ZIMBABWE

ARREARS CLEARANCE, DEBT RELIEF AND RESTRUCTURING STRATEGY

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

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LIST OF ACRONYMS

AfDB	African Development Bank
BIPPAs	Bilateral Protection and Promotion Agreements
CAAZ	Civil Aviation Authority of Zimbabwe
DOD	Debt Outstanding and Disbursed
EMEs	Emerging Market Economies
EIB	European Investment Bank
EDDC	External and Domestic Debt Management Committee
FDI	Foreign Direct Investment
FFO	Former Farm Owners
GCD	Global Compensation Deed
GMB	Grain Marketing Board
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
IDBZ	Infrastructural Development Bank of Zimbabwe
IBRM	Integrated Results Based Management
IDA	International Development Association
IFIs	International Financial Institutions
IMF	International Monetary Fund
JSC	Judicial Service Commission
MOPA	Maintenance of Peace and Order Act
MDAs	Ministries, Departments and Agencies
MPC	Monetary Policy Committee
MDBs	Multilateral Development Banks
NDS1	National Development Strategy 1
OSISC	One Stop Investment Services Centre
OBS	Open Budget Survey
POSB	People's Own Savings Bank
POTRAZ	Postal and Telecommunications Regulatory Authority of Zimbabwe
PPG	Public and Publicly Guaranteed
POSA	Public Order and Security Act
PPPs	Public-Private Partnerships
SDR	Special Drawing Rights
SMP	Staff Monitored Program
SEPs	State Enterprises and Parastatals
SOEs	State Owned Enterprises
SDGs	Sustainable Development Goals SDGs
TSP	Transitional Stabilisation Programme
TSF	Transitional Stabilization Facility
ZACC	Zimbabwe Anti-Corruption Commission
ZESA	Zimbabwe Electricity Supply Authority
ZPF	Zimbabwe Police Force
ZIMPOST	Zimbabwe Posts

EXECUTIVE SUMMARY

1. This Arrears Clearance, Debt Relief and Restructuring Strategy outlines the Government's position and options for addressing the country's debt distress situation; including outlining the comprehensive Reform Agenda which underpins the process. The Reform Agenda is guided by the National Development Strategy 1 (NDS1) -2021-2025.

2. Zimbabwe's main economic Reform Agenda priorities are sustained, private sector-led inclusive economic growth and the creation of jobs. These priorities anchor the country's Vision 2030, whose objective is to transform Zimbabwe into an Upper-Middle Income country by 2030.

3. A review of the implementation of the Transitional Stabilisation Programme (TSP), which was from October 2018 to December 2020 indicates that significant progress was achieved over the two-year implementation period in the following reform areas:
    - Elimination of perennial twin fiscal and current account deficits;
    - Fiscal consolidation;
    - Management of money supply growth;
    - Liberalisation of the foreign exchange market;
    - Implementation of governance reforms;
    - Increased infrastructure investments and development;
    - Strengthening of the social protection framework; and
    - Intensification of the re-engagement efforts with the international community.

4. The National Development Strategy 1 (NDS1) from 2021 to 2025 is Government's successor to the TSP and is aimed at realising the country's Vision 2030 goals. The Strategy builds on the successes realised by the TSP reforms, as well as addressing TSP challenges and unfinished business, particularly in the area of consolidating macroeconomic stability and sustained inclusive growth. The NDS1 will be

underpinned by two 5-year National Budgets, starting with the 2021 National Budget currently being implemented.

5. The NDS1 outlines policies, legal and institutional reforms, programmes and projects that will be implemented to achieve sustainable and inclusive economic growth, as well as socio-economic transformation and development.

6. The macroeconomic objectives for the first five-year period of the NDS1 are as follows:
   - Achieve an average annual real GDP growth rate of above 5 per cent;
   - Maintain fiscal deficits averaging not more than 3 per cent of GDP in line with SADC targets;
   - Eliminate quasi-fiscal operations;
   - Align reserve money growth to levels consistent with low and stable inflation as well as exchange rate stability;
   - Achieve and maintain single digit inflation of between 3 per cent to 7 percent by 2025;
   - Increase international reserves to at least 6 months import cover by 2025;
   - Establish a market determined and competitive foreign exchange rate regime;
   - Maintain public and publicly guaranteed external and domestic debt to GDP at below 70 per cent of GDP;
   - Maintain a current account balance of not more than -3 per cent of GDP;
   - Create at least 760,000 formal jobs over the five-year NDS1 period;
   - Improve infrastructure development and investments in energy, water, sanitation, roads, health, education, housing and social amenities; and
   - Accelerate value addition and beneficiation of agriculture and mining production.

7. The Implementation and Monitoring of these reforms will be coordinated with the International Monetary Fund (IMF) under its Staff Monitored Program (SMP), as well as with the World Bank Group through its advisory services and subsequently through a Development Policy Grant once arrears have been cleared.

8. The economy experienced sustained recessions in 2019 and 2020, with GDP estimated to have contracted by 6 per cent and 4.1 per cent respectively. Accounting for the

economic contraction, were significant output losses in agriculture, mining, manufacturing, tourism and electricity generation. The decline in output reflects mainly the negative effects of prolonged drought episodes, Cyclone Idai experienced in March 2019 and the impact of the COVID-19 pandemic.

9. Notwithstanding the economic contraction, Zimbabwe has shown resilience and significant progress was achieved on the fiscal, monetary and external front during the second half of 2020 and into 2021, following the containment of the budget deficit and reserve money growth, as well as the introduction of a Dutch foreign exchange auction system. In this regard, fiscal deficits have been contained at below 1 per cent of GDP.

10. The economy is projected to register a real growth rate of 7.8 per cent in 2021, mainly reflecting a bumper 2020/2021 agricultural output, increased energy supply and the boost in manufacturing and construction activities.

11. Before the Covid-19 pandemic, the country was already facing severe exogenous shocks such as Cyclone Idai in 2019 and a protracted drought. Policy gaps also had adverse effects on economic stability, growth and on the social and humanitarian situation. In this regard, real GDP contracted by 6 per cent in 2019 and by 4 per cent in 2020.

12. The economy has, however, shown resilience in the face of the Covid-19 pandemic and exogenous shocks. Economic recovery is, therefore, projected in 2021 with real GDP growth of 7.8 per cent, despite the lockdown from the Covid-19 pandemic third wave.

13. Government in 2020 undertook the following measures to mitigate against the impact of the costs of the Covid-19 pandemic. Key measures included ZWL$18 billion Covid-

19 Economic Recovery and Stimulus Package, food security related program such as the Pfumvudza Program which supports vulnerable households with free farming inputs and Covid-19 cash transfers for labour constrained and food poor households (ZWL$754 million). ZWL$450 million was allocated in the 2021 budget for the cash transfers.

14. Government launched a Covid-19 pandemic vaccination program on 18 February 2021, targeting 60 per cent of the population – about 9 million people. As of 18 December 2021, the program had administered 4 047 743 1st doses and 3 063 934 2nd doses (25 per cent of the total population).

15. The Government has set aside US$138 million from its own resources for the vaccination program, which has been complemented by the donations of vaccinations from the People's Republic of China, Russia and India.

16. Zimbabwe's capacity to adequately respond to the impacts of the Covid-19 pandemic will significantly depend on the support of the international community including debt resolution. Responding to the social challenges will require significant resources, given that fiscal and monetary space remains limited. This will be key to address the growth poverty levels both in rural and urban areas.

17. Zimbabwe remains in debt distress with an unsustainable Public and Publicly Guaranteed (PPG) external debt overhang amounting to US$14.4 billion, as at end December 2021. The country has been unable to meet its debt servicing obligations and has, therefore, been accumulating external debt arrears since 2000, which are now estimated at US$6.6 billion as at end December 2021.

18. The country's huge external debt overhang has become a serious impediment to its socio-economic development and transformation agenda. With the support of the

international community, IFIs and Development Partners, Zimbabwe needs to urgently clear its external debt arrears, be granted debt relief and restructuring, including accessing new concessional development support to effectively confront the effects of the Covid-19 pandemic, sustainably grow the economy to create jobs and reduce poverty levels.

19. Arrears clearance, debt relief and restructuring will, therefore, ensure sufficient resources for economic recovery post the pandemic, especially concessional support from bilateral development partners and creditors, including IFIs.

20. The IMF's SDR allocation to Zimbabwe gives tremendous opportunities for the economy to respond to the Covid-19 pandemic and its debt crises, especially arears clearance, health, education, social protection, sustained long-term foreign exchange earning investments, climate change responses and reserves build-up.

21. The SDR allocation will assist Zimbabwe to resolve some on the immediate resource requirements in social sectors of health, education, social safety nets; agriculture, industry and infrastructure. Government will adhere to transparent and international best practices in the application of the SDRs resources.

22. Zimbabwe is expected to remain in debt distress in the absence of a comprehensive Arrears Clearance, Debt Relief and Restructuring Strategy aimed at attaining debt sustainability and post Covid-19 pandemic inclusive, sustained economic recovery and growth.

23. Zimbabwe has been exploring traditional debt relief options, including the Highly Indebted Poor Country (HIPC) Initiative, which provide maximum debt relief for beneficiary countries. If the window for the HIPC Initiative is availed, Zimbabwe is keen to participate in the HIPC Initiative process in order to benefit from maximum debt

relief. This would require a modification or exception granted by IDA's Executive Board, to the World Bank HIPC Initiative eligibility criteria, for the reclassification of Zimbabwe as an IDA-Only country. This will also require IMF's Board grandfathering of Zimbabwe to the HIPC Initiative.

24. If the HIPC Initiative is not available to Zimbabwe, the following is the proposed alternative option for external debt Arrears Clearance, Debt Relief and Restructuring Strategy. This entails a combination of using Zimbabwe's own resources, and bridge concessional loans from bilateral development partners who are willing to channel their excess resources to support Zimbabwe's Arrears Clearance, Debt Relief and Restructuring Strategy. The process includes the following components:
    - *Arrears clearance to IFIs:*
        - <u>*Component 1*</u>*: World Bank Group (US$1.4 billion);*
        - <u>*Component 2*</u>*: African Development Bank Group (US$681 million); and*
        - <u>*Component 3*</u>*: European Investment Bank (US$344 million).*
    - *Bilateral creditors arrears clearance, debt relief and restructuring;*
        - <u>*Component 4*</u>*: Paris Club Creditors*
        - <u>*Component 5*</u>*: Non-Paris Club Creditors*
    - *Rescheduling of outstanding and disbursed debt falling due after arrears clearance*
        - <u>*Component 6:*</u> *Negotiate for rescheduling with bilateral creditors (Paris Club and Non-Paris Club).*

25. The clearance of arrears to the World Bank Group and the AfDB using some of Zimbabwe's own resources, including part of its allocated SDRs, is based on firm expectation that new resources will be disbursed by the International Financial Institutions and the international community. The support of the international community through the voluntary channeling of resources from the G7 and other developed countries to support Zimbabwe's arrears clearance road map, Covid-19

Pandemic recovery and achieve resilient and sustainable growth will, therefore, be crucial.

26. The Strategy will also include comprehensive negotiations for restructuring of all the bilateral Debt Outstanding and Disbursed (DOD) (US$1.5 billion) to include grace periods and longer-term maturities to avoid accumulation of arrears after the implementation of an arrears clearance strategy.

27. The need for strong, broad and comprehensive re-engagement with development partners cannot be over-emphasised. For the Arrears Clearance, Debt Relief and Restructuring Strategy to succeed, Zimbabwe will need strategic partners and champions among the international community.

28. In conclusion, the Strategy critically hinges on, strengthening of and continuing with the Reform Program, stepping up re-engagement with all creditors and continuing cooperation with the IFIs, negotiating for arrears clearance, debt relief and restructuring with the IFIs, Paris Club creditors and non-Paris Club creditors.

CHAPTER 1: OVERVIEW OF PROGRESS ON ECONOMIC, STRUCTURAL AND GOVERNANCE REFORMS UNDER THE TRANSITIONAL STABILISATION PLAN (TSP)

1. Zimbabwe's main economic reform priorities are sustained, private sector-led inclusive economic growth and the creation of jobs. These reform priorities anchor the country's Vision 2030, whose objective is to transform Zimbabwe into an Upper-Middle Income country by 2030.

2. In this regard, Government, in October 2018, launched a two-year Transitional Stabilisation Programme (TSP) - October 2018 to December 2020, which outlined policies and programmes aimed at restoring macroeconomic stability necessary for higher growth. The TSP was implemented through the 2019 National Budget under the theme "Austerity for Prosperity" and the 2020 National Budget: "Gearing for Higher Productivity, Growth and Job Creation".

3. The TSP focused on the following:
    - Stabilisation of the macro-economic environment;
    - Institutional reforms to transform to a private sector led economy;
    - Addressing utility and infrastructure gaps;
    - Governance;
    - Inclusive growth;
    - Social development; and
    - Financial re-engagement.

4. A review on TSP implementation indicates that significant progress was recorded in the following reform areas:

    - Elimination of perennial twin fiscal and current account deficits;
    - Fiscal consolidation;

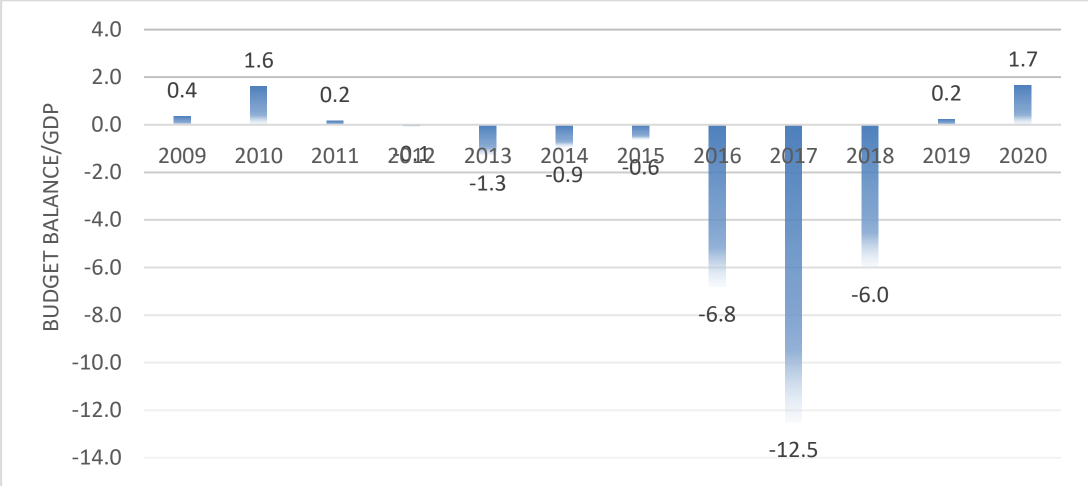
- Management of money supply growth;
- Liberalisation of the foreign exchange market;
- Implementation of governance reforms;
- Increased infrastructure investments and development;
- Strengthening of the social protection framework;
- Intensification of the re-engagement efforts with the international community.

5. The Government successfully restored macro-economic stability through addressing perennial twin fiscal and current account deficits. The TSP policy thrust was to gradually contain the Budget deficit, as well as re-orienting the budget towards development programmes particularly infrastructure and improvement of the coverage and quality of key social services

Fiscal Consolidation

6. Since 2013, Government was incurring budget deficits driven mainly by increasing expenditures, against a shrinking revenue base. Budget deficit as a share of GDP increased to a high of 12.5 per cent in 2017, from 1.3 per cent in 2013. Since the launch of the TSP, annual budget deficits moderated to 6.0 per cent of GDP in 2018, with marginal surpluses of 0.2 per cent and 1.7 per cent in 2019 and 2020 respectively. Fiscal consolidation, was meant to restore macro-economic stability through addressing the perennial fiscal deficits.

Figure 1: Overall Fiscal Balance (Per Cent of GDP)



7. Specifically, the TSP policy thrust was to gradually reduce the budget deficit, as well as targeting budgetary expenditures towards productive programs, especially investments in critical infrastructure.

8. A combination of fiscal consolidation and widening of the tax base resulted in Government turning perennial overall fiscal deficits into surpluses during 2019 and 2020, setting the tone for macro-economic stability. Unsustainable overall fiscal deficits have since been eliminated, with Government maintaining cash fiscal surplus during the TSP period.

9. On the revenues side, tax policy reforms have targeted both enhancing revenue collection and reducing leakages. Revenue enhancing policies included the introduction of the Intermediated Money Transfer Tax in October 2018, review of excise duties, while industry supportive policies included rebates of duty on essential imports and the review of the mining sector fiscal regime.

10. As part of the policy of widening the tax base in an economy dominated by informal activities, Government reviewed in October 2018, the financial intermediation tax from a specific rate of 5 cents per transaction, to ad-valorem rate of 2% of the value

transacted. The review resulted in the increase of IMTT collections from less than 1%, to approximately current levels of 10% of total revenue.

11. On expenditure management reforms, in particular recurrent expenditures, Government implemented a number of measures in order to create fiscal space for developmental and social spending. Some of these measures included the following:

- Scrapping unsustainable distortionary subsidies;
- Maintaining freeze on filling non-critical posts;
- Introduction of lean administrative public sector structures; and
- Biometric registration of all civil servants in 2019.

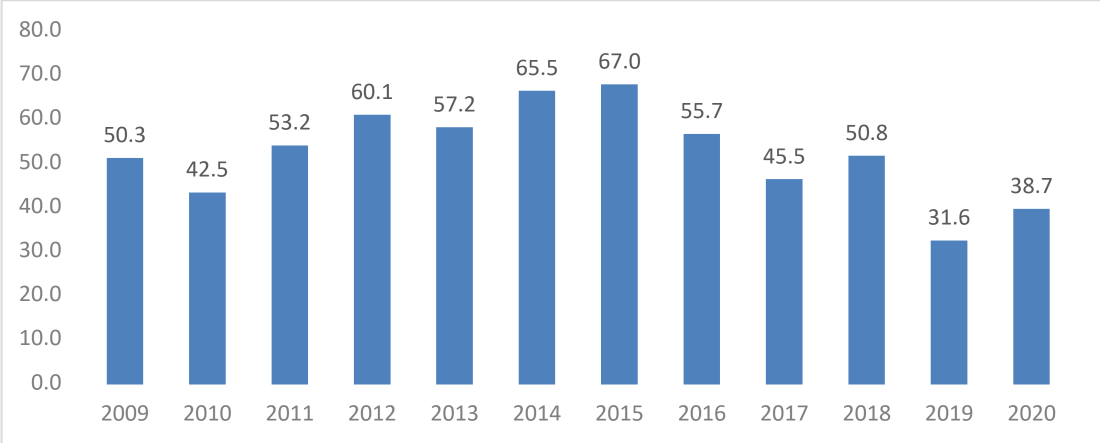
12. As part of the economic reforms, Government re-oriented expenditures from recurrent to development and social expenditures to address the infrastructure gaps and support the vulnerable. Recurrent expenditures have now been reduced to less than 70 per cent of total expenditures, from a high of 93 per cent in 2015. This has created scope for increasing investment necessary for inclusive economic growth.

13. As a result, recurrent expenditures were reduced from 72.7 per cent of total expenditure in 2017, to 61.3 per cent and 66.7 per cent in 2019 and 2020 respectively. In the same vein, employment costs were reduced from 45.5 per cent of total expenditure in 2017, to 31.6 per cent and 38.7 per cent in 2019 and 2020 respectively.

Table 1: Key Expenditure Variables as percentage of Total Expenditure

	2017	2018	2019	2020
Social Spending as a % of Total Expenditure	0.1	0.8	3.3	5.0
Recurrent Expenditure as % of Total Expenditure	72.2	67.1	61.3	66.7
Capital Expenditure as % of Total Expenditure	27.8	32.9	38.7	33.3
Employment Costs as % of Total Expenditure	45.5	50.8	31.6	38.7

Figure 2: Employment Costs as percentage of Total Expenditure



Domestic debt and issuance of Treasury Bills

14. Domestic debt increased exponentially from $276 million in 2012, to $9.3 billion in 2018 driven mainly by the monetisation of the budget deficit though Central Bank financing and excessive issuance of Treasury bills. This has since been addressed through fiscal consolidation. In addition, Treasury made the following reforms to contain the growth of domestic debt:
    - Zero recourse to Central Bank financing, including the overdraft;
    - Restructuring of overdraft facility, cash advances and Treasury Bills held by RBZ into long-term marketable instruments; and
    - Limited issuances of Treasury bills through private placement and the introduction of a weekly TB Auction System linked to the Annual Borrowing Plan.

Monetary Sector Reforms

15. Some of the challenges facing the economy in the recent past, were emanating from a weak financial sector. Stabilisation efforts on the fiscal front were supported by monetary policy reforms which targeted restoring domestic competitiveness, reducing inflation, addressing cash shortages, stabilising the foreign exchange market, by

among other measures improving foreign exchange generation and enhancing ethical practices in the financial sector. Several interventions and reforms were, therefore, introduced since 2018.

16. Cognisant of the need to strengthen the Reserve Bank and the financial sector, in September 2019, a nine-member Monetary Policy Committee (MPC) was appointed and a reserve money targeting framework has since been introduced in order to contain money supply growth and hence inflation. The MPC also determines interest rate policy in line with the Government`s economic policies and targets for growth and employment creation.

17. In pursuit of the above, the Reserve Bank introduced the local currency in February 2019, moving away from the multi-currency system and designated the Zimbabwean dollar as the sole medium of exchange for local transactions and the US$ as a reserve currency and further liberalised the foreign exchange market, thereby restoring the monetary policy instruments in the process.

18. In 2018, the Reserve Bank introduced a raft of currency reforms in-order to address deep macro – economic imbalances, including competitiveness and price distortions in the foreign exchange market. The currency reforms were meant to improve export competitiveness through the sale of export proceeds at market determined exchange rates.

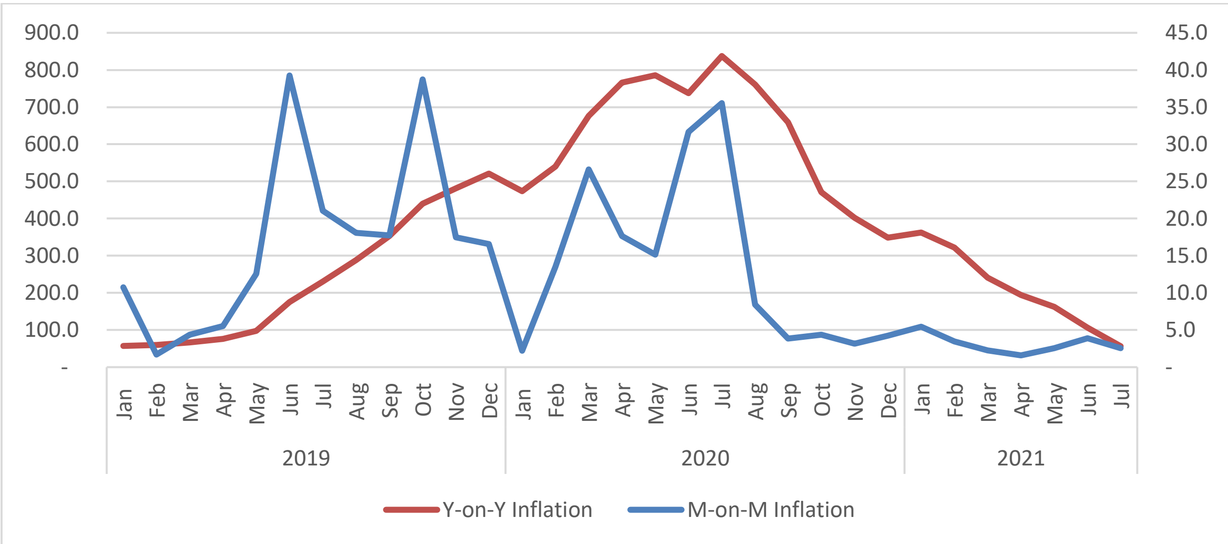
19. Further, in order to tackle inflation, stabilise the foreign exchange market and build confidence, in June 2020, the Reserve Bank introduced a market based Dutch Auction System for the determination of the exchange rate, in order to stabilise the exchange rate, deal with the volatility in the prices of goods and services, which were rising in tandem with rising parallel exchange rate premiums.

20. The Auction System has greatly improved transparency in the foreign currency market and has facilitated the discovery of a market-based exchange rate. Consequently, prices of goods and services have stabilized, with some prices gradually coming down. The auction weighted average rate, which started off at ZW$57.35 to the US$, has stabilized at around ZW$85 to the US$. During the same period, the premium between the official and parallel exchange narrowed to around 20 per cent, from a peak of almost 300 per cent in June 2020. Price stability has therefore been achieved in line with the introduction of the foreign exchange Dutch Auction System.

Inflation Containment

21. Policies implemented by the Government have managed to firmly anchor inflation expectations, as reflected by a significant decline in inflation from a high year-on-year of 837.8 per cent in July 2020, to 106.6 per cent in June 2021. The July 2021 year-on-year inflation rate has significantly declined to 56.4 per cent - double digit for the first time in the past 2 years.

Figure 3: Zimbabwe Inflation rate (January 2019 to July 2021)



22. Month-on-month inflation has followed the same trend, declining from a peak of 35.5 per cent in July 2020, to 3.9 per cent in June 2021. The July 2021 month-on-month inflation rate further declined to 2.6 per cent.

23. In line with current disinflationary trajectory, year-on-year inflation is expected to continue on the decline of between 22 per cent and 35 per cent by December 2021.

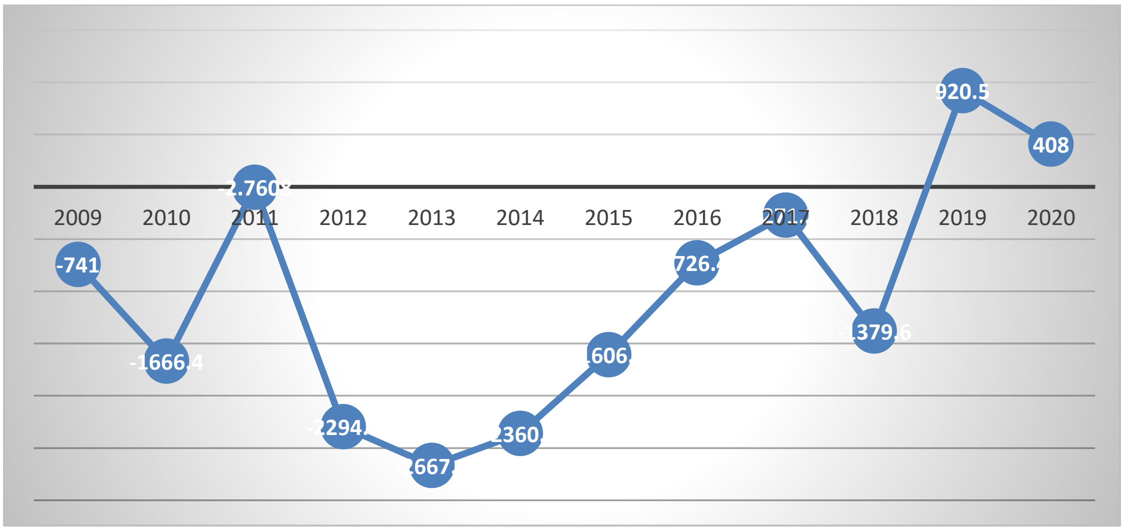
Balance of Payments – Addressing the Current Account Deficit

24. The attainment of a sustainable balance of payment position, was one of the key policy thrusts under the TSP. Enhancing exports, improving capital flows, as well as managing the economy's over dependence on imports, were the policies pursued during the implementation period of the TSP, in order to stabilise the exchange rate.

25. The current account, for the first time since the adoption of the multi-currency regime in 2009, registered a surplus in 2019 of 6.3 per cent and estimated at 6.4 per cent of GDP in 2020. This mainly reflects a sharp contraction of imports, against a modest growth in exports.

26. The country's current account position significantly improved in 2019 from previous persistent deficits, to register a surplus of US$920.4 million, from a deficit of US$1.4 billion in 2018. A surplus of US$408 million was recorded in 2020.

Figure 4: Current Account Balance (2009 to 2020)



Financial Sector

27. The banking sector remained stable and sound during the TSP period, with adequate capitalization of banks. Aggregate core capital was at ZWL$64.2 billion as at end March 2021, an increase of 20.7% from ZWL$53.2 billion as at end December 2020.

28. Banking institutions during the TSP period made significant progress towards meeting the new minimum capital requirements which are effective in December 2021. Currently, 7 banking institutions have met the new minimum capital requirement of their capital segment, with 4 banking institutions having met some of their minimum capital requirements. Five banking institution reported core capital levels which are below 50% of their minimum capital requirements.

29. Asset quality of the banking sector improved during the TSP period, with average non-performing loans to total loan ratio declining from 6.92% as at end December 2018, to 0.36% as at end March 2021.

Social Protection

30. Guided by the National Social Protection Policy Framework for Zimbabwe, key social protection programmes during the TSP period focussed on the following:

- Improving the efficiency and effectiveness of the basic safety net programmes, inclusive of the Basic Education Assistance Module and the Harmonised Social Cash Transfers;
- Enhancing longer-term productive inclusion of communities into socio-economic programmes in sectors such as agriculture, mining and industry through the SME window; and
- Reviewing of the options to establish a single registry for social protection, through an Integrated Management Information System.

31. In the same vein, the Government strengthened social protection by instituting the following measures,

- Increased allocations for cash transfers and in-kind distributions to reduce food poverty;
- Repaid arrears on school fee waivers that had accumulated since 2016;
- Subsidized public transport to mitigate the impact on the urban poor;
- Subsidized agricultural inputs for vulnerable households; and
- Identified financing gaps and mapped out improvements in social service delivery.

32. Overall, these policies resulted in improved social spending as indicated in the following graphs.

Figure 5: Social Spending as a per cent of Total Expenditure: 2009 – 2020

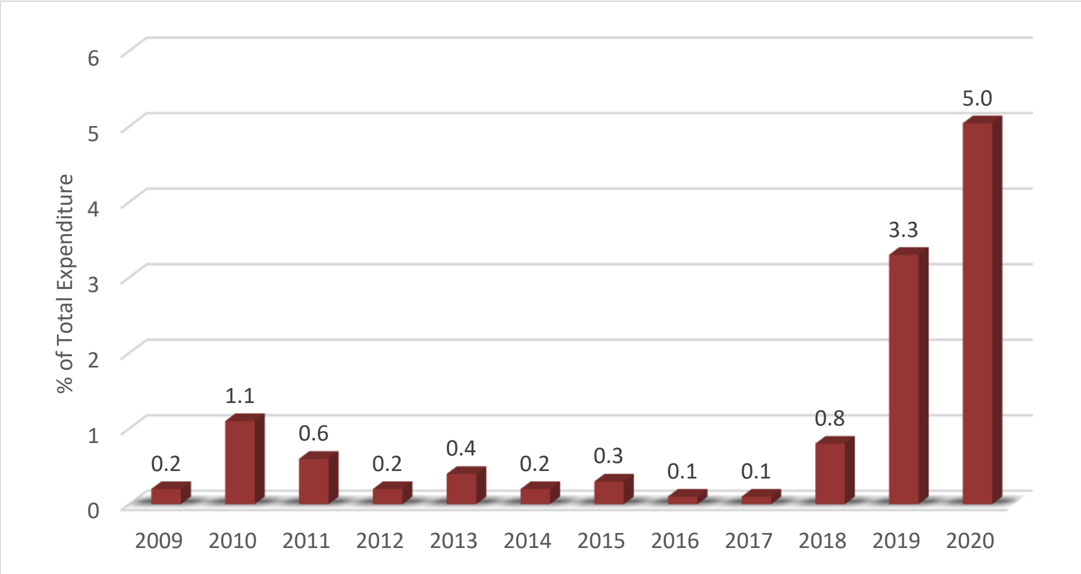
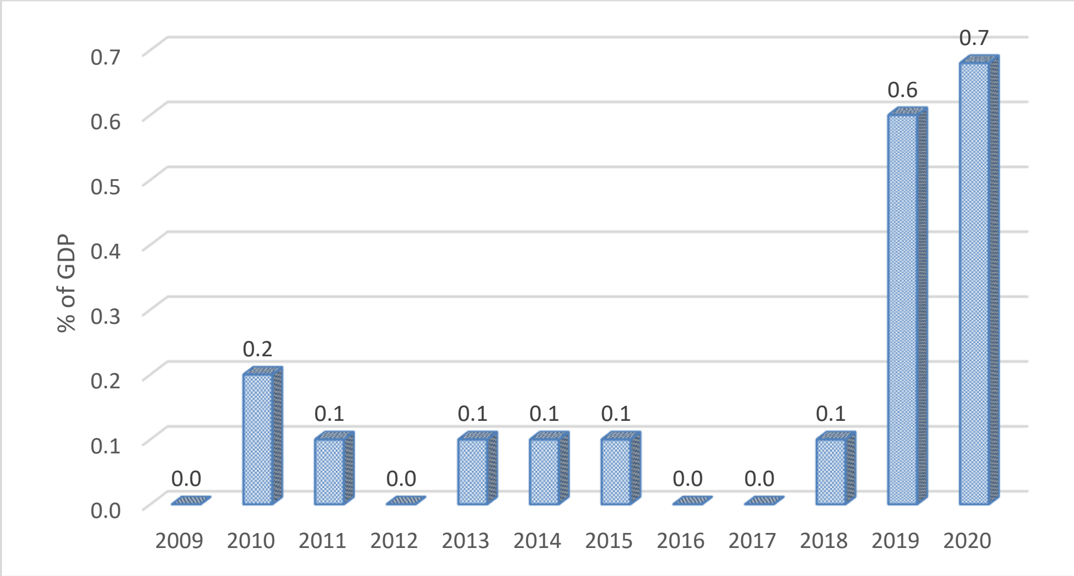


Figure 6: Social Spending as a per cent of GDP: 2009 – 2020



33. The improvement in social expenditures as a percent of total expenditure, as well as a percent of GDP shows Government's commitment to offer better standard of living to all citizens by targeting the vulnerable groups. This is also important in achieving the SDGs.

State Enterprises and Parastatals Reforms

34. The implementation of the State Enterprises and Parastatals (SEPs) Reform Agenda is currently on-going and is guided by the NDS1. It seeks to re-orient the operations of SEPs to ensure that they contribute meaningfully towards the revival of the economy.

35. In particular, the Reform Agenda prioritises SEPs reforms targeting recapitalisation through partial privatisation, re-configuration and re-orientation of the SEPs, corporate governance reforms, provision of services at viable prices, demergers, outright disposals and amalgamations of some entities into existing Government departments.

36. To date, notable progress has been realized in the implementation of reforms in a number of SEPs. In particular, these includes:

- Demerger of GMB;
- Unbundling of CAAZ;
- Partial privatization of IDC subsidiaries, namely Willovale Motor Industries & Deven;
- Transformation of Agribank and establishment of a Landbank;
- Re-bundling of ZESA; and
- Partial privatization of POSB, IDBZ, Petrotrade and Silo Foods Industries.

37. However, it is worth noting that, there has been very minimal progress with regards to the partial privatization of NetOne & TelOne, ZIMPOST, ZUPCO, as well as the merger of Zarnet, Africom & Powertel and that of Broadcasting Authority of Zimbabwe and POTRAZ.

38. On the other hand, lack of resources to fund the transaction costs is one of the major impediments that has stifled partial privatization progress, especially for NetOne & TelOne and ZIMPOST.

39. In order to speed up the SOEs reforms, the following reform guidelines have been prepared for the use by SEPs and the line Ministries:
    - Restructuring Guidelines;
    - Privatisation Guidelines;
    - Mergers and De-Mergers Guidelines; and
    - Departmentalisation Guidelines.

40. These will be supported by the necessary institutional reforms and legal frameworks.

Compensation to Former Farm Owners

41. Government and Former Farm Owners (FFO) in July 2020, signed the Global Compensation Deed (GCD) amounting to US$3.5 billion for compensation for farm improvements on farms acquired under the Land Reform Program.

42. Following the signing of the Deed, Treasury has engaged a Financial Advisor - Newstate Partners UK, to lead and assist in the mobilisation of US$3.5 billion for compensation, through models that do not compromise the fiscus, debt sustainability and overall growth objectives of the economy.

43. Government will continue making interim relief payments to Former Farm Owners, while mobilizing the resources for full compensation under the GCD. Treasury allocated ZWL$53 million in 2019, ZWL$300 million in 2020 and ZWL$2 billion in 2021 for the interim relief payments.

44. Compensation for acquired farms under Bilateral Protection and Promotion Agreements (BIPPAs) which are not part of the GCD is being considered on a case-by-case basis. In this regard, Statutory Instrument 62 of 2020 (Disposal in Lieu of Compensation) is being used for the resolution of the compensation of BIPPA farms.

Reporting and Transparency – Debt Management

45. Institutional arrangements of the Public Debt Management Office are now place in line with PDM Act, where the Office is now under one roof - Front, Middle and Back offices functions, for better coordination and to improve the effectiveness of public debt management.

46. Debt management has improved with Debt Management Assessment Program conducted by the World Bank Group in 2019 showing six upgrades and two downgrades. Since 2019 further steps have been made to strengthen debt transparency. The Zimbabwe Public Debt Management Office (ZPDMO) is now publishing regular Annual Debt Bulletins, regularly reporting to Parliament, publishing an Annual Borrowing Plan with the Budget Statement, as well as conducting Auctions for Treasury Bills.

47. The External and Domestic Debt Management Committee (EDDC) is now approving all external borrowings.

Improved Development Assistance Coordination

48. As part of our reengagement efforts, Government approved the Development Cooperation Policy and Manual of Development Cooperation Procedures in order to reinforce and expand development partnerships and strengthen the development cooperation architecture in Zimbabwe.

49. These policies will strengthen and guide Ministries, departments, agencies (MDAs), as well as, development partners on Government's procedures and processes for mobilisation, negotiation, management, accounting and coordination of support from development partners, in order to maximise the benefits of development assistance to Zimbabwe in line with Government's development agenda.

50. The Policy and Manual aims to ensure effective coordination, harmonisation, transparency, predictability, managing for results, accountability, value for money and reduction of transaction costs.

Governance and Institutional Reforms

Alignment of Laws to the Constitution

51. The realignment of various laws to the Constitution has been on-going with 12 legislation enacted. Also 53 Bills are at various stages of the Parliamentary approval processes.

52. Strides were also made in transforming governance systems to conform with the provisions of the Constitution. Notable, is the successful repeal of the Access to Information and Protection of Privacy Act (AIPPA), which was replaced by the Freedom of Information Act, as well as the repeal of Public Order and Security Act (POSA), which was replaced by Maintenance of Peace and Order Act (MOPA).

Justice Delivery

53. To enhance access to justice by all citizens of the society, Government has cascaded Legal Aid Directorate Services to five (5) districts and established five (5) Specialised Anti-Corruption Courts in Harare, Bulawayo, Gweru, Masvingo and Mutare.

54. The National Prosecuting Authority has also established a Special Anti-Corruption Unit to complement the efforts of the Judicial Service Commission (JSC). In addition, there is now separation of High and Supreme Court judges from the Constitutional Court judges.

Reforms of the Police Force

55. Government is reforming the Zimbabwe Police Force (ZPF) in order to restore its appropriate mandate and enhance its effectiveness in ensuring the rule of law in the country. Accordingly, the Police Amendment Bill to align the Act to the Constitution is being processed. ZPF has started retraining its officers so that they conduct their duties professionally.

Budget Transparency

56. On the budget transparency front, Zimbabwe has improved its ranking under the Open Budget Survey (OBS), which is an international assessment of transparency,

accountability and public participation on Public Financial Management based on international standards for budget transparency.

57. Commendable progress has been registered in all the three areas of transparency, public participation and budget oversight in the last three assessments.

58. Efforts by key stakeholders has seen a marked improvement in the overall score. On the transparency score, Zimbabwe was ranked 35/100 in 2015 and dropped to 23/100 in 2017 and improved significantly to 49/100 in 2019. The 2019 ranking places Zimbabwe 3rd in Africa, after South Africa and Namibia.

Ease of Doing Business Reforms

59. Under the TSP, Government sought to improve the doing business environment as part of the wider reform agenda under the Integrated Results Based Management System underpinned by the Rapid Results Approach. This is expected to attract more foreign direct investment into the country.

60. Concerted efforts in implementing relevant reforms in this area saw Zimbabwe being rated as one of the top 20 reformers in the world and top five in Africa, according to the 2019 World Bank Doing Business Report. The reforms targeted administrative and other legislative bottlenecks.

61. In addition to the above, Government promulgated the ZIDA Act on the 7th of February 2020 to provide a seamless One-Stop-Shop Service aimed at unlocking investment and opening opportunities for local and global investors, while facilitating the ease of doing business.

62. The One Stop Investment Services Centre (“OSISC”), envisages closing the gap in the country`s investment facilitation matrix, by making available officials from key regulatory bodies and Ministries. OSISC has thus been developed to assist investors in the different areas where they may be facing bottlenecks to access services and/or investment information under one roof.

Combating Corruption

63. Corruption is a major stumbling block in the delivery of public services. Consequently, the country is ranked lowly at 158 out of 180 countries, according to the 2020 Corruption Perception Index. Combating corruption is one the key tenets of the NDS1, where Government is committed to reduce it to enhance public service delivery and enhance value for money.

64. The ZACC developed its National Anti-Corruption Strategy 2020-2024 which was launched on the 11th of July 2020. The Strategy encompasses a multi-stakeholder approach in the fight against corruption. It is premised on the following six strategic objectives:

- public awareness;
- enhancing the structures for deterrence, detection, adherence and enforcement;
- transparency, accountability and rejection of corruption in the public sector, media houses, private sector;
- protection of whistle blowers and victims of corruption;
- recovery of assets and proceeds from corruption crimes; and
- increased level of political parties’ transparency and accountability.

65. Major highlights from implementing of the National Anti-Corruption Strategy are as follows:

- Establishment and Gazetting of the National Steering Committee as well as the subsequent establishment of the six subcommittees aligned to the objectives;
- Capacity building workshops with the support of Transparency International Zimbabwe;
- Corruption cases amounting to 1133 were received in 2020 with 41 high profile cases being referred to the National Prosecuting Authority;
- The commission recorded seven convictions in 2020;
- The department referred three hundred cases to the Zimbabwe Republic Police in terms of Section 255(1) (d) and (e) of the Constitution of Zimbabwe Amendment (No 20) Act of 2013;
- ZACC also prioritised conducting parallel financial investigations, in which thirty-six cases were handled. Ten case files valued at US$4.8 million were referred to the National Prosecuting Authority for asset confiscation and unexplained wealth accumulation and were pending in the High Court by end of December 2020;
- Five cases, with properties worth an estimated US$13. 5 million, were referred to the NPA for further referral to Interpol and the Ministry of Foreign Affairs and International Trade for Mutual Legal Assistance Requests in different jurisdictions;
- The Department managed to carry out Awareness Campaigns of Corruption initiatives including Anti-corruption Awareness Campaigns which were done through virtual public education campaigns on the digital and non-digital platforms;
- The Commission established a weekly ZBC/TV Combating Corruption programme. Through this programme ZACC managed to reach out to a wider audience;
- ZACC lobbied Government and Parliament for a comprehensive whistle blower and witness protection legislative framework through the amendment of the Anti-corruption Commission Act to ensure maximum protection of witnesses and whistle blowers. The ZACC Lay bill was drafted and is yet to be passed into law;

- In order to protect whistle blowers ZACC launched a whistle blower reporting application on the 8th of September 2020 which provides easy access to an instantaneous anonymous and straightforward reporting tool;
- In August 2020, the ZACC WhatsApp line became operational which is a milestone in fighting corruption. In addition, ZACC established social media platforms on Twitter and Facebook that led to a huge increase in the number of followers;
- A ZACC quarterly newsletter "The Whistle Blower" was developed and by year end 4 newsletters had been produced. This was introduced to update both internal and external stakeholders on the latest developments at the institution;
- ZACC conducted spot-checks on the examination of practices, systems and procurement procedures for personal protective equipment and drugs under the national Covid-19 response. The findings revealed non-compliance with provisions of PRAZ Circular 1 of 2020, Public Finance Management Act and gross violation of the Public Entities Corporate Governance Act;
- The Commission approved seven policies and manuals to ensure that transparent and accountable systems are in place. These are the Human Resources Manual, International and Domestic Engagement Policy, Security Procedure Manual Protocol, Etiquette and Diplomacy Policy, External Relations and International Conventions Operational Manual, Request for Remand Form 242 Guidelines for the Investigations Department and the Performance Management Policy;

66. The Zimbabwe Anti-Corruption Commission (ZACC) The Commission is completing the process of being considered as an Enforcement Authority for Unexplained Wealth Orders under the Money Laundering and Proceeds of Crime Act Chapter 9:24.

CHAPTER 2: REFORMS UNDER THE FIRST NATIONAL DEVELOPMENT STRATEGY 1 (NDS1) – 2021 TO 2025

67. The National Development Strategy 1 (NDS1) – 2021 to 2025 is Government's successor to the TSP and is aimed at realising the country's Vision 2030 goals. The Strategy builds on the successes realised by the TSP reforms, as well as addressing TSP challenges and unfinished business, particularly in the area of consolidating macroeconomic stability and sustained inclusive growth. The NDS1 will be underpinned by 5 yearly National Budgets, starting with the 2021 National Budget currently being implemented.

68. The NDS1 outlines policies, legal and institutional reforms, programmes and projects that will be implemented to achieve sustainable and inclusive economic growth, as well as socio-economic transformation and development.

69. The reform objectives of the NDS1 are as follows:

- Strengthen macroeconomic stability, characterised by low and stable inflation, as well as exchange rate stability;
- Achieve and sustain inclusive and equitable real GDP growth;
- Promoting new enterprise development, employment and job creation;
- Strengthen social infrastructure and social safety nets;
- Ensure sustainable environmental protection and resilience;
- Promote good governance and corporate social investment;
- Modernise the economy through the use of ICT and digital technology; and
- Engagement and re-engagement with the international community.

70. Through a broad-based stakeholder consultation process, the NDS1 identified the following 14 National Priorities:

- Inclusive Economic Growth and Macro-Economic Stability;
- Food and Nutrition Security;
- Governance;
- Moving the Economy up the Value Chain & Structural Transformation;
- Human Capital Development;
- Environmental Protection, Climate Resilience and Natural Resource Management;
- Housing Delivery;
- ICT Digital Economy;
- Health and Well-being;
- Infrastructure and Utilities;
- Image Building and International Engagement and Re-engagement;
- Social Protection;
- Youth, Sport and Culture; and
- Devolution.

71. The NDS1 contains cross cutting programs such as gender, youth, people living with disabilities, arts, and the creative industry, environment and information communication technology. These will be mainstreamed in all the NDS1 programs.

72. Under NDS1, sustainable and inclusive economic growth and development will be private sector led, with the key role of Government being to create the conditions and environment for such a development model – regulating and creating the environment and incentives consistent with Government's policy objectives.

73. The NDS1 is underpinned by the Integrated Results Based Management (IBRM) system, which inculcates a culture of high performance, quality service delivery, measurement of performance, goal clarity, continuous improvement and accountability across the public sector.

74. NDS1 envisages annual average real economic growth rates of above 5% in order to achieve the Vision 2030 objective of Zimbabwe becoming an Upper Middle-Income country by 2030, with a GNI per capita of about US$4000. This is premised on the swift implementation of bold economic policies and reforms.

75. The Implementation and Monitoring of these reforms will be coordinated with the International Monetary Fund (IMF) under its Staff Monitored Program (SMP), as well as with the World Bank Group through its advisory services and subsequently through a Development Policy Grant once arrears have been cleared.

The NDS1 Macroeconomic Framework

76. The economy experienced sustained recessions in 2019 and 2020, with GDP estimated to have contracted by -6 per cent and -4.1 per cent respectively. Accounting for the economic contraction, were significant output losses in agriculture, mining, manufacturing, tourism and electricity generation. The decline in output mainly reflects the negative effects of prolonged drought episodes, Cyclone Idai experienced in March 2019 and the impact of the COVID-19 pandemic.

77. The 2021 -2025 Macroeconomic Framework is premised on the adoption and swift implementation of bold policies and programmes aimed at achieving economic transformation through the creation of a thriving private-sector led, open and competitive economy, with sound macroeconomic policies, anchored on fiscal discipline, monetary and financial sector stability, a business-friendly environment which promotes both foreign and domestic investment.

78. The macroeconomic objectives for the five-year period of the NDS1 are as follows:

- Achieve an average annual real GDP growth rate of above 5 per cent;
- Maintain fiscal deficits averaging not more than 3 per cent of GDP in line with SADC targets;
- Eliminate quasi-fiscal operations;
- Align reserve money growth to levels consistent with low and stable inflation as well as exchange rate stability;
- Achieve and maintain single digit inflation of between 3 per cent to 7 percent by 2025;
- Increase international reserves to at least 6 months import cover by 2025;
- Establish a market determined and competitive foreign exchange rate regime;
- Maintain public and publicly guaranteed external and domestic debt to GDP at below 70 per cent of GDP;
- Maintain a current account balance of not more than -3 per cent of GDP;
- Create at least 760,000 formal jobs over the five-year NDS1 period;
- Improve infrastructure development and investments in energy, water, sanitation, roads, health, education, housing and social amenities; and
- Accelerate value addition and beneficiation of agriculture and mining production.

79. Average GDP growth rates of above 5 per cent over the NDS1 period (2021-2025), will be a pre-requisite for the country to reach Upper Middle-Income status by 2030. Maintaining prudent fiscal management, guided by the principle of living within our means and a robust monetary policy will be key in ensuring macroeconomic stability and building the internal resilience of the economy.

80. The NDS1 will sustain a market clearing foreign exchange rate regime and sequence measures to ensure that the Zimbabwe dollar is the dominant legal tender by 2025. During the NDS1 period, the foreign exchange system will be strengthened and this will

be complemented by building international foreign exchange reserves of at least 6 months of import cover by 2025.

81. In order to realise improved financial sector stability, the RBZ will strengthen the prudential supervisory policy framework, implement Financial Sustainability Standards, ensure banks maintain adequate capital levels, fully implement the Basel III Accord, and ensure an efficient National Payments System.

82. To foster operational synergies and strengthen operational efficiency, Treasury and the RBZ has established a Liquidity Management Committee responsible for liquidity and cash-flow management; synchronisation of liquidity injections and withdrawals; and enhancing information sharing between the two institutions.

83. In order to reduce fiscal risks emanating from State Owned Enterprises (SOEs), Government will, expedite SOEs reforms targeting commercialisation, improved governance, provision of services at viable prices, full or partial privatisation, outright disposals and amalgamation of some of the SOEs into existing Government Departments.

84. The table below summarises the key macroeconomic indicators and projections that underpin the NDS1.

Table 2: NDS1 Key Macroeconomic Framework Indicators[1]

	2020	2021	2022	2023	2024	2025
National Accounts (Real Sector)						
GNI Per Capita Income (US$)	1159.8	1842.2	2137.1	2712.7	2960.7	3207.3
Nominal GDP at market prices (Million ZWL$)	1070640.3	2399087.7	3045740.0	3560346.7	4002506.7	4465893.3
Real GDP Growth (%)	-4.1	7.4	5.5	5.2	5.2	5.0
Inflation (Annual Average) %	654.9	134.8	23.7	10.5	7.5	5.8
Formal employments (000)	812.1	963.2	1094.7	1236.6	1398.4	1572.8
% of People in Extreme Poverty	38.9	24.5	19.2	15.4	12.3	10.1
Government Accounts						
Revenues (excluding Retained Revenue)	173496.3	390803.5	512434.2	632639.5	742112.9	861930.8
% of GDP	16.2	16.3	16.8	17.8	18.5	19.3
Expenditures & Net Lending (Million ZWL$)	178496.0	421645.4	559598.2	693063.1	779387.6	894137.0
% of GDP	16.7	17.6	18.4	19.5	19.5	20.0
Recurrent Expenditures	120754.0	290049.1	387451.8	485763.5	541132.8	627371.7
% of GDP	11.3	12.1	12.7	13.6	13.5	14.0
Employment Costs including Pension	70499.0	172635.0	220360.0	255107.0	298456.0	345728.0
% of GDP	6.6	7.2	7.2	7.2	7.5	7.7
% Total Expenditure	39.5	40.9	39.4	36.8	38.3	38.7
% of Revenue	40.6	44.2	42.9	40.3	40.3	40.2
Capital Expenditure & Net lending	57742.0	131596.3	172146.5	207299.6	238254.8	266765.2
% of GDP	5.4	5.5	5.7	5.8	6.0	6.0
Overall Balance	-4999.6	-30693.5	-46500.8	-60786.7	-37970.2	-33223.9
% of GDP	-0.5	-1.3	-1.5	-1.7	-0.9	-0.7
Public Debt	1547076.0	1972146.6	2297004.2	2544945.1	2744448.7	2893157.7
% of GDP	78.4	64.5	64.8	64.5	63.6	61.5
Balance of Payments Accounts						
Current Account Balance (million ZWL$)	67560.8	73837.3	41646.7	14697.1	-26654.0	-43123.2
% of GDP	6.3	3.1	1.4	0.4	-0.7	-1.0
International Reserves (Months of Import Cover)	1.0	2.0	3.5	4.5	5.0	6.0
Deposit Corporations Survey						
Broad Money (Million ZWL$)	140072.7	201704.7	231960.4	259795.7	277981.4	291880.4
Growth %	300.0	44.0	15.0	12.0	7.0	5.0

[1]*The macroeconomic framework was prepared before November 2020*

85. The successful implementation of the NDS1 is anchored on consolidating macroeconomic stability, critical for enhancing certainty and confidence in the economy by anchoring on the exchange rate and inflation. Priority is to strengthen fiscal and monetary policy coordination, ending all quasi-fiscal activities, curbing of all unbudgeted expenditures and deepening the market based foreign exchange rate system.

86. The NDS1 will also increase investment in new infrastructure, as well as rehabilitation and upgrading of existing infrastructure. Focus will also be on increasing production

and productivity through resolving bottlenecks, such as land tenure in agriculture and legislative gaps in the mining sector.

87. Effective implementation of NDS1 programmes and projects is also dependent on the improvement of the doing business environment. Implementation of ease of doing business reforms, strengthening of property rights, upholding the rule of law and combating corruption are, therefore, key tenets of the NDS1.

88. Successful implementation of the NDS1, including attainment of the targeted National and Sectoral Outcomes hinges on the ability to mobilise financial resources required for the execution of planned programmes and projects, especially from development partners. In this regard, various financing strategies and options including arrears clearance, debt relief and restructuring will be aggressively pursued to ensure the timely availability of resources during the Strategy Period. The financing options underpinning the NDS1 include fiscal revenues, concessional loans, grants, public entities own resources, private sector own resources, Public-Private Partnerships (PPPs), Foreign Direct Investment (FDI) and diaspora remittances and investments.

89. Limited access to external financing due to the accumulation of external debt arrears remains a major setback in achieving Zimbabwe's development agenda. The Government is therefore, strongly committed to the engagement and re-engagement process with the international community.

90. Key to the ability to mobilise financing are the various strategies under Image Building, Engagement and Re-Engagement agenda, including a comprehensive strategy on Arrears Clearance, Debt Relief and Restructuring.

Continuing to cooperate and normalise relations with the IFIs

91. It is imperative for Zimbabwe to continue cooperating and normalising relations with the IFIs through cooperation in policy formulation, Technical Assistance and making regular token payments to the World Bank Group, African Development Bank (AfDB) and European Investment Bank (EIB). This demonstrates Zimbabwe's commitment to debt resolution, as well as instilling confidence and good faith to the major multilateral creditors. To date, Government has made token payments to IFIs amounting to US$98.1 million since 2013.

92. In line with the Government's re-engagement commitment, token payments to the International Financial Institutions amounting to US$1.6 million per quarter, were resumed in March 2021. Token payments amounting to US$100 000 per quarter are being made to each of the 16 Paris Club bilateral creditor beginning in September 2021 – a total of US$1.6 million per quarter.

Hosting an International Debt Resolution Forum

93. Zimbabwe will host a High-Level International Debt Resolution Forum as a platform to agree on a comprehensive external debt Arrears Clearance, Debt Relief and Restructuring Strategy with the IFIs and the international community, as the country steps up its re-engagement and engagement process. The hosting of the Forum, as well as the engagement of the AfDB President to act as Zimbabwe's champion would need the country to be on track in implementing a comprehensive Reform Program backed by the IMF and the World Bank Group.

94. The main objective of the Forum will be to build consensus among all stakeholders on the process and procedures of resolving Zimbabwe's unsustainable external debt overhang and arrears clearance, as well as updating development partners on the

economic and political situation in Zimbabwe, including progress with the Reform Program.

95. Annex 2 reflects the NDS1 Implementation and Results Framework which will be used to monitor and evaluate progress with the Reform Agenda.

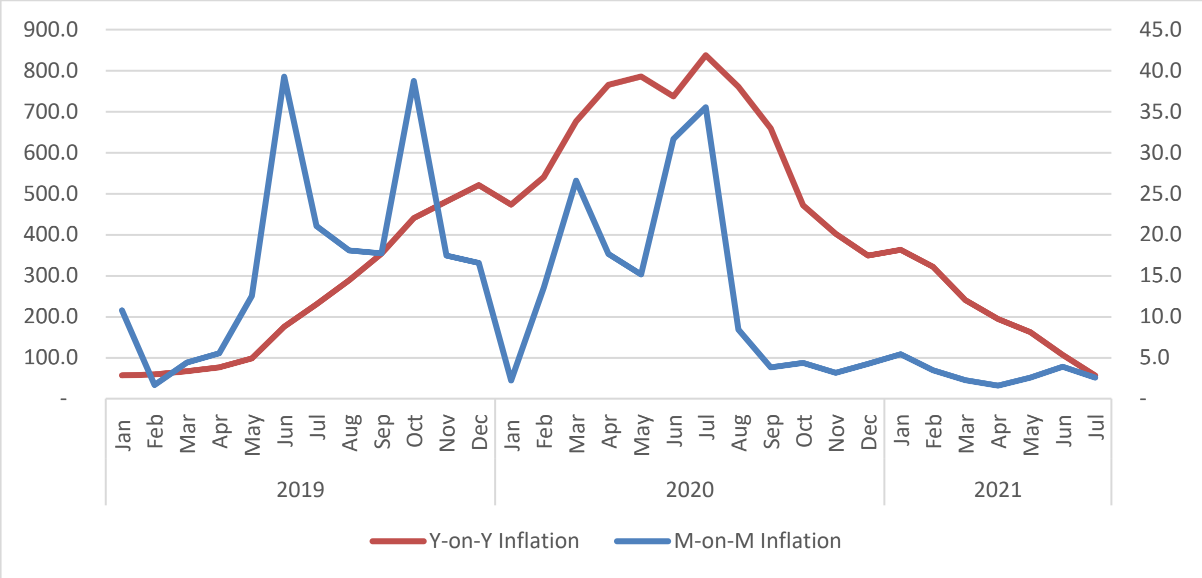
CHAPTER 3: RECENT ECONOMIC DEVELOPMENTS

96. The economy experienced sustained recessions in 2019 and 2020, with GDP estimated to have contracted by -6 per cent and -4.1 per cent respectively. Accounting for the economic contraction, were significant output losses in agriculture, mining, manufacturing, tourism and electricity generation. The decline in output reflects mainly the negative effects of prolonged drought episodes, Cyclone Idai experienced in March 2019 and the impact of the COVID-19 pandemic. These shocks had significant negative effects on the country's already existing gaps in infrastructure, health system and livelihoods.

97. The slowdown in economic activity was also driven by macroeconomic instability characterised by high inflation and exchange rate volatility, against the background of excessive monetary expansion. In addition, foreign currency and electricity shortages negatively affected the productive sectors of the economy. Annual headline year-on-year inflation rose from 56.9% in 2019, to reach 837.52 per cent in July 2020, before declining significantly to 169.9 per cent by June 2021 and to 56.4 per cent in July 2020.

98. While the mainstay sector of agriculture was less affected by the COVID-19 pandemic, the drought had already caused some set-backs to the sector's 2019/2020 summer season. Other sectors such as mining, manufacturing, tourism, construction, distribution and other service sectors have faced the full negative impact of all the shocks either through Covid-19 lockdowns, reduced investment inflows, lost production hours, closed borders, grounded distribution transport systems, broken supply chains and low demand.

Figure 7: Zimbabwe Inflation rate (January 2019 to July 2021)



99. Notwithstanding the economic contraction, Zimbabwe has shown resilience and significant progress was achieved on the fiscal, monetary and external front during the second half of 2020 and into 2021, following the containment of the budget deficit and reserve money growth, as well as the introduction of a foreign exchange auction system. In this regard, fiscal deficits have been contained at below 1 per cent of GDP.

100. The economy is projected to register a real growth rate of 7.8 per cent in 2021, mainly reflecting a bumper 2020/2021 agricultural output, increased energy supply and the boost in manufacturing and construction activities.

101. Government, in June 2020, also implemented policy measures to address instability in the foreign exchange market through the introduction of the Dutch foreign exchange auction system. This has effectively halted the excessive pace of exchange rate depreciation, with exchange rate at the auction system now stabilised at around US$1: ZWL$150.

102. However, due to unsustainable debt levels, access to external capital flows remains very constrained, due to the accumulation of external debt arrears, perceived high

country risk and a poor investment climate. This calls for accelerated engagement and re-engagement efforts with the international community to resolve the country's unsustainable external debt position.

Table 3: Selected Macroeconomic Framework Indicators (2019-2021)

	2019 Actuals	2020 Estimate	2021 Preliminary
Nominal GDP at market prices (Million ZWL$)	182,866.82	1,157,099.90	2,987,130.47
Real GDP Growth (%)	-6.0	-5.3	7.8
Inflation (Annual Average) %	255.3	557.2	94.6
Revenues (excluding Retained Revenue) (Million ZWL$)	22,970.66	183,039.06	495,037.08
% of GDP	12.3	15.8	16.6
Expenditures & Net Lending (Million ZWL$)	22,533.66	162,925.25	508,992.19
% of GDP	12.0	14.1	17.0
Overall Balance	437.00	20,113.81	-13,955.11
% of GDP	0.2	1.7	-0.5
Balance of Payments Accounts			
Exports (Million ZWL$)	58,568.34	430,467.02	550,858.53
% of GDP	31.25	37.20	18.44
Imports (Million ZWL$)	60,029.84	448,951.33	598,751.24
% of GDP	32.03	38.80	20.0
Current Account Balance (Million ZWL$)	10,235.6	89659.3	100667.5
% of GDP	5.5	7.7	3.4
International Reserves (Months of Import Cover)	0.7	0.4	2.7
Total PPG External and Domestic Debt Stock/GDP (%)	88	72.6	53.6
Total PPG External Debt Stock/GDP (%)	47	71.2	52.5
Total PPG Domestic Debt Stock/GDP (%)	41	1.4	1.1

Source: Ministry of Finance and Economic Development & Reserve Bank of Zimbabwe

[2]*Month on Month inflation for June 2021*

CHAPTER 4: POLICY MEASURES AND RESPONSES TO THE COVID-19 ANDEMIC

103. Before the Covid-19 pandemic, the country was already facing severe exogenous shocks such as Cyclone Idai in 2019 and a protracted drought. Policy gaps also had adverse effects on economic stability, growth and on the social and humanitarian situation. In this regard, real GDP contracted by 6 per cent in 2019 and by 4 per cent in 2020.

104. Zimbabwe is facing the economic and social impacts of the Covid-19 pandemic. The pandemic continues to significantly affect the tourism sector, health, education and the vulnerable who were already experiencing extreme poverty.

105. The economy has, however, shown resilience in the face of the Covid-19 pandemic and exogenous shocks. Economic recovery is, therefore, projected in 2021 with real GDP growth of 7.8 per cent, despite the lockdown from the Covid-19 pandemic third wave. This recovery reflects a bumper agricultural output, increased energy production and the boost in manufacturing and construction activities. The recovery is also coming against a background of policy measures to stabilise the local currency, significantly lower inflation, contained budget deficit and reserve money growth, as well as the introduction of the foreign exchange auction system.

106. The Covid-19 pandemic has had devastating impact on the economy with 191 673 confirmed cases, 135 755 recoveries and 4 782 deaths as of 18 December 2021. The recovery rate is at 80 per cent with 18 656 active cases.

107. The country has been in lockdown since the end of March 2020, most of which lockdown regulations were implemented under level 4. Under the level 4 lockdown, schools, colleges, churches and restaurants were closed. Businesses are allowed to operate under reduced schedule and capacity, intercity travel is prohibited and a

curfew is effected between 6.30 pm to 6 am. Covid-19 pandemic hotspots are under much stricter lockdown. The regulations were relaxed in January 2022 allowing schools and other activities to resume operations while observing the new prescribed measures and a curfew effected from 10.00pm to 5 am, then in February 2022 borders were officially opened to those who are fully vaccinated or those with a negative PCR test result that is not older than 48hours.

108. In addition to the on-going vaccination program, the Covid-19 pandemic National Preparedness and Response Plan that was launched on 19 March 2020 is being implemented, after the pandemic was declared a State of National Disaster. In this regard, a US$2.2 billion domestic and international humanitarian appeal covering the period April 2020 to April 2021 was launched, with US$618.6 million humanitarian assistance mobilised in 2020. Key donors include the European Union, the United Kingdom, Japan, Sweden, the Global Fund, the African Development Bank, and the World Bank.

109. Government launched a Covid-19 pandemic vaccination program on 18 February 2021, targeting 60 per cent of the population to achieve herd immunity – about 9 million people. As of 18 December 2021, the program had administered 4 047 743 1st doses and 3 063 934 2nd doses (25 per cent of the total population).

110. The Government has set aside US$138 million from its own resources for the vaccination program, which has been complemented by the donations of vaccinations from the People's Republic of China, Russia and India. Discussions are currently ongoing to procure vaccines from COVAX and the African Union. The vaccination program has successfully mass vaccinated residents of the Victoria Falls resort city to boost tourism arrivals. The total resources needed to close the Covid-19 pandemic financing gap covering vaccines, logistics, allowances and equipment amounts to

US$170 million. This will require the support of the international community given Zimbabwe's limited fiscal space.

111. It is important to note that Zimbabwe has not been able to access Covid-19 facilities provided by the IFIs, including the Fast Track Covid Facility, nor has it been able to access the G-20 Debt Service Suspension Initiative, due to the accumulation of arrears.

112. Government in 2020 undertook the following measures to mitigate against the impact of the costs of the Covid-19 pandemic:

Fiscal

- A ZWL$18 billion Covid-19 Economic Recovery and Stimulus Package, aimed at: (i) providing liquidity support to agriculture, mining, tourism, SMEs, and arts; (ii) expanding social safety nets and food grants; (iii) setting up a health sector support fund; and (iv) scaling up investments in social and economic infrastructure in Cyclone Idai affected communities.
- Supported the food security related program which included wheat farming and maize procurement, and the Pfumvudza Program which supports vulnerable households with free farming inputs;
- Covid-19 cash transfers for labour constrained and food poor households (ZWL$754 million). ZWL$450 million was allocated in the 2021 budget for the cash transfers;
- The freeze on government hiring was lifted for the health sector, targeting over 4713 additional medical personnel;
- Introduction of a risk allowance to the health sector from April 2020 (ZWL$468 million per year), and a civil service wide Covid-19 risk allowance for the period June− December 2020 (ZWL$20.3 billion);

- Companies were allowed to extend the payment of corporate taxes (waiving interest and penalties);
- Duties and taxes on various goods and services related to COVID-19 were suspended to facilitate speedy procurement of essential goods and services. Revenue forgone in 2020 amounted to US$483 million; and
- In support of the tourism sector, the authorities exempted VAT on domestic tourists accommodation and exempted VAT on visitor services.

Monetary and Macro-Financial

- Re-introduction of a multicurrency system allowing both the Zimbabwean dollar and US dollar to be legal tender;
- The RBZ introduced a ZWL$5 billion medium-term bank accommodation lending facility at 10 per cent per annum and increased the private sector lending facility from ZW$1 billion to ZW$2.5 billion. Beneficiaries have included the mining, tourism, manufacturing and construction sectors;
- RBZ also set aside funds for supporting empowerment programs for SMEs, artists and sports, Zimbabwe Women Microfinance Bank, People's Own Savings Bank and Small and Medium Enterprises Development Company; and
- In February 2021, the RBZ adjusted some of the policies that it was implementing to cushion firms from the COVID-19 effects. These include statutory reserve ratio on demand and/ or call deposits which was pegged back to 5% after having been lowered from 5 per cent to 4.5 per cent in March 2020, and further lowered from 4.5 per cent to 2.5 per cent in June 2020.

Exchange Rate and Balance of Payment

- In March 2020, the RBZ moved from a fixed to a managed float exchange rate regime;

- The RBZ also revised the foreign exchange allocation priority list to improve allocation efficiency in light of the needs of the COVID-19 pandemic; and
- Faced with acute foreign currency shortages, in June 2020, the RBZ introduced a foreign currency auction system and reinstated the 30-Day limit of liquidating surplus foreign exchange receipts from exports which was further revised to a 60-day limit for foreign exchange liquidation.

113. Zimbabwe's capacity to adequately respond to the impacts of the Covid-19 pandemic will significantly depend on the support of the international community including debt resolution. Responding to the social challenges will require significant resources in order to address the growth in poverty levels both in rural and urban areas, given that fiscal and monetary space remains limited.

CHAPTER 5: PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT

114. Zimbabwe remains in debt distress with an unsustainable Public and Publicly Guaranteed (PPG) external debt overhang amounting to US$14.4 billion, as at end December 2021. The country has been unable to meet its debt servicing obligations and has, therefore, been accumulating external debt arrears since 2000, which are now estimated at US$6.6 billion as at end December 2021.

115. Public and Publicly Guaranteed external debt owed to the multilateral creditors, as at end December 2021, amounted to US$2.7 billion, of which US$1.5 billion is owed to the World Bank Group, US$711 million to the African Development Bank, US$358 million to the European Investment Bank, and US$66 million to other multilateral creditors.

Table 4: Public and Publicly Guaranteed External Debt end December 2021 (US$ millions)

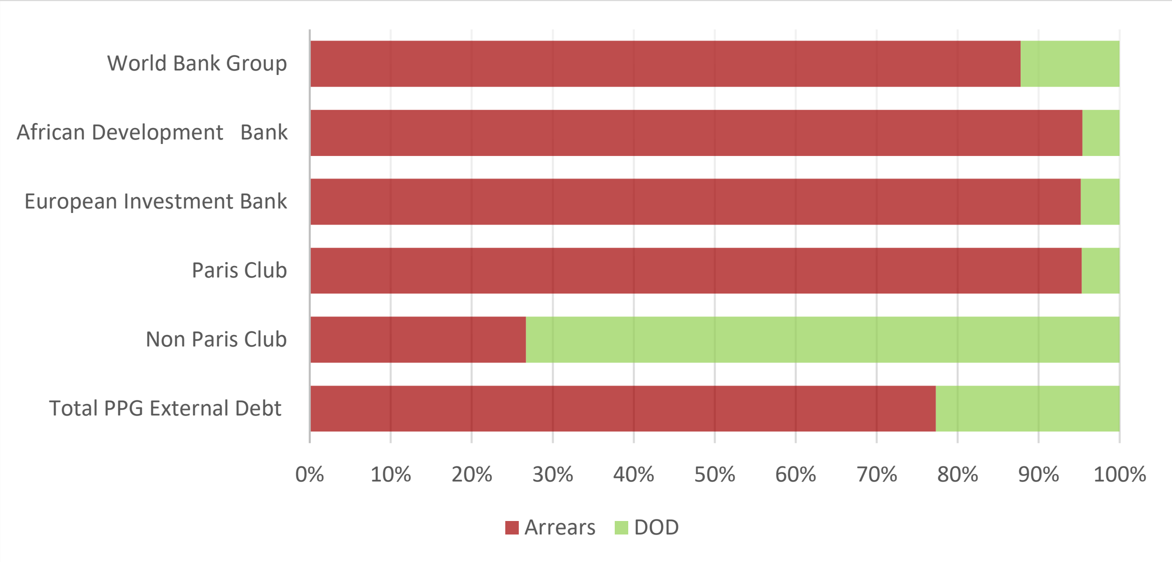
	Non-Guaranteed			Guaranteed			Grand
	DOD	Arrears	Total	DOD	Arrears	Total	Total
External Public Debt	**1,808**	**5,192**	**7,000**	**6,059**	**1,376**	**7,435**	**14,435**
a. Bilateral Creditors	***1,452***	***3,334***	***4,786***	***22***	***824***	***846***	***5,632***
Paris Club	102	2,924	3,026	19	824	843	*3,869*
Non-Paris Club	1,350	410	1,760	3	0	3	*1,763*
b. Multilateral Creditors	**245**	**1,858**	**2,103**	**0**	**552**	**552**	***2,655***
World Bank	161	1,068	1,229	0	291	291	*1,520*
African Development Bank	30	595	626	0	85	85	*711*
European Investment Bank	13	169	182	0	176	176	*358*
Others	40	26	66	0	0	0	*66*
c. RBZ Assumed Debt (2015)	***111***	***0***	***111***	***0***	***0***	***0***	***111***
d. RBZ Balance sheet Debt				***6,037***		***6,037***	***6,037***
RBZ Borrowing				2,504		2,504	*2,504*
Blocked Funds				3,533		3,533	*3,533*

Source: Zimbabwe Public Debt Management Office & Reserve Bank of Zimbabwe

116. On the other hand, bilateral PPG external debt at the end of December 2021 amounted to US$5.6 billion, with US$3.9 billion owed to the Paris Club creditors and US$1.8 billion owed to Non-Paris Club creditors.

117. Arrears remain a major challenge to the economy, making up over 77 per cent of total external debt. Almost all external debt owed to multilateral development financial institutions (MDBs) is now in arrears, (World Bank Group, US$1.4 billion or 88 per cent, African Development Bank, US$681 million or 95 per cent and European Investment Bank, US$344 million or 95 per cent).

Figure 8: Percentage of Arrears in Total PPG External Debt



Source: Zimbabwe Public Debt Management Office

118. Furthermore, debt indicators confirm that the country is in debt distress and urgently needs a comprehensive debt resolution strategy, supported by the international community in order to achieve debt sustainability and sustainably grow the economy.

Table 5: Debt Indicators end December 2019- 2021

Indicator	2019	2020	2021	NDS1 Target
Total PPG External and Domestic Debt Stock/GDP (%)	88	72.6	53.6	61.5
Total PPG External Debt Stock/GDP (%)	47	71.2	52.5	
Total PPG Domestic Debt Stock/GDP (%)	41	1.4	1.1	
Multilateral Debt/Total PPG External Debt Stock (%)	27	25	18.4	
International Reserves (Months of Import Cover)	0.7	0.4	2.7	6
Debt Service to Revenue (%)	1.52	0.46	1.2	
Debt Service to Exports (%)	0.6	0.19	0.5	

Source: Ministry of Finance and Economic Development & Reserve Bank of Zimbabwe

119. Government, in March 2021, resumed making quarterly token payments to the Multilateral Development Banks (MDBs), the World Bank Group (US$ 1 million), the African Development Bank Group (US$500 000) and the European Investment Bank (US$100 000). Government, also started to make quarterly token payments amounting to US$100 000 to each of the 16 Paris Club bilateral creditors in September 2021, as a sign of its commitment to the engagement and re-engagement process with the international community.

120. The country is also facing serious debt service capacity challenges - liquidity challenges, as reflected by low debt service ratios (actual debt service to revenue and exports), while at the same time accumulating arrears. Going forward, the country will face similar challenges in debt servicing which requires on average US$140 million annually, hence, the need for debt restructuring.

Table 6: Projected Debt Service (2021-2025) (US$ millions)*

	2021	2022	2023	2024	2025	2026**	Maturity
Total Projected Debt Service	**168.22**	**144.19**	**143.31**	**137.12**	**176.69**	**91.8**	
Multilateral	***36.47***	***31.15***	***32.09***	***32.00***	***31.81***	***9.5***	
World Bank Group	29.09	23.41	23.30	23.19	23.07	5.6	2037
African Development Bank	1.85	1.84	1.82	1.81	1.80	1.0	2047
European Investment Bank	2.21	2.21	2.21	2.21	2.11	0.8	2032
Others	3.33	3.70	4.76	4.80	4.82	2.0	2043
Bilateral	***131.75***	***113.04***	***111.22***	***105.12***	***144.89***	***82.3***	
Paris Club	31.21	27.74	25.37	20.08	17.72	3.3	2038
Non-Paris Club	100.54	85.30	85.85	85.04	127.17	79.0	2044

**projections are based on disbursed and outstanding (excluding future projection on on-going projects)*

***2026 – consist of annual average debt service to maturity.*

CHAPTER 6: A CASE FOR ZIMBABWE'S ARREARS CLEARANCE, DEBT RELIEF AND RESTRUCTURING

121. The country's huge external debt overhang has become a serious impediment to its socio-economic development and transformation agenda. With the support of the international community, IFIs and development partners, Zimbabwe needs to urgently clear its external debt arrears, be granted debt relief and restructuring, including accessing new concessional development support, to effectively confront the effects of the Covid-19 pandemic, sustainably grow the economy to create jobs and reduce poverty levels.

122. The external debt overhang is weighing down heavily on the country's development needs and will continue to negatively impact on the country's ability to meet the SDGs targets, especially in health, education, social protection and bring down the levels of extreme poverty.

123. The lack of access to international financial resources to finance Zimbabwe's economic recovery from the Covid-19 pandemic and NDS1 priority projects and programmes will continue to affect the country's capacity to achieve its inclusive economic development goals, especially infrastructure investments, and climate change mitigation and resilience.

124. The continuing accumulation of arrears is also seriously undermining the country's credit rating and is severely compromising the country's ability to attract foreign direct investment, as well as to mobilise direct budget and balance of payments support.

125. Zimbabwe is also currently losing out on opportunities to access concessional facilities from the International Financial Institutions (IFIs) such as the World Bank's IDA, AfDB's ADF and IMF's Extended Credit Facility (ECF).

126. The Covid-19 pandemic poses a major “downside risk” to Zimbabwe’s inclusive economic recovery agenda. There is, therefore, a very urgent need to resolve Zimbabwe’s unsustainable debt position, including the resolution of external debt arrears.

127. Zimbabwe’s inclusive economic recovery agenda post Covid-19 pandemic will not be possible without a comprehensive Arrears Clearance, Debt Relief and Restructuring Strategy which is backed by the IFIs and international community. It is important to also note that Zimbabwe due to the accumulation of debt arrears, has not been able to access and benefit from the Covid-19 pandemic concessional facilities from the IMF, World Bank Group and AfDB.

128. The country has had to rely on its limited fiscal resources to respond to the Covid-19 pandemic. It is also important to note that Zimbabwe was already in debt distress before the Covid-19 pandemic. Debt vulnerabilities are rising for Zimbabwe and the outlook continues to be impacted by significant uncertainty due to the uncertain evolution of the pandemic and progress with vaccinations. Zimbabwe is also facing other exogenous risks, including climate change risks and rising poverty levels arising from the pandemic.

129. Immediate and sustained effort and action is, therefore, needed to facilitate an inclusive recovery of Zimbabwe’s economy. This includes rapid deployment of life saving vaccines, arrears clearance, debt relief and restructuring, increased support to the health system, education and the vulnerable groups in both urban and rural areas.

130. Without debt resolution, debt distress and arrears accumulation will continue to hinder the post-pandemic economic recovery and transformation. As Zimbabwe exits both

crisis – debt crisis and Covid-19 pandemic crisis, its recovery should leverage on digital and green investments to facilitate strong, sustainable and inclusive growth.

131. Arrears clearance, debt relief and restructuring will, therefore, ensure sufficient resources for economic recovery post the pandemic, especially concessional support from bilateral development partners and creditors, including IFIs.

132. Zimbabwe cannot adequately respond to Covid-19 pandemic in way that protects the vulnerable and addresses inequality without arrears clearance, debt relief and restructuring. The country has already been left out of the Covid-19 pandemic responses by the IFIs, the G7 and G20 including the DSSI and the G20 Common Framework. The country has to emerge from the Covid-19 pandemic and debt crisis in a position to achieve its developmental goals in Vision 2030 and NDS1.

133. Zimbabwe's Covid-19 pandemic vaccination program has been undertaken with its own resources from the budget. This has deprived resources to the other key social sectors – education, health and social safety nets. Zimbabwe needs to be assisted to be able to access vaccines in order to enhance its Covid-19 response and to accelerate economic recovery. The G20 meeting in July 2021 reiterated that, "everyone on the planet should be able to access vaccines". Zimbabwe needs the support of the international community to access new resources to clear arrears, and to fight poverty, the Covid-19 pandemic, climate change and support the health and education sectors.

CHAPTER 7: INTERNATIONAL MONETARY FUND (IMF)'S SPECIAL DRAWING RIGHTS (SDR) ALLOCATION

134. The approval of a new general SDR allocation equivalent to US$650 billion will help address the long-term global needs for resources during the Covid-19 Pandemic crisis.

135. The SDR allocation will boost the liquidity and resources of all IMF member countries, including Zimbabwe. This will build confidence and boost the resilience and stability of the Zimbabwean economy. It will also contribute to the post-Covid-19 recovery of the Zimbabwean economy. The SDR allocation will assist in strengthening Zimbabwe's response to Covid-19 Pandemic.

136. The SDR allocation gives tremendous opportunities for the economy to respond to the Covid-19 pandemic and its debt crises, especially arears clearance, health, education, social protection, sustained long-term foreign exchange earning investments, climate change responses and reserves build-up.

137. These opportunities have to be seen against a background of a debt crisis in Zimbabwe which needs to be addressed urgently. In this regard, given Zimbabwe's size of the SDR allocation, trade-offs will need to be taken in order to maximize the benefits of SDR allocation to the Zimbabwean economy.

138. The clearance of Zimbabwe's arrears to the World Bank Group and the AfDB using some of the its own resources, including part of its allocated SDRs, should be supported by the international community with resources to close the huge financing gap. The support of the international community through the voluntary channeling of resources, including their allocated excess SDRs, from the G7 and other developed countries to support Zimbabwe's arrears clearance road map, Covid-19 pandemic recovery and achieve resilient and sustainable growth will, therefore, be crucial.

139. Zimbabwe needs financial support to emerge from the two crises – Covid-19 pandemic and debt distress, with enhanced resilience, protection for the poor and vulnerable, workers, SMEs and the environment.

140. The IMF's SDR allocation will assist Zimbabwe to resolve some on the immediate resource requirements. Zimbabwe will prioritise the following expenditure areas:

Investments in social sectors

Health Support

- Support to Covid-19 vaccination programs
- Construction of health infrastructure in regions with extreme poverty
- Support for health consumables and equipment

Education Support

- Construction of education infrastructure in regions with extreme poverty
- Improvement of quality of education through development and learning support

Productive social safety nets

- Community based development programs such as food for work.

Agriculture support

Export revolving fund for agriculture targeting floriculture, blueberries and macadamia

Small holder farmer irrigation schemes.

Industry Support

Industry retooling/revolving fund for new equipment and replacement for the value chains (Cotton, Leather, Pharmaceuticals and Other Agro-processing).

Infrastructure Development

Road construction – Kanyemba
Housing Development
Gold Centres

Contingency

Contingency fund

International Reserves

Foreign Exchange Reserves.

141. Government will adhere to transparent and international best practices in the application of the SDRs resources.

CHAPTER 8: OPTIONS FOR ARREARS CLEARANCE, DEBT RELIEF AND RESTRUCTURING

142. Zimbabwe is expected to remain in debt distress in the absence of a comprehensive Arrears Clearance, Debt Relief and Restructuring Strategy aimed at attaining debt sustainability and post Covid-19 pandemic inclusive, sustained economic recovery and growth.

143. The urgent conclusion of a debt resolution strategy for Zimbabwe is critical in regaining access to concessional financing from both multilateral and bilateral development partners. The clearance of the arrears to the IFIs and Paris Club requires a comprehensive, well-coordinated approach, including strong support from all creditors.

144. The process requires to be backed by the implementation of a comprehensive Reform Program, supported by the Breton Woods Institutions. Somalia and Sudan are recent typical examples of countries to have implemented comprehensive reforms leading to debt resolution. These processes were supported by the Breton Woods Institutions and G7 countries (the UK, USA and Norway), as their champions for arrears clearance and debt relief.

OPTION A: HIPC INITIATIVE

145. Zimbabwe has been exploring traditional debt relief options, especially the Highly Indebted Poor Country (HIPC) Initiative, which provides maximum debt relief for beneficiary countries.

146. To this end, the Joint World Bank-IMF HIPC Initiative assessment which was conducted in June 2014, based on end-2004, end-2010 and end-2013 data on public and publicly guaranteed external debt and the respective macroeconomic data, concluded the following:

- the ratios of Present Value (PV) of debt to exports after traditional debt relief at end-2004 and end-2010 are estimated to be above the HIPC Initiative threshold of 150 percent; and
- the ratios of PV of debt to exports and to revenues as of end-2013, are estimated at 130 percent and 146 per cent, respectively, which are below the HIPC Initiative thresholds of 150 percent and 250 percent respectively.

147. Based on the outcome of the June 2014 assessment, Zimbabwe did not qualify for the HIPC Initiative.

148. The joint World Bank – IMF HIPC Initiative assessment was undertaken despite the fact that Zimbabwe could not qualify due to the HIPC Initiative's sunset clause. The sun set clause restricted access to the HIPC Initiative to countries not meeting the Initiative's income and indebtedness criteria based on the end-2004 data. The sunset clause was introduced to the HIPC Initiative to prevent the Initiative from becoming permanent, minimize moral hazard and to encourage early adoption of reforms. The last sunset clause extension was in 2006 and Zimbabwe was not part of the five

countries that were declared eligible, namely, Comoros, Eritrea, Liberia, Somalia and Sudan.

149. If the window for the HIPC Initiative eligibility is availed, Zimbabwe is keen to undertake the HIPC Initiative process in order to ensure that the country benefits from maximum debt relief. This would require a modification or exception granted by IDA's Executive Board, to the World Bank HIPC Initiative eligibility criteria, for the reclassification of Zimbabwe as an IDA-Only country. This will also require IMF's Board grandfathering of Zimbabwe to the HIPC Initiative. In addition, a HIPC Initiative eligibility assessment based on end-2020 data would be needed.

OPTION B: ALTERNATIVE ARREARS CLEARANCE, DEBT RELIEF AND RESTRUCTURING STRATEGY

150. The following is the proposed alternative option for external debt Arrears Clearance, Debt Relief and Restructuring Strategy, if the HIPC Initiative is not available to Zimbabwe. This entails a combination of using Zimbabwe's own resources, and bridge concessional loans from bilateral development partners who are willing to voluntarily channel their excess resources to support Zimbabwe's Arrears Clearance, Debt Relief and Restructuring Strategy. The process includes the following components:

- *Arrears clearance to IFIs:*
    - *<u>Component 1</u>: World Bank Group (US$1.4 billion);*
    - *<u>Component 2</u>: African Development Bank Group (US$681 million); and*
    - *<u>Component 3</u>: European Investment Bank (US$344 million).*
- *Bilateral creditors arrears clearance, debt relief and restructuring;*
    - *<u>Component 4</u>: Paris Club Creditors*
    - *<u>Component 5</u>: Non-Paris Club Creditors*
- *Rescheduling of outstanding and disbursed debt falling due after arrears clearance*
    - *<u>Component 6:</u> Negotiate for rescheduling with bilateral creditors (Paris Club and Non-Paris Club).*

OPTION B FOR ARREARS CLEARANCE TO IFIS

151. External debt arrears clearance to the IFIs will be prioritized and will be done in a way which will ensure debt sustainability, sustained economic development and also consistent with the 'pari-pasu' treatment of IFIs i.e., clearance of arrears to the World Bank Group and AfDB.

152. By continuing to implement comprehensive macroeconomic reforms, supported by the IMF under the SMP and the Upper Credit Tranche, Zimbabwe would be able to clear arrears to the IFIs and unlock new resources in the process. The clearance of arrears to the IFIs requires a coordinated process.

153. Zimbabwe will use its own resources and concessional borrowing to clear arrears to the IFIs as shown below.

Component 1: World Bank Group- Own Resources and 48-hours Bridge Loan

154. Zimbabwe will use its own resources, including part of its allocated SDRs, to clear the arrears to the World Bank Group, based on the expectation that disbursements will typically occur post arrears clearance. Additional arrears will be cleared using a 48-hours bridge loan from the G7/G20 countries, which will be repaid using resources from IDA-19 or IDA-20 and the Arrears Clearance Fund for the HIPC Initiative. In addition, arrears will also be cleared from concessional loan borrowing or grants.

155. This strategy will need the support of G7/G20 countries and the leadership and coordination of Champions/Sponsors among these countries. The Champions/Sponsors, would ideally be from the G7 member countries, with five of them being the country's major Paris Club creditors, namely: Germany, France, UK, Japan and USA, to whom the country owes a total of US$2.36 billion debt (58 per cent

of total bilateral external debt). Other countries will, however, also be approached to participate in the process.

Component 2: African Development Bank- Own Resources and Concessional Loan

156. Zimbabwe will use its own resources, including part of allocated SDRS, to clear the arrears to the AfDB, based on the expectation that the Bank will disburse new resources. For the balance of the arrears to the AfDB, the country will negotiate for a concessional bridge loan from Emerging Market Economies (EMEs) who are willing to voluntarily channel their excess resources to support Zimbabwe's Arrears Clearance, Debt Relief and Restructuring Strategy.

157. Zimbabwe will use resources allocated from the AfDB under the Transitional Stabilization Facility (TSF) Pillar II to repay the concessional bridge loan.

Component 3: European Investment Bank- Concessional Loan

158. Zimbabwe will also borrow US$344 million concessional bridge loan from developed countries with excess resources, to clear arrears to the European Investment Bank (EIB). There are indications that EIB is prepared to cancel all the penalties accrued amounting to US$153 million which would reduce the amount required to US$191 million.

BILATERAL CREDITORS DEBT RELIEF AND ARREARS CLEARANCE

159. Upon clearance of arrears to the IFIs, the country would embark on Component 4 to clear its arrears with the Paris Club creditors. The Strategy would be implemented as a complete package, including the following key elements:

Component 4: Paris Club Creditors

160. Zimbabwe can negotiate for significant Paris Club debt relief and obtain support from the Paris Club creditors by pursuing the 'Evian Approach', which works on a case-by-case basis taking into account Zimbabwe's unique circumstances. In the past, other countries including Kenya, Iraq, Argentina, Myanmar and Nigeria have benefited from the 'Evian Approach'.

161. In the process, Zimbabwe should obtain assurances through satisfactory progress on the implementation of economic and political reforms, that the bilateral official creditors are willing to consider providing debt relief, given the unsustainable debt levels which has affected Zimbabwe's capacity to meet the SDGs and to significantly reduce poverty.

162. The write-off of Paris Club bilateral arrears will also be pursued through green bonds/debt for nature swaps.

Component 5: Non-Paris Club Creditors

163. In line with the Paris Club framework, Zimbabwe will also engage the Non-Paris Club bilateral creditors to negotiate and obtain debt relief comparable with the Paris Club creditors deal.

CHAPTER 9: NEGOTIATIONS FOR RESCHEDULING OF OUTSTANDING AND DISBURSED DEBT FALLING DUE FROM 2021

164. The total PPG external debt amounting to US$8.3billion (excluding RBZ guaranteed external debt) is made up of US$6.6 billion arrears and the balance of US$1.5 billion is Debt Outstanding and Disbursed (DOD) maturing from 2021 onwards. The strategy will be to undertake comprehensive negotiations for restructuring of all the bilateral DOD to include grace period and longer-term maturities, to avoid accumulation of arrears after the implementation of an arrears clearance strategy. This will ensure debt sustainability post-arrears clearance.

Table 7: Projected Debt Service (2021-2025) (US$ millions) *

	2021	2022	2023	2024	2025	2026**	Maturity
Total Projected Debt Service	**168.22**	**144.19**	**143.31**	**137.12**	**176.69**	**91.8**	
Multilateral	***36.47***	***31.15***	***32.09***	***32.00***	***31.81***	***9.5***	
World Bank Group	29.09	23.41	23.30	23.19	23.07	5.6	2037
African Development Bank	1.85	1.84	1.82	1.81	1.80	1.0	2047
European Investment Bank	2.21	2.21	2.21	2.21	2.11	0.8	2032
Others	3.33	3.70	4.76	4.80	4.82	2.0	2043
Bilateral	***131.75***	***113.04***	***111.22***	***105.12***	***144.89***	***82.3***	
Paris Club	31.21	27.74	25.37	20.08	17.72	3.3	2038
Non-Paris Club	100.54	85.30	85.85	85.04	127.17	79.0	2044

**projections are based on disbursed and outstanding (excluding future projection on on-going projects)*

***2026 – consist of annual average debt service to maturity.*

Component 6: Negotiate for rescheduling with bilateral creditors (Paris Club and Non-Paris Club).

165. The outstanding and disbursed debt not yet due to the bilateral creditors is as follows:

- Paris Club – US$159 million; and
- Non-Paris Club – US$1,231 million.

166. Government will negotiate for a cut-off debt that will ensure debt sustainability. All loans signed before the cut off debt will be negotiated for comprehensive debt relief, as

indicated in components 4 and 5. For all loans signed after the cut-off debt, Government will negotiate for a concessional restructuring arrangement which will have longer grace period and maturity.

CHAPTER 10: CONCLUSION

167. The need for strong, broad and comprehensive re-engagement with development partners cannot be over-emphasised. For the Arrears Clearance, Debt Relief and Restructuring Strategy to succeed, Zimbabwe will need strategic partners and champions among the international community.

168. Zimbabwe acknowledges the need to continue implementing a comprehensive and credible economic Reform Program guided by the NDS1. This Reform Program will need the support of the IMF, the World Bank Group and the AfDB.

169. The implementation of an Arrears Clearance, Debt Relief and Debt Restructuring Strategy is the only path for Zimbabwe to access new external financing required for post Covid-19 recovery and for achieving Zimbabwe's economic development agenda and its Vision 2030 aspirations.

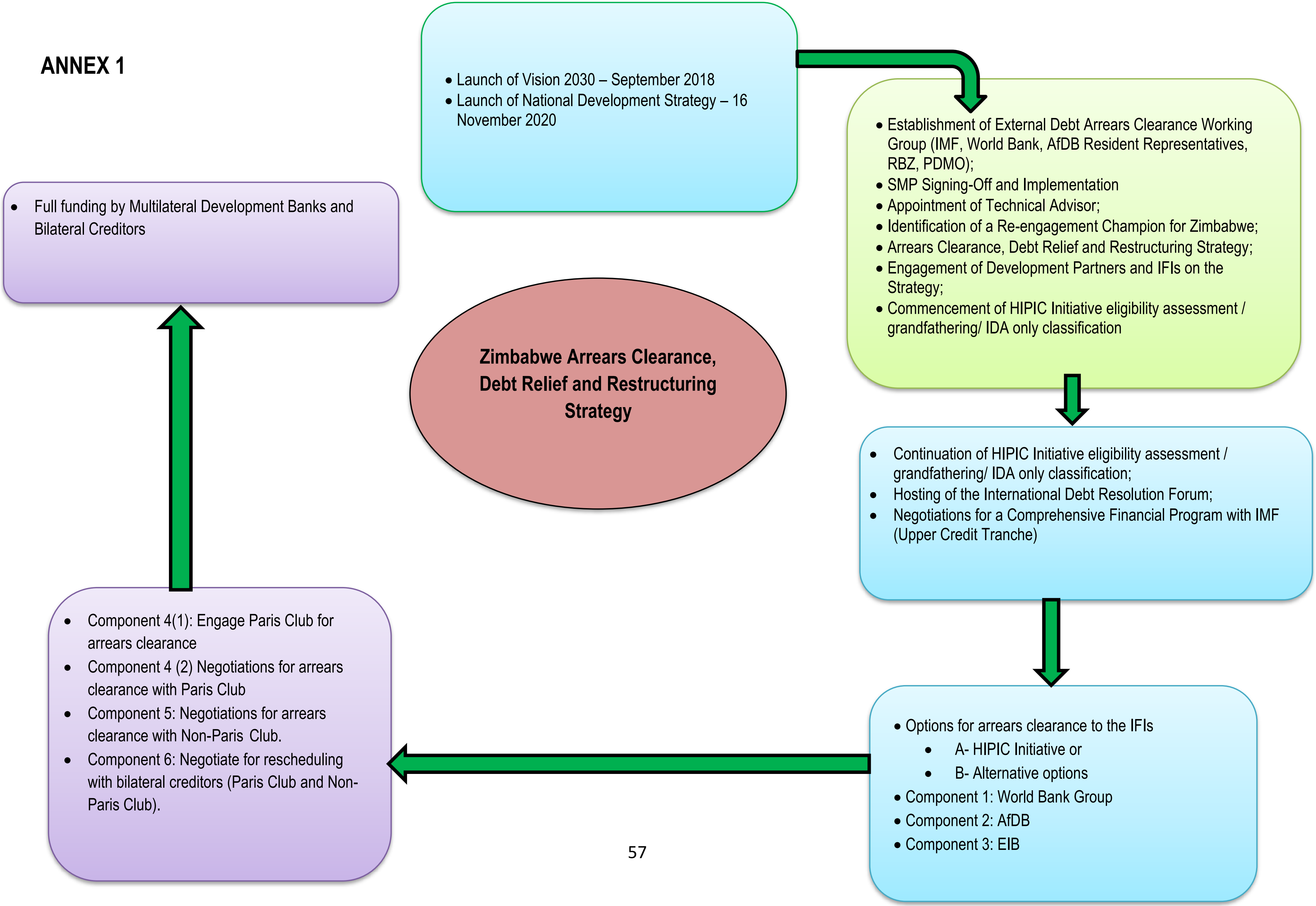
170. The country's post Covid-19 pandemic recovery requires access to new resources to invest in healthcare, education, key infrastructure, climate change adaptation and mitigation, safety nets and social protection. The Covid-19 pandemic has not spared any nation and has had devastating impacts on Zimbabwe, worsening the position of an already debt distressed economy. Zimbabwe, therefore, needs to also benefit from the Global efforts and measures that are aimed at bringing debt relief and availing resources to mitigate the impact of Covid-19 pandemic to low-income countries.

171. Zimbabwe is ready and geared for private sector-led inclusive economic growth, where arrears clearance and eventual access to new financing will provide momentum for economic reforms and private sector investment for the country to attain its Vision 2030 goals.

172. The Strategy critically hinges on, strengthening of and continuing with the Reform Program, stepping up re-engagement with all creditors and continuing cooperation with the IFIs, negotiating for arrears clearance, debt relief and restructuring with the IFIs, Paris Club creditors and non-Paris Club creditors.

Hon. Prof. M. Ncube,
Minister of Finance and Economic Development

ANNEX 1


Zimbabwe Arrears Clearance, Debt Relief and Restructuring Strategy
• Launch of Vision 2030 – September 2018
• Launch of National Development Strategy – 16 November 2020
• Establishment of External Debt Arrears Clearance Working Group (IMF, World Bank, AfDB Resident Representatives, RBZ, PDMO);
• SMP Signing-Off and Implementation
• Appointment of Technical Advisor;
• Identification of a Re-engagement Champion for Zimbabwe;
• Arrears Clearance, Debt Relief and Restructuring Strategy;
• Engagement of Development Partners and IFIs on the Strategy;
• Commencement of HIPIC Initiative eligibility assessment / grandfathering/ IDA only classification
• Continuation of HIPIC Initiative eligibility assessment / grandfathering/ IDA only classification;
• Hosting of the International Debt Resolution Forum;
• Negotiations for a Comprehensive Financial Program with IMF (Upper Credit Tranche)
• Options for arrears clearance to the IFIs
• A- HIPIC Initiative or
• B- Alternative options
• Component 1: World Bank Group
• Component 2: AfDB
• Component 3: EIB
• Component 4(1): Engage Paris Club for arrears clearance
• Component 4 (2) Negotiations for arrears clearance with Paris Club
• Component 5: Negotiations for arrears clearance with Non-Paris Club.
• Component 6: Negotiate for rescheduling with bilateral creditors (Paris Club and Non-Paris Club).
• Full funding by Multilateral Development Banks and Bilateral Creditors

ANNEX 2: NATIONAL DEVELOPMENT STRATEGY 1: IMPLEMENTATION AND RESULTS FRAMEWORK

ECONOMIC GROWTH AND STABILITY NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025									
Ml National Key Results Area (KRA)	**National Outcome**	**Key Performance Indicator**	**Baseline**	**NDS1 Yearly Targets**					**Lead Player**
			2020	**2021**	**2022**	**2023**	**2024**	**2025**	
Macro-economic Stability	Declining General Price Level	Annual Average Inflation (%)	654	134.8	23.7	10.5	7.5	5.8	RBZ
	Maintaining Sustainable Fiscal Deficit	Ratio of Fiscal Deficit to GDP (%)	-0.47	-1.29	-1.55	-1.71	-0.93	-0.72	MOFED
	Declining Debt levels	Ratio of Public Debt to GDP	78.7	64.7	65.0	64.7	63.8	61.6	MOFED
	Improving Balance of Payments	Ratio of Current Account Balance to GDP (%)	6.3	3.1	1.4	0.4	-0.7	-1.0	RBZ
		Months of Import cover	1.0	2.0	3.5	4.5	5.0	6.0	RBZ
Sustainable Economic Growth	Increased GDP	Real GDP growth (%)	(4.1)	7.4	5.5	5.2	5.2	5.0	MOFED
	Increased per capita Incomes	Per capita Income (US$)	1,155	1,835	2,128	2,704	2,951	3,199	MOFED
	Improved ease of doing business ranking	Ease of Doing Business Ranking	140	120	100	90	80	80	ZIDA
Inclusive Economic Growth	Increased Decent Jobs	Percentage of people in Formal employment	24%	25%	26%	27%	29%	30%	MPSLSW
	Improved financial inclusion	Percentage of financially included persons	77%	80%	83%	87%	90%	90%	MPSLSW

ECONOMIC GROWTH AND STABILITY SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
Macro-economic Stability	Economic (Fiscal)	Improved public expenditure management	Wage bill as a % of Revenue	40.6	44.2	43.0	40.3	40.2	40.1	MoFED	All Provincial Governments	Local Councils	Parliament	Private Sector	NGO, AFRODAD		IMF, World Bank, AfDB
		Improved Debt Management	Debt to GDP Ratio	78.7	64.7	65.0	64.7	63.8	61.6	MoFED	All Provincial Governments	Local Councils	All Statutory bodies	Banks	NGO, AFRODAD	All communities	IMF, World Bank, AfDB, MEFMI
		Improved Budget transparency	Budget Transparency Index	49/100	51/100	55/100	58/100	56/100	60/100	MoFED	All Provincial Governments	Local Councils	All Statutory bodies	Private Sector	All NGOs	All communities	IMF, World Bank, MEFMI, AfDB
		Price Stability	Annual Average Inflation rate	654	134.8	23.7	10.5	7.5	5.8	RBZ	All Provincial Governments	All Local Councils	All	Banks	All NGOs	All Communities	IMF, World Bank, AfDB
		Improved BOP Account	Current Account Balance	6.3	3.1	1.4	0.4	-0.7	-1.0	RBZ	All Provincial Governments	All Local Councils	All	Banks	All NGOs	All Communities	IMF, World Bank, AfDB
Inclusive Growth	Social	Improved decent jobs	Level of formal employment	24%	25%	26%	27%	29%	30%	MoHTE MoPSL MoPS MoYSAR MoWA MoIC	Provincial Councils	Local Authorities	ZimCHE ZimDev Zimbabwe Gender Commission	EMCOZ Trade Unions Employer's Associations	NANG0 Care Human Rights Organisations	Disabled Persons Organisations Women and Youth Associations	ILO UNCEF UN Agencies IMF World Bank AfDB AU SADC ECA ARLC
		Improved Financial Inclusion	% of Financially included persons	77%	80%	83%	87%	90%	90%	MOFED RBZ IPEC SECZEC				Banks Pvt Sector companies		Local Leadership CCWs Community	World Bank AfDB AU SADC ECA ARLC UNDP

FOOD AND NUTRITION SECURITY NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	**National Key Results Area (KRA)**	**National Outcome**	**Key Performance Indicator**	**Baseline**	**NDS1 Yearly Targets**					**Lead Player**
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	
Food and Nutrition Security	Food Security	Improved food security	Proportion of food insecure people	59%	30%	25%	14%	9%	5%	MLAWRR
	Nutrition Security	Improved Nutrition status	Proportion of children Stunterd	23.50%	21%	20%	19%	18%	17%	MoHCC

FOOD AND NUTRITION SECURITY SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/L NGOs**	**Community**	**Dev't Part.**
Food Security	Economic (Agriculture)	Improved Food Reserves	Maize grain reserves (Mt)	0	500 000	500 000	500 000	500 000	500 000	MLAWRR	Provinces	Districts	GMB	Private traders	Value chain actors		DFID EU USAID SDC UN family IFAD WB IAPRI AU AIBA

MOVING THE ECONOMY UP THE VALUE CHAIN AND STRUCTURAL TRANSFORMATION NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	**National Key Results Area (KRA)**	**National Outcome**	**Key Performance Indicator**	**Baseline**	**NDS1 Yearly Targets**					**Lead Player**
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	
Moving the economy up the Value Chain and Structural Transformation	Structurally balanced economy									
		Improved Contribution of manufacturing to GDP	Manufacturing contribution to GDP (%)	-10.8	6.4	6.5	8.0	6.0	6.1	Ministry of Industry and Commerce
		Improved Competitiveness	Global Competitiveness Index	127/140	120/140	114/140	110/140	105/140	100/140	National Competitiveness Commission/ZIDA

SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025- MOVING THE ECONOMY UP THE VALUE CHAIN AND STRUCTURAL TRANSFORMATION																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
					2021	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
Structurally transformed economy	Economic (Manufacturing)	Improved performance in the manufacturing sector	Percentage contribution of manufacturing to GDP	11.7	12.1	12.4	13.6	14.5	15.0	MoIC MoMMD Other Members of the TWG MoEPD MoHTE MoLAWRR MoEWC MoWACS MED MoPSE MoICTs MoFED MoYSR	All Provinces	Urban and Rural District Councils	RBZ Zimbabwe Investment and Development Agency ZIMTRADE TNF MMCZ ZEPARU SIRDC NBA ZERA	CZI ZNCC Zimbabwe Chamber of SMEs Chamber of Mines Federation of Small Scale Miners CEO Round	SNV Plan International World Vision Camfed Lutheran Development Services Care International High Life Foundation Save our Souls	Community Share Ownership Trusts	UNIDO, World Bank, IMF AfDB, AFREXIM BANK UNECA UNCTAD ACFTA UNDP ILO ITC UNESC0 COMESA SADC PUM EU

INFRASTRUCTURE AND UTILITIES SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Base line**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry /Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
Provision of improved Infrastructure and services	Economic (Energy)	Improved Energy Supply Capacity.	New Capacity Installed (MW)	2317	2367	2567	2917	3167	3467	MOEPD MOTID MOFED MoMMD MLAWR MHTEISTD MoLGPW MoNHSA	10 Provinces	92 Local Authorities	ZESA ZPC ZETDC ZEREF ZERA Zambezi River Authority ZINWA IDBZ NOIC EMA Petrotrade RBZ	Southern African Power Pool REAZ CZI Chamber of Mines Zimbabwe ZNCC ZIE Local, Regional and International Banks ZFCU ZFU CCZ Competition and Tariff Commission Zimbabwe Miners Federation ZIDA	NGOs ZERO SMV		AfDB WB UNDP IAEA UNOPS
		Improved access to modern energy services.	Electricity access (rural, urban)	44	46	48	50	52	54	MOEPD MOTID MOFED MoMMD MLAWR MHTEISTD MoLGPW MoNHSA	10 Provinces	92 Local Authorities			NGOs ZERO SMV		AfDB WB UNDP IAEA UNOPS

INFRASTRUCTURE AND UTILITIES SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025

National Key Result Areas (KRAs)	Sector	Sector Outcome	Sector Performance Indicator	Base line	NDS1 Yearly Sectoral Targets					CONTRIBUTING PARTNERS							
										Public Sector				Other			
				2020	2021	2022	2023	2024	2025	Line Ministry /Central Agency (Lead)	Prov. Gov't	Local Auth.	Stat. Body/ Para	Private Sector	INGOs/LNGOs	Community	Dev't Part.
	Economic (Water and Sanitation)	Improved Water Supply	Percentage of population using an improved drinking water source	77%	79%	83%	85%	87%	90%	MLAWRR MLGPW MoPSE MoHCC MoHTEIST MLPSSW MoNHSA MoWAC SMED MECTHI	All Local Authorities Urban and Rural	All Provincial Government	DDF NIHR NAC ZINWA Catchment Councils Rural and Urban Communities	Contractors WASH Service Providers	Local and International NGOs		Mvurmanzi Trust World Vision Goal World Bank Water Sector Donors
		Improved Sanitation and hygiene	%population using improved sanitation facilities	70.22%	71.64%	73.06%	74.48%	75.9%	77.32%	MLAWRR MLGPW MEPD MECTHI DDF MHCC MTID MFED MNHSA	All Provincial Government	All Local Authorities Urban and Rural	Contractors WASH Service Providers		Mvurmanzi Trust World Vision Goal	All Communities	World Bank Afdb All UN agencies All Donor Countries

DIGITAL ECONOMY NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	**National Key Results Area (KRA)**	**National Outcome**	**Key Performance Indicator**	**Baseline**	**NDS1 Yearly Targets**					**Lead Players**
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	
Digital Economy	Digitally enabled economy	Improved access and usage of ICTs	ACCESS INDICATORS							OPC MICTPCS
			Internet subscribers per 100 inhabitants – Internet penetration rate	59.1%	5% increase (62.055%)	5% increase (65.15%)	5% increase (68.41%)	5% increase (71.8%)	5% increase (75.42%)	
			USAGE INDICATORS							
			% contribution of ICTs to GDP	7.1%	7.5%	8.2%	9.8%	11%	12%	

DIGITAL ECONOMY SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/ Central Agency (Lead)**	**Prov. Gov't**	**Local Auth**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
		Increased ICT Usage	Level of ICT usage by Public (ICT index):	59.1%	5% increase (62.055%)	5% increase (65.15 %)	5% increase (68.41 %)	5% increase (71.8%)	5% increase (75.42 %)	MICTPCS MHTEISTD MOFED MIPBS MIC OPC	All Provincial Ministers All provincial councils	All RDCs Municipalities Town Councils Local Boards	ZIMSTAT POTRAZ ZIMRA Netone Telone Telecel Powertel Zarnet ZESA ZIMPOST Africom	Computer Society of Zimbabwe Computer Suppliers Association ICT Association of Zimbabwe Zimbabwe Institution of Engineers Econet Liquid Dandemutande		All Communities	UNICEF UNDP, EU, UNESCO,DFID, JICA, USAID, CHINA, WB, ITU, ATU UPU Japan
		Improved Access to ICTs								MICTPCS MOFED MHTEISTD MIPBS MIC OPC	All Provincial Ministers All provincial councils	All RDCs Municipalities Town Councils	ZIMSTAT POTRAZ ZIMRA Netone Telone Telecel Powertel Zarnet ZESA ZIMPOST Africom ZBC	Computer Society of Zimbabwe Computer Suppliers Association ICT Association of Zimbabwe Zimbabwe Institution of Engineers Econet Liquid Dandemutande ZOL TOAZ		All Communities	UNICEF UNDP, EU, UNESCO,DFID, JICA, USAID, CHINA, WB, ITU, ATU UPU Japan
			mobile penetration rate	94.2%	2% increase (96.08%)	2% increase (98.00 %)	2% increase100.00%)	-% increase (100.00%)	-% increase (100.00 %)								

HOUSING DELIVERY NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	National Key Results Area (KRA)	National Outcome	Key Performance Indicator	Baseline	NDS1 Yearly Targets					Lead Player
				2020	2021	2022	2023	2024	2025	
Housing Delivery	Delivery of affordable and quality settlements in urban and rural areas	Improved access to affordable and quality housing and social amenities	Number of housing units delivered as a function of effective demand	49,870 houses built (2019)	20,000	40,000	40,000	50,000	50,000	Ministry of National Housing and Social Amenities (MoNHSA)

HOUSING DELIVERY SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2020																		
National Key Result Areas (KRAs)	Sector	Sector Outcome	Sector Performance Indicator	Baseline	NDS1 Yearly Sectoral Targets					CONTRIBUTING PARTNERS								
										Public Sector				Other				
				2020	2021	2022	2023	2024	2025	Line Ministry/Central Agency (Lead)	Prov. Gov't	Local Auth.	Stat. Body/Para	Private Sector	INGOs/ LNGOs	Community	Dev't Part	
Delivery of affordable and quality settlements in urban and rural areas		Improved access to basic services	Percentage Households with access to safe drinking water (Urban)	77.3%	77.5 %	77.7%	77.9%	78.1 %	78.3%	MoNHSA MoLGPW MWACSMED MoTID, MoICT MoE&PD MoLAW&RR MOHCC MoFED	All 10 Provinces	All 32 Urban Local Authorities	NRZ ZESA POTRAZ ZINWA IDBZ SIRDC	CIFOZ ZNCC Telecoms Companies	World Vision GAA/WHH Oxfam FTCZ Save the Children Institute of Water and	Traditional Leaders Church Leaders CSOs CBOs Cooperatives societies	World Vision GAA/WHH Oxfam FTCZ t Higher Life Foundation IMF,	
			Percentage Households with access to safe drinking water (Rural)	51%	53%	55%	57%	59%	61%									

HOUSING DELIVERY SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2020																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/Para**	**Private Sector**	**INGOs/ LNGOs**	**Community**	**Dev't Part**
			Percentage households with access to proper sanitation / sewerage system (Urban)	43%	45%	47%	49%	51%	53%						Sanitation Development Higher Life Foundation		WB, AfDB, SADC, UN-Habitat. UNDP, UNICEF, UNOPS UNW GIZ, Shelter Afrique
			Percentage households with access to proper sanitation systems (Rural)	34%	35%	37%	39%	41%	43%								

HUMAN CAPITAL DEVELOPMENT AND INNOVATION: SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**2020**	**2021**	**2022**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
%Innovation and Knowled	Social (Educatio	Improved access to quality,								MHTEISTD MOPSE MYSAR	All Provincial	All Local Auth	ZIMCHE	CZI ZNCC	SNV Plan Internatio	Community Share	UNIDO World Bank IMF

HUMAN CAPITAL DEVELOPMENT AND INNOVATION: SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**202 1**	**202 2**	**202 3**	**202 4**	**2025**	**Line Ministry/Central Agency (Lead)**	**2020**	**2021**	**2022**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
ge Driven Economy	n and training)	equitable and inclusive education								MOHCC MLAWRR MOMMD MECHI MCOS OPC MOFED MFAIT	Governments Universities Polytechnics Teachers Colleges Industrial Training Colleges	orities	NAMACO ZIMSEC HEXCO	Zimbabwe Chamber of SMEs Chamber of Mines Federation of Small-Scale Miners CEO Round Table Confederation of Zimbabwe Retailers Professional Bodies Independent Examination Boards Private college	nal World Vision CAMFED Lutheran Development Services Care International High Life Foundation Save our Souls	Ownership Trusts	AfDB AFR EXIM BANK UNECA, UNCTAD ACFTA, UNDP ILO ITC UNESC0 COMESA SADC PUM EU AU JICA COMESA-EAC-SADC TRIPATITE YOUNG AFRICA
			Literacy rate	92.4 ZIMSTATS	92.5	92.6	92.7	92.8	93%								

HEALTH AND WELL-BEING - NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	National Key Results Area (KRA)	National Outcome	Key Performance Indicator	Baseline	NDS1 Yearly Targets					Lead Player
				2020	2021	2022	2023	2024	2025	
Health and Wellbeing	Public Health and Well Being	Improved quality of life	Life expectancy at birth (disaggregated)	61yrs (M) 65yrs (F)	61.5yrs 66.5yrs	62yrs 67yrs	63yrs 67.5yrs	64.5yrs 69yrs	65yrs(M) 70yrs(F)	MoHCC

IMAGE BUILDING, INTERNATIONAL ENGAGEMENT & RE-ENGAGEMENT NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	National Key Results Area (KRA)	National Outcome	Key Performance Indicator	Baseline	NDS1 Yearly Targets					Lead Player
				2020	2021	2022	2023	2024	2025	
Image building, International Engagement and Re-engagement	Image building	Improved Country image	Competitiveness Ranking	114/140	113/140	112/140	111/140	110/140	109/140	MOFAIT
			Competitiveness Ranking	114/140	113/140	112/140	111/140	110/140	109/140	
	International engagement and re-engagement	Improved international relations	Country Risk Index	Grade CCC High Risk	Grade CC Medium Risk	Grade CC low risk	Grade CC	Grade C	Grade C	MOFAIT

IMAGE BUILDING, INTERNATIONAL ENGAGEMENT & RE-ENGAGEMENT SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																		
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**								
										Public Sector				**Other**				
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**	
Image Building		Improved competitive national brand	Country Policies and Institutions Assessment (CPIA) Rating	2.8	2.8	2.9	2.9	2.9	3.1	MECTHI MIPBS MFAIT MYSAR MHACH MFED MHCC MLGPW MWACSMED MIC Other ministries	Ministers of States for Provincial Affairs & Development	Urban authorities Rural District Councils	ZTA, ZMC, BAZ ZBC, ZIMP-APERS, ZIDA NMAM, TMC SAZ, ZIFA, NACZ NGZ, SRC ZWCB, ZIMTRADE All media	ZIPR ZIMA TBCZ		Traditional leaders Faith based organisations Artists and Sportspersons	UNDP UNESCO SADC AU COMESA UNWTO JICA AfDB World Bank EU	

DEVOLUTION AND DECENTRALISATION NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025											
National Priority Area	**National Key Results Area (KRA)**	**National Outcome**	**Key Performance Indicator**	**Baseline**	**NDS1 Yearly Targets**					**Lead Players**	
				2020	**2021**	**2022**	**2023**	**2024**	**2025**		
Devolution	Equitable regional development	Equitable regional development	Devolution and Decentralisation Level	20%	30%	40%	50%	60%	80%	Ministry of Local Government & Public Works	

YOUTH, SPORT AND CULTURE SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
Youth, Sport and Culture promotion and development	Social (Youth)	Improved Vocational skills and entrepreneurship among the youth	Number of youth trained in vocational and entrepreneurial skills annually	12 000	18 500	20 000	22 500	25 000	31 000	Ministry of Youth, Sports, Arts, and Culture	Provincial Gvt	Local authorities	Empower Bank Ltd ZYC SRC ZNBWCB	BATZ Old Mutual BancABC Agribank Cairns Holdings Liquid Telecom	Say What Fact Care World Vision Plan International VSO Nzeve Deaf	Traditional leaders	ILO UNDP SNV UNESCO IOM

SOCIAL PROTECTION: NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Priority Area	**National Key Results Area (KRA)**	**National Outcome**	**Key Performance Indicator**	**Baseline**	**Yearly Targets**					**Lead Player**
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	
Social Protection	Quality and affordable social protection for all	Improved access to inclusive social protection	Percentage of population covered by social protection systems:							Ministry of Public Service, Labour and Social Welfare
			Social Assistance	62%	65%	70%	75%	80%	85%	
			Social Care and support services	15%	30%	40%	50%	60%	75%	
			Livelihoods support	3%	5%	8%	10%	13%	17%	
			Social Insurance	0%	17%	37%	50%	58%	67%	

SOCIAL PROTECTION SECTOR DEVELOPMENT RESULTS FRAMEWORK 2021-2025																	
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
Quality and affordable social protection for all	Social (Social assistance)	Reduced extreme poverty.	% of people below the food poverty line	65%	50 %	40 %	30 %	20%	10%	MoPSLSW MoLGPW; MLAWRR; MWACSME MoHCC DDF MoPSE MoHACH MoIC MoFED MoHTESITD MoDWV	Provincial Governments	Local Authorities	Grain Marketing Board	Private Sector Companies	Local and International Non-Government Agencies	Local leadership; Community Level Committees	UN Agencies World Bank AfDB USAID SIDA DfID SDC China Aid EU

ENVIRONMENTAL PROTECTION, CLIMATE RESILIANCE AND NATURAL RESOURCES MANAGEMENT NDRF FRAMEWORK 2021-2025										
National Priority Area	**National Key Results Area (KRA)**	**National Outcome**	**Key Performance Indicator**	**Baseline**	**NDS1 Yearly Targets**					**Lead Player**
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	
Environmental protection, climate resilience and natural resources management	Environment and Climate Protection	Environment protected	levels of GHGs emissions (MtCO2eq)	36.6	36	35	33	31	30.0	MoECTHI
			Area of land under protection (Million Ha)	24	25.2	26.4	27.6	28.8	30	
	Sustainable Natural Resources Utilicsation	Improved Biodiversity Improved Community Livelihood	National Forest cover (%)	44.5 %	45.0%	45.5%	46.0%	46.5%	47%	MoECTHI

ENVIRONMENTAL PROTECTION, CLIMATE RESILIANCE AND NATURAL RESOURCES MANAGEMENT SDRF FRAMEWORK 2021-2025																		
National Key Result Areas (KRAs)	**Sector**	**Sector Outcome**	**Sector Performance Indicator**	**Baseline**	**NDS1 Yearly Sectoral Targets**					**CONTRIBUTING PARTNERS**							
										Public Sector				**Other**			
				2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Line Ministry/Central Agency (Lead)**	**Prov. Gov't**	**Local Auth.**	**Stat. Body/ Para**	**Private Sector**	**INGOs/LNGOs**	**Community**	**Dev't Part.**
Sustainable Tourism development	Economic (Tourism)	Improved tourism growth	Number of Tourist arrivals (Millions of Tourists)	0.9	1.1	1.2	1.3	2.1	2.5	MoECTHI MoFAIT MoHACH MoTID MoFD MoIC MoWAG MoYRSC MoALWRR MoEPD MoHA MoMIP		Urban and rural authorities	ZTA PWMA FC NMMZ EMA ZIDA ZimSTAT RBZ NSSA ZIMRA CAAZ ACZ NRZ	TBCZ & Sub-Associations	WIT YIT	CBOs, Churches, Traditional Leaders, MPs	UNWTO, WTTC, UNDP, AfDB, WB, EU

GOVERNANCE NATIONAL DEVELOPMENT RESULTS FRAMEWORK 2021-2025										
National Key Results Area (KRA)	**National Outcome**	**Key Performance Indicator**	**Baseline**		**NDS1 Yearly Targets**					**Lead Player**
			Year	**Value**	**2021**	**2022**	**2023**	**2024**	**2025**	
Public Service Delivery Justice Delivery National Unity, Peace and Reconciliation	Enhanced service delivery	Citizen satisfaction Index	2017	60%	50%	55%	65%	70%	75%	The Tripartite (OPC, PSC and Treasury)
	Improved justice delivery	Ranking on Rule of Law Index (RLI)	2019	116	114	112	106	104	100	MOJLPA
				-	20%	30%	40%	50%	50%	OPC, Foreign Affairs, , NPRC, MoJLPA

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Ministry of Finance and Economic Development
Mgandane Dlodlo Building
Samora Machel Avenue/S.V. Muzenda Street
Private Bag 7705,
Causeway, Harare
Tel: 0242 794572-8
Website: www.zimtreasury.gov.zw