WORLD BANK GROUP

May 2022

ZIMBABWE

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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ZIMBABWE : JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS	
Risk of external debt distress	In debt distress
Overall risk of debt distress	In debt distress
Granularity in the risk rating	Unsustainable
Application of judgment	No

Zimbabwe is classified as "in debt distress", with unsustainable public and publicly guaranteed (PPG) external and total debt and large external arrears.[1] External and total public debt breach the thresholds in both the baseline and shock scenarios. Moreover, Zimbabwe has large and longstanding external arrears to IFIs and official creditors. Domestic debt declined as a share of GDP since the introduction of the ZWL$ in 2019 due to high levels of inflation. Restoring debt sustainability requires the continuous implementation of prudent fiscal policy, cessation of quasi-fiscal activities that have led to debt increases, structural and governance reforms to set growth on a sustainable path, as well as reaching agreement with creditors on a comprehensive treatment of Zimbabwe's external debt and arrears. The authorities broadly concurred with staff's assessment in the DSA and were confident that the envisaged reengagement with the international community would help restore debt sustainability.

[1] Based on the October 2021 WEO and the World Bank's 2020 CPIA, Zimbabwe's Composite Indicator (CI) index is calculated at 2.03, indicating that the county's debt-carrying capacity is 'weak', which is the same classification as under the previous DSA.

BACKGROUND ON DEBT

1. Zimbabwe's external public debt has increased since the last published DSA (2019 Article IV). While the fiscal deficit has declined over 2019-2020, increased debt at end-2020 reflects primarily the Reserve Bank of Zimbabwe's (RBZ) borrowing, part of which was used for quasi-fiscal activities, and new unfunded liabilities from a farmers' compensation agreement (see below).[2] Domestic debt declined in real terms[3] and as a percentage of GDP reflecting a sharp rise in inflation since the introduction of the ZWL$ in 2019. External debt is dominated by official creditors—both bilateral and multilateral—with the bulk of debt in arrears. Text Table 1 provides an overview of debt outstanding and disbursed (DoD) and accumulated arrears at end-2020.[4] In 2021, the central government received disbursements for several external loans from bilateral and multilateral creditors, mainly for infrastructure projects.[5]

2. A Global Compensation Deed between former farm owners and the government has created a large unfunded liability. In the early 2000s, a challenging process was triggered on land reform with the issuance of a presidential decree to amend the Land Acquisition Act and allow the government to assume immediate ownership of land targeted for acquisition and issue orders for owners to vacate farms. Starting in the early 2010s, the government recognized the need to find a durable solution to land tenure security, though progress on this front had been slow. In July 2020, the government and former farm owners reached agreement over a global compensation for land improvements of US$3.5 billion. The agreement envisaged a 50 percent down payment within 12 months and full payment over a period of 48 months thereafter. Subsequently, the government deferred the down payment for one year, until end-July 2022. The government paid US$0.25 billion towards the compensation by providing shares in a mining company to displaced farmers. The remainder of the compensation—about US$3.25 billion—remains unfunded. Securing financing for the compensation is constrained by Zimbabwe's lack of market access. In April 2021, the government appointed a financial advisory firm to identify possible financing instruments and funding options and expects a report on financing options by mid-2022. In the absence of financing, the unfunded US$-denominated liabilities from the farmers' compensation agreement have been incorporated under external arrears as of end-2020 for the purpose of the DSA.[6]

[2] In this DSA, external debt is defined on a residency basis.
[3] Inflation stood at 349 percent (y/y) at end-2020.
[4] As per standard practice, the DSA is undertaken on the basis of the official exchange rate, which reflects the cost of accessing foreign exchange by the government. This generates a discrepancy between debt-to-GDP ratios (and ratios of some other variables to GDP) in the DSA and the rest of the macroeconomic framework because the latter is based on national accounts statistics. National accounts statistics use a conversion factor to convert US$ GDP to ZWL$ GDP taking into account developments in both the official and parallel market exchange rates given that the deflator is heavily influenced by both. The conversion factor is not reflected in the DSA which calculates ZWL$ GDP by multiplying US$ GDP with the official exchange rate.
[5] The creditors for these loans are BADEA, China Exim Bank, IFAD, India Exim Bank, Kuwait, and OFID.
[6] In the absence of financing and detailed information about the residency of the holders of the farmers' compensation claims, the full amount of US$3.25 billion is tentatively recorded as external arrears for the purposes of this analysis. As the classification of debt into domestic and external is based on the residency principle, this categorization will be reviewed once detailed information becomes available.

Text Table 1. Zimbabwe: Public and Publicly Guaranteed Debt[1/]

	DOD	Arrears 2/	Total	% of GDP 3/
	US$ million; as of end-2020			
	US$ million			
External Debt	**4,463**	**10,022**	**14,485**	**106.6**
Bilateral Creditors	1,462	4,363	5,824	42.9
Paris Club	152	3,630	3,782	27.8
Non Paris Club 4/	1,310	732	2,042	15.0
Multilateral Creditors	2,096	2,409	4,506	33.2
World Bank	182	1,342	1,525	11.2
African Development Bank	30	699	729	5.4
European Investment Bank	16	339	356	2.6
Afreximbank	1,276	0	1,276	9.4
Others	591	29	621	4.6
Commercial Creditors	905	0	905	6.7
Farmers' compensation 5/	-	3,250	3,250	23.9
	ZWL$ million; as of end-2020			
Domestic Debt 6/	**33,555**	**1,600**	**35,155**	**3.2**
Government Bonds	13,897	-	13,897	1.3
RBZ Loans	19,658	-	19,658	1.8
Domestic Arrears	-	1,600	1,600	0.1

Source: Zimbabwean authorities and IMF staff calculations.
1/ As reported by the Zimbabwean authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as in the DSA.
2/ In the authorities accounting, arrears are calculated as a cumulative flow of missed payments (principal and interest) and penalties on outstanding debt. The remaining debt on loans in arrears is treated as performing and enters in column "DOD" above. When a new payment comes due and is missed, the "performing debt stock" (which includes outstanding amounts of loans that are not being serviced) is reduced by the principal and the cumulative flow of arrears is increased by the amount of principal, interest and penalties.
3/ Percent of 2020 nominal GDP in ZWL$ based on the DSA, which does not take into account the conversion factor applied to national account statistics.
4/ Includes US$299 mn assumed by the MoF from the RBZ. Full reconciliation between RBZ and MoF debt is ongoing and might lower this position.
5/ In the absence of financing and detailed information about the residency of the holders of the farmers' compensation claims, US$3.25 billion is tentatively recorded as external arrears for the purposes of this analysis. As the classification of debt into domestic and external is based on the residency principle, this categorization will be reviewed once detailed information becomes available.
6/ Domestic debt is unconsolidated domestic debt of the central government.

3. **Another unfunded liability arises from commitments by the RBZ to fully compensate some stakeholders for losses relating to currency reform.** Following the currency conversion in early 2019, the RBZ announced that it would compensate stakeholders for losses on cash flows generated in Zimbabwe that could not be repatriated due to FX shortages, currently estimated at US$2.5 billion. The transfer of these losses—known as "blocked funds" or "legacy debt"—from the RBZ and the private sector to the central government was approved by Parliament in December 2021. The government intends to settle these

liabilities through the issuance of long-term US dollar-denominated government bonds. In the absence of an agreed repayment schedule and financing, US$2.5 bn of central government obligations stemming from blocked funds is treated as external arrears for the purposes of the DSA as of end-2021.[7] Bank and Fund staff have recommended engaging an external audit firm to validate the blocked funds transferred to the central government.

4. Zimbabwe has protracted arrears on external debt to bilateral and multilateral creditors, which have cut off access to official financing. The authorities have expressed a renewed commitment to reengagement with the international community and have resumed token payments to IFIs and Paris Club creditors in 2021.

PUBLIC DEBT COVERAGE

5. Public debt coverage includes external and domestic obligations of the central government, central bank, and some state-owned enterprises (SOEs) (Text Table 2).[8] The authorities are improving the monitoring of SOEs' balance sheets, incomes, and debt levels though data availability remains limited. IMF technical assistance (TA) recommended that more comprehensive data are needed for guarantees extended by the government to other public sector entities, and that the authorities revive a tracking system of 'from whom-to-whom' to get a database that would facilitate clearing intra-government cross public sector institution arrears. However, progress has been limited due to the COVID-19-related restrictions and lockdown. In 2019, led by the State Enterprises Restructuring Agency (SERA), the government adopted a policy for a broad overhaul of the SOE sector, including privatizations, mergers, and requiring a standardized set of reporting from all SOEs to the Ministry of Finance and Accountant General. While domestic arrears[9] of the central government to non-governmental entities are small (ZWL$1,600 million; 0.1 percent of GDP), this does not reflect a comprehensive review of all domestic non-governmental arrears (e.g., it excludes accounts payable) and, more importantly, significant cross-debts within the public sector.

6. The DSA includes a combined contingent liability stress test aimed at capturing the public sector's exposure to SOEs, PPPs, and a financial market shock. In particular, the stress test incorporates the following shocks (Text Table 2):

- 5.9 percent of GDP to reflect limited data availability on the coverage of domestic SOE debt and external arrears to foreign electricity providers;
- 4.1 percent of GDP to capture Public Private Partnerships (PPP);
- 5 percent of GDP for a financial market shock.

The DSA assumes that 60 percent of the additional financing needs resulting from the stress test is met with external medium-and long-term borrowing whereas the remainder is met with domestic borrowing.

[7] The farmers' compensation and blocked funds were included as a customized scenario in the 2019 Article IV DSA.
[8] The authorities confirmed that their debt statistics cover SOE guaranteed external debt and that SOEs do not have non-guaranteed external debt (except for external payment arrears to electricity providers which are included in contingent liabilities). Coverage of SOE domestic debt remains incomplete. The authorities are in the process of gathering further information and plan to widen domestic debt coverage by end-2022.
[9] Included in the baseline.

Text Table 2. Zimbabwe: Public Debt Coverage

Public debt coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

Public debt coverage and the magnitude of the contingent liability tailored stress test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default		Used for the analysis
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	5.9
4	PPP	35	percent of PPP stock	4.1
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0
	Total (2+3+4+5) (in percent of GDP)			15.0

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND ON MACROECONOMIC FORECASTS

7. **Exceptionally large changes to the macroeconomic environment since the last DSA, including the adoption of the ZWL$, a sharp increase in inflation, and a severe recession in 2019-20, led to sizeable revisions of several assumptions underpinning the DSA (Text Table 3).** Changes to growth projections are driven by the impact of the pandemic and subsequent recovery. The current account turned from a projected deficit in the previous DSA to a surplus in the current macroeconomic framework due to a severe import compression reflecting multiple factors, including FX restrictions by the RBZ and the significant income decline reflecting both a sharp currency depreciation and large economic recession. Also, remittances rose sharply during the pandemic. Differences in revenues and grants between previous and current projections primarily reflect the significantly higher inflation and changes to national accounts statistics. The revenue ratios shown in the current DSA are also higher than the ones reported in the accompanying IMF Article IV report (see memorandum item in Text Table 3) due to the use of a different conversion factor to convert US$ GDP to ZWL$ GDP, as explained in footnote 4.

8. **It is unclear how the ongoing work to update the national accounts statistics would alter Zimbabwe's outlook.** In view of the introduction of the Zimbabwe dollar by the authorities in 2019, the statistical agency (ZIMSTAT) needs to recompile national accounts statistics in the new local currency. ZIMSTAT is making progress on the work of rebasing and redenominating its national accounts statistics. Once completed, a revised set of historical national accounts statistics would be produced. The IMF and

World Bank have provided extensive TA to support ZIMSTAT in its work. In the interim, the authorities and staff continue to collaborate on a set of mutually discussed historical national accounts. Statistics

Text Table 3. Zimbabwe: Selected Macroeconomic Assumptions

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real GDP (growth)									
Current DSA	4.7	-6.1	-5.3	6.3	3.5	3.0	3.1	3.1	3.1
Previous DSA (Feb 2020)	3.5	-8.3	0.8	2.5	2.5	2.2	2.2	2.2	2.2
Revenues and grants (percent of GDP)									
Current DSA	23.2	12.5	16.5	23.2	25.3	27.1	26.8	25.6	24.1
Previous DSA (Feb 2020)	8.7	11.9	11.3	10.7	10.6	10.7	10.4		
Non-interest current account (percent of GDP)									
Current DSA	-5.3	4.5	5.2	6.3	4.7	2.7	1.7	0.5	-0.7
Previous DSA (Feb 2020)	-5.0	1.2	-0.4	-0.7	-0.6	-1.6	-1.5		
Exports of goods and services (growth)									
Current DSA	11.6	1.7	-0.1	22.5	2.5	3.2	3.1	3.0	3.0
Previous DSA (Feb 2020)	12.1	-12.6	8.7	3.5	4.5	6.0	6.0		
Memorandum item									
Revenues and grants (percent of GDP) as reported in the accompanying IMF Artivle IV report	14.9	12.3	15.4	17.2	17.0	17.0	17.0	17.0	17.0

Source: Zimbabwean authorities and IMF staff estimates.

9. The economy contracted sharply during 2019-20, but a strong rebound resumed in 2021 amid the gradual disinflation. Real GDP declined by a cumulative 11.7 percent during 2019-20, reflecting the COVID-19 pandemic, Cyclone Idai, a protracted severe drought, and policy missteps in 2019. While the 2019 Staff Monitored Program elapsed without a review due to policy slippages, a tighter policy stance since mid-2020 (relative to 2019) has contributed to reducing inflation. The relaxation of COVID-19 restrictions, strong vaccination effort, and progress in implementing the National Development Strategy (NDS) are supporting a strong economic rebound. Real GDP is estimated to have grown by 6.3 percent in 2021, reflecting a bumper harvest, improved capacity utilization of industry, and a strong resumption of construction. Inflation which had declined to 50 percent (y/y) by August 2021 (from 838 percent in July 2020) rose again to about 61 percent by end-2021, reflecting continued currency pressures. The RBZ further tightened monetary policy in October 2021 in an effort to ease price pressures.

10. Investment and growth will remain sluggish over the medium term with growth converging to its potential. The baseline (Text Table 4) projects real GDP growth at 3½ percent in 2022 and about 3 percent per year over the medium term in line with its potential. Key constraints to faster growth include structural bottlenecks, limited fiscal space to boost priority spending to enhance human and physical capital, and the debt overhang. In addition, delays in the official exchange rate catching up with fundamentals, along with a weak business climate and governance, adversely affect competitiveness. Over the long term, as implementation of the NDS bears fruit, domestic and foreign investment are expected to gradually strengthen, supporting a steady growth path. The current account balance is likely to gradually turn into deficit as imports pick up and remittances gradually decline to their pre-pandemic level. In light of domestic and external financing constraints under the baseline, the fiscal balance is projected to remain moderate in the long term.

11. Reserves' coverage increased in 2021, reflecting the general SDR allocation equivalent to US$963 million (4.4 percent of 2020 GDP) to Zimbabwe. As of end-2021, the authorities used US$244 million (out of a US$281 million drawdown) for investments in health and social protection as well as infrastructure developments. Further drawdowns of US$176 million are planned in 2022 for investment in health and social protection, infrastructure development, and support of the agricultural and industrial sectors. The baseline scenario assumes that the remainder of the SDR allocation remains in FX reserves. The DSA incorporates the planned drawdowns and the associated interest rate payments.

Text Table 4. Zimbabwe: Macroeconomic Framework, 2019-26

	2019	2020	2021	2022	2023	2024	2025	2026
Real GDP growth (%)	-6.1	-5.3	6.3	3.5	3.0	3.1	3.1	3.1
Inflation, average (%)	255.3	557.2	98.5	56.4	46.3	35.5	23.3	13.9
Inflation, e.o.p. (%)	521.1	348.6	60.7	55.0	42.0	30.0	20.0	11.0
Overall fiscal balance (% of GDP)	-1.3	0.5	-1.5	-1.9	-1.9	-1.9	-1.9	-1.9
Current acccount (% of GDP)	4.1	5.1	4.8	3.3	1.5	0.6	-0.5	-1.6
FDI (% of GDP)	1.1	0.7	0.4	0.5	0.6	0.7	0.8	0.9
Reserves (months of imports)	0.3	0.1	1.3	0.9	0.9	0.8	0.8	0.7

Source: Zimbabwean authorities; IMF staff estimates.

12. The baseline scenario assumes that the authorities will continue to access some external borrowing. Financing assumptions reflect the RBZ's continued ability to borrow from Afreximbank, although at elevated interest rates, and government borrowing from non-Paris Club creditors**.** In the absence of international reengagement and debt relief, required financing as per the DSA may not be expected to be fully met.

13. Risks to the baseline scenario are tilted to the downside. The pace of economic recovery is dependent on the evolution of the COVID-19 pandemic. Climate-related events, such as drought or flooding, could lower production. Policy slippages (e.g., expanding inefficient agricultural support programs[10], bail out of SOEs, and increased quasi-fiscal spending) including in the run-up to the 2023 elections, could exacerbate debt sustainability concerns. Commodity price volatility would adversely affect the external position and global inflation risks could compound domestic price pressures. There are also uncertainties over the pace of inflation deceleration and the timeline on updated official national accounts statistics. An upside potential includes a successful resolution to Zimbabwe's unsustainable debt situation that would be followed by normalization of international reengagement and a more favorable investment-growth path.

14. The realism and forecast error tools highlight the assumptions of delayed progress on arrears clearance, debt resolution, limited access to external finance, and low investment (Figures 1 and 2). The low implied fiscal multiplier in the baseline arises as the model does not capture adequately

[10] Government support to agriculture, including quasi-fiscal operations, led to macroeconomic dislocations in the past, contributing to higher fiscal deficits and public debt. The financing model has been changed since 2019 with government providing agriculture input support to vulnerable households and bank guarantees to commercial farmers. While the new financing model reduced direct budget support, actual allocations to agriculture have often exceeded the budgeted amounts.

the effects of the recovery from exogenous shocks in 2019 and 2020 (a cyclone, a protracted drought, and the COVID-19 pandemic). The rebound in 2021 is driven by a bumper harvest and recovery from the pandemic. Differences in debt-to-GDP ratios between the current and the previous DSA, reflect changes to key macroeconomic series, notably GDP and the exchange rate, as well as additional arrears accumulation due to the transfer of blocked funds and the farmers' compensation.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

15. Zimbabwe's current debt-carrying capacity is classified as 'weak' according to the methodology employed in the revised DSF Framework (2017). The country's Composite Indicator (CI)[11] index is 2.03. The relevant indicative debt thresholds for this category are shown in Text Table 5.

Text Table 5. Zimbabwe: Composite Indicator and Sustainability Thresholds

Debt carrying capacity and thresholds

Country	Zimbabwe
Country Code	**698**

Debt Carrying Capacity	**Weak**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak	Weak	Weak
	2.03	1.77	1.81

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.918	1.12	55%
Real growth rate (in percent)	2.719	1.738	0.05	2%
Import coverage of reserves (in percent)	4.052	9.573	0.39	19%
Import coverage of reserves^2 (in percent)	-3.990	0.916	-0.04	-2%
Remittances (in percent)	2.022	4.090	0.08	4%
World economic growth (in percent)	13.520	3.137	0.42	21%
CI Score			2.03	100%
CI rating			**Weak**	

Applicable thresholds

EXTERNAL debt burden thresholds	Weak
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14
TOTAL public debt benchmark	
PV of total public debt in % of GDP	35

[11] To capture the various factors affecting a country's debt carrying capacity, the DSF uses a CI. The CI captures the impact of the several factors through a weighted average of the World Bank's CPIA score, the country's real GDP growth, remittances, international reserves, and world growth.

DEBT SUSTAINABILITY AND RISK RATING

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

16. Zimbabwe is faced with high public and publicly guaranteed external debt burden indicators and external debt overhang. External public and publicly guaranteed (PPG) debt indicators breach the policy-relevant thresholds over the forecast period under the baseline and the stress tests (Figure 3). The PV of the external debt-to-GDP ratio is above the 30 percent threshold until the end of the projection horizon under the baseline and the stress tests. While debt service ratios fall below the threshold during the projection period, the debt service indicators are not reliable measures of debt burden for Zimbabwe given that the bulk of external debt is in arrears and given that in the absence of financing and an agreed repayment schedule for blocked funds and farmers' compensation the DSA does not capture the servicing of a large share of public debt. The stress tests with the most severe impact relate to the one-time depreciation shock for the PV of debt-to-GDP ratio and to the exports shock for the PV of debt-to-exports ratio and the debt service ratios.

17. Exiting the debt overhang would require sustained strong growth, access to concessional financing, and debt relief. While the authorities have prepared a debt resolution strategy and resumed token payments to external creditors, a complete picture of the specific timeline and modalities of this plan are yet to be finalized.

18. These outturns, together with the existence of substantial external arrears, support the determination that Zimbabwe is in external debt distress.

PUBLIC SECTOR DEBT SUSTAINABILITY ANALYSIS

19. Total public debt burden indicators are high. Despite the decline in the domestic debt burden in real terms since the last DSA owing to the sharp rise in inflation, total public debt remains above the indicative threshold of 35 percent of GDP (PV terms) under both the baseline and the stress tests. Even with fiscal consolidation, the amount of public debt will carry a heavy burden on Zimbabwe.

20. Domestic and external debt obligations and large external arrears support the assessment that the Zimbabwean government is in debt distress.

RESTORING DEBT SUSTAINABILITY

21. The implementation of both prudent macroeconomic policies and the authorities' plan to reach agreements with creditors for comprehensive debt restructuring can help restore debt sustainability. Restoring debt sustainability requires the sustained implementation of prudent monetary, exchange rate, and fiscal policies, cessation of quasi-fiscal activities that lead to debt increases, structural reforms to set growth on a sustainable path, as well as agreement with creditors on a comprehensive debt restructuring plan.

CONCLUSION

22. Zimbabwe is in debt distress. The external debt burden is excessive and the country is incurring external arrears. While the real value of domestic debt has fallen significantly given the high inflation, plans to settle unfunded liabilities related to blocked funds and a compensation agreement for displaced farmers, aggravate the debt situation.

23. Implementation of a comprehensive reform strategy, accompanied by debt resolution, is critical for Zimbabwe to emerge from its current difficulties. Greater official exchange rate flexibility and prudent fiscal and monetary polices are necessary, as are bold structural and governance reforms to restore growth and attract investment. External support and debt relief from the international community would also be necessary to address Zimbabwe's debt overhang and development needs.

AUTHORITIES' VIEWS

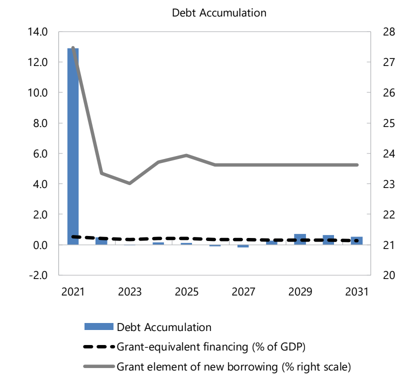
24. The authorities broadly concurred with staff's assessment in the DSA. They were confident that their envisaged reengagement with the international community would help to restore debt sustainability. They explained that the farmers' compensation would be treated as domestic US$-denominated debt. The authorities also noted that, in the absence of a comprehensive arrears clearance strategy, Zimbabwe's debt position would remain in debt distress. To this end, the authorities have formulated an Arrears Clearance, Debt Relief, and Restructuring Strategy. The Strategy explores possible debt relief options under both HIPC and non-HIPC scenarios, whereby participating in the HIPC Initiative would allow the authorities to benefit from maximum debt relief. Should the HIPC Initiative not be viable, they plan to resort to a combination of own resources and bridge concessional financing for the clearance of external arrears. To show their commitment to the resolution of the country's external arrears, the authorities have resumed token payments to IFIs and 16 Paris Club creditors.

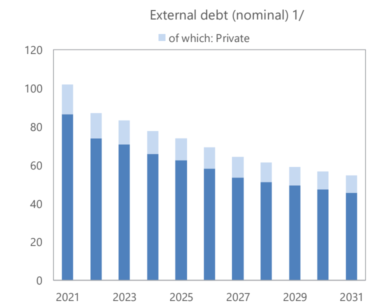
Table 1. Zimbabwe: External Debt Sustainability Framework, Baseline Scenario, 2018–41

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	**56.8**	**105.3**	**124.2**	**101.9**	**87.0**	**83.2**	**77.8**	**74.1**	**69.4**	**54.7**	**35.8**	**65.4**	**71.8**
of which: public and publicly guaranteed (PPG)	**40.1**	**87.5**	**106.6**	**86.6**	**73.8**	**70.6**	**65.7**	**62.4**	**58.2**	**45.7**	**30.1**	**50.5**	**60.4**
Change in external debt	-1.0	48.5	19.0	-22.4	-14.9	-3.8	-5.4	-3.8	-4.7	-2.1	-1.7		
Identified net debt-creating flows	**-1.1**	**-2.5**	**-1.3**	**-12.3**	**-7.0**	**-4.6**	**-3.7**	**-2.6**	**-1.5**	**-1.2**	**-0.7**	**2.3**	**-3.5**
Non-interest current account deficit	**5.3**	**-4.5**	**-5.2**	**-6.3**	**-4.7**	**-2.7**	**-1.7**	**-0.5**	**0.7**	**0.6**	**0.8**	**6.1**	**-1.1**
Deficit in balance of goods and services	10.4	0.6	1.0	1.3	2.0	2.8	3.5	4.4	5.3	4.9	4.2	**14.3**	**4.1**
Exports	21.9	23.3	24.3	26.7	25.0	24.4	23.9	23.3	22.8	20.0	15.5		
Imports	32.3	23.9	25.3	28.1	27.0	27.1	27.4	27.8	28.1	24.9	19.6		
Net current transfers (negative = inflow)	-5.9	-6.2	-8.3	-8.7	-7.6	-6.5	-6.3	-6.0	-5.8	-5.4	-4.2	**-9.2**	**-6.3**
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	0.8	1.1	2.0	1.1	1.0	1.0	1.1	1.1	1.2	1.1	0.9	**1.0**	**1.1**
Net FDI (negative = inflow)	**-3.0**	**-1.1**	**-0.7**	**-0.4**	**-0.5**	**-0.6**	**-0.7**	**-0.8**	**-0.9**	**-0.8**	**-0.7**	**-1.9**	**-0.8**
Endogenous debt dynamics 2/	**-3.4**	**3.1**	**4.7**	**-5.6**	**-1.8**	**-1.2**	**-1.3**	**-1.3**	**-1.2**	**-1.0**	**-0.8**		
Contribution from nominal interest rate	0.5	0.4	0.2	1.5	1.4	1.3	1.1	1.0	1.0	0.6	0.2		
Contribution from real GDP growth	-2.5	3.7	5.8	-7.1	-3.2	-2.5	-2.4	-2.3	-2.2	-1.6	-1.1		
Contribution from price and exchange rate changes	-1.4	-1.0	-1.3	...	...	...	...	...	...	...	...		
Residual 3/	**0.2**	**51.0**	**20.2**	**-10.1**	**-7.9**	**0.8**	**-1.7**	**-1.2**	**-3.2**	**-0.9**	**-1.0**	**4.6**	**-2.8**
of which: exceptional financing	-2.3	-0.9	-1.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.5	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**69.5**	**74.1**	**68.1**	**64.3**	**61.2**	**58.2**	**55.1**	**43.9**	**28.6**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**286.4**	**277.1**	**272.2**	**263.6**	**256.2**	**249.3**	**241.6**	**219.1**	**184.9**		
PPG debt service-to-exports ratio	**12.7**	**10.7**	**8.5**	**10.0**	**11.9**	**11.4**	**10.9**	**10.9**	**11.0**	**6.2**	**5.7**		
PPG debt service-to-revenue ratio	**12.0**	**20.0**	**12.6**	**11.5**	**11.8**	**10.2**	**9.7**	**9.9**	**10.4**	**5.6**	**4.2**		
Gross external financing need (Million of U.S. dollars)	3243.2	1313.3	1101.0	1377.9	2264.3	3128.8	3357.5	3712.9	4064.4	3665.8	3938.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.7	-6.1	-5.3	6.3	3.5	3.0	3.1	3.1	3.1	3.0	3.0	**3.6**	**3.4**
GDP deflator in US dollar terms (change in percent)	2.4	1.8	1.2	4.7	5.9	2.7	2.1	2.3	2.2	2.4	2.4	**2.6**	**2.9**
Effective interest rate (percent) 4/	1.0	0.8	0.2	1.3	1.5	1.5	1.4	1.4	1.4	1.1	0.6	**1.4**	**1.3**
Growth of exports of G&S (US dollar terms, in percent)	11.6	1.7	-0.1	22.5	2.5	3.2	3.1	3.0	3.0	2.8	2.8	**4.8**	**4.7**
Growth of imports of G&S (US dollar terms, in percent)	22.8	-29.4	1.7	23.3	5.3	6.5	6.4	6.7	6.7	3.0	3.0	**0.1**	**6.3**
Grant element of new public sector borrowing (in percent)	...	...	...	27.5	23.3	23.0	23.7	23.9	23.6	23.6	23.6	**...**	**23.9**
Government revenues (excluding grants, in percent of GDP)	23.2	12.5	16.5	23.2	25.3	27.1	26.8	25.6	24.1	22.0	20.9	**18.6**	**24.0**
Aid flows (in Million of US dollars) 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.5	0.4	0.3	0.4	0.4	0.3	0.3	0.2	**...**	**0.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	27.5	23.3	23.0	23.7	23.9	23.6	23.6	23.6	**...**	**23.9**
Nominal GDP (Million of US dollars)	23,651	22,600	21,670	24,124	26,425	27,963	29,428	31,027	32,684	42,717	72,966		
Nominal dollar GDP growth	7.3	-4.4	-4.1	11.3	9.5	5.8	5.2	5.4	5.3	5.5	5.5	**6.3**	**6.4**
Memorandum items:													
PV of external debt 7/	...	...	87.2	89.3	81.2	76.9	73.4	69.8	66.3	52.8	34.3		
In percent of exports	...	...	359.1	334.2	324.9	315.2	307.2	299.3	290.6	263.7	221.7		
Total external debt service-to-exports ratio	52.2	49.0	45.4	46.4	55.0	59.6	57.9	56.9	55.7	43.9	34.0		
PV of PPG external debt (in Million of US dollars)			15071.7	17869.0	17987.0	17974.0	18011.8	18044.2	18010.0	18751.3	20857.8		
(PVt-PVt-1)/GDPt-1 (in percent)				12.9	0.5	0.0	0.1	0.1	-0.1	0.5	0.2		
Non-interest current account deficit that stabilizes debt ratio	6.3	-53.0	-24.2	16.1	10.2	1.0	3.7	3.3	5.4	2.8	2.5		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

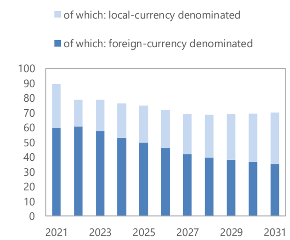
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

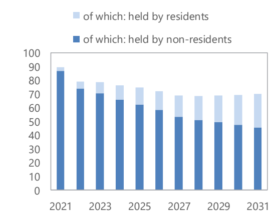
Table 2. Zimbabwe: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–41
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	**79.7**	**94.8**	**109.7**	**89.4**	**78.9**	**78.8**	**76.2**	**74.7**	**72.0**	**70.1**	**75.0**	**59.8**	**74.2**
of which: external debt	**40.1**	**87.5**	**106.6**	**86.6**	**73.8**	**70.6**	**65.7**	**62.4**	**58.2**	**45.7**	**30.1**	**50.5**	**60.4**
Change in public sector debt	23.9	15.2	14.9	-20.3	-10.6	-0.1	-2.6	-1.5	-2.7	0.9	0.8		
Identified debt-creating flows	**8.2**	**17.7**	**-22.6**	**-6.4**	**-8.7**	**-0.7**	**-0.7**	**-0.8**	**-0.8**	**2.0**	**1.6**	**1.1**	**-1.0**
Primary deficit	**9.6**	**1.8**	**-0.3**	**3.1**	**4.3**	**4.8**	**4.5**	**3.9**	**3.3**	**2.3**	**1.4**	**3.3**	**3.2**
Revenue and grants	23.2	12.5	16.5	23.2	25.3	27.1	26.8	25.6	24.1	22.0	20.9	**18.6**	**24.0**
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	32.8	14.2	16.2	26.3	29.6	31.9	31.4	29.5	27.4	24.3	22.3	**21.8**	**27.2**
Automatic debt dynamics	**-2.7**	**15.9**	**-22.3**	**-9.6**	**-12.9**	**-5.5**	**-5.3**	**-4.7**	**-4.1**	**-0.2**	**0.2**		
Contribution from interest rate/growth differential	-2.7	-30.6	-1.5	-9.6	-12.9	-5.5	-5.3	-4.7	-4.1	-0.2	0.2		
of which: contribution from average real interest rate	-0.2	-35.8	-6.8	-3.0	-9.9	-3.2	-2.9	-2.5	-1.9	1.8	2.3		
of which: contribution from real GDP growth	-2.5	5.2	5.3	-6.5	-3.0	-2.3	-2.3	-2.3	-2.2	-2.0	-2.2		
Contribution from real exchange rate depreciation	0.0	46.6	-20.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**1.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.7**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**15.8**	**-2.5**	**37.5**	**-13.8**	**-1.9**	**0.6**	**-1.9**	**-0.7**	**-1.8**	**-1.2**	**-0.8**	**5.1**	**-2.6**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**114.0**	**92.3**	**81.1**	**80.3**	**77.0**	**74.9**	**71.8**	**68.6**	**73.7**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**692.4**	**398.6**	**320.3**	**296.6**	**287.3**	**292.3**	**297.9**	**312.1**	**352.5**		
Debt service-to-revenue and grants ratio 3/	**29.4**	**29.2**	**14.2**	**13.6**	**13.7**	**18.0**	**22.1**	**27.5**	**32.2**	**55.1**	**110.1**		
Gross financing need 4/	17.8	5.4	2.0	6.3	7.7	9.7	10.4	10.9	11.0	14.4	24.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.7	-6.1	-5.3	6.3	3.5	3.0	3.1	3.1	3.1	3.0	3.0	**3.6**	**3.4**
Average nominal interest rate on external debt (in percent)	1.0	0.8	0.3	2.1	1.8	1.7	1.6	1.6	1.5	1.2	0.7	**1.3**	**1.5**
Average real interest rate on domestic debt (in percent)	2.1	-87.6	-83.8	-43.6	-29.1	-15.9	-12.6	-9.6	-6.7	4.3	4.4	**-16.3**	**-9.5**
Real exchange rate depreciation (in percent, + indicates depreciation)	0.0	105.8	-22.6	...	...	...	...	...	...	...	...	**7.4**	**...**
Inflation rate (GDP deflator, in percent)	2.4	729.8	537.3	80.8	52.0	30.6	25.5	20.4	16.1	3.8	3.9	**129.0**	**23.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	18.3	-59.2	7.4	73.1	16.3	11.1	1.3	-2.8	-4.5	3.4	2.3	**6.1**	**8.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-14.4	-13.4	-15.2	23.4	14.8	4.9	7.1	5.4	5.9	1.4	0.7	**-14.3**	**6.8**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Zimbabwe: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021-31 (In percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	**74**	**68**	**64**	**61**	**58**	**55**	**52**	**50**	**48**	**46**	**44**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**74**	**80**	**83**	**85**	**83**	**79**	**74**	**70**	**67**	**65**	**62**
B. Bound Tests											
B1. Real GDP growth	**74**	**76**	**81**	**77**	**73**	**69**	**66**	**63**	**60**	**58**	**55**
B2. Primary balance	**74**	**71**	**70**	**67**	**65**	**62**	**59**	**57**	**55**	**53**	**52**
B3. Exports	**74**	**73**	**77**	**73**	**68**	**63**	**58**	**53**	**51**	**49**	**46**
B4. Other flows 3/	**74**	**71**	**71**	**67**	**63**	**58**	**54**	**51**	**48**	**46**	**44**
B5. Depreciation	**74**	**134**	**123**	**117**	**112**	**106**	**101**	**97**	**93**	**90**	**86**
B6. Combination of B1-B5	**74**	**78**	**82**	**78**	**72**	**67**	**62**	**58**	**55**	**53**	**51**
C. Tailored Tests											
C1. Combined contingent liabilities	**74**	**77**	**74**	**73**	**71**	**69**	**66**	**64**	**63**	**62**	**61**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**74**	**73**	**73**	**70**	**66**	**61**	**56**	**53**	**50**	**48**	**45**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	**277**	**272**	**264**	**256**	**249**	**242**	**234**	**229**	**226**	**223**	**219**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**277**	**319**	**342**	**354**	**357**	**348**	**335**	**325**	**320**	**315**	**312**
B. Bound Tests											
B1. Real GDP growth	**277**	**272**	**264**	**256**	**249**	**242**	**234**	**229**	**226**	**223**	**219**
B2. Primary balance	**277**	**282**	**285**	**282**	**278**	**272**	**267**	**263**	**261**	**259**	**257**
B3. Exports	**277**	**330**	**404**	**393**	**374**	**353**	**332**	**315**	**308**	**302**	**295**
B4. Other flows 3/	**277**	**285**	**289**	**281**	**269**	**256**	**243**	**234**	**229**	**225**	**221**
B5. Depreciation	**277**	**272**	**257**	**249**	**243**	**237**	**231**	**228**	**225**	**222**	**219**
B6. Combination of B1-B5	**277**	**308**	**293**	**326**	**312**	**296**	**280**	**269**	**264**	**259**	**253**
C. Tailored Tests											
C1. Combined contingent liabilities	**277**	**308**	**303**	**307**	**303**	**302**	**298**	**298**	**299**	**301**	**303**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**277**	**333**	**337**	**322**	**303**	**282**	**260**	**249**	**243**	**238**	**233**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	10	**12**	**11**	**11**	**11**	**11**	**11**	8	6	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	10	**12**	**15**	**26**	**36**	**44**	**50**	**46**	**42**	**41**	**41**
B. Bound Tests											
B1. Real GDP growth	10	**12**	**11**	**11**	**11**	**11**	**11**	8	6	6	6
B2. Primary balance	10	**12**	**13**	**14**	**16**	**17**	**18**	**16**	**14**	**15**	**16**
B3. Exports	10	**14**	**17**	**23**	**31**	**31**	**31**	**23**	**12**	**11**	**11**
B4. Other flows 3/	10	**12**	**12**	**16**	**19**	**19**	**19**	**13**	8	8	7
B5. Depreciation	10	**12**	**11**	**10**	9	9	8	6	5	5	6
B6. Combination of B1-B5	10	**13**	**15**	**19**	**23**	**23**	**23**	**16**	9	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	10	**12**	**16**	**15**	**17**	**17**	**18**	**16**	**14**	**15**	**15**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	10	**14**	**15**	**19**	**22**	**22**	**20**	**14**	7	7	6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	12	12	10	10	10	10	10	8	6	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	12	12	13	**23**	**33**	**42**	**49**	**44**	**40**	**38**	**37**
B. Bound Tests											
B1. Real GDP growth	12	13	13	12	13	13	13	10	7	7	7
B2. Primary balance	12	12	11	13	**15**	**16**	**17**	**15**	13	14	**15**
B3. Exports	12	12	12	**16**	**22**	**23**	**23**	**18**	9	8	8
B4. Other flows 3/	12	12	11	**14**	**17**	**18**	**18**	13	7	7	7
B5. Depreciation	12	**23**	**20**	**18**	**15**	**16**	**16**	12	10	10	10
B6. Combination of B1-B5	12	13	13	**17**	**21**	**22**	**22**	**15**	9	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	12	12	14	14	**15**	**16**	**17**	**15**	13	14	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	13	12	**16**	**20**	**20**	**20**	13	7	6	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Zimbabwe: Sensitivity Analysis for Key Indicators of Public Debt, 2021–2031 (In percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	PV of Debt-to-GDP Ratio										
Baseline	**92**	**81**	**80**	**77**	**75**	**72**	**68**	**68**	**68**	**68**	**69**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**92**	**57**	34	20	13	10	8	7	6	6	6
B. Bound Tests											
B1. Real GDP growth	**92**	**98**	**115**	**117**	**120**	**121**	**120**	**124**	**129**	**133**	**139**
B2. Primary balance	**92**	**90**	**94**	**91**	**89**	**85**	**81**	**79**	**79**	**79**	**79**
B3. Exports	**92**	**85**	**91**	**87**	**83**	**77**	**72**	**69**	**69**	**69**	**69**
B4. Other flows 3/	**92**	**85**	**87**	**83**	**80**	**75**	**70**	**69**	**69**	**68**	**69**
B5. Depreciation	**92**	**205**	**195**	**181**	**171**	**160**	**147**	**140**	**136**	**131**	**128**
B6. Combination of B1-B5	**92**	**85**	**88**	**82**	**80**	**76**	**72**	**70**	**70**	**69**	**69**
C. Tailored Tests											
C1. Combined contingent liabilities	**92**	**101**	**101**	**97**	**95**	**92**	**88**	**87**	**87**	**87**	**88**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**92**	**93**	**93**	**92**	**93**	**94**	**94**	**99**	**106**	**111**	**118**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	399	320	297	287	292	298	298	300	304	307	312
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	399	226	126	75	52	40	33	29	28	27	27
B. Bound Tests											
B1. Real GDP growth	399	386	425	436	469	503	526	549	577	602	630
B2. Primary balance	399	356	348	339	346	354	353	352	355	356	358
B3. Exports	399	335	336	324	323	321	313	307	309	311	314
B4. Other flows 3/	399	334	323	311	312	312	307	304	307	309	313
B5. Depreciation	399	810	722	674	667	663	643	623	609	594	584
B6. Combination of B1-B5	399	336	324	306	312	317	315	313	314	314	315
C. Tailored Tests											
C1. Combined contingent liabilities	399	398	372	362	373	383	384	386	391	394	399
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	399	390	365	364	380	401	418	440	473	504	537
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	14	14	18	22	27	32	39	40	44	49	55
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	14	9	7	5	4	3	3	2	2	2	2
B. Bound Tests											
B1. Real GDP growth	14	15	23	34	48	60	75	83	94	107	122
B2. Primary balance	14	14	20	30	37	40	49	50	54	60	67
B3. Exports	14	14	19	28	39	44	51	49	47	52	57
B4. Other flows 3/	14	14	19	27	35	40	47	45	46	51	56
B5. Depreciation	14	23	32	36	43	50	60	62	66	76	86
B6. Combination of B1-B5	14	13	18	22	27	32	39	41	44	49	55
C. Tailored Tests											
C1. Combined contingent liabilities	14	14	24	41	35	44	48	51	54	60	66
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	14	15	19	28	42	52	65	73	84	96	109
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

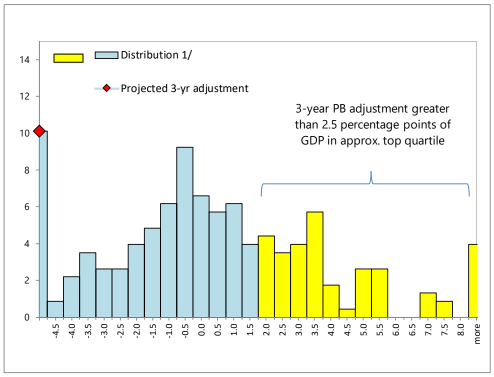
1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

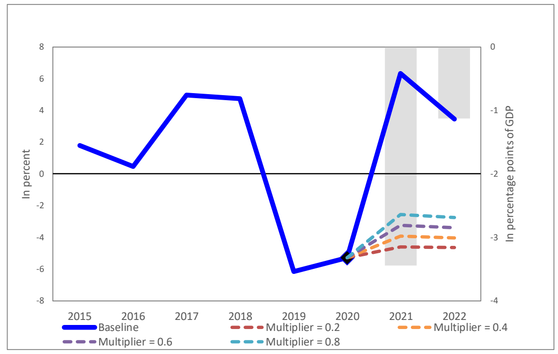
Figure 1. Zimbabwe: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



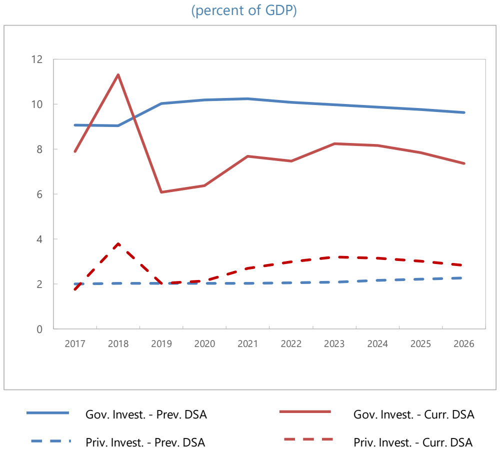
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates 1/
(percent of GDP)



1/ Data show nominal investment rates due to data limitations for real investment.

Contribution to Real GDP growth
(percent, 5-year average)

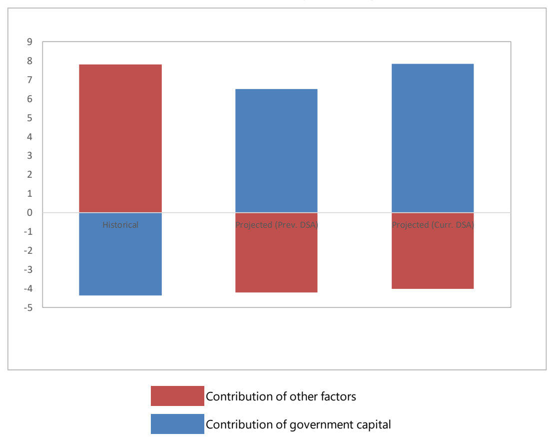
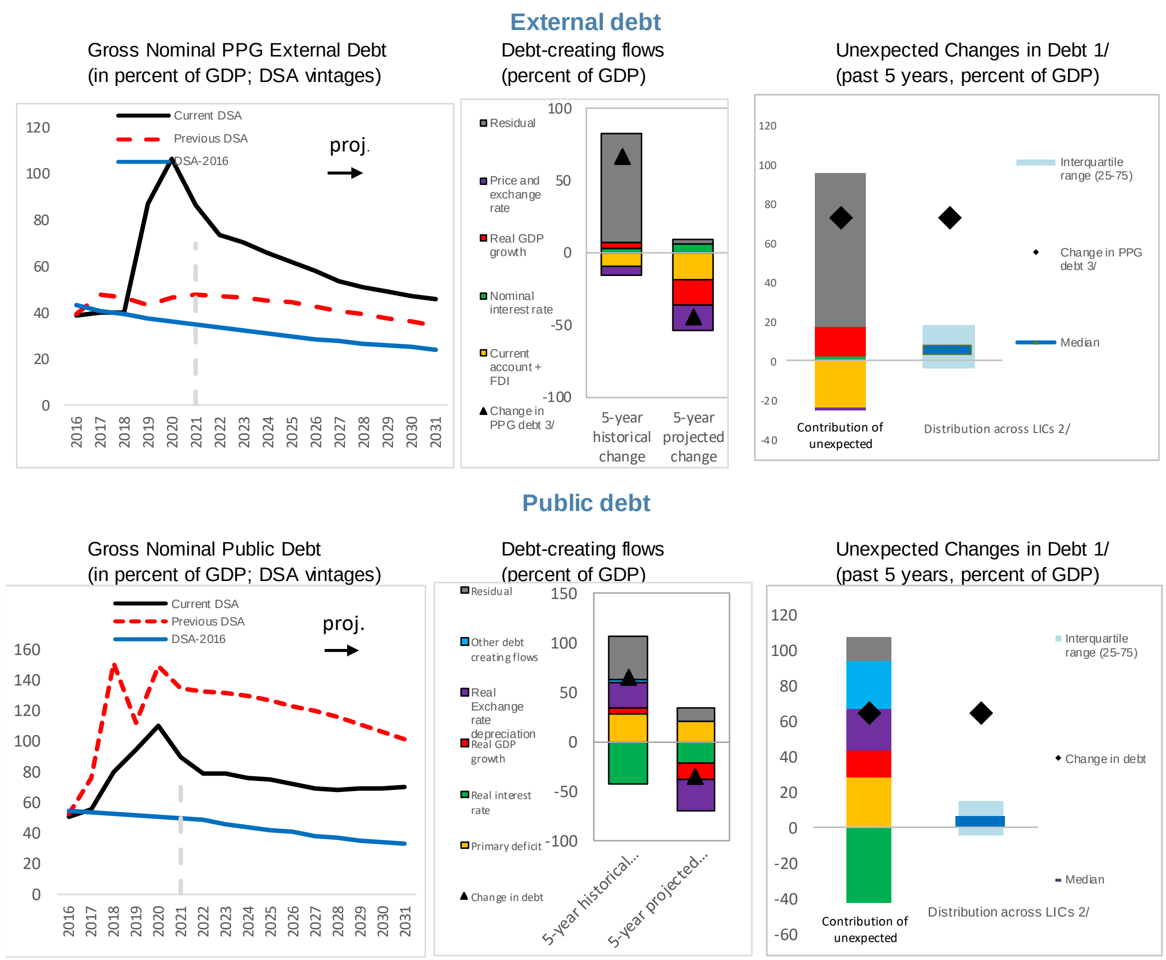


Figure 2. Zimbabwe: Drivers of Debt Dynamics - Baseline Scenario

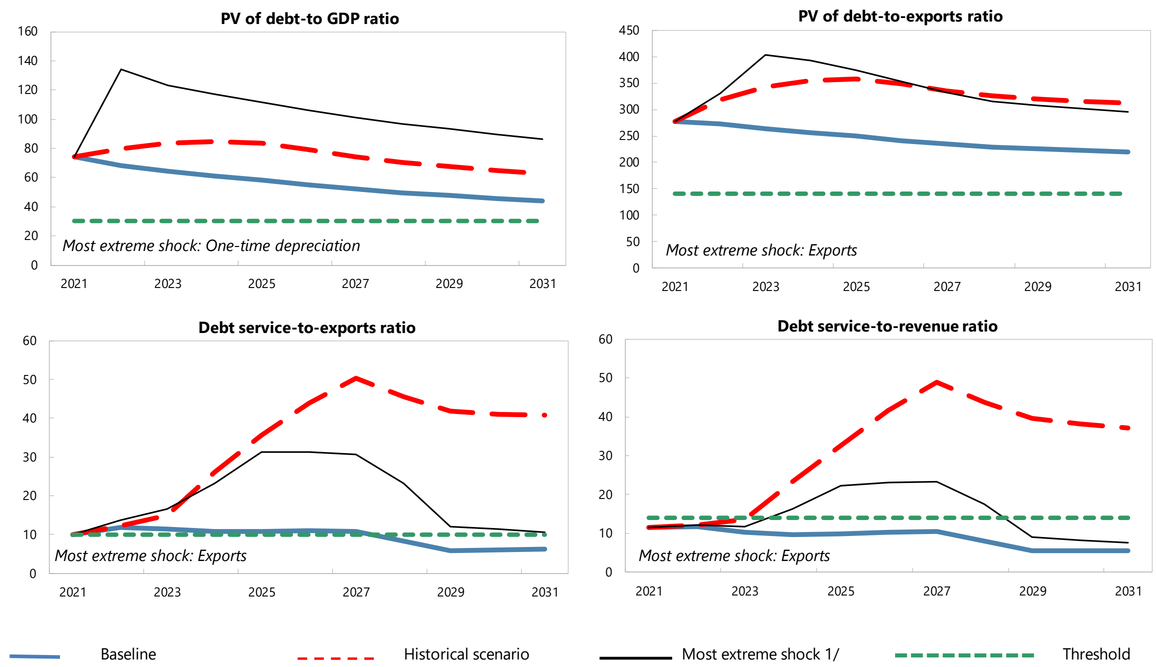


1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 3. Zimbabwe: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2021–311/,2



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	3.3%	9.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	18	5
Avg. grace period	4	1

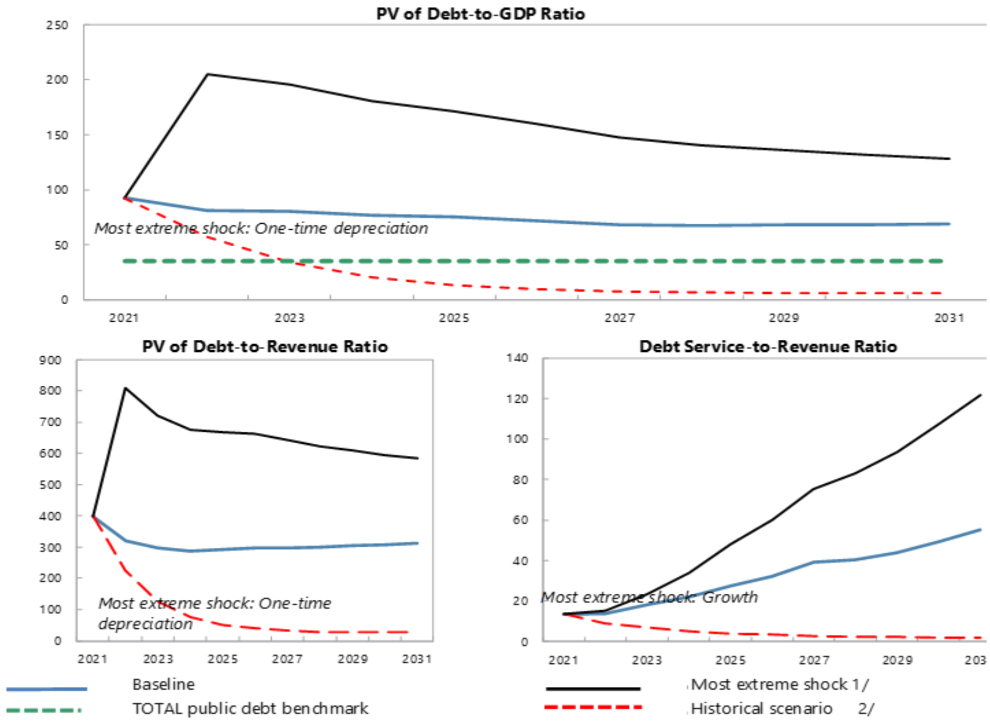
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 4. Zimbabwe: Indicators of Public External Debt under Alternative Scenarios, 2021–31



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	19%	60%
Domestic medium and long-term	57%	40%
Domestic short-term	24%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.3%	12.0%
Avg. maturity (incl. grace period)	18	10
Avg. grace period	4	1
Domestic MLT debt		
Avg. real interest rate on new borrowing	-15.8%	-15.8%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	-14.2%	-14.2%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.
2/ The historical scenario for the evolution of overall public debt is not representative in cases of past hyperinflationary episodes.