AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

Country Focus Report 2025

Zimbabwe

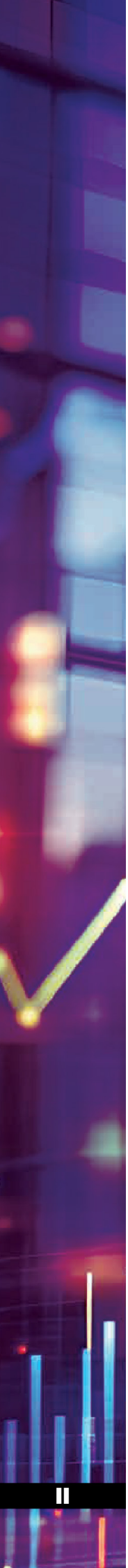


Making Zimbabwe's Capital Work Better for its Development

Country Focus Report 2025
Zimbabwe

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ACKNOWLEDGEMENTS

The Country Focus Report (CFR) 2025 for Zimbabwe was prepared in the Chief Economist and Vice-Presidency for Economic Governance and Knowledge Management Complex, under the general direction and supervision of Prof Kevin C. Urama, Chief Economist and Vice-President, with support from Adamon Mukasa (Principal Research Economist), and Amah Marie-Aude Ezanin (Executive Assistant)

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Our thanks go to : Herve Lohoues (Division Manager, ECCE 2); (ii) Moono Mupotola (Deputy Director General for Southern Africa and Country Manager for Zimbabwe); and the Country Team led by Kennedy Mbekeani (Director General for Southern Africa); (iii) the Department of Macroeconomic Policy, Forecasting and Research (ECMR) led by Anthony Simpasa (Director); (iii) the Department of Transition States (RDTS) led by Yero Baldeh (Director); (iv) the African Centre for Natural Resources (ECNR) led by Solomane Koné (Director); and the Economic Research Consortium for Africa (AERC) led by Prof. Victor Murinde (Executive Director)1; for their contributions.

The Bank would like to thank the Heads of Government entities, the Reserve Bank of Zimbabwe, the Chamber of Zimbabwe Industries for hosting and organizing the mission to prepare the 2025 Country Report of for Zimbabwe and the quality of the discussions. It also thanks the representatives of civil society organizations, the private sector, and technical and financial partners for their availability and the quality of the discussions during the meetings held with the mission.
The data in this Report were compiled by the Department of Statistics - ECST headed by Samson Babatunde Omotosho (Director) with the participation of Koua Louis Kouakou, Head of the Economic and Social Statistics Division, and Anouar Chaouch (Senior Statistician, Economic and Social Statistics Division, ECST) and Beejaye Kokil (Consultant Statistician).

Comments received during peer review were received from Innocent Onah (Chief Natural Resources Officer, ECNR); and Sanni Yaya, (Senior Consultant, ECCE.2). Dr. Joseph Attah-Mensah, Senior Researcher at the African Centre for Economic Transformation – Ghana) and Professor Roberto Tibana (Head of the African Economic Research Consortium).

The cover of the report is based on a general design by Laetitia Yattien- Amiguet and Justin Kabasele of the Bank's External Relations and Communications. Copy-editing was done by the Ahmadou Gaye and layout was done by Nana Kwandoh (Creable Media)

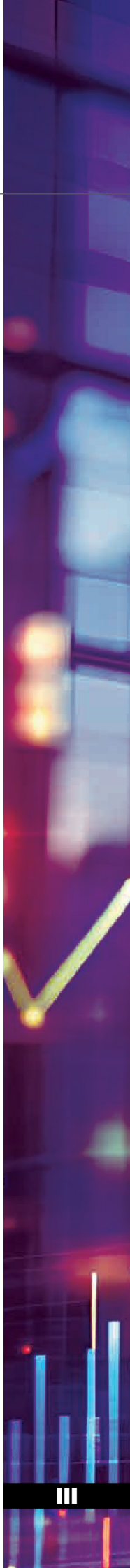


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ACRONYMS AND ABBREVIATIONS

AEO	Africa Economic Outlook
AfCFTA	Africa Continental Free Trade Area
AfDB	Africa Development Bank Group
ASUT	African Supply and Use Tables
CF	Common Framework
CFR	Country Focus Report
COMESA	Common Market for Eastern and Southern Africa
DFIs	Development Financial Institutions
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
ICT	Information, communication, and technology
IFIs	International Financial Institutions
IMF	International Monetary Fund
MDBs	Multilateral Development Banks
NCA	Natural Capital Accounting
NDC	Nationally Determined Contributions
NDS	National Development Strategy
NDS1	National Development Strategy 1
ODA	Official Development Assistance
PI	Portfolio Investment
PPP	Public-Private Partnership
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RBZ	Reserve Bank of Zimbabwe
SDG	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SMP	Staff Monitored Programme
SOE	State-Owned Enterprises
SSA	Sub-Saharan Africa
USD	United States Dollar
WDI	World Development Indicators
ZIDA	Zimbabwe Investment and Development Agency
ZIG	Zimbabwe Gold

EXECUTIVE SUMMARY

Zimbabwe's economic growth slowed to 2.0% in 2024, down from 5.3% in 2023, largely due to the El Niño-induced drought, lower agricultural output, falling commodity prices, and persistent power shortages. Nonetheless, positive contributions came from the wholesale and retail, mining, and manufacturing sectors. The exchange rate stabilized at ZiG25.40 per USD in the fourth quarter of 2024, following a sharp 71% depreciation of the ZWL in the first quarter, which drove annual ZiG inflation to an average of 55.7%. Exchange rate instability, unfair competition from the large informal sector, coupled with high costs of doing business continued to affect the wholesale and retail, and manufacturing sectors in 2024.

A recovery is expected in 2025, with real GDP growth projected at 6.0%, spurred by a 12.8% rebound in agriculture and inflation moderating to approximately 20%. Risks to Zimbabwe's macroeconomic targets are significant mainly due to recent global events, including the impacts of the new trade tariffs and the suspension of development assistance to the country. This could undermine the current growth projections. The vulnerability of international commodity prices amidst geo-political developments continue to pose risks to mineral export earnings.

Fiscal consolidation efforts narrowed the fiscal deficit to 1.2% of GDP in 2024, while tax reforms enhanced revenue collection, raising tax revenue from 14.6% of GDP in 2023 to 17.0% in 2024. However, Zimbabwe continues to face a substantial financing gap due to limited access to external capital, largely stemming from its high and unsustainable public debt. According to the African Development Bank (CFR, 2024), Zimbabwe's annual financing gap stands at 13.4% of GDP (US $3.7 billion) by 2030 and 2.3% (US$ 660 million) by 2063 to meet structural transformation goals. This highlights the urgent need to strengthen domestic resource mobilization, currently hampered by regulatory complexity and low transparency. Reforms to simplify the tax system, strengthen institutions, and improve governance are critical to boosting tax compliance and attracting investment. To close the financing gap and stimulate investment, Zimbabwe must deepen its domestic financial markets—particularly the government debt market—and strengthen diaspora engagement beyond remittances. Effective implementation of the National Diaspora Policy will be key. Efforts to broaden the tax base and formalize the informal sector are encouraging. Further improvements can be achieved by enhancing natural capital accounting to better leverage resource-based revenue, expanding the domestic debt market, and mobilizing diaspora financing through consistent policy implementation. These measures, taken together, will enhance Zimbabwe's capacity to finance its development sustainably and inclusively.

Full implementation of the debt and arrears clearance strategy is crucial for unlocking new capital to boost industrial productivity and close infrastructure gaps. This requires maintaining stakeholder engagement and executing the reforms outlined in the High-Level Structured Dialogue Platform on arrears clearance and debt resolution.

Scaling up beneficiation and value addition across agricultural and mineral value chains is essential for economic transformation. Producing high-value manufactured goods would not only generate more tax revenue and foreign exchange but also create jobs and reduce reliance on imports. Diversifying exports away from primary commodities to high-value products must be a priority, supported by coordinated reforms, infrastructure development, financial sector expansion, and robust public-private partnerships (PPPs).

INTRODUCTION

Zimbabwe is a landlocked country situated in Southern Africa, sharing borders with Botswana, Mozambique, South Africa, and Zambia. Classified as a lower-middle-income country, Zimbabwe has a Gross National Income (GNI) per capita of approximately US$ 1,500. The economy is largely driven by natural resources, with agriculture (10%), industry (11%), mining (8%), and services (51%) contributing a combined 80% to GDP over the past decade. Over this period, the country recorded an average GDP growth rate of 4.2%, excluding contractions of 6.1% in 2019 due to severe drought and 7.8% in 2020 due to the COVID-19 pandemic. Macroeconomic performance has been shaped by persistent exchange rate volatility and high inflation, which continue to pose challenges to stability and growth.

The 2025 Country Focus Report (CFR) for Zimbabwe builds on the broader analysis presented in the African Economic Outlook 2025, offering a country-specific assessment of economic trends, domestic capital mobilization efforts, and policy priorities to support macroeconomic stability and structural transformation. The report assesses Zimbabwe's development financing gap, explores how enhanced domestic resource mobilization could help close it, and identifies key inefficiencies, including institutional and governance constraints. It concludes with targeted policy recommendations to strengthen capital mobilization and utilization in support of Zimbabwe's development goals.

The report is structured into three main chapters. Chapter 1 reviews Zimbabwe's recent economic performance, highlighting key macroeconomic indicators and providing a medium-term growth outlook that outlines both opportunities and risks. Chapter 2 evaluates the status and effectiveness of domestic capital mobilization, analysing various sources such as natural, human, financial, and business capital. Chapter 3 explores the role of the state in enhancing wealth creation by valorising and expanding the country's capital—particularly natural capital—while improving institutional effectiveness and economic governance.

MACROECONOMIC PERFORMANCE AND OUTLOOK

1

Key Messages

- Zimbabwe's economic growth slowed to 2.0% in 2024, driven by El Niño-induced drought, reduced agricultural output by about 15%, lower commodity prices, and power-shortages affected the industrial sector.
- Annual ZIG inflation averaged 55.7% in 2024, driven by rapid ZWL depreciation in Q1 of 2024.
- The fiscal deficit narrowed to 1.2% of GDP, but public debt remains unsustainable at 60.2%.
- Growth is projected at 6.0% in 2025, with inflation easing to 23.6%. However, risks remain elevated due to recent global events including impacts of the new trade tariffs and the suspension of development assistance to Zimbabwe.

1.1 Introduction

This chapter analyses Zimbabwe's economic performance and macroeconomic trends for 2024, in comparison to the previous year and projections for 2025 and 2026. It examines fiscal and monetary policies and their impacts on exchange rate, inflation, public debt, financial flows including Foreign Direct Investment (FDI) and Oversees Development Assistance (ODA). It also examines the status of social developments, including unemployment and poverty levels. The chapter also identifies risks to the growth drivers, and policy measures needed to enhance resilience, stability, and structural transformation in Zimbabwe.

1.2 Growth Performance

Real GDP growth for 2024 is estimated at 2.0%, a decline from 5.3% in 2023. Growth in 2024 was constrained by the El Nino-induced drought that significantly impacted output of the agriculture sector which declined by 15.0%. GDP growth was driven by wholesale and retail, mining, and manufacturing sectors which grew by 5.1%, 2.3% and 2.0%, respectively. However, all three sectors experienced slower growth compared to 2023 when they grew by 6.6%, 5.3%, and 2.1%, respectively. The mining sector was largely affected by low international commodity prices for gold and platinum group metals in 2024. Exchange rate instability coupled with high costs of doing business and power shortages continued to affect the wholesale and retail, and manufacturing sectors in 2024. On the demand side, growth was primarily driven by government consumption, which grew by 5.4%, and private consumption, which grew by 2.5%. However, both saw a significant slowdown compared to 2023, when they grew by 13.9% and 4.8%, respectively.

1.3 Other Recent Macroeconomic and Social Developments

1.3.1 Monetary Policy, Exchange Rate, and Inflation

Zimbabwe operates a multi-currency system allowing both local and international currencies. In April 2024, the Zimbabwe Gold (ZiG) currency replaced the Zimbabwe Dollar (ZWL) at ZiG 13.55/ US$ 1.00. Backed by foreign reserves and 25% export surrender earnings, the ZiG remained stable until September when it depreciated by 42% to ZiG 24.40/US$ 1.00 due to exchange rate pressures.

The annual ZiG inflation averaged 55.7% in 2024, driven by a 71% depreciation of the ZWL in Q1. The policy rate was lowered to 20% in April 2024, then raised to 35% in September, stabilizing the exchange rate and reducing monthly inflation to 3.7% by December. The multi-currency exchange rate policy remains in use till 2030 by law. Economic agents remain uncertain as to what happens beyond 2030, hence their decision to limit their business decisions to that timeline.

1.3.2 The Financial Sector

In 2024, the financial sector remained strong and resilient and maintained a strong capital adequacy ratio of 46%, well above the 12 % regulatory minimum, and a healthy asset quality portfolio, with non-performing loans (NPLs) at 3.67%, below the of 5% benchmark. Statutory reserve requirements were maintained at 15% for savings and time deposits and 30% for demand and call deposits. The foreign currency demand deposit reserve requirement increased from 15% to 20% in April. Tight monetary policy contained inflation but led to liquidity challenges. In response, the Reserve Bank introduced an intra-day liquidity facility for banks to ease payment gridlocks in the interbank market.

1.3.3 Fiscal Policy and Public Debt

Since 2021, the government has implemented a cash budgeting system to ensure expenditures align with available revenues, helping contain the fiscal deficit. Fiscal deficit narrowed to 1.2% of GDP in 2024, from 6.4% in 2023, driven by fiscal consolidation and enhanced domestic revenue mobilization[1]. However, debt servicing costs increased to 0.5% of GDP in 2024 following the assumption of US$ 3.66 billion in former Reserve Bank liabilities. Drought-related expenditures, including input subsidies, food assistance, and emergency infrastructure support, further strained public finances. The government continued reforms to broaden the tax base, strengthen tax administration and improve procurement efficiency to boost fiscal sustainability.

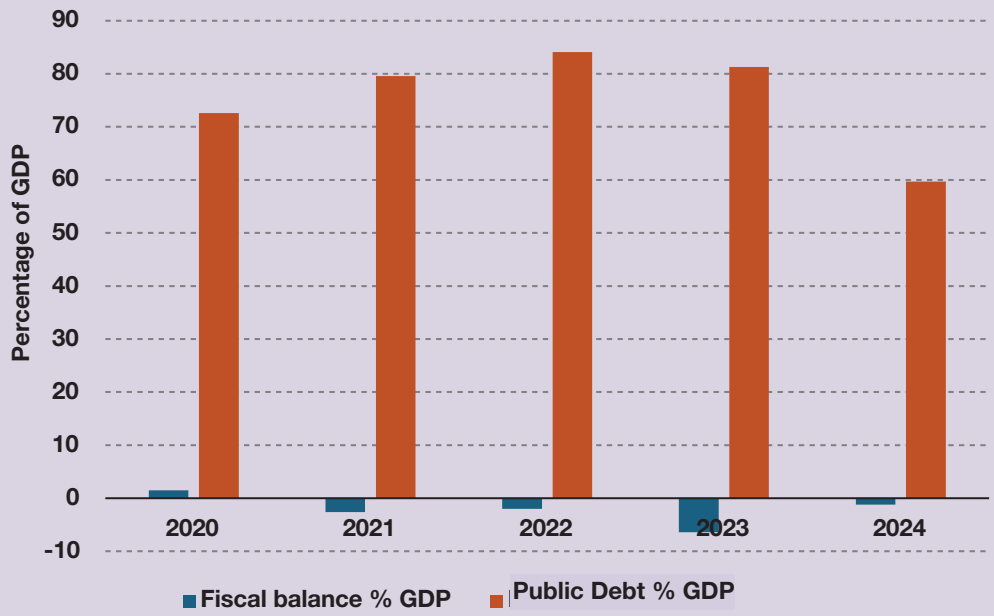
Public debt remains unsustainable, estimated at 60.2% of GDP (US$21.1 billion) as of September 2024. Of this amount, US$ 12.3 billion is external debt—

Box 1: Domestic Resource Mobilization Efforts and Development Financing Gap

Zimbabwe's annual development financing gap is estimated at US$ 3.76 billion (13.4% of GDP) and requires US$ 5.0 billion annually to achieve structural transformation by 2030 and US$ 0.87 billion to meet the African-Union Agenda 2063 (CFR, 2024). However, a narrow tax base, large informal sector, and limited tax administration capacity constrain domestic resource mobilization efforts. High public debt, low FDI, and limited access to credit markets exacerbate this gap. Bridging it requires broadening the tax base, strengthening public financial management, and mobilizing private sector investment for sustainable development.

[1] AfDB estimates

Figure 1: Trends in Fiscal Balance and Public Debt in Zimbabwe



Source: AfDB statistics, Ministry of Finance Ministry of Finance and Investment Promotion

mostly owed to bilateral and multilateral creditors—and US$ 8.7 billion is domestic. Arrears account for 84% of external debt. High debt burdens constrain development spending and social service delivery. To enhance resilience, structural reforms are ongoing, and debt restructuring is being pursued through the AfDB-led Structured Dialogue Platform.

1.3.4 External Position – External Financial Flows

Zimbabwe's external position strengthened in 2024, with the current account surplus rising to 1.5% of GDP from 0.4% in 2023. This improvement was primarily driven by a 15% increase in remittance inflows, which grew from US$ 2.2 billion in 2023 to US$ 2.5 billion in 2024. Remittances have become a vital source of foreign exchange, helping to ease liquidity constraints and support household incomes. Merchandise export earnings also grew modestly by 2.9%, largely due to increased gold exports. However, by September 2024, official foreign reserves stood at just US$ 540 million—covering less than one month of imports—underscoring the country's vulnerability to external shocks, such as fluctuations in global commodity prices and persistent foreign currency shortages. Zimbabwe is a net oil importer; falling oil prices reduce import costs, ease inflation, and improve the trade balance. In 2024, lower global oil prices supported a current account surplus of 1.5% of GDP.

Official development assistance (ODA), estimated at around US$ 800 million annually, provided critical support for social programs. However, ODA remained constrained by Zimbabwe's high external debt burden and limited access to concessional financing. The suspension of ODA to Zimbabwe by some donors has further restricted external funding, compounding challenges in financing development priorities.

Box 2: Impacts of Tariffs and Suspension of ODA on Zimbabwe

On 2 April 2025, the U.S. government imposed an 18% reciprocal tariff on Zimbabwe's exports to the U.S. market. The tariffs were suspended for 90 days on 9h April 2025. Zimbabwe's exports to the U.S. are currently very limited, accounting for about 0.6% of total export earnings (US D7.2 billion in 2024). The new tariffs, if implemented, would affect exports of tobacco and sugar which accounted for 90% of export earnings from the U.S. in 2024. Therefore, the immediate direct impact of the reciprocal tariffs is expected to be limited, considering Zimbabwe's modest exports to the U.S. market. However, Zimbabwe could be affected second-round effects of an economic slowdown, mainly from South Africa and China whose exports to the USA would be subjected to 34% and 125% reciprocal tariffs, respectively.

Furthermore, Zimbabwe faces additional fiscal constraints following the suspension of USAID. It is estimated that USAID provided about USD 100 million annually to Zimbabwe mainly supporting life-saving programmes, including HIV/AIDS prevention, treatment, and food security. The suspension of USAID funding would directly affect about 1.3 million people living with HIV in Zimbabwe. The government would need to utilize the constrained domestic resources to fill the gap, further constraining the execution of the 2025 budget.

1.3.5 Social Developments

Poverty remains widespread in Zimbabwe, with an estimated 57% of the population living below the poverty line in 2024, reflecting limited inclusivity of past economic growth.

Unemployment stood at 21.8%, while informal employment reached 58.3%[2], further exacerbating poverty and inequality. Income inequality remains high, (Gini index =50.3), disproportionately affecting rural communities due to limited economic opportunities and recurrent climate shocks. The 2024 El Niño-induced drought worsened rural poverty and food insecurity, increasing reliance on social assistance. While Zimbabwe has a moderate life expectancy of 64.7 years, as reported in the 2022 census, access to affordable and quality healthcare remains a major challenge.

Table 1: Macroeconomics Indicators 2019-2026

	2020	2021	2022	2023	2024(e)	2025(p)	2026(p)
Real GDP Growth	-7.8	8.5	6.1	5.3	2.0	6.0	4.0
Real GDP per capita growth	-9.4	6.8	4.4	3.6	0.3	4.2	2.1
CPI inflation	12.1	19.7	41.9	29.4	55.7	23.6	9.6
Budget balance % GDP	1.5	-2.6	-2.0	-6.4	-1.2	-0.9	-0.6
Current account balance % GDP	2.5	1.3	0.9	0.4	1.5	2.0	1.3

Source: Data from Domestic authorities; estimates (e) and prediction (p) based on authors' calculations.

[2]ZIMSTAT Q3 of 2024

1.4 Macroeconomic Outlook and Risks

1.4.1 Outlook (Economic growth – Inflation - Fiscal and External Position)

The outlook for 2025 is positive, with real GDP growth projected at 6.0%, driven by a 12.8% rebound in agriculture due to a bumper harvest. The mining, wholesale and retail, and manufacturing sectors are projected to grow at 5.6% 5.4% and 3.1%, respectively. A bumper harvest is forecasted for 2025, with an estimated 3.2 million tonnes of grain, including maize and wheat. Private consumption is expected to grow by 6.6% supported by household spending. Annual ZiG inflation is projected to ease to 23.6%, aided by tight monetary policy and exchange rate stability. The fiscal deficit is expected to narrow to 0.9% of GDP on account of fiscal consolidation and increased domestic revenues. The current account surplus of 2.0% of GDP is estimated for 2025 on account of increases in remittances and expected improved international commodity prices of gold and platinum group metals.

1.4.2 Risks

Risks to Zimbabwe's macroeconomic targets are significant, mainly due to recent global events including the impacts of the new trade tariffs and the suspension of development assistance to the country. This could undermine the current growth projections. The vulnerability of international commodity prices amidst geo-political developments continue to pose risks to mineral export earnings. The country could also be affected by the knock-on effects of new trade tariffs imposed on its key trading partners, mainly China and South Africa. The immediate direct impact of the reciprocal tariffs, if implemented, is expected to be limited, considering Zimbabwe's modest exports to the U.S. market. The suspension of ODA to Zimbabwe by some donors could widen the fiscal deficit. The domestic macroeconomic environment is also fragile, especially due to the historic instability of the monetary policy and exchange rate development in a multi-currency environment that creates uncertainties. The build-up of sufficient foreign currency reserves by the Reserve Bank would be key to support a stable exchange rate. A prolonged fall in oil prices may signal weak global demand, which could indirectly lower commodity prices for Zimbabwe's mineral exports. This could affect the external position of the country.

1.5 Policy Options to Accelerate Zimbabwe's Economic Development

i. Macroeconomic stability is critical for Zimbabwe's sustained economic development and requires the adoption of a market-driven exchange rate regime alongside coordinated monetary policies to contain inflation and stabilize prices. Strengthening fiscal discipline through robust revenue mobilization reforms and more efficient public expenditure will be essential to maintaining a low fiscal deficit. Considering the country's elevated debt levels, progressing with debt restructuring and arrears clearance remains vital to restoring investor confidence and regaining access to international credit markets.

ii. Fostering inclusive development calls for an expansion of formal employment opportunities by implementing labour market reforms and scaling up vocational training to reduce unemployment and dependence on the informal sector. Reinforcing social safety nets, especially for populations vulnerable to climate shocks, will

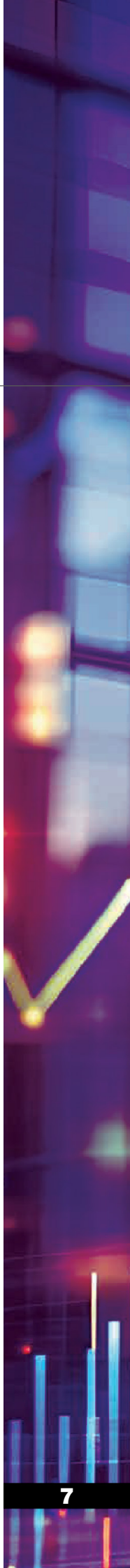
bolster food security and improve resilience. Furthermore, increased public investment in healthcare and education is necessary to build human capital and lay the foundation for long-term, inclusive, and sustainable economic growth.

iii. Zimbabwe has limited external buffers: foreign reserves were just US$ 540 million in September 2024 (<1 month of import cover). High dependence on minerals leaves the country exposed to price shocks. A lack of export diversification exacerbates risks. The government's effort to boost regional trade via AfCFTA participation remains nascent but offers a critical long-term resilience path.

1.6 Conclusion

Zimbabwe has made progress but remains moderately vulnerable to foreign aid shocks. Continued strengthening of domestic resource mobilisation, expansion of the tax base (including the informal sector), and successful completion of the AfDB supported arrears clearance process are essential to reduce aid dependency. The GoZ has been working to reduce dependence, as evidenced by recent domestic resource mobilization reforms and developments. It has improved domestic resource mobilisation as tax revenues grew from 14.6% of GDP (2023) to 17.0% (2024) and are projected to reach 19.7% (2025). This improvement has been supported by a strong focus on mobilising diaspora capital (US$ 2.15 billion remittances in 2024). Broader fiscal consolidation has reduced the budget deficit from 6.4% (2023) to 1.2% (2024).

2 BOOSTING DOMESTIC CAPITAL MOBILIZATION AND EFFICIENT UTILIZATION



Key Messages

- Government initiatives to broaden the tax base and formalize the informal sector are commendable. Domestic resource mobilization can be further enhanced by leveraging natural resources through improved natural capital accounting, by deepening the domestic debt market, and by boosting diaspora financing via effective implementation of the Diaspora Policy.

- To crowd in private sector participation, the implementation of innovative funding models including public-private partnerships (PPPs) supported by conducive regulatory, legislative, policy frameworks are critical. Development partner support can also help de-risk priority PPP projects with high developmental impact.

- Scaling up implementation of beneficiation and value addition investments across the agro and mineral value chains to produce high value manufactured products will boost tax revenues, employment, and foreign exchange while reducing import dependence. Diversifying exports from primary products to high-value manufactured products is key for economic transformation.

- Zimbabwe's transition to a knowledge-driven economy depends on a skilled workforce. Strengthening the institutional capacity of human capital development institutions and aligning skills with industry needs will enhance economic growth. PPPs between private sector firms and academic institutions are essential to commercialize innovations from research hubs.

- Building the capacity of government Ministries, Departments, and Agencies (MDAs) to undertake natural capital accounting and carbon sequestration adjustment of GDP is crucial. Reliable, consistent data is necessary for evidence-based policymaking in these areas, which remain constrained by data gaps.

2.1 Introduction

Zimbabwe's domestic resource mobilization strategy prioritizes broadening the tax base, leveraging its natural resource endowments, deepening domestic financial markets, and harnessing diaspora remittances. The government is actively exploring innovative financing mechanisms to attract private sector investment, particularly in infrastructure development. This chapter examines Zimbabwe's financing constraints in domestic resource mobilization and underscores the critical role of natural capital in bridging the development finance gap.

2.2 Fiscal Resource Mobilization

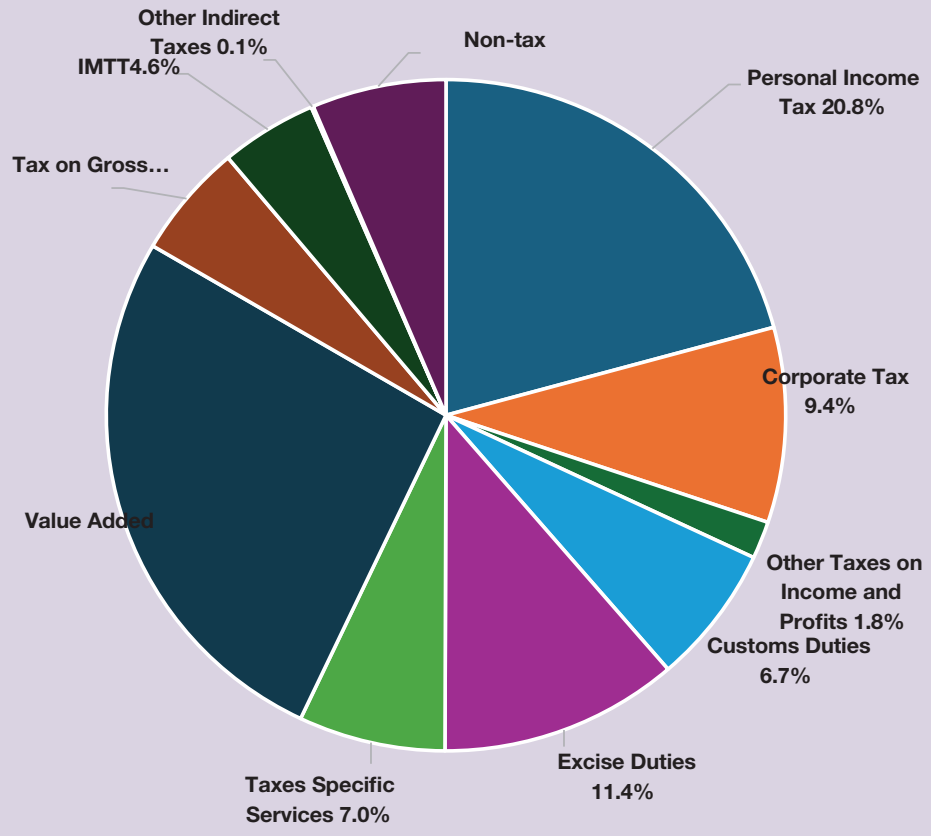
2.2.1 Zimbabwe's Financing Needs

The AfDB estimates Zimbabwe's annual financing gap at 13.4% of GDP (US$ 3.7 billion) by 2030 and 2.3% of GDP (US$ 0.66 billion) by 2063 to achieve structural transformation (CFR, 2024). Given its unsustainable debt, Zimbabwe faces limited capacity to mobilize these resources. Since 2021, the fiscal deficit has remained below 3%, except in 2023 due to Reserve Bank liabilities assumed and capitalization of MIF. With limited access to external borrowing, the government is prioritizing domestic resource mobilization through fiscal consolidation and by broadening the tax base, including taxation of the informal sector.

2.2.2 Tax Structure

Zimbabwe's tax revenues have steadily grown since its recovery from the impacts of COVID-19. Total revenue for 2024 was estimated at 17.0% of GDP (US$ 6.58 billion), up from 14.6% of GDP in 2023 on account of enhanced domestic revenue mobilization efforts. Tax revenues are

Figure 2: Contributions to Total Revenue (%): Jan – Sept 2024



Source: AfDB statistics, Ministry of Finance Ministry of Finance and Investment Promotion

projected to grow to 19.7% of GDP in 2025. In 2024, tax revenues accounted for about 93.6% of total revenue and non-tax revenue constituted 6.4% of total revenue. Figure 2 above summarizes the sources of revenues of the government of Zimbabwe in 2024.

2.2.3 Non-Tax Revenue

The primary sources of non-tax revenue in 2024 were sales of goods and services; property income; fines, penalties and forfeits. In comparison, in 2022, non-tax revenues in Africa averaged 6.2% of GDP among the 35 countries reporting data on these revenues. This was driven mainly by rents and royalties and other property income (e.g. interest and dividends) amid rising commodity prices[3].

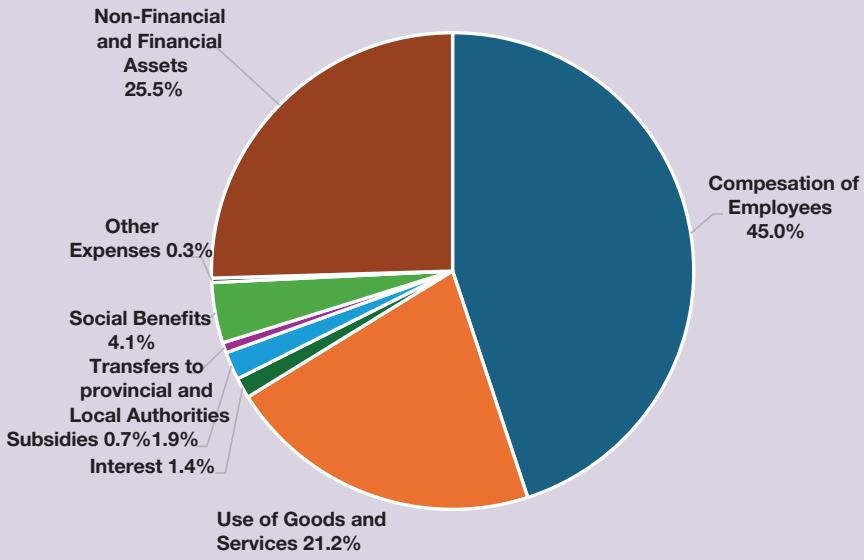
2.2.4 Mobilizing Fiscal Resources and Expenditure Efficiency

Improving public spending efficiency in Zimbabwe is critical for fiscal consolidation and sustainable-inclusive growth. Public spending is constrained by weak revenue mobilization, inadequate allocative efficiency and pro-cyclicality worsened by high inflation (World Bank, 2025). In 2024, employee compensation constituted 45% of total expenditure (48% of revenue), 21.2% went to operations and capital expenditure was 25.49%, well below infrastructure needs. To bridge this gap, the government seeks to crowd in private sector funding. This requires generating adequate public revenue and deploying it effectively to support development objectives.

2.3 Zimbabwe's Natural Capital

Zimbabwe is richly endowed with renewable natural resources such as land, forest, water, wildlife, and sunshine and non-renewable resources such as minerals and gas. Exploiting these natural resources provides significant socio-economic growth opportunities. However, sustainable development depends on converting the rents from the extraction of natural resources into other sources of income (Newman et.al., 2016). Like other resource-rich countries, Zimbabwe faces challenges in ensuring sustainable use, including transparency and accountability in natural resource accounting, utilization and revenue management.

Figure 3: Distribution of Public Expenditure in 2024



Source: AfDB statistics, Ministry of Finance Ministry of Finance and Investment Promotion

[3]Brochure: Revenue Statistics in Africa 2024

Table 2: Decomposition of Zimbabwe's Natural Capital.

Millions, chained 2019 USD	2016	2017	2018	2019	2020
National comprehensive wealth index	219,290	227,443	237,518	241,162	238,444
Produced capital	13,753	14,246	14,770	15,164	16,097
Human capital	146,443	151,384	156,423	161,562	166,778
Renewable natural capital	57,614	60,730	64,083	62,648	59,827
Non-renewable natural capital	15,904	15,719	15,521	15,459	15,300

Source: CWON 2024 Country Tool 012225.xlsx

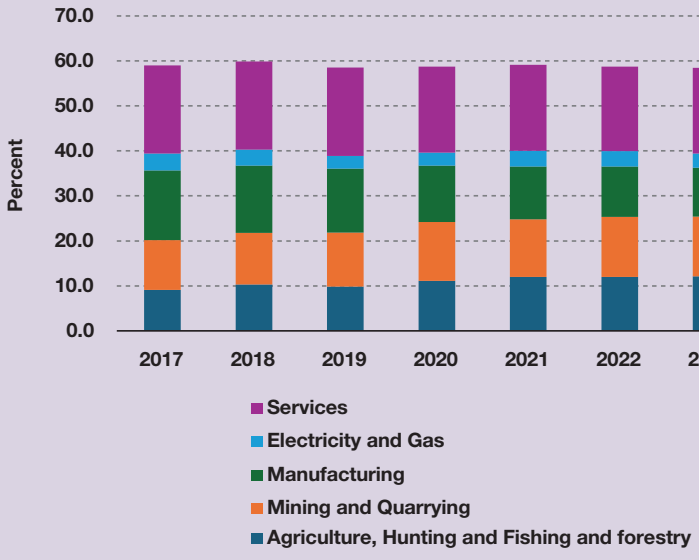
2.3.1 Overview of Zimbabwe's Natural Capital

Zimbabwe is rich in natural capital, including minerals, biodiversity, and renewable energy sources like solar, wind, and hydro. Key minerals include gold, lithium, the Platinum Group Metals (PGMs), diamonds, and iron ore. Zimbabwe holds 1.7% of global PGM reserves and 1% of global lithium reserves, ranking sixth in lithium production in 2021. It could supply over 20% of global lithium demand[4]. The Manhize Range hosts an estimated 33 billion tonnes of low-grade iron ore. These resources present significant opportunities for sustainable economic development through beneficiation and value addition.

2.3.2 The Economic Contribution of Zimbabwe's Natural Capital

Zimbabwe does not currently compile Natural Capital Accounts (NCA) to quantify the contribution of natural capital to economic growth and public revenue. However, available sectoral GDP data underscores the central role of mining, quarrying, and agriculture in the economy. Natural capital remains a key driver of export earnings and fiscal revenue. During the first nine months of 2024, merchandise exports increased to US$ 5.4 billion—a 3.3% rise from the same period in 2023—mainly supported by gold and tobacco exports. However, this heavy reliance on primary commodities leaves the economy vulnerable to global price fluctuations.

Figure 4: Sectoral Contribution to GDP in Zimbabwe 2017-2024



Source: ZIMSTAT

[4]https://miningzimbabwe.com/prospecting-for-lithium-in-zimbabwe-on-the-rise/

Institutionalizing NCA is essential to support sustainable resource management, inform fiscal policy, and strengthen long-term development planning.

2.3.3 Estimates and Dynamics of Natural Capital in Zimbabwe

According to the AfDB, Zimbabwe's natural capital rents—comprising minerals, forests, and coal—averaged 6.0% of GDP between 2018 and 2020, up from 4.6% in 2015, indicating potential for further growth. Mineral rents alone contributed an average of 3.2% of GDP over 2018–2020, a significant rise from 0.8% in 2015. Forest and coal rents averaged 2.3% and 0.4% of GDP, respectively, during the same period. This upward trend underscores the growing importance of natural capital to Zimbabwe's economy and the opportunity to further harness it sustainably.

2.3.4 Challenges in Leveraging Natural Capital

Zimbabwe faces challenges in leveraging its natural capital due to limited quantification of its contribution to economic growth. Zimbabwe Statistics (ZIMSTAT), in collaboration with the UN, is working to implement the System of Environmental Economic Accounting to integrate natural capital into national accounts and improve regular reporting. Mainstreaming the NCA could lead to natural capital being consistently integrated in the national accounts. Zimbabwe can leverage its membership in the Africa Natural Capital Community of Practice as a platform to quantify her natural capital. Illicit financial flows, including tax evasion and smuggling, remain a concern. The Zimbabwe Revenue Authority (ZIMRA) is enhancing enforcement through advanced surveillance technologies such as upgraded scanners, drones, and other tools to reduce revenue leakages.

ZIMSTAT has not started producing carbon sequestration-adjusted GDP. However, the country has identified various mitigation measures in the forest sector that increase the area under forest land (natural forests), forest plantation (plantation forests) for both carbon sequestration and Reducing Emissions from Deforestation and Forest Degradation (REDD+) (GoZ, 2023)[5]. The country's forests, which are carbon sinks, are being threatened by an ever-expanding demand for settlements, cooking energy, and land for agriculture.

The impacts of climate change also pose risks to the country's ability to leverage its natural resources. Zimbabwe ranks amongst the top three countries in the world most affected by climate change (Germanwatch, 2021). The Meteorological Services Department of Zimbabwe estimate that minimum temperatures have risen by 2.6°C over the past century. Meanwhile, annual rainfall has declined by 5% across the country over the same period. The Climate Change Response Strategy and the National Climate Change Response Strategy were developed to provide a framework for a comprehensive and strategic approach on aspects of adaptation, mitigation, technology, financing, public education and awareness.

2.4 Business Capital

2.4.1 Setting the Stage

Business capital refers to the assets, capabilities, and enterprises that drive private sector productivity, innovation, and job creation. It includes working capital, fixed capital and equity capital and maintaining a careful balance of these is essential for proper operations of firms. Business capital plays a central role in fostering sustainable growth and development through investment, trade, and entrepreneurship. In Zimbabwe, leveraging the country's natural resource endowments to grow competitive value-addition industries presents major

[5] Carbon Credit Framework for Zimbabwe

opportunities for private sector-led development. The World Bank (2024) identified agriculture, tourism, and mining as high-potential sectors. Zimbabwe holds a comparative advantage in commodities like tobacco and sugar, while critical minerals and the emerging oil and gas sector create new prospects. Zimbabwe's rich tourism assets offer further potential, though infrastructure development remains essential to unlock private investment.

2.4.2 Indicators of Business Capital

Zimbabwe's business environment is dominated by micro, small and medium businesses (MSMEs) which account for 90% of businesses in the country. This is consistent with the existence of a large informal sector in the country. MSMEs dominate in the agriculture, mining, wholesale and retail sectors and employ about 56% of the workforce. Its contribution to GDP was estimated at around 30% of GDP in 2022. Large-scale businesses are limited in numbers and employ an estimated 12% of the workforce. These are mainly in agriculture, manufacturing, financial services, telecommunications, tourism and real estate.

2.4.3 Challenges and Opportunities for Enhancing Business Capital in Zimbabwe

The Zimbabwe Industrial Reconstruction and Growth Plan (ZIRGP, 2024–2025) identifies high regulatory and utility costs as key challenges. Regulatory compliance costs alone account for 17.8% of total business overheads, significantly undermining performance and competitiveness. Overregulation and outdated infrastructure constrain productivity and limits private sector growth. Zimbabwe faces a substantial infrastructure backlog particularly in energy, water and telecommunications requiring urgent investment to unlock economic potential. Addressing these gaps will require leveraging private sector financing and enhancing infrastructure governance to ensure effective public outlays and reduce arrears to contractors (GoZ, 2024). In May 2024, the government approved a new policy framework aimed at catalyzing private sector participation in public-private partnerships (PPPs). This framework is anchored in the Zimbabwe Investment and Development Agency (ZIDA) Act and the Public Procurement and Disposal of Public Assets Act, offering expanded opportunities for private sector engagement.

2.5 Zimbabwe's Human Capital

Human capital is a key determinant of economic growth as it influences production through labour productivity and its contribution to increased competitive advantage through innovation and diffusion technology. The potential impact of human capital on growth has led to the prioritization of investment in human capital development through investment in education from early childhood development to tertiary levels, training of workers to enhance labour productivity and investment in improving the quality and health of the population.

2.5.1 Current State of Human Capital in Zimbabwe

Zimbabwe's Human Development Index (HDI) stands at 0.59. With a population of approximately 15.7 million and a median age of 18.4 years, the country is characterized by a predominantly youthful demographic. As of Q3 2024, informal non-agricultural employment made up 43.6% of total employment. While this represents a decline, informal employment still dominates the labour market. In 2020, the average years of schooling in Zimbabwe were 8.9—higher than Mozambique (4.2) but trailing behind Botswana (10.6) and South Africa (10.5). High secondary school dropout rates persist, largely due to economic hardships and early pregnancies. Although the annual demand for youth skills training is estimated at 100,000, only 9,879 youths

Table 3: Key Indicators of Education, Health, and Workforce in Zimbabwe

Indicator	Value
Education (National Census 2022)	
Youth Literacy Rate (ages 15–24)	91%
Primary School Enrolment Rate	95.8%
Secondary School Enrolment Rate	51.9%
Health (National census 2022)	
Life Expectancy at Birth (2022)	64.7 years
Infant Mortality Rate (2022)	34.6 deaths per 1,000 live births
Under-Five Mortality Rate (2022)	39.8 deaths per 1,000 live births
Workforce (Q3 2024)	
Labor Force Participation Rate	47.6%
Employment to Population Ratio	37.2%
Total Labor Force	4.09 million people
Working population	8.58 million people

Source: ZIMSTAT, World Bank

were trained in 2022. Brain drain remains a major challenge, with more than 3 million Zimbabweans having emigrated over the past two decades. Life expectancy stands at 64.7 years, with maternal mortality at 363 per 100,000 live births and under-five mortality at 39.8 per 1,000 live births (ZIMSTAT, 2022). Access to quality healthcare remains limited, especially in rural areas, adversely impacting health outcomes.

2.5.2 Major Barriers to Human Capital Development

There are several factors that constitute barriers to human capital development in Zimbabwe. Low investment due to resource constraints stands out amongst major factors. For example, the basic education, higher education, and health sectors make up about 13%, 4% and 11%, respectively. These combined represent a substantial share of the national budget in 2024. However, much more investment is needed in infrastructure and equipment in these sectors. There are other factors such as population pressures that make investment in human capital development difficult.

2.5.3 Investing in Education and Skills Development

A 2019 UNFPA study projected Zimbabwe's working-age population would rise from 55% in 2012 to 64% by 2032, highlighting the need for investment in education and skills development to harness the demographic dividend. The government is expanding access to Technical and Vocational Education and Training (TVET) by establishing training centres in every province. The implementation of the Zimbabwe National Qualifications Framework (ZNQF) aims to align skills

Box 3: Successful Reforms and Investments in Education

The attainment of Zimbabwe's Vision-2030 is anchored on human-capital development through skills training, innovation, and entrepreneurship. The Education 5.0 doctrine centred on teaching, research, community service, innovation, and industrialization aims to transform higher education and promote a knowledge-based economy. Reforms address gaps identified in the 2018 National Critical Skills Audit, especially in science and technology. The establishment of innovation hubs and industrial parks has boosted the commercialisation of ideas and strengthened partnerships with industry. In 2023, the Ministry of Skills Audit and Development was created to drive reforms.

with economic needs. Priority is given to STEM education through scholarships, modernizing tertiary institutions, and enhancing e-learning through digital infrastructure and learner management systems.

2.5.4 Health as a Pillar of Human Capital Development

Zimbabwe's public healthcare system, primarily funded by the government, provides some free services but remains constrained due to rising costs, infrastructure deficits, staffing shortages, and inequitable access. Only 7% of Zimbabweans have medical insurance, limiting access to quality care. Non-communicable diseases account for 39% of deaths, affecting workforce health and productivity. While private healthcare provides higher-quality services, it remains unaffordable for many, highlighting disparities in access. The government is developing a National Health Insurance Scheme aimed at ensuring sustainability and accessibility of healthcare services for all citizens.

2.6 Financial Capital

2.6.1 Domestic Capital and Financial Markets

Domestic capital markets have an important role to play in mobilizing private capital to finance domestic development. By giving companies the ability to borrow domestically in local currencies, domestic capital markets can also reduce currency mismatches for borrowers, thus reducing systemic risks.

2.6.2 The State of Financial Development in Zimbabwe

Zimbabwe has a fairly developed financial sector comprising commercial banks, non-bank financial institutions including insurance and pension funds, stock markets, venture capital companies and development finance institutions. Commercial banks mainly offer short-term debt financing, as working capital to businesses. Stock exchanges provide a platform for mobilizing long-term equity capital and secondary market for trading securities. Insurance and pension funds, which are key institutional investors in both the capital and money markets, mobilize premiums from their clients which generate a pool of investment funds. Venture capital funding and concessional development funding are also available from the Infrastructure Development Bank and Small and Medium Development Co-operation (SMEDCO). Export finance is available in several commercial banks and credit guarantee companies in Zimbabwe.

2.6.3 Mobilizing Financial Resources for Zimbabwe's Development

Zimbabwe faces multiple barriers to private sector financing due to its long outstanding debt and debt arrears that have implications for its access to international and multilateral finance. Concessional debt financing from multilateral development

partners is not available and the country's risk ratings are high, making foreign financing very expensive. Therefore, its main source of financing is from grants and often emergency grants. The country also faces a challenging domestic environment with very limited or no access to long-term financing. Short-term financing is very expensive, which limits the scope of foreign financing that would be available to the private sector.

Zimbabwe's capital market consists of three registered and operational exchanges, supported by robust infrastructure that contributes to financial stability and facilitates the efficient and orderly trading of securities. The market also plays a vital role in enabling information flow among participants. However, its growth is constrained by several factors, including macroeconomic instability, regulatory overreach, low investor confidence, shallow market depth, and limited liquidity—challenges that are exacerbated by declining long-term savings.

Insurance companies and pension funds, regulated by the Insurance and Pensions Commission (IPEC), serve as key players in mobilizing long-term capital. The finance and insurance sector has made a notable contribution to Zimbabwe's economy, averaging 6.8% of GDP between 2015 and 2024, and is projected to increase to 8% between 2024 and 2027. According to the Reserve Bank of Zimbabwe (RBZ, 2025), efforts are underway in collaboration with both banking and non-banking financial institutions to promote the development of tailored financial products and services targeting the unbanked population.

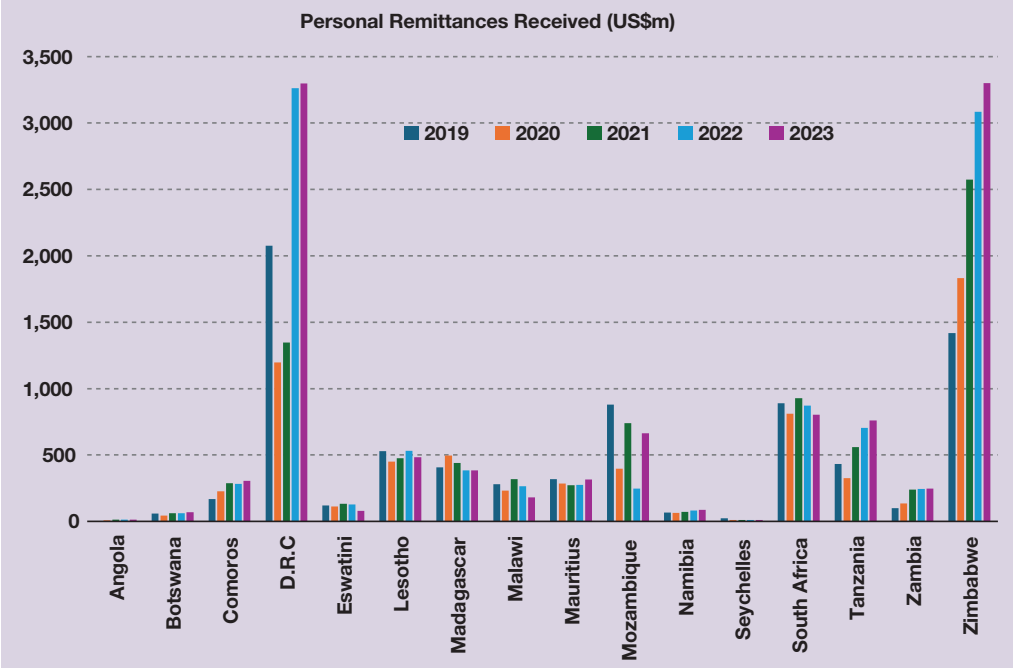
2.6.4 Offshore-Linked Financial Resources for Zimbabwe's Development

Diaspora remittances are a significant source of domestic resource mobilization as it provides a substantial inflow of funds that can be used to support economic development within the country. The 2025 Monetary Policy statement reported that total diaspora remittances receipts for 2024 amounted to US$ 2,152.5 million, representing a 19,3% increase from US$ 1,804.0 million received in 2023. Diaspora remittances surpassed foreign direct investment which amounted to US$ 387.1 million in 2024 and US$ 375.6 million representing an increase of 3.1%. The Diaspora community has also contributed to foreign direct investment as well as human and social capital.

The Government of Zimbabwe reaffirmed its commitment to enhancing diaspora engagement by joining the Global Diaspora Policy Alliance in September 2024. The Government is also finalizing the National Diaspora Policy which was developed through an inclusive process that included the diaspora community. Consistent with Section 35 of the Constitution, the policy provides for the protection, rights, and privilege of the diaspora. The policy provides for a comprehensive national framework and reference point for formal mainstreaming of the Zimbabwean diaspora in the national development agenda. The policy also provides investment opportunities and incentives in all sectors of the economy. Furthermore, the policy framework identifies challenges to effective diaspora contribution to national development and proposes some policy strategies to address the identified challenges.

The potential from diaspora savings, investments, remittances, and technology transfer represents untapped sources of capital to support socio-economic transformation in the country. In this regard strengthening partnerships and collaboration with the Zimbabweans in the diaspora will facilitate the achievement of the country's development goals.

Figure 5: Trends of Personal Remittances in Selected Countries 2019-2023 (US$ M)



Source: ZIMSTAT, World Bank

2.6.5 Innovative Finance

The Infrastructure Development Bank (IDBZ, 2019) commissioned the study "Opportunities for Blending Public and Private Sector Resources towards Infrastructure Funding in Zimbabwe: Policy Options"[6] which raised awareness about the immense innovative infrastructure financing opportunities that exist in the country. For example, the Innovation and Partnership for Renewable Energy Financing[7] based on the innovative blended financing model, where the Joint Partnership interventions are designed to use Renewable Energy uptake and capacity-building initiatives to create an economic spinoff which will have catalytic effects in inducing growth in other related sectors through increased energy access.

Zimbabwe's green bond market is still in its infancy compared to the more established markets. The Zimbabwe Stock Exchange introduced the Green and Social Bonds Principles in 2021[8]. However, high issuance costs, limited market liquidity, as well as a nascent developing project pipeline, have stalled progress in the issuance of green corporate bonds. In its 2023 annual report the ZSE indicated its intention to launch the Bond Market Association of Zimbabwe, a pioneering effort aimed at promoting sustainable and green finance within the country's fixed income framework. This innovative initiative connects the ZSE with global exchanges, setting the stage for a future-focused and environmentally conscious securities market[9]. The Infrastructure Development Bank (IDBZ) has also established the Climate Finance Facility (CFF), to attract funding from various climate finance sources including national sources, the Global Climate Fund (GCF) and other global bilateral and multilateral climate financing institutions. The country is developing the National Climate Change Fund and Climate Finance Facility to crowd-in the private sector through blended finance and results-based approaches to de-risk markets and scale up investment and boost participation in scaling up climate actions (CFR, 2023). The involvement of commercial banks in climate finance would also be essential in mobilizing private finance. Notably, one of

[6] MWA074704 IDBZ Blending Finance- Revised Final Report 2_0_0.pdf
[7] Brochure SDG-Fund 2023
[8] ZSE-DRAFT-GREEN-AND-SOCIAL-BONDS-PRINCIPLES.pdf
[9] ZSE Drive Sustainable Finance through the Bond Market Association - The Environment

the local commercial banks, FBC Holdings, has an emerging portfolio and dedicated climate finance team.

2.7 Policy Recommendations

i. Zimbabwe must leverage its abundant natural resource endowment to expand its capital base. This should be supported by full implementation of the road map to NCA outlined in the Zimbabwe Biodiversity Economy: Status Report, Investment Blueprint and Framework for NCA (2023).

ii. A stable macroeconomic environment; removal of costly regulations; improved access to competitively priced medium to long-term funding and enhanced infrastructure—transport, energy, and digital connectivity—are essential to attract private sector investment. Coordinated policy reforms, infrastructure development, financial sector diversification, and stronger PPPs are key to maximizing inclusive growth.

iii. Zimbabwe is characterized by both actual and perceived market risks which have an impact on foreign private investment. It would be critical that both actual and perceived risks are addressed for the development of Zimbabwe's investment market. One approach to tackle this challenge is by using de-risking financial instruments, such as guarantees, which can enhance investor confidence. The Government's role is to create a favourable environment for doing business by pursuing consistent macro-economic and financial policies that enhance investor confidence which could help provide assurances and mitigation of potential risks.

iv. Deepening the domestic financial market, particularly the government debt market, and deepening diaspora engagement beyond remittances, supported by effective implementation of the Diaspora Policy, will be crucial for capital mobilization.

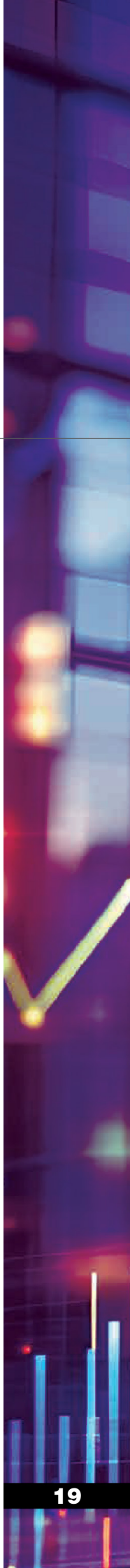
v. Zimbabwe needs to put in place measures to counter the effects of recent global developments, including the new trade tariffs and suspension or cut of ODA. This will depend on accelerating domestic reforms, export diversification, and regional market integration.

vi. Addressing the skills mismatch between graduates and the need of the industry is critical for sustained economic development. The country needs to align its educational needs with those of the industry by strengthening partnerships between academia and the industry. Health financing reforms must prioritize domestic resource mobilization, equitable access, timely disbursements and collaboration with private sector.

vii. Development partners can support prioritized initiatives such as debt clearance, tax reforms, diaspora engagement, and de-risking PPPs.

viii. Enhancing property rights is essential for attracting foreign investment that could enhance the domestic resource mobilization.

3 HARNESSING ZIMBABWE'S CAPITAL POTENTIAL AND RESOURCES FOR DEVELOPMENT



Key Messages

- There is a critical need to build the capacity of relevant government ministries, departments, and agencies to systematically compile illicit financial flows (IFFs) statistics. Enhanced collaboration among institutions such as ZACC, FIU, RBZ, ZRP, ZIMSTAT, the Judicial Service Commission, and ZIMRA is essential to generate consistent, reliable IFF estimates, aiding in the assessment of their scale and developmental impact.

- Strengthening the rule of law, reducing regulatory overlaps, and improving property rights enforcement are vital next steps.

- To fully benefit from the AfCFTA, Zimbabwe must expand production of locally differentiated manufactured goods by increasing local capacity to produce intermediate inputs, thereby reducing import dependency.

3.1 Introduction

This chapter examines the impact of institutional quality, governance, and the rule of law on Zimbabwe's capacity to mobilize domestic capital and advance sustainable development. It highlights the government's role in fostering national prosperity and investigates how institutional frameworks, governance weaknesses, and challenges related to the rule of law affect the management and effective utilization of various forms of capital in the country. The chapter concludes with key findings and offers policy recommendations to strengthen governance and institutional effectiveness for improved capital mobilization and utilization.

3.2 Institutional Arrangements for the Management and Utilization of the Various Forms of Capital

The Government of Zimbabwe recognizes the critical role institutions play in managing and utilising natural capital. Traditionally, Zimbabwe has relied on State-owned enterprises to perform various factions on behalf of the government. However, their effectiveness has been undermined by weak corporate governance, oversight challenges, corruption, poor financial and operational performance, and limited monitoring and evaluation. Additionally, public institutions face undercapitalization, outdated technology, inadequate working capital, skills flight, and inter-parastatal debt, which have constrained their ability to contribute to natural capital management and broader development goals.

In response, the government is implementing comprehensive SOE reforms, focusing on: (a) the privatization, commercialization, or integration of selected entities; (b) strengthening institutional management and administration; (c) enforcing good corporate governance practices; and (d) enhancing technical and financial oversight.

To further anchor institutional reforms, the government established the Mutapa Investment Fund (MIF) in 2023 through an amendment to the Sovereign Wealth Fund of Zimbabwe Act No. 7 of 2014. The Fund is a key strategic vehicle to secure investments for future generations, support long-term socio-economic development, stabilize fiscal revenues in times of commodity price shocks, and contribute to national revenues through returns on investments. The Fund has been capitalized with selected SOEs and investments under the government's portfolio and is expected to generate returns, preserve national assets, and create generational wealth. By leveraging its portfolio, the MIF aims to drive economic transformation, increase production, boost productivity, and improve the well-being of citizens.

Another critical institution in supporting economic resilience is the Zimbabwe Revenue Authority (ZIMRA), established in 2001 to manage revenue collection and tax enforcement. ZIMRA plays a central role in safeguarding national revenue, ensuring tax compliance, and supporting macroeconomic stability. As part of its modernization drive, ZIMRA is implementing several digital transformation and business process innovation projects. These include the Tax and Revenue Management System (TaRMS), the Fiscalization Data Management System (FDMS), a centralized Contact Centre, the Zimbabwe electronic Single Window (ZeSW), and the drone's surveillance project. These innovations aim to enhance service delivery, improve compliance, and curb revenue leakages.

Together, these institutional reforms are designed to enhance the government's capacity to mobilize and manage resources, strengthen accountability, and foster private sector confidence. Improved institutional performance, particularly through SOE reform and enhanced revenue administration, is essential to unlocking natural capital value, improving public service delivery, and sustaining inclusive growth in Zimbabwe. Strengthening these institutions and aligning them with national development priorities will be crucial for economic transformation and resilience.

3.3 Governance Challenges in the Management and Utilization of the Various Forms of Capital for Resource Mobilization

Like many African countries, Zimbabwe has faced persistent governance challenges that have impeded the effective management and utilization of its natural capital. Key issues include weak institutional capacity, limited transparency and accountability, corruption, insecure property rights, and mismanagement of State-owned enterprises (SOEs). In addition, cumbersome regulations, delays in licensing, and complex permitting processes have contributed to the expansion of the informal sector, complicating efforts to manage natural resources effectively. These governance shortcomings, combined with macroeconomic instability, have dampened investor confidence and constrained foreign direct investment.

Illegal mining and the leakage of critical mineral resources remain significant concerns. In response, the government initiated the establishment of gold service centres in 2023 in strategic areas to curb illicit gold flows, enhance traceability, and improve sector accountability. These centres are designed to provide small-scale miners with access to modern processing facilities and technical services, thereby boosting gold production and promoting secure, transparent transactions.

Since 2019, the government has undertaken wide-ranging reforms aimed at improving the business environment and attracting investment. These reforms have targeted 16 key areas, including business registration, taxation, and trade policy. In 2022, to further address governance issues and streamline investment processes, the Zimbabwe Investment and Development Agency (ZIDA) launched the One Stop Investment Services Center (OSISC). This centre consolidates key government institutions involved in investment approvals, including the Immigration Department, the Zimbabwe Revenue Authority (ZIMRA), the Reserve Bank of Zimbabwe (RBZ), the Ministry of Mines, and the Environmental Management Authority (EMA), among others.

The OSISC facilitates efficient processing of investment applications by enabling inter-agency collaboration, compliance screening, and expedited approvals. By reducing bureaucratic hurdles and the cost of doing business, this integrated platform improves the investment climate. The initiative is expected to attract greater capital inflows, particularly in sectors closely linked to natural capital, such as mining, energy, tourism, and agriculture.

3.4 The Rule of Law, the Management and Utilization of the Various Forms of Capital

Zimbabwe has various laws and regulations in place that support good governance in the management of natural capital. The Constitution of 2013 is comprehensive and is supported by various legislations, including the Public Finance Management Act. Other legal frameworks that ensure rule of law, governance and accountability to oversight institutions are largely in place, but their enforcement has not often been effective due to weak institutions. Weak enforcement of laws is mostly attributed to capacities of institutions, corruption and overlaps of responsibilities of public institutions. The 2024 World Justice Rule of Law assessment report-maintained Zimbabwe's overall score of 0.40/1.0, the same as in 2019 suggesting that there has not been a deterioration of rule of law, but at the same time there has not been any improvement in the past 5 years.

Property rights have featured high in Zimbabwe following the implementation of the land reform programme in 2000. The country was, for many years, perceived to be risky by international investors. This was compounded by difficulties in outward remittances of investor proceeds. The country accumulated over US$ 3 billion in blocked funds until 2022 with many investors unable to recoup earnings from their investments. The government has started addressing the issue of property rights with the introduction of the new land title that is transferable, bankable and secure. This will provide security of tenure and should support investment in key sectors including agriculture and mining. The issue of blocked funds has been decisively addressed, and investors are now able to remit their earnings. This will boost investors' confidence.

The country needs to strengthen the rule of law, property rights, and governance structures to ensure stability and predictability of government policies. Laws related to environmental protection, mining, and land use need to be reviewed and enforced. The government should also review the cumbersome processes and procedures and eliminate overlaps of responsibilities of public institutions. Responsibilities for the issuance of licenses and permit and their fees and charges should also be reviewed and streamlined. These aspects are essential for investment and doing business in the country. The issuance of tax breaks needs a careful review to ensure that it is not arbitrary but rather guided by transparent principles to promote predictability and eliminate corruption.

Southern Africa has well documented best practices on rule of law in the management and utilization of natural capital. South Africa, Botswana and Malawi are some of the countries that have implemented best practices in natural capital and management. Censuring clear and enforceable land tenure eliminates conflicts. Equitable benefit sharing of resources and earnings helps to reduce inequalities and conflicts as well.

3.5 A Pan-African Approach to Strengthening the Rule of Law, Institutions and Governance for Harnessing Zimbabwe's Capital

The Pan-African approach to strengthening rule of law, institutions and governance refers to a coordinated approach by African countries in the pursuance of sustainable economic growth. It refers to the harmonization of legal and regulatory frameworks, building transparent institutions and enhancing governance to harness the full potential of natural capital by countries. This is one way that Zimbabwe and its neighbours for example could combat illicit financial flows, capital flight and tax avoidance. The African Union Agenda 63 emphasizes on the rule of law and strengthening governance institutions on the continent. Similarly, the Southern Africa Development Community Treaty emphasizes adherence to the rule of law and governance. Fostering regional integration is also a key component of the Pan-Africa approach.

3.6 Conclusion and Policy Recommendations

The Government of Zimbabwe is undertaking comprehensive reforms to strengthen governance, uphold the rule of law, and enhance institutional performance as part of its strategy to support inclusive and sustainable development. Legal and regulatory reforms are focused on securing property rights and improving the overall business environment, while institutional restructuring targets the efficiency and accountability of public entities, including State-owned enterprises (SOEs). Below are some policy recommendations:

i. The creation of the Mutapa Investment Fund reflects a strategic move to unlock value from commercially viable SOEs. This initiative should unlock value from SOEs placed under its management. Strengthening the financial and governance framework of the MIF will be essential to enhancing its capacity to attract and mobilize additional capital.

ii. Successfully harnessing Zimbabwe's vast capital—natural, human, financial, business—will require steadfast commitment to institutional strengthening, anti-corruption, debt management, and private sector revitalisation.

iii. Tax administration in Zimbabwe would also need reform to incentivize increasing private financing. For example, there are complex procedures that demand careful monitoring, compliance, and administrative efforts as well as increased responsibilities for tax authorities, financial institutions, and green investment firms, potentially leading to higher compliance costs.

iv. Supportive legal, regulatory, and incentive frameworks are needed to build a vibrant, competitive private sector in Zimbabwe. Zimbabwe's challenges are well documented and include regulatory and bureaucratic hurdles, high operating cost and limited access to finance.

Box 4: Clearance of Arrears and Debt Restructuring is Critical for Accelerating Zimbabwe's Economic Transformation

Since 2022, the Government of Zimbabwe has enhanced its actions aimed at clearing its debt arrears. The GoZ agreed with its creditors on a package of key reforms under three broad pillars. (i) Economic stabilization and growth, (ii) Governance, and (iii) Land tenure reforms and farmer compensation. The President of the AfDB, Dr Akinwumi Adesina, is championing this process and the AfDB has provided USD 4.1 million to facilitate the Structured Dialogue Platform (SDP) that has been established in Zimbabwe. The SDP has brought together the GoZ, Zimbabwe's creditors, and other key stakeholders to find a lasting solution to Zimbabwe's arrears and debt burden.

Progress has been mixed with substantial gains made on economic reforms and on land tenure and farmers compensation. Notably, the government has made significant progress in implementing macroeconomic policies, focusing on monetary and fiscal stability, while engaging in discussions with the IMF on a Staff Monitored Programme (SMP). The government is optimistic that these negotiations can be concluded soon. This is seen by creditors as a prerequisite for arrears clearance.

A key milestone has been the commencement of compensation payments to former farm owners, Notably, as of February 2025, 85 former farm owners from five countries (Germany, Switzerland, the Netherlands, Denmark, and the former Yugoslavia) have received USD 18.1 million in compensation under bilateral investment partnership promotion agreements. Furthermore, under the Global Compensation Deed, USD 3.1 million (1% of the approved clearance value of USD 311 million) has been paid to the first batch of 379 farms. Meanwhile, progress on governance reforms has been mixed, based on the October 2024 assessments from WJP and IIAG. The WJP maintained Zimbabwe's overall score of 0.40/1.0, the same as in 2019. The IIAG slightly improved to 47.1/100 in 2023 from 46.1 in 2019. Of the 15 indicators measured by WJP and IIAG, 7 indicators improved.

Meanwhile the GoZ has identified and is engaging potential champions that could support or provide bridge financing to clear USD 2.6 billion with international financial institutions including the AfDB, the World Bank and the European Investment Bank. Clearing arrears with IFIs could open doors for accessing the much-needed concessional financing for economic and social development of the country.

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