



Zimbabwe

Country Background

Zimbabwe is a landlocked country in Southern Africa with an area of 390,580 square kilometres and a population of about 12 973 808 million. The country is bordered on all sides by other countries. Zambia lies to the northwest with the Zambezi River and Victoria Falls forming the border. Mozambique lies to the northeast with its border formed by the Eastern Highlands. Botswana lies to the southwest and South Africa to the south (its border formed by the Limpopo River).

Zimbabwe gained its independence from the British in 1980. The country voted for a new Constitution on 16 March 2013 that replaced the old Lancaster House Constitution of 1980. The enactment of the new Constitution in May 2013 paved way for the holding of the 31st July 2013 general elections, in which ZANU PF won the Presidency as well as a parliamentary majority, thus, ending almost five (5) years of a coalition government between ZANU (PF) and the opposition Movement for Democratic Change (MDC) formations that had governed the country since 2009.

The Executive Branch is led by the President who is both the Head of State and Government and deputized by two Vice Presidents. The incumbent, President, Robert Gabriel Mugabe, was re-elected for a five (5) year term in July 2013, and is deputized by Honourable Emmerson. D. Mnangagwa and Honourable Phelekezela Mphoko who were both appointed in December 2014.

Recent Economic Developments

- **National Development Strategy:** The Government in 2013 adopted the five (5) year development policy blueprint - the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-ASSET, 2013-2018). The Zim-ASSET aims to achieve sustainable development and social equity, propelled by the judicious exploitation of the country's human and natural resource endowments. It focuses on four major clusters, namely: Food Security and Nutrition; Social Services and Poverty Eradication; Infrastructure and Utilities; and Value Addition and Beneficiation. To buttress the afore-mentioned clusters, two sub-clusters were also developed, namely Fiscal Reform Measures and Public Administration as well as Governance and Performance Management. The policy blue print also intends to accelerate the re-engagement process with international financial institutions and other creditors on arrears clearance, debt relief and new financing in support of the country's development projects.

The GoZ has further developed a new interim poverty reduction strategy paper (I-PRSP). The I-PRSP comprises five pillars, namely: (i) Agriculture Productivity, Growth and Rural Food Security, (ii) Social Sectors, (ii), (iii) Private Sector, (iv) Infrastructure, (v) Environment and Climate Change, (vi) Gender, Women and Youth Empowerment, and (vii) Governance and Institutional Capacity.

- **Macroeconomic Developments/trends:**

- **GDP growth and growth drivers:** The economic outlook for 2017 comes against a background of above normal rainfall received almost across the country. GDP growth is projected at around 3% in 2017, from the initial projection of 1.7%. The agriculture and mining sectors are projected to underpin the anticipated growth. Government introduced various agriculture funding facilities and the mining sector benefitted from good international commodity prices. This notwithstanding, economic challenges have intensified and these include cash shortages to fund critical inputs in most sectors of the economy and the high cost of production which is affecting competitiveness.
- **Monetary Policy and Financial Sector (monetary policy stance, inflation dynamics Monetary Policy and Financial Sector):** In February 2009, Zimbabwe adopted a multi-currency regime in which the economy managed to stabilize from an episode of hyperinflation experienced in 2007/8. Against the background of tight liquidity and

cash challenges, the Government in November 2016 introduced Bond Notes pegged at par to the US\$, imposed limits on daily cash withdrawals and cash carried outside country, and a 5% bonus on export receipts.

- According to the Monetary Policy Statement for January, 2017, the banking sector's aggregate core capital increased by 7.48%, from US\$1.07 billion to US\$1.15 billion, during the quarter ending 31 December 2016 on the back of satisfactory earnings performance. As at 31 December 2016, all operating banking institutions were in compliance with the prescribed minimum capital requirements. The capital adequacy ratio stood at 23.7%, which was well above the regulatory threshold of 12% while the average prudential liquidity ratio for the banking sector was 61.91%, above the stipulated minimum regulatory requirement of 30%. Notwithstanding the high average prudential liquidity ratios recorded across the sector, the banking industry continued to experience underlying physical US\$ cash challenges.
- **Fiscal Policy and debt (fiscal policy stance; debt strategy, debt structure, management, and sustainability):** The fiscal position is constrained owing to the continued underperformance of revenues and increase in recurrent expenditures. The fiscal deficit for 2016 is estimated at US\$1.042 billion (7.3% of GDP), a marked increase from the target of US\$150 million. Government in 2016, increased domestic financing of the budget. Domestic public debt rose markedly by about 85% from about US\$2 billion in 2015 to about US\$3.7 billion by 31 October 2016 following the takeover of the RBZ debt by the government through the Debt Assumption Act which saw the government assuming the RBZ's US\$1.4 billion debt and debt of a number of parastatals.
- The country remains constrained by a high external debt overhang. In October (2016), Zimbabwe cleared its arrears amounting to US\$107.9 million to the Fund's Poverty Reduction and Growth Trust (PRGT) by drawing down on its Special Drawing Rights (SDRs) holdings held at the IMF. The country still has outstanding arrears of about US\$601 million with the AfDB and US\$1.1 billion with the World Bank.
- **External Sector:** Despite some slight improvements, the external position remains precarious with large current account deficits and low international reserves. According to the Monetary Policy Statement by the Reserve Bank, merchandise exports declined by 6.9%, from USD 3.6 billion in 2015 to USD 3.3 billion in 2016. Merchandise imports declined by 11.7% to USD 5.3 billion in 2016 from USD 6.0 billion over the same period in 2015.
- **Socio-economic developments/trends:** The prevalence and incidence of poverty remains very high in Zimbabwe. Individual poverty prevalence for Zimbabwe dropped from 75.6 percent in 1995 to 70.9 percent in 2001 and then rose to 72.3 percent in 2011. However, persons in extreme poverty have also declined from 47.2 percent in 1995 to 41.5 percent in 2001 then further down to 22.5 percent in 2011. Household poverty is estimated at 62.6 percent which is slightly higher than 60.6 percent in 2001 and lower than 63.3 percent in 1995/96.
- To improve the business environment, government is working on reforms to streamline and simplify regulations affecting market entry, exit and competition. The government launched the second 100-day Action Plan to accelerate ease of doing business reforms in Zimbabwe in February 2016. The first 100-day Rapid Results Action Plan, which was launched in September 2015 produced a number of achievements, including reducing the number of days it takes to register a property from 36 to 14 days and reducing the time taken to pay taxes from 242 to 160 hours. Key reforms under the second phase include amending the Companies Act, Shop Licensing Act and the Procurement Act.
- **Cross-cutting themes:**
 - **Environment and climate change:** Zimbabwe is highly vulnerable to environmental degradation through deforestation, loss of biodiversity, excessive soil erosion, contamination, pollution and excessive exploitation of water resources. This has been exacerbated by global climatic changes which have led to changes in rainfall pattern, frequent droughts, floods and rising temperatures. The resource base has been stressed by increase in population and competition for natural resources. The prevailing energy crisis has forced most people to rely heavily on natural resources thereby leading directly to biodiversity loss. Increased deforestation has seen an annual estimated loss of 100,000-320,000 ha forest cover.
 - **Natural resource Endowment:** Zimbabwe produces more than 40 types of metals and minerals and has extensive reserves of gold, platinum, chrysolite, asbestos, chromite, iron ore, lithium ore and coal. The country further has abundant wild life and is bordered by two major rivers – the Zambezi and Limpopo rivers which have been important sources of hydro energy.
 - **Regional Economic Integration:** Zimbabwe is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). With its geographic positioning, bordered by other countries, Zimbabwe has served as transit route in and out of South Africa for–Zambia, Malawi and Tanzania.

Current Bank Business Plan (CSP)

The Bank Group's engagement in Zimbabwe was guided by the Country Brief (CB) Update (2014–2016). The CB, aligned with Zim-Asset (2013-2018), aimed to promote socio-economic transformation and assist the country to arrest fragility, build resilience, and accelerate re-engagement with the international community. It proposed continuing engagement in Zimbabwe through basic infrastructure rehabilitation in the energy and water sectors for inclusive service delivery; capacity building and technical assistance for strengthening institutional governance; and private sector participation for job creation.

The Bank, was in 2010 requested by a group of donors willing to assist Zimbabwe to establish and administer a Multi-Donor Trust Fund for Zimbabwe (the "MTDF" or "ZimFund"). The purpose of the ZimFund is to contribute to early recovery and development efforts in Zimbabwe by mobilizing donor resources and promoting donor coordination in the water & sanitation and energy sectors. Donors' current commitments to the ZimFund amount to about US\$145 million. Following the successful completion of ZimFund Phase I water & sanitation and energy projects (US\$83.2 million), focus is now on implementation of Phase II activities. The ZimFund program is scheduled to be closed in October 2019.

Country and the African Development Bank

- **Membership:** Joined in 1982
- **Governor Representing Country:** Hon. Patrick Chinamasa (Minister of Finance and Economic Development)
- **Alternative Governor Representing Zimbabwe:** Mr. Willard L. Manungo (Secretary to the Treasury)
- **Executive Director Representing Country:** Mr. Heinrich Gaomab
- **African Development Bank Director General:** Ms. Tonia Kandiero
- **Useful Contacts:** Mr. Forbes Kanogwere, Desk Officer for the AfDB in the Ministry of Finance and Economic Development, Telephone +263776372694; email: fkanogwere@yahoo.co.uk

Development Financing Coordination

Government has set up a Cabinet committee on development financing coordination to oversee all development inflows into the country. The Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset) also strives for the inclusion of all development partners including the civil society in its implementation. The Bank continues to maintain a close working relationship with the World Bank, IMF, UN Agencies, the civil society, private sector and other development partners for coordination of development financing.

Annex 1:
Bank Active Portfolio in Zimbabwe as at 5th May 2017

#	Sector/Operations	Funding Window	Approval Date	Effective for 1st Disb Date	Completion Date	Amount App. (UA)	Amount Dis. (UA)	Disbursement Rate	Age	IP (Impl.Progress)	DO (Dev. Objectives)	Overall Performance Status
AGRICULTURE SECTOR						7,293,691	5,871,577	80.5%	3.0			
1	LAKE HARVEST PROJECT	ADB Loan	10/26/2011	1/3/2013	11/26/2020	5,844,023	5,844,023	100.0%	5.5	2	2	PP
2	SUPPORT TO THE BEEF AND LEATHER VALUE CHAIN	ADF Grant	10/19/2015	12/2/2016	19/05/2018	719,165	3,740	0.52%	1.5			
		FAPA Grant	6/11/2015	11/24/2016	19/05/2018	730,503	23,814	3.3%	1.9			
MULTI SECTOR						26,320,000	16,752,744	63.7%	2.5			
3	CAPACITY BUILD. PROJECT FOR PFDEM	ADF Grant	12/5/2012	7/4/2013	12/31/2017	16,120,000	12,512,344	77.6%	4.4	3	2	PP
4	GOVERNANCE AND INSTITUTIONAL PROJECT	ADF Grant	12/12/2013	4/1/2014	12/31/2017	5,200,000	3,226,600	62.1%	3.4	3	3	PPP
5	STRENGTHENING INSTITUTIONS OF TRANSPARENCY AND ACCOUNTABILIT	ADF Grant	7/10/2015	11/23/2015	3/31/2019	2,000,000	1,013,800	50.7%	1.8			
6	INST. SUPPORT FOR STATE ENTERPRISE REFORM & DELIVERY PROJECT	ADF Grant	1/24/2017		6/30/2020	3,000,000		0.0%	0.3			
POWER SECTOR						48,064,354	2,281,922	4.7%	2.1			
7	EMERGENCY POWER INFRASTRUCTURE REHAB Phase II	ZIMFUND	12/18/2013	7/9/2014	12/31/2017	11,264,354	1,841,722	16.4%	3.4	3	3	NPP
8	ALASKA-KAROI POWER TRANSMISSION REINFORCEMENT PROJECT	ADF Grant	12/16/2016		6/30/2018	13,540,000		0.0%	0.4			
9	MULTINATIONAL KARIBA DAM REHABILITATION PROJECT	ADF Grant	12/15/2014	11/23/2015	12/31/2025	23,260,000	440,200.00	1.9%	2.4			
FINANCIAL SECTOR						17,857,143	-	0.0%	1.0			
10	CABS TRADE FINANCE LINE OF CREDIT	ADB Loan	4/20/2016		12/28/2018	17,857,143		0.0%	1.0			
SOCIAL SECTOR						6,110,000	2,477,520	40.5%	2.0			
11	YOUTH AND TOURISM ENHANCEMENT PROJECT	ADF Grant	12/18/2013	4/8/2014	6/30/2017	2,700,000	2,477,520	91.8%	3.4	3	3	NPP
12	YOUTH AND WOMEN EMPOWERMENT PROJECT	ADF Grant	10/31/2016		6/30/2022	3,410,000		0.0%	0.5			
TRNASPORT SECTOR						880,000	721,864	82.0%	3.4			
13	TRANSPORT SECTOR MASTER PLAN STUDY	ADF Grant	12/18/2013	5/20/2014	12/31/2017	880,000	721,864	82.0%	3.4	3	3	NPP
WATER SUPPL/SANIT						51,884,933	5,408,548	10.4%	2.0			
14	URGENT WATER SUPPLY AND SANITATION REHAB PHASE II	ZIMFUND	10/7/2013	7/10/2014	12/31/2017	14,493,177	3,337,779	23.0%	3.6	3	3	NPP
	ADDITIONAL FINANCINF TO UWSSRP PHASE II	ZIMFUND	9/30/2015	11/17/2015	12/20/2018	11,797,621	1,564,365	13.3%	1.6			
15	BULAWAYO WATER & SEW ARAGE SERVICES IMPROVMENT PROJECT	ADF Grant	12/9/2015	5/17/2016	30/12/2021	24,000,000	333,600	1.4%	1.4	3	3	NPP
16	ZIMBABWE INTEGRATED URBAN WATER MANAGEMENT	AWF	12/21/2015	8/26/2016	1/2/2019	1,594,135	172,804	10.8%	1.4			
GRAND TOTAL						158,410,121	33,514,175	21.2%	2.3	2.9	2.8	
GRAND TOTAL (excluding recently approved projects)						138,460,121	33,514,175	24.2%				

Note: Ratings (1-4): Highly Unsatisfactory = 1; Unsatisfactory = 2; Satisfactory = 3; Highly Satisfactory = 4 NPP= Non Potentially Problematic Project; PP = Problem Project; and PPP = Potentially Problematic Project

Annex 2: Map of Zimbabwe

