COUNTRY PROFILE 2015

ZIMBABWE

United Nations
Economic Commission for Africa

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ACKNOWLEDGEMENTS

The aim of the Economic Commission for Africa country profile series is to produce and disseminate country and region-specific policy analyses and recommendations for economic transformation that will promote sustainable growth and social development, strengthen regional integration and facilitate better development planning and economic governance. They are a joint collaboration of the Commission's subregional offices and the African Centre for Statistics, with inputs from the Macroeconomic Policy Division, the Regional Integration and Trade Division and the Social Development and Policy Division.

The lead author of the Zimbabwe country profile was Oliver Maponga, with assistance from Chilombo Musa, both of the Subregional Office for Southern Africa. The country profile was prepared under the overall coordination and substantive guidance of Giovanie Biha, Deputy Executive Secretary for Knowledge Delivery of the Commission, and the direct leadership of Said Adejumobi, Director of the Subregional Office for Southern Africa, with supervision from Sizo Mhlanga, Chief of the Subregional Data Centre.

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ZIMBABWE AT A GLANCE

General Information	
Subregion	Southern Africa
Official language(s)	English
Currency	US Dollars
Capital city	Harare
REC membership(s)	COMESA,SADC

Rankings	
Human development index (United Nations Development Programme)	155/188 (2014)
Gender Inequality index (United Nations Development Programme)	112/155 (2014)
Ibrahim index of African governance (Mo Ibrahim)	44/54 (2014)
Ease of doing business index (World Bank)	153/189 (2015)
Corruption perceptions index (Transparency International)	150/168 (2015)

ECONOMIC GROWTH

The Zimbabwean economy recorded an annual average growth rate of about 9.8 per cent between 2009 and 2012. In 2013, however, growth declined to 4.5 per cent an further down to, in 2014, to 3.8 per cent. Growth contracted further to an estimated 1.5 per cent in 2015. The natural resources extraction sectors of agriculture, forestry, fishing and hunting and mining and quarrying dominate the sectoral contribution to national output and together accounted for some 20.1 per cent of gross domestic product (GDP) in 2014.

FISCAL POLICY

Zimbabwe continues to struggle with a high external debt caused by the country's limited ability to repay and service its obligations with international financial institutions. Currently, the country's total debt stands at US$ 8.4 billion, with external debt accounting for 85 per cent of the total debt.

MONETARY POLICY

During the past five years, the inflation rate in Zimbabwe has remained low, at 1.7 per cent in 2013, 0.2 per cent in 2014 and is projected to be -2.2 in 2015. While the rate has remained below the Southern African Development Community (SADC) benchmark of 3.5 per cent since 2008, the low inflation rate continues to undermine the attractiveness of the local investment climate.

CURRENT ACCOUNT

The country's high dependence on imported goods has meant persistent current account deficits since 2009. For 2015, deficits are estimated at US$ 3.13 billion, as against US$ 3.065 billion in 2014. Current account deficits averaged 22 per cent of GDP over the period from 2009 to 2015, which is more than double the SADC macroeconomic convergence criteria threshold of 9 per cent.

CAPITAL AND FINANCIAL ACCOUNTS

A capital account surplus of US$ 2.6 billion is projected for 2015, mainly as a result of offshore loans to the private sector. Although foreign direct investment into Zimbabwe remains low relative to the size of the economy, at US$ 471 million in 2014, it is expected to continue increasing and is projected to have reached US$ 591 million in 2015 and to grow by a further 3.9 per cent to US$ 614 million in 2016. The beneficiary sectors will be mining, infrastructure and services.

DEMOGRAPHY

According to the 2012 national census, the population of Zimbabwe is estimated to be 13.061 million. The population is relatively young, with 41 per cent aged below 15 and 4 per cent aged above 65.

POVERTY

In 2011/12, 72.3 per cent of all Zimbabweans were considered poor, while 22.5 per cent of the population were living in extreme poverty. Poverty is higher in rural areas, where some 76 per cent of households were considered poor, compared to 38.2 per cent of urban households.

EMPLOYMENT

The agriculture, forestry and fishing sector employs the largest proportion of the population, at 67.2 per cent, with 83 per cent of the total number of employed being unskilled. An estimated 11.3 per cent of the population aged above 15 was unemployed in 2014, representing a 0.6 per cent increase from the 2011 levels of 10.7 per cent.

HEALTH

In 2013, an estimated 1.2 million people were living with HIV and AIDs in Zimbabwe, still the third largest HIV burden in Southern Africa after South Africa and Mozambique, with a prevalence rate of 16.7 per cent in 2014. The 2011 Zimbabwe demographic health survey reports that 15 per cent of Zimbabwean adults aged 15-49 are infected with HIV, which is a decline from the 18 per cent recorded in 2007. The HIV prevalence rate is higher among women, at 18 per cent, than among men, at 12 per cent.

EDUCATION

The primary school net enrolment ratio, although high, declined from 96.2 per cent in 2000 to 92.2 per cent in 2014. The secondary school net enrolment ratio was 53.7 per cent in 2014.

GENDER SCORECARD OF THE AFRICAN UNION COMMISSION

Gross enrolment ratios in secondary education stand at 46.6 per cent for girls, almost the same as for boys (47.9 per cent). The labour force participation rate for women of 87.1 per cent is also not much lower than that of men, at 94.7 per cent. The proportion of women in the lower house of parliament stands at 31.5 per cent, above the regional average.

1

OVERVIEW

Zimbabwe has recorded significant economic improvement since 2005-2008 when the country was afflicted with hyperinflation. The average economic growth rate between 2009 and 2012 was over 9 per cent and the Ministry of Finance and Economic Development projects a 1.5 per cent annual growth rate in 2015, down from 3.8 per cent in 2014 because of slowing growth in the resources sectors. The economy continues to be in deflation and inflation is expected to be negative, at -2.2 per cent in 2015 (Ministry of Finance and Economic Development, 2015a). The improved political situation in the country, in particular following the signing of the Global Political Agreement in October 2008, the formation of the Inclusive Government in February 2009, and the harmonized elections of July 2013 have had a positive impact on the economic prospects of the country.

The years of economic slowdown in Zimbabwe had a negative impact on the social sectors and the country's social development. Although life expectancy increased from 45 years in 2002 to 58 years in 2012, thanks to the declining prevalence of HIV, the incidence of poverty remains high and the proportion of the population in poverty (below the total consumption poverty line) was 73 per cent in 2011/12 (Zimbabwe National Statistics Agency, 2013b), with those in extreme poverty (below the food poverty line) at 23 per cent during the same period. Income inequality remains high at 0.42 in 2011/12, while the incidence of maternal mortality is still relatively high, at 614 deaths per 100,000 live births in 2014 (Zimbabwe National Statistics Agency, 2014b). The literacy rate of those aged 15 and over is 97.7 per cent in 2014 (Zimbabwe National Statistics Agency, 2014a), with an overall unemployment rate at 11.3 per cent, while youth unemployment is higher, at 16.4 per cent.

While Zimbabwe is confronted with major economic challenges, including the impact of the strong United States dollar on exports, and limited access to markets and international resources owing to economic sanctions, the economic diversification agenda upon which the country has embarked should, however, be pursued with relentless vigour through value addition and beneficiation, especially in the agricultural and mining sectors. Structural challenges related to the conduct and conclusion of land reform and to the indigenization and economic empowerment programme need to be addressed, to strengthen the platform for accelerated transformation.

2

NATIONAL AND SUBREGIONAL CONTEXT

The Zimbabwean economy is predominantly agro-based, with the agricultural sector employing about 67.2 per cent of the total labour force while the manufacturing and mining sectors employ about 4 and 1.5 per cent, respectively (Zimbabwe National Statistics Agency, 2014a). The agriculture, fisheries and forestry sectors supply 60 per cent of the raw materials required by the industrial sector, contribute 40 per cent of total export earnings (Ministry of Finance and Economic Development, 2014), consume about 40 per cent of industrial output, contribute 19 per cent to GDP and provide a source of livelihood to 70 per cent of the national population (Ministry of Finance and Economic Development, 2015b). Thus, the growth of the national economy is closely linked to the agricultural sector, including the continuing land reform process,[1] which has helped increase access to and ownership of agricultural land by indigenous Zimbabweans and thereby enhanced their ability to engage in commercial farming activities. Farmers' productivity has continued to be severely constrained, however, by low rainfall in recent years and the decline in irrigation capacity due to the land reform programme, limited financial capacity, skills and agricultural technology. Conclusion of the land reform programme will bring stability and security and facilitate the long-term borrowing and investment required to boost production on the farms.

[1] The land re-distribution programme in Zimbabwe can be divided into two phases: first, from 1979 to 2000, where the principle of "willing buyer, willing seller" was unsuccessfully applied, and, second, beginning in 2000, with the fast-track land reform programme, whose objective was to alter the racial balance of land ownership in favour of the previously disadvantaged majority of black Zimbabweans.

The economy experienced a cumulative decline of -51 per cent during the period 2000-2008, characterized by exchange rate distortions, deindustrialization and, in particular, hyperinflation between 2005 and 2008 and recovered after the multi-currency regime was introduced by the Inclusive Government. The fall-out with the international community that led to economic sanctions following the start of the fast-track land-reform programme in 2000 accounted for the economic decline. The Ministry of Finance and Economic Development projects that the national economy will grow by 1.5 per cent in 2015, down from 3.8 per cent growth in 2014. The expected modest growth in mining, manufacturing, tourism, construction, and financial and public services will continue to anchor the economy, but a slowdown in the agriculture sector, which was affected by poor rains in the 2014/15 farming season and other structural challenges, will undermine the total positive impact. Furthermore, the below normal rainy season predicted for 2015/16 does not augur well for the future of the sector, or for national food security. Other sectors have also experienced slow growth during the year, with the energy sector being the worst affected, as a consequence of technical challenges and low investment with the resultant decline in power generation capacity.

The overall unemployment rate remains at 11.3 per cent, with youth unemployment somewhat higher, at 16.4 per cent (Zimbabwe National Statistics Agency, 2014a). Policies to stimulate the key productive sectors of agriculture, mining, manufacturing and tourism, and also to address the tight liquidity situation, are required to unlock more job opportunities. The current weak domestic demand, tight liquidity and the appreciation of the US dollar against the South African rand are presenting challenges to the export sector (Ministry of Finance and Economic Development, 2015b). The optimistic transformation agenda under the country's blueprint for development, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset), which is anchored on providing value addition and beneficiation to the country's vast natural resources, is expected to underpin industrialization and structural transformation. The President's ten point plan, delivered in August 2015, emphasizes revitalizing agriculture and agroprocessing, beneficiation and value addition, and infrastructure development, along with the implementation of the country's indigenization and economic empowerment programme (Government of Zimbabwe, 2008). This programme lies at the heart of the country's overall economic transformation and broad-based local wealth creation and growth, and it continues to be refined as a key strategy towards domestication of the productive sectors. The programme also complements the land redistribution programme. Mechanisms for indigenization, such as community share ownership trusts and employee share ownership trusts, have been developed as integral vehicles for broad-based economic empowerment under the programme. These will ensure that the overall objective of domestic wealth creation and equity is achieved. Land reform and indigenization[2] are key policy directions which will underpin overall structural transformation in Zimbabwe.

Regionally, Zimbabwe's membership of the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the tripartite free trade area ensures access to a larger market for Zimbabwean goods and services and deeper participation in integration efforts at regional and continental levels. Table 1 shows how well Zimbabwe is performing in meeting its commitments under pan-African integration frameworks such as Agenda 2063 and the Abuja Treaty, by assessing the country against the Africa regional integration index.

[2] For example, from 2000 to 2015, more than 1,470 companies were successfully processed for indigenization in all sectors of the economy and 536 mining sector companies were also processed for indigenization (Government of Zimbabwe, 2015).

Box 1: Africa regional integration index: Zimbabwe

The Africa regional integration index is designed to measure the extent to which each country in Africa is meeting its commitments under the various pan-African integration frameworks such as Agenda 2063 and the Abuja Treaty. The index, which is a joint project of the African Development Bank, the African Union Commission and the Economic Commission for Africa, covers the following dimensions: (i) free movement of persons; (ii) trade integration; (iii) productive integration; (iv) infrastructure; (v) financial integration and macroeconomic policy convergence. The following section gives highlights on selected indicators. A technical description of the indicator may be found on the ECA website at www.uneca.org.

Overall rank: Sixth in SADC (score – 0.555), seventh in COMESA (score – 0.45). Best-performing country in SADC is South Africa (score – 0.74). *				
Free movement of persons: Fifth in SADC (score – 0.66). Best-performing country in SADC is Swaziland (score – 0.70). Sixth in COMESA (score – 0.40).	Trade integration:: Fifteenth in SADC (score – 0.08). Best-performing country in SADC is South Africa (score – 1).	Productive integration: First in SADC (score - 0.74). Fifteenth in COMESA (score – 0.36).	Infrastructure: Eighth in SADC (score – 0.46). Best-performing country in SADC is Botswana (score – 0.82). Ninth in COMESA (score – 0.47).	Financial integration and macroeconomic policy convergence: Fifth in SADC (score – 0.50). Best-performing country in SADC is South Africa (score – 0.915).

Free movement of persons: The country scores moderately, as it allows nationals of 27 other African countries to enter visa-free or with a visa on arrival. Zimbabwe has ratified articles 14, 17 and 18 of the SADC Treaty, which concern free movement of persons, rights of establishment and free movement of workers. The country has yet to ratify the COMESA protocol on free movement of persons (ECA, African Development Bank and African Union Commission, 2012; ECA, African Union Commission and African Development Bank, 2013; ECA and African Union Commission, 2015).

Trade integration: Zimbabwe performs moderately. It has a high average applied tariff of 24 per cent on imports from SADC; however, it has an average applied tariff of just 0.1 per cent on imports from COMESA. The country's trade with the rest of COMESA and SADC is relatively high as a share of its GDP. In 2013, the country's imports from SADC member States amounted to 33 per cent of its GDP and the country ranked fifth within the bloc on this measure, behind only Lesotho, Namibia, Botswana and Swaziland. Zimbabwe has the ninth highest share of imports from COMESA in GDP (3 per cent) among COMESA members. The country's exports (excluding re-exports) to the SADC region amounted to 23 per cent of GDP, which placed it third behind Swaziland and Namibia on this measure among SADC members. Zimbabwe has the eighth highest share of exports to COMESA among COMESA members, at 2 per cent of GDP.

Productive integration: Zimbabwe falls within the group of top-ranking countries in terms of integration into regional value chains. The country scores moderately (twenty-first out of all countries in Africa) in the merchandise trade complementarity index of the United Nations Conference on Trade and Development (UNCTAD), which measures the extent to which a country's trade is complementary with that of its partners. This suggests that some level of specialization through trade between Zimbabwe and other countries in the region may have taken place. Considering intra-regional trade in intermediate goods, the index shows that the proportion of intermediate goods in trade by Zimbabwe with SADC is also high. The country's share of intermediates in total imports within the region averaged 61 per cent in 2014 (that is, the average of the shares for SADC and COMESA), which ranked the country thirteenth among countries that are members of either SADC or COMESA (or of both). Zimbabwe's share of intermediates in its exports to SADC and COMESA was also high at 53 per cent and ranked the country sixteenth among members of COMESA, SADC or both. The country scores first in SADC in this dimension because the data is taken as the average of the period 2010-2013 (the period when data was available for a broad range of countries).

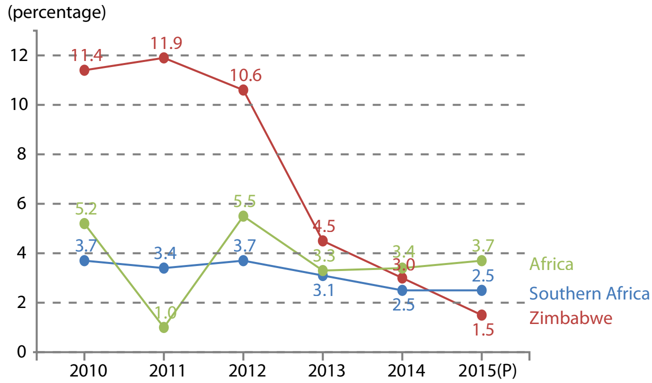
Infrastructure: Zimbabwe ranked 13th out of all African countries, a strong performance. The country's internet bandwidth per capita of around 0.7 megabits per second per person is the 23rd-highest on the continent. Internet bandwidth is important for international communication as it supports trade in services. Around 84 per cent of international flights to and from Zimbabwe in June 2014 were intra-SADC, which ranked the country eighth within the bloc, while 46 per cent were intra-COMESA which ranked the country fifteenth among members of that REC.

Information on Zimbabwe's macroeconomic policy convergence can be retrieved from the dedicated website on the Africa Regional Integration Index.

* A continent-wide ranking, in which all African countries from all Regional Economic Communities will be compared with one another, is currently under development for the Africa Regional Integration Index and will be added to subsequent updates of ECA's country profiles.

Zimbabwe's macroeconomic performance remains below average when compared with that of its regional neighbours. Within SADC, the country ranks tenth in terms of GDP per capita, thirteenth in terms of annual real GDP growth rate (third lowest in 2014) and in terms of debt-to-GDP ratio, indicating its high indebtedness compared with its regional neighbours (table 2). The high indebtedness continues to undermine the country's ability to secure development support and thus remains a threat to long-term economic development. Over the last five years, however, the country's real GDP growth rate has improved markedly and has risen above both the SADC and continental average (figure 1).

Figure 1: Zimbabwe's regional comparison on economic growth rate



Source: Ministry of Finance and Economic Development, 2015a; SADC, 2015; African Development Bank, African Union Commission and ECA, 2015

Table 1: Performance by Zimbabwe on selected indicators

Zimbabwe/SADC indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Zimbabwe per capita GDP (USD dollars)	663	584	578	532	667	767	859	955	1 023	1 033
SADC average	1 640	1 768	1 937	2 012	1 928	2 295	2 582	2 555	2 471	2 378
Zimbabwe annual real GDP growth rate (%)	-4.1	-3.6	-3.3	-2.8	5.4	11.4	11.9	10.6	4.5	3.8
SADC average	6.6	7.2	8.1	5.6	0.6	4	4.1	4.3	3.8	4.6
Zimbabwe imports of goods and services as % of GDP	75.9	42.6	2.9	45.2	76.1	62	78.5	60	57.1	45.3
SADC average	31.8	32.8	35.9	41.4	37.6	33.5	35.6	36.8	36.4	33.6
Zimbabwe debt/GDP ratio (%)	66.3	75	66.2	72.7	77.1	70.8	67.4	60.1	66.2	76.6
SADC average	26	24.4	24.3	23.9	27.8	26.3	25.7	29.5	30.8	33.5

Source: SADC, 2015.

3

ECONOMIC PERFORMANCE

3.1 Economic growth and sectoral performance

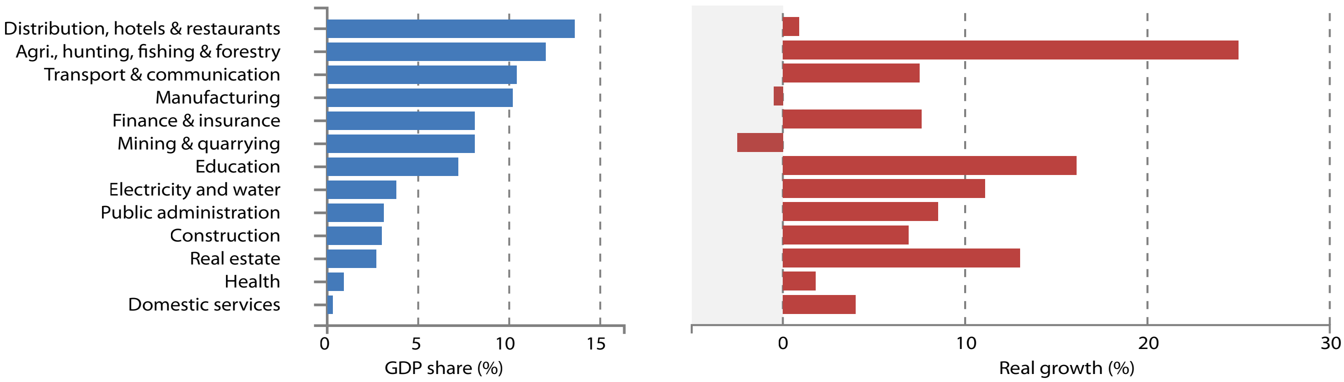
Positive but unstable economic growth

The Zimbabwean economy recorded an annual average growth rate of about 9.8 per cent between 2009 and 2012, increasing from 5.4 per cent in 2009 to peak at 11.9 per cent in 2011 before declining to 10.6 per cent in 2012. This revival came on the back of the economic stability achieved following the introduction of the multi-currency regime in 2008. The overall economic recovery has remained fragile, however, owing to various external and internal factors and growth has continued to decline since then, dropping to 4.5 per cent in 2013 and to 3.8 per cent in 2014. Declining commodity prices, the exchange rate between the United States dollar and the South African rand, the uncertain prospects for world economic growth, and the impact of unilateral economic sanctions continue to undermine the country's growth prospects and revival. Consequently, the Ministry of Finance and Economic Development anticipates that the economy will grow by 1.5 per cent in 2015, before recovering to 2.7 per cent in 2016. The expected further upturn in 2016 will originate from the mining, tourism, construction and financial sectors. Resolution of the country's external debt arrears in mid-2016 is expected to unlock foreign direct investment and international financial resources, which will lead to the revival of these sectors. These overall positive growth prospects will be hampered, however, by the poor performance of the agriculture sector due to the recent droughts.

The natural resources extraction sectors of agriculture, forestry, fishing and hunting, and mining and quarrying dominate sectoral contribution to national output and together accounted for about 20.1 per cent of GDP in 2014 (figure 2). The manufacturing sector's contribution to GDP has declined gradually over the last few years, dropping between 2009 and 2014 from 13.1 to 10.2 per cent. On the other hand, the construction sector's contribution to GDP has increased marginally from 2.6 per cent in 2011 to 3 per cent in 2014. Figure 2 shows the percentage distribution of GDP by industry at current prices between 2010 and 2014.

The strong performance in the mining sector, anchored on favourable mineral and metal prices, peaked in 2011, at the height of the mineral commodities price super-cycle. Growth in the mining sector averaged 16 per cent between 2010 and 2014, driven by the recapitalization undertaken by most mining houses following the introduction of the multi-currency system in 2009. In 2014 and 2015, however, declining prices resulted in a negative growth in the sector of 2.9 and 2.3 per cent, respectively. The agriculture sector's contribution was boosted by the high tobacco, sugar, maize and cotton prices during the same period. The continued decline of commodity prices which started in 2011 is expected to adversely affect the national economic growth rate. These developments further emphasize the instability of growth derived from the primary commodities sector.

Figure 2: Sector shares and growth (2014)



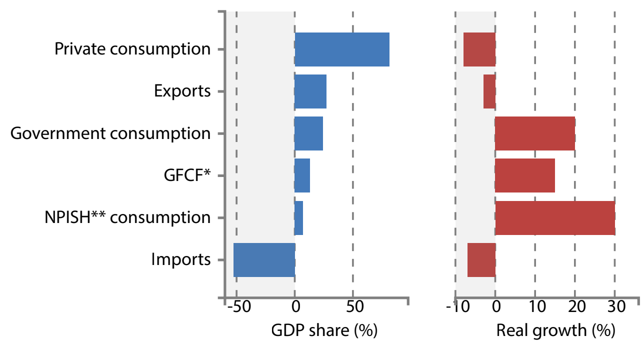
Source: Zimbabwe National Statistics Agency, 2015.

The manufacturing sector continues to be impeded by structural bottlenecks such as erratic power supply, obsolete machinery, poor infrastructure, low liquidity levels, increased foreign competition, low consumer demand and the lack of and the high cost of capital. In 2010, however, following a period of decline between 1998 and 2008, the sector grew by 4 per cent and in 2011 registered impressive growth of 16.7 per cent. Growth rates declined to 9.8 per cent and 2.6 per cent in 2012 and 2013, respectively, before registering a negative growth rate of 0.5 per cent in 2014. The sector remains in a crisis with capacity utilization declining from an average of 57 per cent in 2011 to 44 per cent in 2012 and 39 per cent in 2013. This further declined to 37.3 per cent in 2014 and 36 per cent in October 2015. The decline experienced between 2011 and 2014 resulted in the closure of at least 4,610 companies, with the loss of 55,443 jobs. In 2015, however, the sector is projected to register moderate growth rates of 1.6 per cent, with the recovery driven by the foodstuffs, tobacco, drinks and beverages subsectors (Ministry of Finance and Economic Development, 2014).

Figure 3 shows that GDP by demand component in current prices for 2014 is dominated by household consumption with government consumption and exports being the other major components.

Accurate projections of macroeconomic indicators are important for planning purposes and, in making their estimates, Governments work on the basis of their own analyses and also on the estimates provided by other credible institutions. Box 2 presents an assessment of the accuracy of the forecasts by various institutions of the real GDP growth, inflation and current account balance for Zimbabwe.

Figure 3: Demand shares and growth (2014)



*GFCF: Gross fixed capital formation
**NPISH: Non-profit institutions serving households

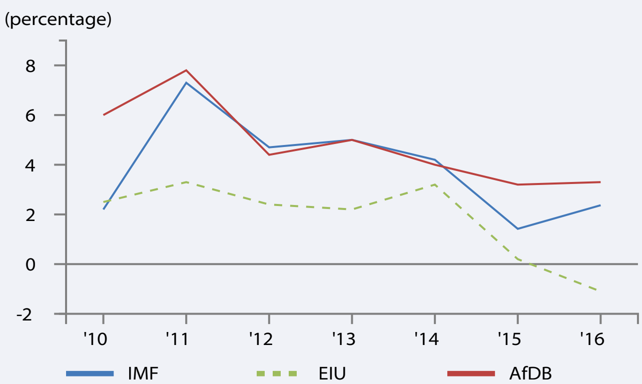
Source: Zimbabwe National Statistics Agency, 2015.

Box 2: Forecasts for the Zimbabwean economy

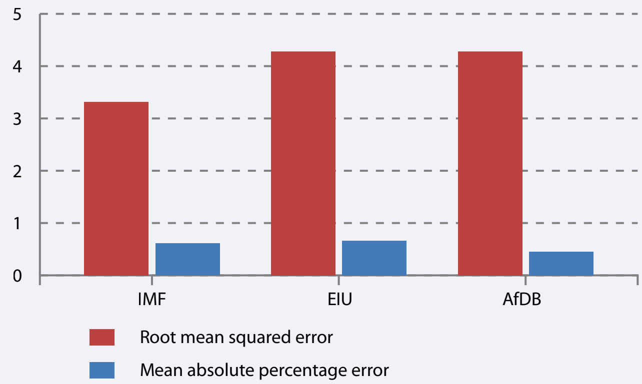
The GDP growth forecasts produced by the AfDB, EIU and the IMF show the same downward trend since 2010 with the forecast of the EIU being the lowest and showing the steepest decline in 2016. The most optimistic forecast for 2016 was produced by the AfDB (3.3 per cent) and the least optimistic by the EIU (-1.1 per cent).

The root mean squared error (RMSE) and the mean absolute percentage error (MAPE) are common forecast accuracy measures. The higher the value of these errors, the less accurate the forecasts are. The analysis suggest that the most accurate forecasts produced for the period 2010-2014 were those made by the International Monetary Fund.

Forecasted GDP growth rates by institution



Forecast error



3.2 Fiscal policy

Rising external indebtedness

Zimbabwe continues to struggle with high external debt caused by the country's limited ability to repay and service its obligations with international financial institutions (table 3). Currently, the country's total debt stands at USD 8.4 billion, with external debt accounting for 85 per cent of the total debt. The increase in domestic debt is expected to contribute to a rise in government debt service, expected to amount to USD 300 million from 2016.

The Government has made commitments to come good on external debts by April 2016 through a debt clearance strategy approved by creditors on the sidelines of the 2015 World Bank and IMF meeting in Lima, in October 2015. This will open up lines of credit, unlock growth opportunities and facilitate the injection of new capital through foreign direct investment. The Public Debt Management Act is also expected to strengthen debt management in the country.

On public finances, over the ten months to October 2014, revenue collections amounted to USD 3.04 billion, against a target of USD 3.27 billion and compared to USD 3.01 billion in 2013. During the first half of 2015, revenue collections failed to meet the targets and amounted to USD 1.72 billion, against a target of USD 1.87 billion. The bulk of the revenue was generated from tax, which contributed

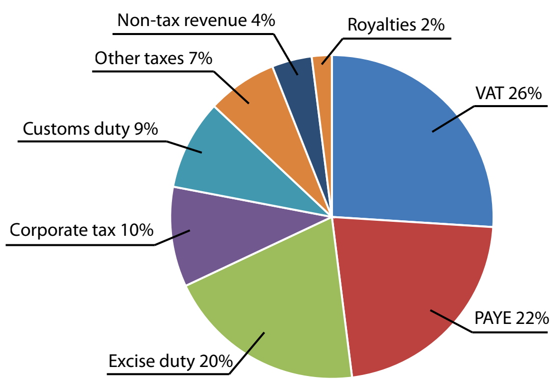
Table 2: Public and publicly guaranteed debt (million United States dollars, 2015)

	Debt	Arrears	Total debt (including arrears)
Bilateral creditors	1 070	2 959	4 029
of which: Paris Club	226	2 808	3 034
Non-Paris Club	844	151	995
Multilateral creditors	374	2088	2 462
Reserve Bank of Zimbabwe – external	0	587	587
External debt	**1 444**	**5 634**	**7 078**
Domestic debt (excl. guaranteed debt)	**1 290**		**1 290**
Total	**2 734**	**5 634**	**8 368**

Source: Ministry of Finance and Economic Development, 2015b.

USD 1.65 billion (96 per cent), while non-tax revenue contributed USD 71.80 million or 4 per cent of total revenue. Value added tax (VAT) at 26 per cent, pay as you earn (PAYE) at 22 per cent and excise duty at 20 per cent were the major contributors to tax revenue during the period January-September 2015, as shown in figure 4, while table 4 shows a summary of central government accounts.

Figure 4: Contribution to total national revenue by revenue source (January – September 2015)



Source: Ministry of Finance and Economic Development, 2015b.

Table 3: Summary of Central Government accounts, 2010-2014 (millions of United States dollars)

	2010	2011	2012	2013	2014
Total revenue and grants	**2 465**	**2 997**	**3 589**	**3 856**	**3 817**
Total revenue	2 465	2 997	3 589	3 856	3 817
Current revenue	2 461	2 994	3 588	3 855	3 816
Tax	2 215	2 661	3 279	3 414	3 476
Non-tax	246	333	309	441	340
Capital revenue	4	3	1	1	1
Total expenditure and net lending	**2 239**	**2 973**	**3 661**	**4 120**	**4 002**
Total expenditure	1 980	2 890	3 538	4 038	4 296
Current expenditure	1 603	2 501	3 178	3 570	3 565
Capital expenditure	415	353	302	386	354
Overall balance	**226**	**24**	**-72**	**-264**	**-185**

Source: Zimbabwe National Statistics Agency, 2015.

3.3 Inflation and monetary policy

Economy in deflation

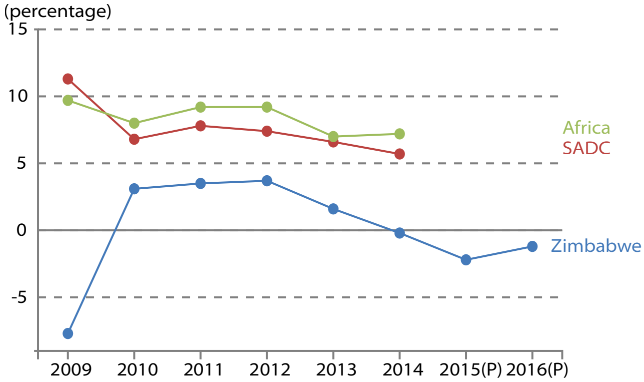
During the past five years, Zimbabwe's inflation rate has remained low. Figure 5 shows an inflation rate of -7.9 per cent (deflation) in 2009, which increased gradually to 3.8 per cent in 2012 and retreated further to 1.7 per cent in 2013 and to -0.2 per cent in 2014. The inflation rate has remained below the SADC benchmark of 3-5 per cent since 2008. The low inflation rate continues, however, to undermine the attractiveness of the local investment climate. The general price level in the economy has been on a downward trend, with monthly inflation declining from 1 per cent in February 2013 to -0.2 per cent in July 2015 (Ministry of Finance and Economic Development, 2014). According to the Reserve Bank of Zimbabwe, the negative inflation is attributable to both food and non-food inflation oscillating within the negative territory (Reserve Bank of Zimbabwe, 2015). The Ministry of Finance and Economic Development projects that inflation will remain low and subdued in 2015 as a consequence of weak aggregate demand emanating from tight liquidity and low disposable incomes due to unemployment, the depreciation of the South African rand against the United States dollar, stable inflation expectations, and steady and low food prices. As a consequence, annual inflation for 2015 is projected at -2.2 per cent, before rising marginally to -1.6 per cent in 2016 (Ministry of Finance and Economic Development, 2014).

3.4 Current account

High current account deficit

The country's high dependence on imported goods has meant persistent current account deficits since 2009 (figure 6). For 2015, deficits are estimated at USD 3.13 billion, as against USD 3.065 billion in 2014 (Ministry of Finance and Economic Development, 2015c). Current account deficits averaged 22 per cent of GDP over the period 2009-2015, which is more than double the SADC macroeconomic convergence criteria threshold of 9 per cent. The deficits are mainly financed by private sector borrowing and private remittances from the diaspora, which totalled USD 960 million in 2015 (Ministry of Finance and Economic Development, 2014, Reserve Bank of Zimbabwe, 2016).

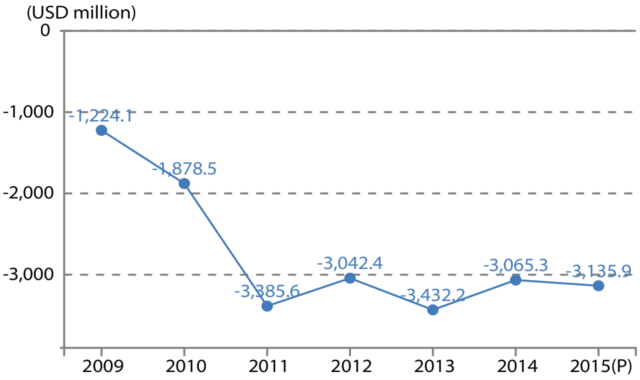
Figure 5: Zimbabwe, SADC and Africa inflation rates, (2009-2014)*



Source: SADC, 2014; Ministry of Finance and Economic Development, 2015a.

** (p) represents projected values*

Figure 6: Current account balances (2009-2015)*



Source: Ministry of Finance and Economic Development, 2015.

** (p) represents projected values*

In the five years between 2009 and 2013, total exports increased by about 115.9 per cent, peaking at USD 3.9 billion in 2012 before declining to USD 3.6 billion in 2013. In 2014, exports totalled USD 3.6 billion and are projected to drop slightly, to USD 3.4 billion in 2015. Overall, crude materials (raw materials) constitute the largest proportion of total exports. In 2009, they constituted 44 per cent of total exports, declining to 37.4 per cent in 2010 and 34 per cent in 2013, while tobacco and beverages accounted for 26 per cent of exports (figure 7).

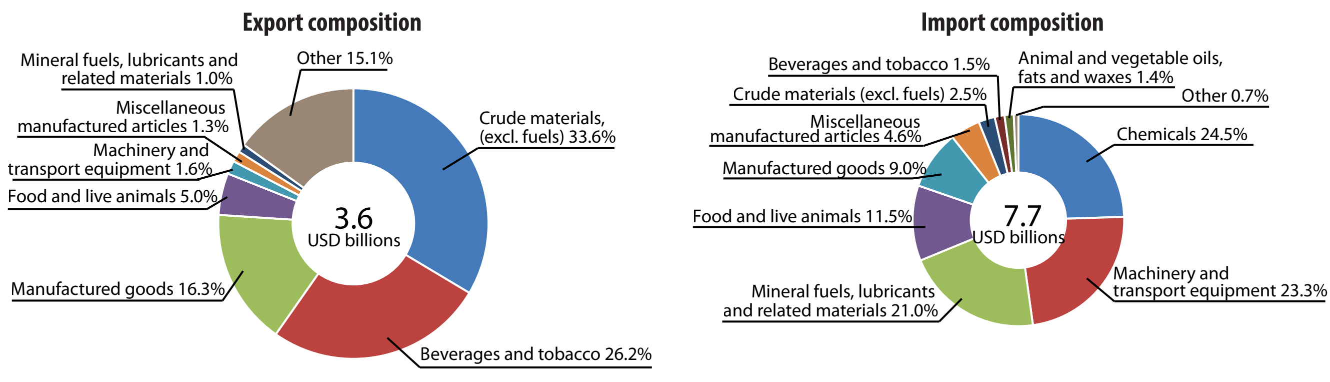
Export receipts increased by 0.4 per cent to USD 1.23 billion during the first half of 2015 and are expected to total USD 3.4 billion by year end, against imports of USD 6.3 billion, giving a trade deficit of USD 2.9 billion. Mineral exports accounted for USD 653 million of total export receipts during the first half of 2015, followed by tobacco at USD 321 million. The major mineral exports were gold, platinum group metals and nickel, while flue-cured tobacco and raw sugar were the principal agricultural exports.

The country's major trading partner is South Africa, which accounted for 68 per cent of the country's exports during the first half of 2015. Other export destinations included Mozambique (16 per cent) and the United Arab Emirates (8 per cent), while the rest of the world accounted for 8 per cent of Zimbabwe's total exports.

Between 2009 and 2013, the value of imports increased from USD 6.2 billion to USD 7.7 billion in 2013. Chemicals, machinery and transport equipment, mineral fuels, food and live animals and animal and vegetable oils, fats and waxes accounted for a total of 82 per cent of imports in 2013, as shown in figure 7.

Imports amounting to USD 3.1 billion were recorded during the first six months of 2015, a slight increase from the USD 3 billion recorded during the same period in 2014. Food imports are projected to increase by 64 per cent, owing to the poor yields during the 2014/15 farming season, which necessitated higher imports of maize. Agriculture is further constrained by electricity interruptions, poor farm infrastructure, high electricity costs and the high cost of farming inputs. The major sources of the country's imports include South Africa (43 per cent in 2014), Singapore (20 per cent), China (7 per cent) and India (7 per cent). The major imports into Zimbabwe are motor vehicles and machinery, fuel, lubricants and foodstuffs.

Figure 7: Foreign trade (2013)



Source: Zimbabwe National Statistics Agency, 2014c.

3.5 Capital and financial accounts

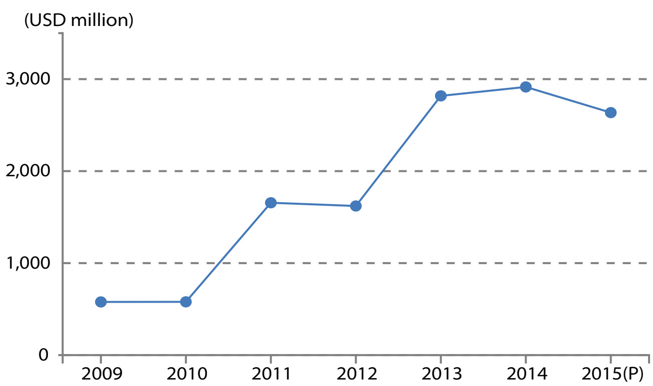
Foreign direct investment on the increase since 2009 thanks to an improved investor perception

A capital account surplus of USD 2.6 billion is projected for 2015, mainly as a result of offshore loans to the private sector (Ministry of Finance and Economic Development, 2015c). Although foreign direct investment in Zimbabwe remains low relative to the size of the economy, measuring USD 471 million in 2014, it is expected to continue increasing and is projected to have reached USD 591 million in 2015 and to grow by a further 3.9 per cent to USD 614 million in 2016 (figures 8 and 9). The beneficiary sectors will be mining, infrastructure and services. Between 2012 and 2014, foreign direct investment inflows measured as a percentage of gross fixed capital formation increased from 19.2 to 30.2 per cent. Inflows increased following the introduction of the multi-currency system and of various policies to attract investment, such as the creation of a one-stop shop for investors. An increase in foreign direct investment inflows in 2015 is expected on the back of the continued implementation of the ease-of-doing-business reforms (Ministry of Finance and Economic Development, 2014).

Despite improved foreign direct investment inflows, Zimbabwe remains at a fairly low ranking as an investment destination. Recent (2015) World Bank data on doing business show that starting a business in Zimbabwe requires a total of nine procedures, takes 90 days and costs 141.2 per cent of per capita income. Globally, Zimbabwe ranked 171 out of 189 economies on the ease of starting a business, 93rd on the ease of registering property, 109th on the ease of getting credit and 128th on the strength of investor protection. The country ranked 167th on the ease of trading across borders, and contract enforcement takes 410 days, costs 113.1 per cent of the value of the claim and requires 38 procedures in the country. It ranked a lowly 118th on the ease of enforcing contracts, and resolving insolvency takes 3.3 years on average and costs 22 per cent of the debtor's estate.

The country has, however, made progress on business climate factors such as resolving insolvency, dealing with construction permits, trading across borders and getting electricity. Nevertheless, investors still encounter challenges in terms of starting a business, registering property, securing credits, enforcing contracts and paying taxes in the

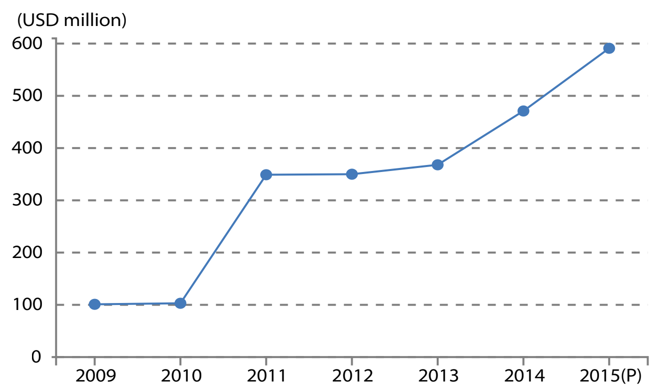
Figure 8: Capital account (2009-2015)*



Source: Ministry of Finance and Economic Development, 2015c.

** (p) represents projected values and (e) represents estimated values*

Figure 9: Net FDI (2009-2015)*

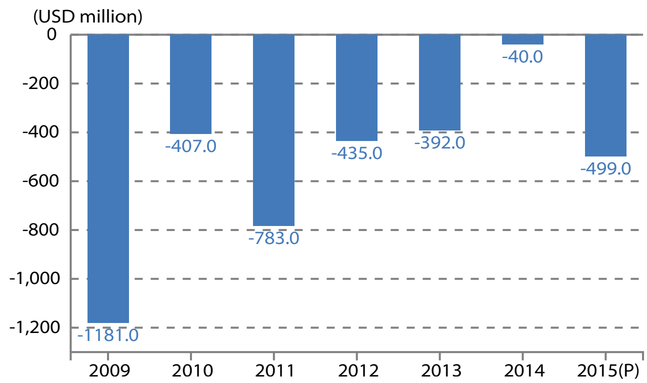


Source: Ministry of Finance and Economic Development, 2015c.

** (p) represents projected values and (e) represents estimated values* country. When compared with its neighbours in Southern Africa, Zimbabwe ranked last in most of the indicators relating to doing business in 2014, including ease of trading across borders, dealing with construction permits and strength of investor protection. The Zimbabwe National Competiveness Report (2015) identifies as the main impediments to domestic investment the general socioeconomic policy environment (including interpretation of the indigenization and economic empowerment policy), the erratic power supply, the high cost of labour, high corporate taxes, poor infrastructure and the high cost of local borrowing. Recently announced clarifications on the implementation of the indigenization and economic empowerment policy will accelerate investment and structural transformation. Similarly, the continued re-engagement with the West is expected to improve the investment climate and lead to inflows of foreign direct investment.

Zimbabwe's capital account surpluses are inadequate to finance the current account expenditures; thus the country has been experiencing overall balance of payments deficits. Following the decline in its deficit from USD 392 million in 2013 to USD 40 million in 2014, the deficit is expected to increase further to a projected USD 499 million in 2015 (figure 10), mainly because of the offsetting of external debt obligations that fall due this year and which the Government has committed itself to clearing.

Figure 10: Overall balance of payments (2009-2015)*



Source: Ministry of Finance and Economic Development, 2015c.
** (p) represents projected values*

4

SOCIAL DEVELOPMENTS

4.1 Demography

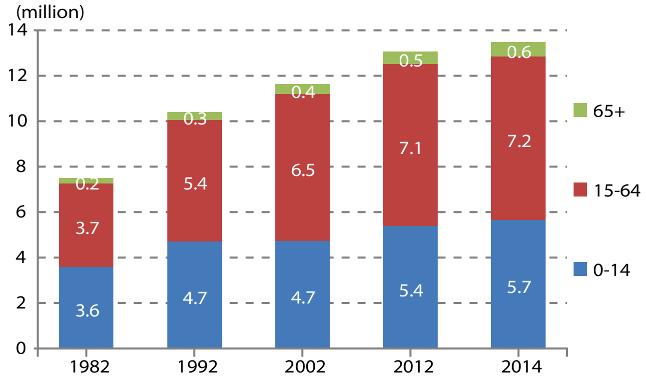
Relatively young population
According to the 2012 national census, the population of Zimbabwe was estimated at 13.061 million, with 52 per cent females and 48 per cent males. The population is relatively young, with 41 per cent aged below 15 and 4 per cent above 65 (figure 11). Two thirds of the population is below the age of 25 and 67 per cent of the population lives in the rural areas. The 2012 census further indicates an average population growth rate of 1.1 per cent per annum between 1992 and 2012. HIV and AIDS-related mortality has contributed to a decline in population growth rates, as have other factors, including family planning, improvements in female education, decline in fertility, and migration out of Zimbabwe. Life expectancy, which declined between 1992 and 2002, is on the rebound, increasing from 45 years in 2002 to 58 years in 2012 thanks to the decline in HIV incidence.

The 2014 Labour Force Survey showed that between 2011 and 2014, Zimbabwe's population remained primarily rural with 68 per cent of the population living in rural areas in 2014 compared to 69 per cent in 2011 (Figure 12).

4.2 Poverty and employment

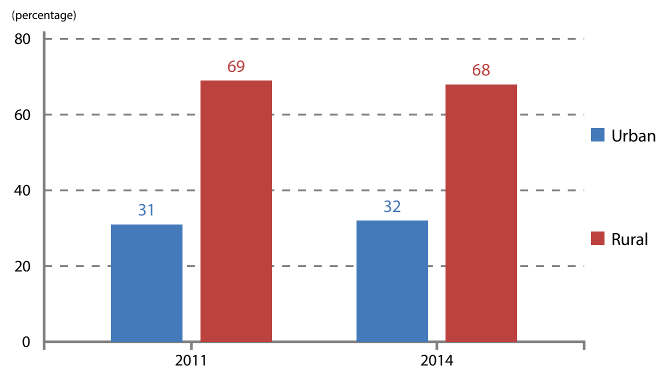
High incidence of poverty in rural areas and a large informal economy masking high levels of unemployment
Zimbabwe's improved economic growth rates over the past five years have not significantly reduced unemployment and poverty, both of which remain high. The agriculture, forestry and fishing sector

Figure 11: Population distribution by age (1982–2014)



Source: Zimbabwe National Statistics Agency, 2014a; 2002; 2012.

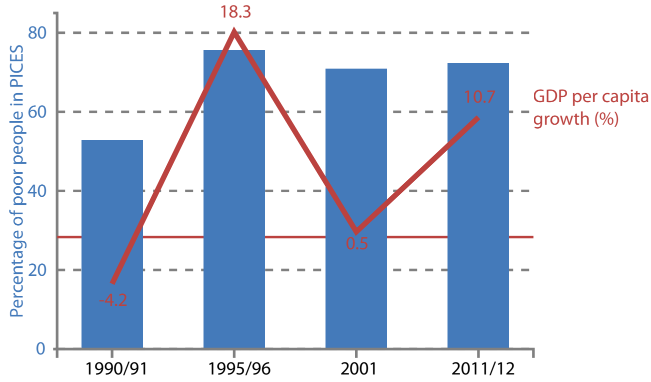
Figure 12: Percent Population Distribution by Rural/Urban (2011 and 2014)



Source: Zimbabwe Statistics Agency, 2014a employs the largest proportion of the population, at 67.2 per cent, with 83 per cent of the total number of employed being unskilled (Zimbabwe National Statistics Agency, 2014a). In 2011/12, 72.3 per cent of all Zimbabweans were considered poor,[3] while 62.6 per cent of the households were deemed poor and 22.5 per cent of the population were living in extreme poverty (Zimbabwe National Statistics Agency, 2013b). Poverty is higher in rural areas, where about 76 per cent of households were considered poor, compared to 38.2 per cent of urban households. Individual poverty prevalence was 84.3 per cent in rural areas, compared to 46.5 per cent in urban areas, while extreme poverty was 30.4 per cent in rural areas, compared to a mere 5.6 per cent in urban areas. In addition, the incidence of poverty in male-headed households differed minimally from that in female-headed households, at 62.9 and 62 per cent, respectively. The poverty gap index among people in rural areas is 42.8 per cent, compared to 15.5 per cent in urban areas. The degree of inequality among the rural poor is also widespread, indicating a 25.4 per cent poverty severity index, as compared to 7.2 per cent in urban areas. Income inequality as measured by the Gini coefficient was 0.42 in 2011/12, down from 0.49 in 2001. Figure 13 shows the GDP per capita growth.

An estimated 11.3 per cent[4] of the population aged above 15 was unemployed in 2014 (table 5), representing a 0.6 per cent increase from the 2011 levels of 10.7 per cent. The current broad youth unemployment rate for youth aged 15-34 was 15.3 per cent, with the data showing young women having a higher rate of 20.3 per cent than young men with 9.8 per cent. Urban unemployment is significantly higher than rural unemployment, at 29.5 per cent compared to 2.6 per cent, and youth

Figure 13: GDP per capita growth and poverty datum line (1991-2012)



Source: Zimbabwe National Statistics Agency, 2015, growth calculated by author, poverty datum line, December 2015.

unemployment is higher in urban areas, at 37.5 per cent compared to rural areas with 4 per cent[5]. The unemployment rate of urban young women was higher, at 46.6 per cent, compared to urban young men, at 26.3 per cent. A large proportion of those in employment in urban areas are in the informal sector, while for the rural areas the employed are in the agricultural sector. In all, 95 per cent of those in employment in 2014 were in informal employment,[6] an over 10 per cent increase from the 84.2 per cent in informal employment in 2011. Workers who have lost jobs due to a contracting manufacturing sector capacity utilization in manufacturing has declined 57 per cent in 2011 to 36 per cent in October 2015 have joined the informal sector. A total of over 4,610 companies have closed shop between 2011 and 2014 resulting in the loss of 55,443 jobs (Ministry of Finance and Economic Development, 2014). The relative shares of employment and unemployment for males and females aged 15 years and above in

[3] Zimbabwe National Statistics Agency defines poverty as the inability to attain a level of well-being constituting a realistic minimum as defined by society while extreme poverty represents households whose per capita consumption expenditures fall below the minimum consumption expenditure necessary to ensure that each household member can consume a minimum food basket containing 2100 calories (Zimbabwe National Statistics Agency, 2013a)

[4] The 2014 labour force survey defines unemployment broadly, as referring to persons who are 15 years and older and without work, but available for work. It does not include those actively seeking work

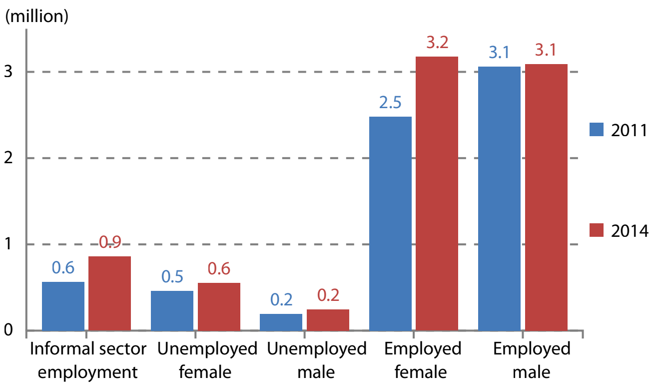
[5] The agricultural sector absorbs most of the rural population and hence unemployment is slightly lower than urban areas.

[6] Informal employment is generally associated with high vulnerability to poverty. It is determined by the characteristics of the job which a person does, and includes: own-account workers and employers employed in their own informal sector enterprises; unpaid family workers who work in formal or informal sector enterprises; members of informal producer cooperatives; all own-account workers (communal, resettlement, peri-urban farmers), and paid employees not entitled to pension fund contributions by employer, or to paid annual, maternity and sick leave and without any written contract from an employer. Generally, the incomes of people in informal employment are not taxed.

2011 and 2014 in Figure 14 shows that the share of women in employment rose during this period.

The size[7] of the informal sector in Zimbabwe has remained relatively high, at 13.7 per cent in 2014, with the proportions for women being generally slightly higher than those for men in 2014 (Zimbabwe Statistics Agency, 2015). According to the 2014 labour force and child labour survey, nationally, 970,112 persons (16 per cent) of the country's total employed persons were underemployed,[8] and the proportions were almost the same for women and men. Women constituted 53.6 per cent of the 15 years and above working population in 2014, a slight decrease from 53.8 per cent in 2011.

Figure 14: Relative Shares of Males and Females in Employment (2011 and 2014)



Source: Zimbabwe Statistics Agency 2014a

4.3 Health

Deteriorating health infrastructure

The economic challenges experienced prior to 2009 resulted in a sharp decrease in funding to the health sector, leading to the deterioration of health infrastructure, loss of experienced health professionals, drug shortages and a drastic decline in the quality of health services. The health budget allocation has been fluctuating between 7 per cent and 9.8 per cent since the introduction of the multicurrency regime in 2009 and was 8.2 per cent in 2014, which is below the 15 per cent Abuja target.

Furthermore, health indicators declined as a consequence of the HIV and AIDS pandemic, brain drain, poor state of health facilities, inadequacy of drugs and medical supplies, breakdown of sewerage, water supply and water treatment systems and high poverty levels. In 2013, an estimated 1.2 million people were living with HIV in Zimbabwe, still

Table 4: Employment and unemployment levels, 2011 and 2014 (%)

	2011	2014
Labour force participation rate (15+ years)	87.3	90.8
Youth labour force participation rate (15-24 years)	79.3	84.1
Unemployment rate (15+ years)	10.7	11.3
Urban unemployment (15+ years)	26.1	29.5
Rural unemployment (15+ years)	3.4	2.6
Youth unemployment (15-24 years)	16.5	16.4
Proportion working age 15+ years (female)	53.8	53.6
Proportion working age 15+ years (male)	46.2	46.4

Source: Zimbabwe National Statistics Agency, 2014a.

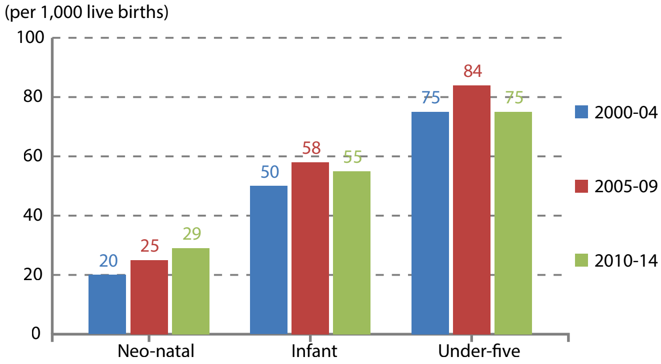
[7] Measured by persons employed in the informal sector as a percentage of all employed persons.

[8] In the 2014 labour force and child labour survey, time-related underemployment was defined as all those employed persons aged 15 years and above involuntarily working less than 40 hours a week who wanted to work additional hours during the seven days preceding the survey.

the third largest HIV burden in Southern Africa after South Africa and Mozambique, with a prevalence rate of 16.7 per cent in 2014. The 2011 Zimbabwe demographic health survey reported that 15 per cent of Zimbabwean adults aged 15-49 were infected with HIV, which is a decline from the 18 per cent recorded in 2007. The HIV prevalence rate is higher among women, at 18 per cent, compared to men at 12 per cent. The prevalence rate for 15-24 year olds is 3.7 per cent higher in women than in men. In general, people with better education and socioeconomic status have lower HIV prevalence. Zimbabwe has stabilized the spread of HIV and AIDS, and prevalence declined from a peak of 29.6 per cent in 1998 to 21.8 per cent in 2005 and then down to the current levels. HIV incidence among adults declined from 2.6 per cent in 2000 to 0.9 per cent in 2014 and among young people aged 15-24 prevalence declined from 7.8 per cent in 2005/06 to 5.5 per cent in 2010/11. The incidence of malaria and tuberculosis is declining; thus, in 2014, malaria incidence was 40 cases per 1,000 people and, in 2013, tuberculosis incidence was 552 cases per 1,000 people (United Nations Development Report, 2015).

Furthermore, the decline of services in the heath sector, food insecurity and poverty contributed to slow progress in improving child and maternal health. The under-5 mortality was 75 deaths per 1,000 live births in 2014, down from 84 in 2010/11 (figure 15). The infant mortality rate[9] was 55 deaths per 1,000 live births. Maternal mortality stood at 960 deaths per 100,000 live births in the seven years preceding the 2010/11 demographic health survey (Zimbabwe National Statistics Agency, 2011) before declining to the current levels 614 per 100,000 (Multiple Cluster Indicator Survey, 2014). There has also been a decrease in the proportion of births attended by skilled health personnel, in particular in rural areas, due to challenges such as unaffordable maternity fees, reduced attendance of expectant mothers at antenatal clinics because of associated

Figure 15: Child mortality rates* (2000-2014)



Source: Zimbabwe National Statistics Agency, 2014b.

* Post neonatal mortality rate is the ratio of the number of deaths in a given year of children between the 28th day of life and the first birthday relative to the difference between the number of the live births and neonatal deaths in that year. The ratio is sometimes approximated as the difference between the infant mortality rate and the neonatal mortality rate.

costs or long distances to the clinics and the inability of some women to make choices on reproductive health issues because of social or cultural pressures. Under-5 mortality is higher in rural areas than urban areas, by 12 deaths per 1,000 births. According to the 2010/11 Zimbabwe demographic health survey, 32 per cent of the children under 5 years of age were stunted,[10] with 11 per cent severely stunted.[11] Rural areas had higher levels of under-5 stunting than urban areas, with corresponding figures in 2014 of 30.4 and 20 per cent, respectively. Under-5 underweight remained moderate[12] at 11.2 per cent in 2014. Rural areas had higher proportions of underweight under-5 children than urban areas, with figures in 2014 of 12.7 and 6.8 per cent, respectively. The incidence of underweight increased in rural areas between 2010/11 and 2014, but declined in urban areas during the same period.

Recent data, however, show an improvement in the capacity of the health sector. For example, the number of doctors increased from 667 in 2007 to 1 122 in 2013, the density of doctors increased from

[9] the ratio of the number of deaths in one year of children less than one year of age to the number of live births in that year.

[10] Height for age below -2 standard deviations.
[11] Height for age below -3 standard deviations.
[12] Mild malnutrition = below 10 per cent; moderate malnutrition = 10-20 per cent; severe malnutrition = above 20 per cent.

0.0546/1,000 people in 2007 to 0.081/1,000 people in 2012, the number of nurses also increased from 14,768 in 2007 to 18,677 in 2013, and the density of nurses improved from 1.2080/1,000 people in 2007 to 1.189/1,000 people in 2012.

4.4 Education

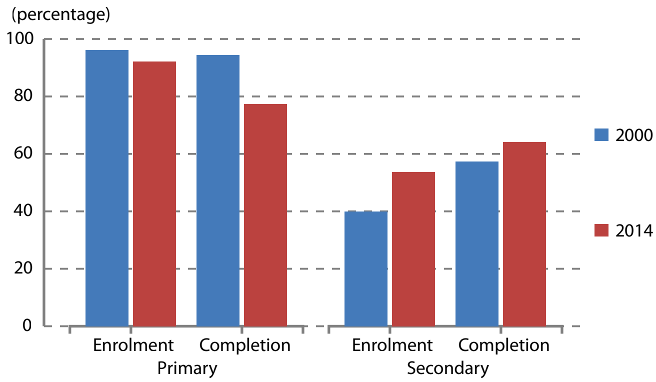
Strong education sector despite the economic challenges

The country's literacy rate has remained consistently high, owing to its high education standards. At the same time, since 2005 socioeconomic challenges have had a negative impact on the education sector, as the education infrastructure deteriorated, in particular in rural areas, and this has been compounded by the unavailability of teaching materials. Nevertheless, the education system has remained sound and key education indicators show a steady improvement over the past five years. The literacy rate for those aged 15 years and above averaged 98 per cent (98 per cent for males and 97 per cent for females) in 2014 (Zimbabwe National Statistics Agency, 2014a) and literacy rates[13] for the 15-24 years age group remained around 99 per cent during the period 2000-2015 with gender parity.

The national enrolment rate in primary school is high, but underwent a small decline from 96.2 per cent in 2000 to 92.2 per cent in 2014 (figure 16). Throughout the period 2000-2015, there was gender parity in the primary school national enrolment rate, for example in 2012 50.4 per cent of primary school children were males and 49.6 per cent were females. For its part, the pupil-teacher ratio for qualified primary school teachers is high, but improved slightly, from 43:1 in 2000 to 40:1 in 2014. The pupil-to-book ratio of 1:1 was achieved in 2012 for the four core subjects: mathematics, English, environmental science and a local language (Shona, Ndebele or Tonga), and has been maintained up to 2014. The country developed a focused accelerated action plan in 2012 to address the specific issue of primary school completion rates. The basic education assistance module introduced in 2013 provided support to over half a million pupils from poor households.

The secondary school (forms 1-4) national enrolment rate was 53.7 per cent in 2014. In 2012, 51 per cent of those in secondary school were males and 49 per cent were females. However, since 2012, the proportion of girls enrolled in forms 1-4 has been higher than that of boys, at 56.7 per cent for girls and 50.8 per cent for boys in 2014. The secondary school completion rate increased from 57.4 per cent in 2000 to 64.2 per cent in 2014, with boys having a higher completion rate than girls (figure 16). The twelve universities, nine primary teachers' colleges, three secondary teachers' college, sixteen polytechnics and four industrial training centres together constitute the country's infrastructure for tertiary education.

Figure 16: Primary and secondary school enrolment and completion rates (2000 and 2014)



Source: ZIMSTAT Labour Force Survey 2014 and Education Report 2013

[13] Using the criterion of completion of grade 3.

4.5 Gender scorecard of the African Union Commission*

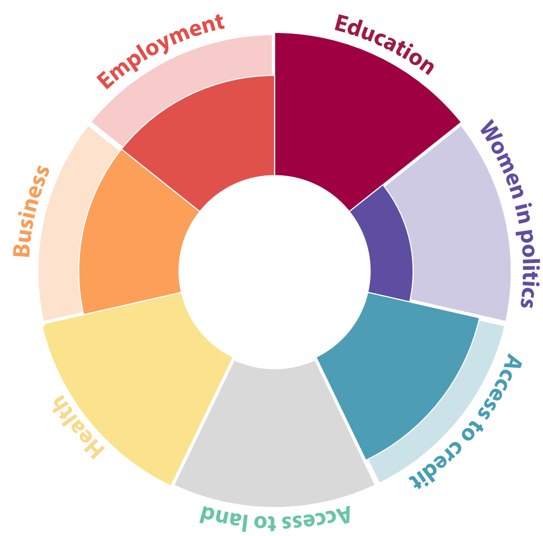
The African Union declared 2015 as the Year of Women's Empowerment and Development towards Africa's Agenda 2063, with a view to building momentum for gender equality and women's empowerment on the continent. Based on this commitment, the African Union developed the African gender scorecard. The scorecard is designed to measure the status of gender equality and women's empowerment in seven core sectors that have a transformative impact on women's lives through their contribution to broad-based, sustainable and inclusive growth. These core sectors are: employment, the business sector, access to credit, access to land, women in politics and decision-making, health, and education at the secondary and tertiary levels.

Interpretation of the pie chart: *The scoring is between 0–10, with 0 being the worst level of inequality, 5 suggesting middle parity, and 10 indicating perfect parity. Perfect parity connotes a situation where the proportion of men and women is equal, irrespective of the developmental level of the variable or indicator being assessed. Some countries go beyond the score of 10, thus showing that women may be more highly empowered in that subsector than men for that country. However, caution is needed when drawing conclusions based only on the scores, particularly when there are large variations in levels of developmental achievements between countries.***

Employment	Score
Employment in non-agricultural sector	5
Labour force participation rate	9

Business	Score
Top management in firms	2
Ownership in firms	13

Health	Score
Under-five survival rate	10
Children under age five who are not stunted	11
Life expectancy at birth	10
Share of population without HIV	7



Education	Score
Youth literacy rate	10
Enrolment ratio in secondary education	10
Enrolment ratio in tertiary education	9

Women in politics	Score
Representation in parliament	5
Ministerial positions - cabinet	1

Access to credit	Score
Account at a financial institution	8
Borrowed from financial institution	9

Access to land	Score
Access to land	No data

* The data used in the calculation of the scorecard are drawn from several international databases and sources, including: United Nations, Statistical Division; World Development Indicators, Global Financial Inclusion Database and Enterprise Surveys of the World Bank; the Gender and Land Rights Database of the Food and Agriculture Organization of the United Nations; International Labour Organization; United Nations Children's Fund; Joint United Nations Programme on HIV/AIDs; World Health Organization; International Food Policy Research Institute; United Nations Educational, Scientific and Cultural Organization; United Nations Population Division; United Nations Population Fund; Inter-Parliamentary Union; and some national data sources. Data on access to land were drawn from several sources, with the scoring and harmonization of legislative frameworks done in-house by the African Centre for Statistics and the African Centre for Gender.

** The pie chart is based on the African gender scorecard, which was presented to the Heads of State and Government at the twenty-fifth ordinary session of the Assembly of the African Union in June 2015.

5

MAJOR POLICY CHALLENGES

The major challenges in the Zimbabwean economy include the structural problems derived from economic sanctions, the high external debt, industrial contraction and the resulting informalization of the economy, high youth unemployment, inequality, extreme poverty in rural areas, water and electricity shortages, a high HIV and AIDS prevalence rate and the liquidity crunch. Furthermore, the finalization of the land reform programme and the resolution of concerns relating to indigenization remain critical policy issues. The present section highlights some of those challenges and focuses on the drive towards beneficiation and value addition through the implementation of Zim Asset in the country.

Land reform and addressing sector capacity issues

The land reform programme and the associated issues of security of tenure and the enhancement of the productivity of land are key policy matters for food security and economic growth. A vibrant agricultural sector is key to the country's socioeconomic transformation and to raising its standards of living. In addition, concerted efforts to tackle the adverse impact of the climate change-induced droughts and erratic rainfall pattern which are undermining productivity in the sector are vital for food security and the continued revival of the agricultural sector. Given the role of the sector as a provider of employment and livelihoods for 67 per cent of the population, low productivity means unemployment and poverty for a large proportion of the population. The structural challenges faced by farmers in such areas as finance, market information, technology, skills and inputs need to be addressed in a sustainable manner.

Implementation of the indigenization programme

The continued efforts by the Government to address the challenges related to the implementation of the indigenization and economic empowerment programme in order to create a stable investment environment are laudable. The recent pronouncement by the Minister of Youth, Indigenization and Economic Empowerment of frameworks, procedures and guidelines for complying with the national laws on indigenization and economic empowerment[14] will further improve the understanding among stakeholders of the Government's vision. The resulting clarity relating to such matters as the compliance rebate, reserved sectors and the compliance and empowerment levy will further improve the investment climate, bolster investor confidence and contribute to achievement of the aspirations of Zim Asset.

Exposure to low commodity prices, the strong United States dollar and the liquidity crunch

The Zimbabwean economy remains highly vulnerable to fluctuating primary commodity prices, both minerals and agricultural products. Commodity prices, especially for minerals, have continued to retreat since early 2011 and the growth of the Zimbabwean economy has slowed down significantly as a result. Reduced revenues from mineral exports, combined with low levels of investment in the sector,

[14] Minister of Youth, Indigenization and Economic Empowerment, Patrick Zhuwao, 4 January 2016.

have undermined value addition and GDP growth. The accelerated implementation of value addition and mineral beneficiation programmes under Zim Asset will enable the country to participate at higher levels of the value chains where revenues are stable and also elevated.

The movement of the United State dollar-South African rand exchange rate has serious implications for the Zimbabwean economy. The strengthening of the United States dollar against other currencies is a major risk, as this renders the few Zimbabwean exports uncompetitive. Furthermore, the weakening of the rand against the dollar means that Zimbabwean manufactured goods are less competitive domestically, as they become more expensive than imported South African goods. For example, in August 2015 alone, exports to South Africa declined by USD 37.3 million, purely as a consequence of the strong dollar. Thus, the continued strengthening of the United States dollar will lead to a further contraction of the already stressed local manufacturing sector, resulting in additional job losses.

The liquidity crunch and investor confidence are two major challenges inhibiting investment in the Zimbabwean economy. The tight liquidity situation is dampening economic growth and hampering support for social protection initiatives and basic social service delivery. While the multi-currency environment brought stability, its potency continues to be undermined by the liquidity crunch. The use of monetary policy as a tool for economic management under the current regime remains severely limited and, while the introduction of bonded coins by the Government provided temporary relief, this measure remains inadequate.

Addressing the infrastructure bottleneck

The structural bottlenecks to industrial development in Zimbabwe include the poor road and railway infrastructure and erratic water and power supply. These have undermined the country's overall competitiveness as an investment attraction. The development of infrastructure has been constrained by low public investment, high indebtedness, low levels of foreign direct investment, retreating economic growth and the liquidity crunch. The infrastructure deficit has resulted in a high cost of doing business and is undermining competitiveness. Furthermore, the continued decline in industrial capacity utilization to the current levels (36 per cent in October 2015) has resulted in the loss of formal jobs and a rise in informal employment, which in turn compromises the quality of jobs and reduces tax revenues to the national treasury. The frequent power disruptions are a threat to industrial revival in Zimbabwe, as energy is essential to productivity. Efforts to accelerate the rehabilitation and expansion of power plants, to construct new plants and to migrate to renewable energy sources such as biofuels and solar and coal-bed methane gas should be prioritized.

Implementation of Zim Asset

The country's economic aspirations, as espoused in the Zim Asset programme and enunciated under the four clusters of food security and nutrition; social services and poverty eradication; infrastructure and utilities; and value addition and beneficiation, are configured to provide an enabling environment for sustainable socioeconomic empowerment and development in the country. The specific activities defined under each cluster will facilitate attainment of the desired levels of economic growth and development.

The cluster on value addition and beneficiation prioritizes the adding of value to natural resources and the creation of linkages and clusters around minerals exploitation, leveraging the country's known mineral deposits and its long history of mining. The mining sector has been one of the key driving forces behind the economy since 2009 and underpinned the economic recovery with the high mineral commodity prices during the super-cycle. For example, in 2014, the sector contributed USD

435 million to State revenues and is projected to grow at 4.2 per cent in 2015, second only to the construction and real estate sectors. The production of the major minerals such as gold, platinum, nickel, coal and diamonds represents a source of revenue through direct and indirect taxes and other charges and direct value addition. The mining sector, however, which contributed 65.2 per cent to export earnings between 2008 and 2014, has weak linkages to the rest of the local economy (Ministry of Finance and Economic Development, 2014) and this undermines its overall national contribution. Furthermore, because the sector is highly capital-intensive, it possesses limited opportunities for the creation of direct and indirect jobs. The Government has introduced various policy and regulatory instruments and initiatives to promote value addition and beneficiation.

The country's large and untapped platinum and diamond resources have been targeted in this initial phase of the strategy, in view of the comparative advantage which Zimbabwe possesses in these commodities. For the diamond sector, the diamond policy promulgated in 2012 provides specific direction on value addition and local business development obligations, including the requirement that 10 per cent of the rough stones should be made available to local cutters in line with the Zim Asset objective of creating a local diamond cutting and polishing industry. A diamond bill has been tabled which, once enacted, will provide the required legal underpinnings for the policy. The Government is endeavouring to develop the forward and backward linkages in the platinum sector, taking advantage of the huge resource base: Zimbabwe possesses Africa's second largest platinum group metal reserves, behind South Africa, and is the continent's second largest producer of these minerals. Despite the challenges to mineral beneficiation, including in the areas of power, roads, rail, water and skills, there are ample opportunities for further value addition along the platinum group metal value chain, purely from a resource base perspective.

Following a regional approach which includes South Africa will make the strategy much more appealing. Although the local throughput is currently too low to justify a precious metals refinery, ramping up production would provide enough feedstock. A gradual expansion of the concentrator capacity, and the addition of smelters, a base metal refinery and a precious metal refinery would be a feasible strategy. The Government and the private sector are in agreement on the need for a platinum group metal refinery in the near future and commitments to that end have already been made.

Other initiatives in the sector, such as the enactment of the 2014 Sovereign Wealth Act, providing for the establishment of the Sovereign Wealth Fund for the benefit and enjoyment of future generations through support for fiscal and macroeconomic stabilization, illustrate the Government's long-term view on sustainability beyond minerals. The fund, to be supported by an injection of 25 per cent of all royalties from the minerals sector, will provide a national buffer of resources. Other important supporting instruments for domesticating the mineral value chains include the indigenization programme (requiring 51 per cent local ownership), which has a 50 per cent local procurement requirement for inputs.

Mineral beneficiation is skills and energy-intensive, however, and thus the strategy needs to be anchored on a sound and sustainable skills and power platform. Zim Asset recognizes the dearth of skills in mineral beneficiation and proposes the establishment of a training institution to provide the platform for skills development and for research, development and innovation, which are key for industrialization. Furthermore, the framework also emphasizes the importance of addressing the power deficit by developing new power plants, investing in renewable energy resources and enhancing efficiency in the old infrastructure through its upgrading and rehabilitation. A national beneficiation policy and strategy to provide an overarching framework is required for these initiatives, in particular one that embraces all minerals, is holistic in nature and is part of the national industrialization strategy. The strategy should provide options along the value chains of all minerals. For example, in the strategy, the development of the country's iron ore, coal, copper, limestone and aggregates sectors should be linked to infrastructure development and industrialization. Similarly, the exploitation of the country's phosphate and coal resources should underpin the agriculture, chemicals and plastics sectors, respectively. The national strategy for value addition should incorporate a regional dimension to exploit advantages within the SADC region for markets and technical capacities. The national beneficiation strategy needs to be underpinned by knowledge of the national geological endowments: hence, the focus on the need to invest in the delineation of geological assets. A supporting policy and regulatory framework with a clear exposition of national expectations on beneficiation and value addition, including the available incentives, would facilitate the development of linkages and clusters around minerals and attainment of the aspirations of Zim Asset.

6. NATIONAL DATA QUALITY EVALUATION

Methodological note on data quality evaluation

The quality of national data sources for key indicators in the country profiles was evaluated. The result is presented in colour codes, with green indicating a "good" data source, yellow for "satisfactory", and red for "needs improvement".

The evaluation focused on the transparency and accessibility of each national data source. The evaluation took into consideration the timeliness and periodicity of data publishing, based on the punctuality of publication and frequency of data updates in accordance with international standards. It also measured the comparability of the data series, based on their length, definition and standard units of measurement. It evaluated database accessibility, specifically whether the data were open and freely available to the general public, the format of the data, and the ease of downloading and sharing. Data citation, together with references to primary or secondary sources, was also assessed. Finally, the evaluation checked the completeness of metadata for data release and the completeness and clarity of documentation and notes.

Demography	Value	Evaluation
Population (million)	13.1 (2012)	1
Child (0-14 years, %)	41 (2012)	1
Adult (15-64 years, %)	55 (2012)	1
Aged (65+ years, %)	4 (2012)	1
Urban population (%)	32 (2014)	1

Key macroeconomic and sectoral performance	Value	Evaluation
GDP, constant price (USD million)	12,197 (2014)	1
GDP, current prices (USD million)	14,197 (2014)	1
Real GDP growth rate (%)	1.5 (2015)	3
Inflation rate (%)	-2.2 (2015)	3
Current account balance (USD million)	-3,135.9 (2015)	2

Economic trends and performance indicators	Value	Evaluation
Total imports (USD million)	7,704.2 (2013)	1
Total exports (USD million)	3,507.3 (2013)	1
Exports of manufactured products	1,771.9 (2013)	1

Education and employment	Value	Evaluation
Literacy rate of 15-19 year-olds, total (%)	99.2 (2014)	1
Share of employed in primary sector (%)	67.2 (2014)	1
Unemployment rate (%)	11.3 (2014)	1
Youth unemployment rate (%)	16.4 (2014)	1

Health	Value	Evaluation
Prevalence of underweight under five (%)	11.2 (2014)	1
Under five mortality rate (per 1,000 live births)	75 (2014)	1
Infant mortality rate per (per 1,000 live births)	55 (2014)	1
Neo-natal mortality rate per (per 1,000 live births)	29 (2014)	1
Maternal mortality ratio (per 100,000 births)	614 (2014)	1
HIV prevalence among 15-24 years (%)	5.5 (2014)	1

Data Sources Code Index

1. Zimbabwe National Statistics Agency
2. Reserve Bank of Zimbabwe
3. Ministry of Finance and Economic Development

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