ZIMBABWE

Zimbabwe's economic freedom score is 43.1, making its economy the 174th freest in the 2020 Index. Its overall score has increased by 2.7 points due to a higher fiscal health score. Zimbabwe is ranked 45th among 47 countries in the Sub-Saharan Africa region, and its overall score is far below the regional and world averages.

Although Zimbabwe's economy is still deeply repressed, it has become slightly less so in the past four years. GDP expanded by an average of 2.6 percent over the past five years, but a severe contraction is forecast in 2020 as drought continues to affect agricultural output and energy production from hydropower and as the ongoing currency and liquidity crises hamper economic activity.

The government's ambitious economic reform program to promote and protect private enterprise, reduce the costs of doing business, and encourage foreign direct investment has the potential for positive results, but its implementation is hamstrung by the lack of government integrity and by flawed governance practices across many sectors.

BACKGROUND: The former British colony of Rhodesia became the fully independent Zimbabwe in 1980. A 2017 coup forced out the late 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 that was 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 crisis have severely damaged the country's economic potential. In the wake of the Mugabe regime's campaign of violent expropriation of white-owned land, Zimbabwe's 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 agricultural land has been nationalized. Pressure from the executive has substantially eroded the independence of the judiciary, and its credibility has been undermined by its overt bias toward the ruling party. Corruption is endemic. Transparency International ranked Zimbabwe 160th out of 180 countries in its 2018 Corruption Perceptions Index.

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 22.1 percent of total domestic income. Government spending has amounted to 20.0 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 6.2 percent of GDP. Public debt is equivalent to 29.8 percent of GDP.

Processes for starting a business and obtaining permits have been eased, but scars remain from decades of excessive government interference. Oppressive rules against firing workers and state-sponsored intimidation of various groups distort the labor market. Ongoing economic weakness, high inflation, and shortages of hard currency have made it impossible for the government to fully mitigate the impact of soaring food and fuel prices.

The total value of exports and imports of goods and services equals 48.4 percent of GDP. The average applied tariff rate is 5.0 percent, and other pervasive nontariff barriers are in force, severely constraining trade flows. Foreign investment in several sectors is capped. Government intervention has undermined the financial sector, and many banks lack liquidity. The state has used banks to finance deficit spending.