold the first meeting; and (iii) CMS/CMC shall develop and mandate a standard monthly cash planning template with clear submission timelines, reconciliation to PFMS, and variance analysis.	Restore fiscal discipline – Cash management	Completed
3	MOFED&IP shall issue a revised circular to all ministries, departments, and agencies (MDAs) to require quarterly reporting of domestic expenditure arrears on a rolling basis across quarters beginning with the first quarter of 2026 based on an updated reporting format.	Restore fiscal discipline – Domestic arrears monitoring	Completed
4	MoFED&IP shall develop and adopt Terms of Reference for the Office of the Auditor-General to conduct independent audits of expenditure arrears across MDAs.	Restore fiscal discipline – Domestic arrears monitoring	Completed

Table 2. Zimbabwe: Quantitative Targets (QTs) for March-December 2026
(Cumulative changes unless indicated otherwise) 1/

	2026			
	End-March	End-June	End-Sept.	End-Dec. 2/
I. Quantitative Targets				
1. Floor on the primary budget balance of the central government (US\$ million) 3/ 4/	47	136	200	271
2. Ceiling on changes in credit to the nonfinancial public sector from the RBZ (US\$ million) 3/	0	0	0	0
3. Floor on changes in net official international reserves (US\$ million) 5/ 6/	74	195	291	356
4. Continuous ceiling on contracting or guaranteeing of new external non-concessional debt by the central government (US\$ million) 7/	0	0	0	0
5. Ceiling on changes in ZiG monetary base of the RBZ (ZiG million) 8/	602	830	830	830
II. Indicative Targets				
1. Floor on central government total revenue collection (US\$ million)	1,975	4,132	6,385	9,000
2. Ceiling on accumulation new (net) domestic expenditure arrears (US\$ million) 9/	0	0	0	0
3. Ceiling on central government employment costs (US\$ million) 10/	840	2,143	3,446	4,976
4. Floor on protected social and priority spending (US\$ million) 11/	190	414	603	755
5. Ceiling on changes in domestic debt (US\$ million) 5/	19	8	18	41
Memorandum items:				
Program exchange rate, WBWS (ZiG / USD) 5/	25.98	25.98	25.98	25.98

1/ For definitions, see Technical Memorandum of Understanding.

2/ The targets for end-December 2026 are all indicative (ITs).

3/ Value of cumulative flows from the beginning of the calendar year.

4/ An downward adjustor of up \$300 million will apply to this floor as specified in the TMU, paragraph 9.

5/ At program exchange rate as specified in the TMU, paragraph 6.

6/ Excluding autonomous changes as specified in the TMU, paragraph 12.

7/ An upward adjustor of up to \$300 million will apply as specified in the TMU, paragraph 18.

8/ Changes from the previous quarter.

9/ As defined in the TMU, paragraph 21-23.

10/ As defined in the TMU, paragraph 24.

11/ As defined in the TMU, paragraph 25-26.

Table 3. Zimbabwe: Structural Benchmarks (SBs)

Item	Proposed measures	Target date (end-of-period)	Objectives
Monetary, FX, and Financial Policies			
1	The RBZ will consolidate progress in restoring FX market equilibrium—assessed by developments in the parallel premium and FX demand pipeline—and start publishing reference exchange rate series calculated as a weighted average of all transaction prices.	To be assessed at each program review.	Improve FX market efficiency
2	RBZ to develop a comprehensive strategy to further liberalize the foreign exchange market, incorporating measures to strengthen the demand for ZiG, improving monetary policy operations, and reforming the functioning of the FX market and the RBZ FX intervention policy alongside complementary fiscal measures based on inputs from MoFED&IP.	End-September 2026	Promote ZiG demand
Social programs			
3	The Ministry of Public Service, Labor and Social Welfare adopts and publishes a finalized user manual covering all operational modules of the Zimbabwe Social Registry (ZISO), including registration, eligibility determination, updating, and data management.	End-June 2026	Improve social protection
Tax administration			
4	Improve taxpayer register quality by monitoring and quarterly reporting the percentage of new VAT and PAYE registrants who file and pay.	End-March 2026	Support the 2026 budget revenue target
Public Financial Management			
5	MOFED&IP (i) operationalize the US dollar payment functionality in the PFMS and issues a Treasury circular requiring all MDAs to process all USD payment requests through the PFMS, with the Treasury issuing payment instructions exclusively from the PFMS; and (ii) implements full earmarking of funds through Funds Reservations to capture all expenditures (including recurring costs like rents, utilities, salaries and capital projects) and to ensure that no obligations bypass budget controls. Make use of Internal Order numbers to capture earmarking of funds in budget execution for multi-year capital projects.	End-September 2026	Enhance PFM and monitor arrears.

Table 3. Zimbabwe: Structural Benchmarks (SBs) (Concluded)

6	MoFED&IP to develop a medium-term staffing plan with the view to bring the employment cost-to-revenue ratio to below fifty percent in the medium-run ensuring that the total wage bill to GDP converges towards 8.5 percent of GDP over the medium term.	End-September 2026	Improve wage bill management and reduce employment in the medium run
7	MoFED&IP develops a Treasury Single Account (TSA) reform strategy, including bank account rationalization plan and a phased roadmap for introducing a core TSA and expanding its coverage.	End-June 2026	Move to Treasury Single Account (TSA)
Mutapa			
8	Mutapa Investment Fund and all its subsidiaries will continue refraining from contracting, guaranteeing, or otherwise assuming any borrowing or debt-like obligation without the prior written approval of the Ministry of Finance, Economic Development and Investment Promotion.	To be assessed at each program review	Improve fiscal risks management
9	Publish audited IFRS-consistent financial statements of all Mutapa's subsidiaries (excluding those under Corporate Rescue Proceedings or Administration) for 21 of Mutapa's subsidiaries for the 12 month-period ending on 31 December 2024, and for 5 subsidiaries for the period ending on 31 December 2023.	End-September 2026	Improve fiscal risks management
Governance			
10	Prepare and publish, in consultation with IMF staff, an anti-corruption strategy with policy matrix of responsibilities, timelines and actions (MEFP, Paragraph 31).	End-September 2026	Strengthen economic governance

Attachment II. Technical Memorandum of Understanding

INTRODUCTION

1. This memorandum sets forth the understandings between the Government of Zimbabwe and the IMF staff regarding the definitions of the quantitative targets, structural benchmarks, and the respective reporting requirements for the Staff-Monitored Program (SMP). The quantitative targets and structural benchmarks are reported in the Government's Memorandum of Economic and Financial Policies (MEFP) Tables 2 and 3.

INSTITUTIONAL DEFINITIONS

2. Central government represents a single institutional unit consolidating all the accounts whose total revenues and expenditures are authorized through the Blue Book (including line ministries, the Parliament of Zimbabwe, the Auditor General's Office, and Vote of Credit). The definition excludes public entities with autonomous legal personae whose own budgets are not included in the central government budget.

3. The general government comprises the central government, extra-budgetary funds, social security, and local governments. The Reserve Bank of Zimbabwe (RBZ) is considered as part of the Public Financial Corporations.

4. The public sector comprises the general government and all state-owned enterprises including Mutapa Investment Fund. The nonfinancial public sector excludes the RBZ and nine other public financial corporations (including AFC, Infrastructure Development Bank of Zimbabwe (IDBZ), CBZ, People's Own Savings Bank, Women's Development Bank, ZAMCO, and the Zimbabwe Reinsurance Corporation).

5. The fiscal year starts on January 1 and ends on December 31.

PROGRAM EXCHANGE RATES

6. The exchange rates for the purposes of the program are specified in Table 1 below.

Table 1. Zimbabwe: Program Exchange Rates (Rates as of December 31, 2025)			
Currency	Zimbabwe Gold (ZiG) per currency unit	Currency units per US Dollar	
US Dollar	25.98	1.00	
GB Pound	34.98	0.74	
Euro	30.49	0.85	
Rand	1.56	16.61	
SDR	35.61	0.73	
Renminbi	3.71	6.99	

Source: Reserve Bank of Zimbabwe

QUANTITATIVE TARGETS

7. Test dates: Performance against the quantitative targets under the Staff-Monitored Program will be assessed at the following test dates: end-March 2026, end-June 2026, and end-September 2026. Program reviews will normally be conducted between the respective test dates. Continuous quantitative targets—where applicable—remain in effect at all times throughout the duration of the SMP, including during any delays in completing program reviews.

A. Floor on the primary budget balance of the central government

8. The primary fiscal balance is defined, for program monitoring purposes, as central government revenue minus central government expenditure (excluding interest due on public debt). The primary fiscal balance will be monitored on a cash basis, measured on the basis of Treasury data excluding transfers to the RBZ for assumed debt payments and the transfer of in-kind gold royalties to the RBZ. The target will be monitored as cumulative flows in USD equivalent from the beginning of the year. The ZiG component of revenues and expenditures will be converted to the USD using monthly average exchange rates.

Adjustor

9. The floor will be adjusted downward-up to the cumulative cap of \$300 million-by the amount of new external debt contracted by the central government to finance critical growth-enhancing projects that can improve the country's capacity to repay. Large projects (above \$100 million) will be assessed in consultation with a reputable and independent financial institution, such as the African Development Bank and the World Bank prior to the signing of the loan agreement.

B. Ceiling on changes in credit to the Nonfinancial Public Sector from the RBZ

10. Changes in credit to the nonfinancial public sector are defined as changes in the total claims of the RBZ on the nonfinancial public sector (as defined above), including all loans, advances, guarantees, Treasury bills and any other obligation. It shall be measured from the Central Bank Survey, IFS S1G submission, by the sum of changes in net claims on the central government (code 69812AN...J...{M}), claims on state and local governments (code 69812B...J...{M}) and claims on other nonfinancial public corporations (code 69812C...J...{M}). This quantitative target will be assessed on a cumulative basis starting from end-December 2025, with any ZiG-denominated components valued at the program exchange rate. The ceiling excludes the recognition of deferred royalties by the Ministry of Finance and Economic Development and Investment Promotion (US\$82 million).

Adjustor

11. The ceiling will be adjusted by subtracting inflows from in-kind royalties for the accumulation of FX reserves, valued at the program exchange rate.

C. Floor on the change in net official international reserves

12. Net official international reserves (NIR) are defined as the difference between the RBZ's liquid, convertible gross official foreign reserve assets and its short-term official foreign reserve liabilities. Gross official reserve assets are external assets that are readily available to and controlled by the RBZ and are liquid and readily marketable. Official reserve liabilities comprise short-term foreign-currency liabilities as defined below. For the purposes of the program, assets and liabilities denominated in SDRs or in currencies other than the U.S. dollar, will be converted into U.S. dollars at the program exchange rates in Table (1). Gold will be valued at US\$4341.2 per fine troy ounce.

- Gross official reserve assets of the RBZ are defined as the sum of: (i) Zimbabwe's SDR holdings; (ii) unencumbered and readily marketable monetary gold; (iii) balances with foreign banks; (iv) foreign treasury bills, securities, and investments in convertible foreign currencies, and convertible foreign currency held by the Reserve Bank of Zimbabwe; and (v) Zimbabwe's reserve position in the Fund. Pledged or otherwise encumbered assets, including but not limited to, assets used as collateral or as guarantee for third-party external liabilities are excluded from official reserve assets.
- Short-term official reserve liabilities of the RBZ are defined as short-term foreign currency liabilities to non-residents with original maturity of one year or less. Long-term foreign liabilities, including SDR allocations, are excluded.

13. To assess the RBZ reserve accumulation effort, the quantitative target will be assessed based on the cumulative change in NIR from the end-December 2025 level to each applicable test date (end-March 2026, end-June 2026, and end-September 2026). To measure the reserves accumulation effort, the change will exclude autonomous factors outside the RBZ control such as changes in foreign currency required reserves held for domestic banks as per the agreed FX cash flow template.

D. Ceiling on contracting and guaranteeing of new external non-concessional borrowing

14. Contracting or guaranteeing new external debt by the central government applies to debt to non-residents with original maturity of one year or more. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020, attached in Annex I. Debt denominated in currencies other than the U.S. dollar, will be converted into U.S. dollars at the program exchange rates. This quantitative target will be assessed on a continuous basis starting from the date of program approval (March 27, 2026).

15. For program purposes, debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD Secured Overnight Financing Rate (SOFR) and the six-month Euro Interbank Offered Rate (EURIBOR) are, respectively, 2.73 percent and 2.00 percent and will remain fixed for the duration of the program. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR and the six-month EURIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR will be added.

16. For other (non-debt) forms of financing, including through equity participations and joint ventures, these (i) should be approved by the relevant oversight committee—for instance the PPP Committee Chaired by the Permanent Secretary of MoFED&IP in the case of Public-Private Partnerships—following (ii) a feasibility assessment by a reputable international firm; while (iii) ensuring the ring-fencing of revenue cashflows in an escrow account covering any debt servicing (with up to 1.5 times in debt service coverage).

17. The ceiling for contracting and guaranteeing of new external non-concessional borrowing does not apply for any new external debt contracted by the central government to finance the clearance of external arrears to international financial institutions (African Development Bank, European Investment Bank, and the World Bank). In addition, the ceiling excludes the planned BADEA loan (US\$ 42 million, with a grant element of 23 percent) included in the 2026 National Budget borrowing plan.

Adjustor

18. The ceiling will be adjusted upward-up to the cumulative cap of \$300 million-by the amount of new external debt contracted by the central government to finance critical growth-enhancing projects that can improve the country's capacity to repay. Large projects (above \$100 million) will be assessed in consultation with a reputable and independent financial institution, such as the African Development Bank and the World Bank prior to the signing of the loan agreement.

E. Ceiling on changes in ZiG monetary base of the RBZ

19. Quantitative targets apply to the quarter-on-quarter changes in ZiG component of the monetary base measured from the Central Bank Survey (IFS S1G submission), defined as the difference between the stock at the end of the quarter under review and the stock at the end

of the preceding quarter. The monetary base is defined as the sum of quasi-currency instruments (bond notes and coins) in circulation, ZiG liabilities of the RBZ to depository and non-depository corporations including required reserves (codes 69814CRN.R...{Z} and 69814CTN.R...{Z}), transferable deposits (code 69814CSN.R...{Z}), other deposits (code 69814CUN.R...{Z}), and securities other than shares (code 69814CWN.R...{Z}), as presented in the Central Bank Survey.

INDICATIVE TARGETS

F. Floor on central government revenue collection

20. Central government revenues are defined in accordance with the Government Finance Statistics Manual (GFSM 2001) including in-kind royalties transferred to the RBZ for the purpose of FX reserves accumulation. The target will be measured on the basis of Treasury data as provided by the Accountant General and monitored as cumulative flows in the USD equivalent from the beginning of the year. The ZiG component of revenues will be converted to the USD using period average monthly exchange rate.

G. Ceiling on the accumulation of new domestic expenditure arrears

21. Domestic arrears for the purpose of this quantitative target are overdue domestic payment obligations of the central government incurred by the following ministries and agencies only: the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD); the Ministry of Finance, Economic Development and Investment Promotion (MoFED&IP); and the Ministry of Transport and Infrastructural Development (MoTID), whether verified or not, owed to entities legally incorporated in Zimbabwe and residents of Zimbabwe. They include obligations to domestic service providers, agricultural input suppliers, and domestic private sector contractors, but exclude government liabilities to other public sector units. Except in cases where the terms and conditions of the transaction stipulate a longer period, payments are deemed to be in arrears when:

- Debt remains unpaid for more than 30 days after the due date stipulated in the agreement between the parties (creditor/debtor).
- Wages or pensions remain unpaid 90 days after their due date.
- Payments for goods and services rendered received more than 90 days after processing the supporting documents submitted by suppliers.

22. Net arrears are defined as the difference between the US-dollar value of new arrears incurred during the year by the ministries listed above and the US-dollar value of payments made toward previously accumulated domestic arrears of those same ministries. Any non-U.S. dollar denominated component of arrears or related payments shall be converted into U.S. dollars at the program exchange rate for the purpose of program monitoring.

23. For reporting purposes, data on arrears will be limited to the three ministries listed in paragraph 20. The report will be on quarterly basis and reporting will be based on the agreed template consolidated for the MDAs of the listed three ministries.

H. Ceiling on central government employment costs

24. Ceiling on central government employment costs is measured on a cash basis as the sum of civil service wages and salaries; transfers to grant-aided institutions, public service pension fund, National Social Security Authority (NSSA), Premier Service Medical and society (PSMAS); funeral expenses; and benefits in kind (Condition of Service Fuel). The target will be monitored as cumulative flows in USD from the beginning of the year. The ZiG component of employment costs will be converted to the USD using average monthly exchange rates.

I. Floor on protected social and priority spending

25. Protected social spending is measured on a cash basis and comprises central government spending in the following areas:

- Education: Recurrent spending on teaching and learning materials; spending on the school feeding program; expenditures on the Student Stipend Support portion of the National Education and Training Fund
- Health: Recurrent spending on preventative health programmes; medical supplies procured for ARVs and TB drugs; co-financing of GAVI programmes; current expenditures for government hospitals and health centres; grant aided institutions Parirenyatwa/Mission Hospitals/Local authorities; and recurrent expenditures on maternal and child health.
- Spending under the following program schemes: (1) Presidential Input Scheme; (2) Basic Education Assistance Module (BEAM); (3) Food Deficit Mitigation; (4) Harmonized Cash Transfers; and (5) Social Protection Management Information System.

26. The target will be monitored as cumulative flows in USD from the beginning of the year. The ZiG component of social spending will be converted to the USD using average monthly exchange rates.

J. Ceiling on changes in domestic debt.

27. Changes in domestic debt are defined as a change in the stock of contracted or guaranteed debt to residents. The definition of the stock of domestic debt excludes any obligations to former farm owners. The definition of changes in domestic debt excludes (i) government securities issued for the compensation of former farm owners and (ii) the accumulation of additional domestic arrears to service providers and mining companies. This quantitative target will be assessed on a cumulative basis starting from end-December 2025, valued at the program exchange rate.

K. Other Definitions

28. For the purpose of monitoring structural benchmarks, the following definitions will be used:

- Foreign exchange parallel market rate: The parallel market exchange rate refers to the retail transaction rate prevailing outside the official interbank market, including rates used by major retailers, wholesalers for cash sales, and foreign exchange bureaus.
- Foreign exchange uncovered demand: FX uncovered demand or foreign exchange pipeline refers to the stock of verified but unsettled foreign-exchange purchase requests from authorized dealers-covering import payments, service payments, and other external obligations-that are awaiting settlement through the WBWS market.

DATA REPORTING

29. To facilitate the monitoring of program implementation, the Government of Zimbabwe will prepare and forward to the Fund staff electronically information in accordance with the agreed reporting framework contained in Table 2.

Table 2. Zimbabwe: Data Reporting for Programme Monitoring

	Data Description	Reporting Institution	Reporting Frequency	Submission Lag
Monetary and Financial Sector				
1	Balance Sheet and income statement of the RBZ, including detailed items of NFA, NDA and RBZ's other liabilities to ODCs	RBZ	Monthly	2 weeks
2	NIR, NFA, CBS 1/	RBZ	Weekly	1 week
3	ZiG and USD RTGS balances	RBZ	Weekly	1 week
4	Monetary surveys (CBS 1/, ODCS, DCS)	RBZ	Monthly	2 months
5	Outstanding NNCDs	RBZ	Daily	1 week
6	RBZ FX cash flow using the agreed template, including inflows from royalties, inflows from the government to service RBZ's debt assumed by the government, and outflows to service RBZ's debt assumed by the government	RBZ	Monthly	1 month
7	FX prices and transactions among the RBZ, authorized dealers, and customers by bank	RBZ	Daily	1 week
8	Inflows from in-kind royalties for the accumulation of FX reserves	RBZ	Monthly	1 month
9	Uncovered and fulfilled Demand for FX	RBZ	Daily	1 week
10	Parallel market exchange rates	RBZ	Daily	1 week
11	Prudential liquid asset ratios and liquidity coverage ratios by bank	RBZ	Monthly	1 month
12	Balance sheets and income statements for financial institutions (aggregate and by bank)	RBZ	Quarterly	2 months
	Net FX open position and its components by bank	RBZ	Quarterly	2 months

Table 2. Zimbabwe: Data Reporting for Programme Monitoring (Continued)

	Data Description	Reporting Institution	Reporting Frequency	Submission Lag
13	Individual bank balance sheets with detailed information on deposits, central bank funding, interbank funding, and debt securities.	RBZ	Monthly	1 month
14	Financial soundness indicators (aggregate and by bank)	RBZ	Quarterly	2 months
15	Bank level lending by sector and loan classification	RBZ	Quarterly	2 months
	Common equity tier 1 capital, additional tier 1 capital, total capital, and risk weighted asset by bank	RBZ	Quarterly	2 months
16	Commercial bank interest rates (deposits and lending)	RBZ	Monthly	1 month
External Sector				
1	RBZ purchases and sales of foreign currency	RBZ	Monthly	1 month
2	Banks' purchases and sales of foreign currency (specified by bank and by type of flow)	RBZ	Monthly	1 month
3	Balance of payments (incl. revised outturn for previous quarters)	RBZ/ZIMSTAT	Quarterly	3 months
4	Import and export data, for aggregated sectors	RBZ/ZIMSTAT	Monthly	1 month
5	Net international reserves (incl. reserve assets/liabilities by currency)	RBZ	Monthly	1 week
6	Foreign exchange flow data (by type of flow)	RBZ	Monthly	1 month
7	Diamond production, exports, and prices	RBZ	Quarterly	1 month
External Debt				
1	External debt stock, disbursements, amortization, interest, other fees and charges, and repayment (by creditor and currency); detailed terms and conditions of all new contracted and government-guaranteed external borrowing (concessional and non-concessional), including the Mutapa Investment Fund; and committed undisbursed balances (by creditor)	MoFED&IP	Monthly	1 month

Table 2. Zimbabwe: Data Reporting for Programme Monitoring (Continued)

	Data Description	Reporting Institution	Reporting Frequency	Submission Lag
Fiscal Sector				
1	Central government operations – revenue, expenditure, and financing, in USD and in ZiG	MoFED&IP	Monthly	6 weeks
2	Detailed data on the execution of the budget (by economic and administrative classification)	MoFED&IP	Monthly	6 weeks
3	Consolidated stock of domestic expenditure arrears for the selected three MDAs (MLAFWRD, MoFED&IP, and MoTID, by expenditure type and by currency) netting out planned domestic arrears	MoFED&IP	Quarterly	Quarterly
4	Stock of domestic debt, disbursements, amortization, interest, and other fees and charges; face value, maturity, interest rate, and payments schedule for new domestic loans and securities by currency (USD and ZiG), reported separately.	MoFED&IP	Monthly	6 weeks
5	Revenue collection by tax head and by currency	MoFED&IP	Quarterly	6 weeks
6	Monthly tax debt by currency (USD and ZiG), by taxpayer group, and by tax head	MoFED&IP	Monthly	6 weeks
7	Mining sector tax by mineral, tax head, and by currency	MoFED&IP	Monthly	6 weeks
8	Mining sector royalties by mineral, by currency (in-cash and in-kind)	MoFED&IP	Monthly	6 weeks
9	On time filing and payment of VAT and PAYE by client office (LCO, MCO, SCO)	MoFED&IP	Monthly	6 weeks
10	Collection of VAT and PAYE by client office (LCO, MCO, SCO)	MoFED&IP	Monthly	6 weeks
11	Detailed data on the budget execution of protected social and priority spending (as defined in this document)	MoFED&IP	Quarterly	6 weeks
12	Detailed data on staff in post including Grant Aided Institutions	MoFED&IP	Monthly	6 weeks
13	Detailed data on employment compensation costs	MoFED&IP	Monthly	6 weeks
14	Details of disbursed external budget support and project grants and loans	MoFED&IP	Monthly	6 weeks
15	Total volume of Treasury bills issued, including by RBZ, with details on interest rate, maturity, and recipient	MoFED&IP and RBZ	Monthly	6 weeks

Table 2. Zimbabwe: Data Reporting for Programme Monitoring (Concluded)				
	Data Description	Reporting Institution	Reporting Frequency	Submission Lag
16	All guarantees provided by the central government and RBZ, including guarantees to public corporations, RBZ (from central government), and private sector (including agricultural guarantees).	MoFED&IP and RBZ	Quarterly	Quarterly
Mutapa Investment Fund (Mutapa) and its portfolio companies				
1	Opening balance sheet	Mutapa	Quarterly	Quarterly
2	Current balance sheet	Mutapa	Quarterly	Quarterly
3	New borrowing by MIF and its subsidiaries	Mutapa	Quarterly	Quarterly
Real Sector				
1	Consumer Price Index	ZIMSTAT	Monthly	1 month
2	Fuel price indices, including Petrol, Diesel, and Paraffin	ZIMSTAT	Monthly	1 month
3	Producer Price Index; Building Materials Price Index; Poverty Datum Lines; and Civil Engineering Materials Index	ZIMSTAT	Quarterly	6 weeks
4	Agricultural production data (volume/value of major products)	ZIMSTAT	Quarterly	3 months
5	Mining production data (volume/value by minerals), excluding production from sand and stone quarries	ZIMSTAT	Quarterly	3 months
6	National Accounts (breakdowns of production and expenditure side in real and nominal terms)	ZIMSTAT	Quarterly	3 months
7	Quarterly Digest of Statistics	ZIMSTAT	Quarterly	3 months
8	RBZ Monthly Economic Review	RBZ	Monthly	6 weeks
9	Quarterly report on macroeconomic developments	MoFED&IP	Quarterly	3 months
Structural Benchmarks				
1	Update on the status of implementation of the quantitative targets and structural benchmarks specified in Table 2-3 of the MEFP	MoFED&IP and RBZ	Quarterly	4 weeks

Attachment II. Annex I. Public Debt Definition

1. **For program purposes**, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020.
2. **The term "debt" will be understood to mean a current**, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of financial and nonfinancial assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract.
3. **Debts can take a number of forms**; the primary ones being as follows:
 - loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
 - suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
 - leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
4. **Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt.** Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.