Zimbabwe’s economic freedom score is 40.4, making its economy the 175th freest in the 2019 Index. Its overall score has decreased by 3.6 points, precipitated by a plunge in fiscal health and sharply lower scores for judicial effectiveness, monetary freedom, and business freedom. Zimbabwe is ranked 45th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Although the new government has an ambitious reform agenda to promote private enterprise, implementation of the promised measures is far from assured. It will take many years to address the constraints in Zimbabwe’s operating environment, and excessive government interference and substantial currency risks because of fiscal mismanagement will continue to weigh on investor confidence. Massive corruption and disastrous economic policies have plunged the country into poverty. An inefficient judicial system and general lack of transparency severely exacerbate business costs and entrepreneurial risk.

**BACKGROUND:** The former British colony of Rhodesia became the fully independent Zimbabwe in 1980. A November 2017 coup forced out longtime President Robert Mugabe of the Zimbabwe African National Union-Patriotic Front (ZANU-PF) and elevated former Vice President Emmerson Mnangagwa to the presidency. Following Mnangagwa’s victory in a 2018 election marred by vote-rigging and voter intimidation, security services cracked down on the opposition. The economy depends heavily on mining and agriculture, but political instability and protracted economic underperformance threaten higher unemployment. The white population, which numbered almost 300,000 at the time of independence, has dwindled to fewer than 30,000.
The government enforces interests in residential and commercial properties in cities but not with respect to agricultural land. The land management system is fragmented and inefficient. The judiciary is susceptible to political influence but also has shown increasing independence by deciding against powerful political interests, including ruling party elites. Nevertheless, corruption remains a serious problem at every level of government.

The top personal income tax rate is 51.5 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.3 percent of total domestic income. Over the past three years, government spending has amounted to 29.2 percent of the country’s output (GDP), and budget deficits have averaged 6.3 percent of GDP. Public debt is equivalent to 78.4 percent of GDP.

Zimbabwe’s economy is unstable and volatile, both hallmarks of excessive government interference and mismanagement. The overall business environment is opaque and vulnerable to government intervention. The government’s failed economic policies and continuing control have distorted the labor market, resulting in a large informal sector. In response to rising global prices, price controls on oil were imposed in 2017.

The combined value of exports and imports is equal to 61.5 percent of GDP. The average applied tariff rate is 5.0 percent. As of June 30, 2018, according to the WTO, Zimbabwe had seven nontariff measures in force. The pervasive presence of regulatory barriers severely hampers trade and investment flows. The financial system has suffered from repeated crises, and years of hyperinflation have undercut entrepreneurial activity.