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T H E A F R I C A N D E V E L O P M E N T B A N K

APPRAISAL REPORT
ZIMBABWE ARREARS CLEARANCE DIALOGUE ENHANCEMENT PROJECT (ZACDEP)

REPUBLIC OF ZIMBABWE

UA 3.0 MILLION

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AFRICAN DEVELOPMENT BANK GROUP

ZIMBABWE

ARREARS CLEARANCE DIALOGUE ENHANCEMENT PROJECT (ZACDEP)

PROJECT APPRAISAL REPORT

RDGS/ECGF/RDTS DEPARTMENTS

April 2026

CURRENCY EQUIVALENTS
Exchange rate effective 7/31/2025

Currency Unit	Equivalent
1 Unit of Account	1.35491US$
1 Unit of Account	1.18374 EUR

FISCAL YEAR

1 January – 31 December

WEIGHTS AND MEASURES

1 Metric ton	2,204.62 Pounds (lbs)
1 Kilogramme (kg)	2.20462 lbs
1 Meter (m)	3.28 Feet (ft)
1 Millimetre (mm)	0.03937 Inch (“)
1 Kilometre (km)	0.62 Mile
1 Hectare (ha)	2.471 Acres

ABBREVIATION AND ACRONYMS

ACBF	African Capacity Building Foundation
ACDRRS	Arrears Clearance, Debt Relief and Restructuring Strategy
ADF	African Development Fund
AfDB	African Development Bank
AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism
CB	Country Brief
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment (AfDB)
CRFA	Country Resilience and Fragility Assessment
CSO	Civil Society Organization
CSP	Country Strategy Paper
DCPDF	Development Cooperation Policy Dialogue Forum
DCPDF-M	Development Cooperation Policy Dialogue Forum (Plus Heads of Mission)
DMFAS	Debt Management Financial Analysis System
DP	Development Partner
DSA	Debt Sustainability Analysis
ESCON	Environmental and Social Compliance Note
GDP	Gross Domestic Product
GOZ	Government of Zimbabwe
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFIs	International Financing Institutions
IMF	International Monetary Fund
ISSERD	Institutional Support for State Enterprises Reforms and Delivery
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MDAs	Ministries Departments and Agencies
MDBs	Multilateral Development Banks
MOFEDIP	Ministry of Finance, Economic Development and Investment Promotion
MTDS	Medium Term Debt Strategy
NDS	National Development Strategy
OAG	Office of the Auditor General
PAR	Project Appraisal Report
PCR	Project Completion Report
PFM	Public Financial Management
PMU	Programme Management Unit
PTC	Project Technical Committee
POZ	Parliament of Zimbabwe
PRAZ	Procurement Regulatory Authority of Zimbabwe
PSC	Project Steering Committee
SACAGE	Support for Arrears Clearance and Governance Enhancement
SEGA	Strategy for Economic Governance in Africa
SITA	Strengthening Institutions of Transparency and Accountability
SMP	Staff Monitored Programme
SOE	State Owned Enterprise
TAEP	Tax and Accountability Enhancement Project
TSF	Transitional Support Facility
UA	Unit of Account
UCT	Upper-Credit Trance
UNDP	United Nations Development Programme
US$	United States Dollar
WB	World Bank
ZACC	Zimbabwe Anti-Corruption Commission
ZACDEP	Zimbabwe Arrears Clearance Dialogue Enhancement Project
ZPDMO	Zimbabwe Public Debt Management Office

OJECT INFORMATION SHEET

CLIENT INFORMATION

Project Name	Zimbabwe Arrears Clearance Dialogue Enhancement Project (ZACDEP)
Sector	Multi-sector/Governance
Grant Recipient	Zimbabwe
Project Instrument	Transition Support Facility (TSF) Pillar III Grant
Executing Agency	Ministry of Finance, Economic Development and Investment Promotion

COUNTRY AND STRATEGIC CONTEXT

Country Strategy Paper Period:	Country Brief [2024-2026]
Country Strategy Paper Priorities supported by Project:	Priority Area 1: Strengthening governance and accountability
Government Program (PRSP, NDP or equivalent):	National Development Strategy (NDS, 2021-2025/2026-30)
Project classification:	Improve Quality of Life
	SDG 10 and 16 on governance; SDGs 8,10 and 17 on Economic Growth and Stability
	Governance focusing on arrears clearance, debt management and combatting corruption
Country Performance and Institutional Assessment:	2.9 (2023)
Projects at Risk in the country portfolio:	16.7%

PROJECT CATEGORISATION

Environmental and Social Risk Categorization	Category 3 [validated on 29/8/2025]
Does the project involve involuntary resettlement?	No
Climate Safeguards Categorization:	Category 3: No exposure to climate physical risks, nor will it contribute to greenhouse gas emission using the Bank Climate Change Safeguard System (CSS). The project qualifies as a direct investment that does not have a material (positive or negative) impact on climate change and will enable climate investment in priorities adaptation and mitigation areas. It is fully Paris aligned.
Fragility Lens Assessment:	Yes
Gender Marker System Categorization:	Category 3

ADF/ADB KEY FINANCING INFORMATION

Interest Rate:	N/A
Service Charge:	N/A
Commitment Fee:	N/A
Tenor:	N/A
Grace Period:	N/A

Source	**Amount (millions)**		**Financing Instrument**
	UA	**[Other currency]**	
Transitional Support Facility	3,000,000		TSF Pillar III, Grant
Government Counterpart Contribution*	352,000		In Kind

Total Project Cost:	**3,352,000**		

** Counterpart funds will be provided 'in kind' in the form of office space and security personnels and service as required.*

PROJECT DEVELOPMENT OBJECTIVE AND COMPONENTS

Project Development Objective:	To enhance dialogue and build consensus on prerequisites for implementation of a roadmap for financing and clearance of Zimbabwe's arrears.
Project Components:	**Component I:** Enhance dialogue on arrears clearance and debt resolution (UA 1.357 million)
	Component II: Strengthen capacity on debt management, arrears clearance, land tenure and governance (UA 1.278 million)
	Component III: Project Management (UA 0.365 million)

PROJECT PROCESSING SCHEDULE TO BOARD APPROVAL

PCN Approval:	N/A
Appraisal Mission:	14.07.2025 to 25.07.2025
Planned Board Presentation:	29.04.2026
Effectiveness:	29.05.2026
Project Implementation Period:	01.06.2026 to 31.05.2029
Planned Mid-term Review:	05.2027
Project Closing Date:	30.09.2029

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1 STRATEGIC CONTEXT

A. Country Context, Strategy and Objectives

1.1 Zimbabwe is generally a stable, secure and peaceful country. In line with Zimbabwe's Constitution, the country held harmonized general elections for presidential, parliamentary and local authorities in August 2023. The country is expected to hold the next elections in 2028 in line with the Country's constitution.

1.2 **Accelerating macroeconomic stability and growth, governance, and international engagement are key priorities of Zimbabwe's second National Development Strategy (NDS2, 2026-2030)** that seeks to consolidate the achievements recorded under NDS1 (2021-2025) and accelerate the transformational process for attaining Vision 2030 of a Prosperous and Empowered Upper Middle-Income Society. The National Priority Areas transcending across all sectors of the economy are summarised in Box 1. The NDS recognizes that inclusive growth is critical to bring benefits to all Zimbabweans, hence, there is a need to deepen national commitment to the tenets of good governance as spelt out in the Vision 2030. Under the economic growth and stability and governance priority areas, the Government seeks to clear its debt arrears, and improve public service delivery through, among others, reform of State-Owned Enterprises (SOEs), enhanced transparency and accountability, and combatting corruption. The priorities take into consideration the country's Vision 2030, Sustainable Development Goals (SDGs), and Southern Africa Development Community's (SADC's) Regional Indicative Strategic Development Plan (2020-2030).

Box1: NDS2 National priority areas
- Macro-Economic Stability and Financial Sector Deepening
- Inclusive Economic Growth and Structural Transformation
- Infrastructural Development and Housing
- Food Security, Climate and Environment.
- Science, Technology, Innovation, Digitalization and Human Capital Development
- Job Creation, Youth Development, Creative Industry, and Culture
- Regional Development and Industry through Devolution and Decentralization.
- Social Development, Gender and Social Protection
- Image Building, International Relations and Trade
- Good Governance, Institution Building and Peace & Security

1.3 **The proposed Zimbabwe Arrears Clearance Dialogue Enhancement Project (ZACDEP) is aligned with Government's priorities related to economic growth and stability, governance, and land tenure related reforms**. It supports implementation of the roadmap for Zimbabwe's arrears clearance and debt resolution as well as the Public Finance Management Reform Strategy (2021-2025) that is expected to be succeeded by a new Strategy in 2026, and the Public Debt Management Act (Chapter 22:21) that focuses on prudent management of debt and reducing excessive public debt accumulation by clearing the public debt arrears and containing borrowing through re-engagement with creditors.

1.4 **On the Bank's side, the Project is aligned with the Priority Area 1 of the Bank's Zimbabwe Country Brief (CB, 2024-2026**). The main objective of the Country Brief is to address Zimbabwe's fragility, strengthen resilience, and support the country's transition to higher productivity. The Country Brief is anchored on two priority areas: *Priority Area 1-Strengthening governance and accountability*, and *Priority Area 2 – Enhanced private sector investment for inclusive growth.* It is also aligned with the Bank's Strategy for Economic Governance in Africa (SEGA, 2021-2025) priority areas (Public Expenditure Management, Debt Management and Transparency) under Pillar 1: *Public sector effectiveness at the* *national and sub-national levels*; and Combatting Corruption and Transparency under Pillar 3: *Inclusive governance and accountability*. The project is in line with the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (Fragility Strategy, 2022-2026) Priority #1 — *Strengthening Institutional Capacity*, which underscores institutional capacity building in the areas of debt management as key to building resilience and provides underlying guidance to overall objective of this project.

1.5 **The ZACDEP is further aligned with the African Development Fund (ADF-16 and ADF-17) Strategic Operational Framework Paper pillar II on Governance, Capacity Building and Sustainable Debt Management**. It will support dialogue leading to clearance of arrears and this is critical to macroeconomic stability for the country. The project will also support implementation of the 2022 Bank's Sustainable Borrowing Policy (SBP) on fiscal sustainability, debt transparency, and debt Management. It is consistent with: (i) the Bank Group's Ten-Year Strategy (2024-2033) with its operational priorities anchored on one of the High 5s, namely, "Improve the Quality of Life of the People of Africa" as well as the Four Cardinal Points through efforts to unlock Zimbabwe's access to capital and financing required for improved well-being and infrastructure development; (ii) the Bank Group's Gender Strategy (2021-2025) Pillar 2: accelerating employability and job creation for women through skills enhancement; (iii) the Climate Change and Green Growth Action Plan (2021-2025) Pillar #4 — Enabling environment through institutional and RMC capacity enhancement, t, and (iv) the Jobs for Youth in Africa (JfYA) Strategy (2016-2025). These strategies and policies identify public expenditure management, debt management and transparency, and combating corruption as critical elements for inclusive growth and poverty reduction. With a young and growing population, the need for decent jobs and economic opportunities is extremely important to stem irregular migration, brain drain, disillusionment, and potential violence hence the need to improve economic opportunities required for a vibrant private sector environment. In conformity with the 2030 SDG's cardinal principle of *"Leaving No One Behind",* the ZACDEP will support Government to work with the civil society, the private sector, and specialized institutions to increase its capacity to identify opportunities to promote resilience and stabilize the economy.

B. Sector and Institutional Context

1.6 ***Economic developments:*** **The Zimbabwe economy continues to experience a degree of macroeconomic stability despite persistent domestic and global shocks**. Zimbabwe's economic growth slowed to 1.7% in 2024, down from 5.3% in 2023, largely due to the El Niño-induced drought, lower agricultural output, falling commodity prices, and persistent power shortages. A recovery is forecasted for 2025, with real GDP growth projected at 6.6%, spurred by a 24.0% rebound in agriculture and a reduction in annual average inflation. As measured by the ZIG_CPI, the annual inflation rate (year on year inflation rate) has been on a downward trend since its peak at 95.8% in July 2025 and stood at 19.0% in November 2025. Whilst the ZiG_CPI was 19.0% year on year in November 2025, the USD_CPI was down at 13,1% during the same period. The Reserve Bank of Zimbabwe (RBZ) maintained tight monetary policy since Q4 of 2024. Since then, the willing-buyer willing-seller (WBWS) exchange rate remained stable at about ZWG 26.00 to USD 1.00. Annual inflation has been on downward trend since August 2025 from 93.8 to 32.7% by October 2025. Zimbabwe's macroeconomic fundamentals have opportunities for strengthening, with resilience likely to improve as the country navigates fluctuations in international commodity prices and evolving geo-political developments. Continued stability in mineral export earnings will support efforts to maintain a stable exchange rate and contain inflation

1.7 **Fiscal consolidation efforts narrowed the fiscal deficit to 0.5% of GDP in 2024, while tax reforms enhanced revenue collection, raising tax revenue from 11.6% of GDP in 2023 to 14.3% in 2024 due to on-going tax reforms.** Reforms included strengthening of the tax administration system through the rollout of the Tax and Revenue Management System (TaRMS), which is supported by the Bank's institutional support project. This has been complemented by efforts to widen the tax base by tapping into the informal sector and the improved business environment. The country continues to face a substantial financing gap due to growing financing needs and limited access to external financing, largely stemming from its debt arrears and the country's inability to repay its long outstanding debt. According to the African Development Bank (CFR, 2024), Zimbabwe's annual financing gap stands at 13.4% of GDP (US$3.7 billion) by 2030 and 2.3% (US$660 million) by 2063 to meet structural transformation goals. This highlights the urgent need to strengthen domestic resource mobilization and ease access to concessional financing. Reforms to simplify the tax system, strengthen institutions, and improve governance are critical to boosting tax compliance and attracting private investment.

Table 1:Macroeconomic Indicators 2019-2026

	2020	2021	2022	2023	2024(e)	2025(p)	2026(p)
Real GDP Growth	-7.8	8.5	6.1	5.3	1.7	6.6	5.0
Real GDP per capita growth	-9.4	6.8	4.4	3.6	0.3	4.2	2.1
CPI inflation	12.1	19.7	41.9	29.4	55.7	23.6	9.6
Budget balance % GDP	1.5	-2.6	-2.0	-6.4	-1.2	-0.9	-0.6
Current account balance % GDP	2.5	1.3	0.9	0.4	1.5	2.0	1.3

Source: Data from Zimbabwe authorities; estimates (e) and prediction (p) based on authors' calculations.

1.8 ***Public Debt Management:* The IMF-World Bank Debt Sustainability Analysis (DSA) at end-2024 show that Zimbabwe's debt remains unsustainable and the country being in debt distress**. According to Government Debt Bulletin, as of December 2024, the total Public and Publicly Guaranteed (PPG) debt stood at US$21.5 billion (47.1% of re-based GDP), up from US$21.2 billion in 2023. External debt accounts for US$13.2 billion (61.4%) and domestic debt US$8.3 billion (38.6%). Arrears are a major concern, comprising 55.9% of external debt, with nearly all obligations to multilateral development banks (US$4.8 billion) and bilateral creditors (US$6.2 billion) being in arrears. This debt overhang limits development spending and social service delivery. To address this, Zimbabwe is pursuing structural reforms and debt restructuring through the ongoing Bank-supported arrears clearance, debt

Table 2: Public Debt as of December 2024

Total Debt	Total (US$, mn)
Total public debt	**21,524**
Total External Debt	**13,245**
Bilateral Creditors[1]	6,209
Multilateral Creditors[2]	4,804
Reserve Bank Liabilities Assumed by Treasury	2,232
Domestic Debt	**8,279**
Government Securities	4,745
Domestic Arrears (to Service Providers)	34
Compensation to former commercial farmers[3]	3,500

Source: MOFEDIP: 2024 Debt Bulleting
Nominal GDP at market prices 2024: US$ 45,718.79 (millions)

[1] The breakdown is as follows: Paris Club US$ 4.5007 billion and non-Paris Club US$ 2.202 billion
[2] The breakdown is as follows: World Bank Group US$1.586 billion, AfDB US$ 676 million, and European Investment Bank US$ 425 million, Trade and Development Bank US$ 687 million, Afreximbank US$ 1.345 billion, and others (BADEA, IFAD, NDF, and OFID) US$ 73 million.
[3] Under Global Compensation Deed

resolution, and re-engagement process aimed at restoring fiscal sustainability and unlocking development financing.

1.9 **Zimbabwe has improved public debt transparency by ensuring comprehensive and accessible external and domestic debt data**. The Debt Management and Financial Analysis System (DMFAS) is used to track and manage debt accurately. Guided by the Public Debt Management Act (2015), the country has in place a Medium-Term Debt Strategy (2022–2025) and a new strategy for 2026–2030 is now in place. Public debt reports are published regularly and tabled in the National Assembly in line with the Debt Management Act. To ascertain the quantum of expenditure arrears, Government through technical assistance from the Africa Legal Support Facility (ALSF) and the International Monetary Fund (IMF), Government has been verifying the amounts it owes its creditors.

1.10 ***Economic governance:*** **Zimbabwe's governance indicators show signs of improvement, reflecting gradual progress toward stronger institutions.** The Corruption Perception Index (CPI) score for Zimbabwe was 21/100 in 2024 with a ranking of 158 out of 180 countries, three places lower than in 2023 when it scored 24/100. With a ranking of 31/53, the country's overall score of 47.1/100 on the Ibrahim Index of African Governance (IIAG) in 2023 represents an improvement of 1.6 over a 10-year period 2014-2023 with the ranking also having gone up by four places. In March 2022, Zimbabwe was removed from the Financial Action Task Force (FATF) grey list on Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) framework[4]. The Bank's Country Policy and Institutional Assessment (CPIA) score for the country improved from 2.11 (out of 6.0) in 2013 to 2.9 in 2023. This reflects a steady strengthening of the country's policy and institutional environment over the decade. The Governance and Economic Management clusters were rated 3.0 and 2.5, respectively.

1.11 **The key challenge facing Zimbabwe is its long-standing debt overhang and outstanding debt arrears, which have continued to curtail stable growth, infrastructure development and public service delivery.** The country is under lending sanctions of the Bank since 1st May 2000 due to the arrears. Since 2017, the Government of Zimbabwe (GoZ) has prioritized re-engagement with development partners and creditors as part of its foreign policy. Through the *Arrears Clearance, Debt Relief and Restructuring Strategy (ACDRS)* of 2021, the GoZ seeks to clear external debt arrears to creditors, prioritizing International Financial Institutions (IFIs), in line with the *'pari-pasu'* principle. The Bank provided UA 3 million in 2022 from the Transitional Support Facility (TSF III) set-aside window [through the *Support to Arrears Clearance and Governance (SACAGE) Project]* to support the country in engaging with its creditors on arrears clearance and debt resolution.

C. Rationale for Bank's Involvement

1.12 **Despite progress in arrears clearance, Zimbabwe continues to face economic stability challenges. Access to external concessional financing remains critical for funding long-term development goals as outlined in the second National Development Strategy (NDS-2).** Sustained engagement with external creditors is essential for macroeconomic stabilization and growth. While the Ministry of Finance, Economic Development and Investment Promotion (MoFEDIP) leads the clearance process, its mandate does not extend to political and governance issues, thus the need for stronger inter-governmental coordination and leadership. The process also requires enhanced international

[4] Details can be accessed on https://www.fatf-gafi.org/en/publications/Mutualevaluations/Fur-zimbabwe-2022.html

diplomacy to build trust and secure support from creditors. To strengthen engagement and dialogue process, the Government needs to : (a) Successfully implement a 10-month Staff Monitored Program (SMP) signed with the IMF on 16 April, 2026 that aims at consolidating recent stabilization gains and strengthening macroeconomic management; (b) engage potential champions for bridge financing[5] to clear US$2.7 billion in arrears with IFIs (AfDB, World Bank, and EIB); (c) continue compensating former farm owners and in undertaking governance reforms including engaging the civil society on the Private and Voluntary Organizations (PVO) Act; (d) strengthen coordination amongst Ministries, Departments, and Agencies (MDAs) through an inter-ministerial committee on implementation of arrears clearance and debt resolution related reforms. The role of the Ministry of Foreign Affairs and International Trade (MOFAIT) has a critical role on engagement with creditors and with the US Government on the Zimbabwe Democracy and Economic Recovery Act (ZIDERA, 2001) which restricts US trade and investment in Zimbabwe and support to access international credit lines from institutions like the IMF and World Bank. In September 2025, a Bill was introduced in the US Congress proposing new conditions for repealing ZIDERA, with compensation to former farm owners as the central requirement. Through the SACAGE project, the Bank has been facilitating payments of compensation to former farm owners.

1.13 **The first phase of the SACAGE project has significantly enhanced Zimbabwe's capacity to engage with creditors, development partners, the private sector, and civil society on arrears clearance**. The process was led by the country's presidency with support from the Bank Presidency (as champion) and the former President of Mozambique. Key achievements include the establishment of the Structured Dialogue Platform and Sector Working Groups focussing on three pillars (economic stabilization, governance, and land tenure reforms[6], which have facilitated direct engagement between the government and creditors, as well as civil society organizations. Reform matrices aligned to these pillars guide government actions. Progress has also been made towards signing an SMP with the IMF, a prerequisite for macroeconomic stability and arrears clearance. A Roadmap has been developed to guide the clearance progress. Further, the government has initiated compensation processes for former farm owners under the Bilateral Investment Partnership Promotion Agreements (BIPPAs) and the Global Compensation Deed (GCD), reinforcing trust and property rights in line with constitutional provisions. Additionally, consensus has been reached on 16 governance indicators, forming a foundation for continued dialogue and technical support. The Bank-supported process is widely regarded as credible and advanced, with strong momentum that stakeholders agree should be sustained through a second phase (Refer to Annex 1 to the Report and Technical Annex 1-7B on implementation progress under SACAGE project).

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[5] Bridge financing entails obtaining a bilateral bridge loan that is reimbursed directly to the financier through specific financing in a set-aside fund. This requires replenishing the AfDB's and the World Bank's special funds for arrears clearance. Bridge loans can be structured as short-term, intra-day agreements, allowing rapid repayment through funds released by the arrears' clearance process, such as country allocations and ad hoc set-aside envelopes. Alternatively, longer-term repayment schemes could be considered when full financing for bridge loan repayment is not immediately available. In this case, the loan can be repaid gradually from annual country allocations and other available funding streams. Therefore, bridge loan repayment modalities would depend on funding availability at the IFIs such as arrears clearance set aside funds. The Bank supported countries like Somalia and Sudan to clear their arrears through bridge Financing method. In the case of Somalia, the Bank designed in 2020 the Somalia Economic and Financial Reforms Support Program (budget support) for an amount of UA 89 million to support the country pay its arrears. The UK had provided a bridge financing of the same amount to support the country clear its clear with the Bank. The Bank worked with the IMF and World Bank in ensuring that the arrears were cleared concurrently. The WB designed a Development Policy Operation to have its arrears cleared.

[6] These are aligned to three Sector Working Groups on Economic Growth and Stability, Governance, and Land Tenure and Compensation of Former Farm Owners. Each SWG has developed a matrix that summarises key reform measures to be monitored and assessed.

1.14 **Despite the aforementioned achievements, Zimbabwe is yet to clear its arrears with IFIs. Continued technical and financial support is needed to implement macroeconomic, land tenure, and governance reforms.** The SACAGE project, which catalyzed these engagements, is nearing closure in June 2026, with all resources committed. To maintain progress, the ZACDEP seeks to build on the momentum initiated under the SACAGE Project by enhancing ongoing dialogue and implementation of agreed reforms. Zimbabwe, classified as a transition state under lending sanctions, relies heavily on the Transition Support Facility (TSF) financing window of the Bank Group, which comprises about 50% of its portfolio. However, access to TSF Pillar 1 resources is limited due to unmet operational requirements: (i) reaching an agreement with the Bank on arrears clearance; (ii) making token payments; and (iii) coordinating with other partners like the Bretton Woods Institutions[7]. The ZACDEP will help Zimbabwe meet the first and third requirements, as token payments are being made[8] . Ultimately, resolving Zimbabwe's external debt overhang is essential to unlocking development financing, achieving National Development Strategy (NDS) goals, and enhancing regional integration in Southern Africa.

D. Development Partners Coordination

1.15 **Guided by the Zimbabwe Development Cooperation Policy of 2019, the Development Cooperation Policy Dialogue Forum (DCPDF) is the apex forum for Government and Development Partners (DPs) to interact at a policy level.** The DCPDF complements the established DPs' Coordination Group consisting of Heads of Mission (DPCG-M), the high-level platform for DPs to deliberate on policy and strategic issues related to effective development cooperation and the H-D-P nexus[9]. Various Sector Working Groups are in place that contribute to the dialogue process including the Economic Growth and Stability, and Governance (sub-divided into three themes: Public Finance Management; Justice, Law and Order; and Oversight). These two SWGs have been strengthened by the on-going process on arrears clearance. The SWGs have been instrumental in building trust between Government, DPs and CSOs as well as on reaching consensus on key areas for reform. The SWGs are co-chaired by Government and DPs[10].

1.16 **Because of the lending sanctions due to the arrears, direct financing support to Zimbabwe is limited**. Currently, the IMF is providing technical support on macroeconomic management [including through the SMP and Tax Administration Diagnostic Assessment (TADAT), Data Quality Assessment on Public Sector Debt Statistics, etc]. The EU's funding is through its Multiannual Indicative Programme (MIP) 2021-2027 under the Neighbourhood, Development and International Cooperation Instrument (NDICI), instrument (EU's overarching external action funding programme). As part of this framework, the EU support is targeting Gender equality and women empowerment – enhancing socio-economic participation and protection of women and youth. The other area of the EU support is institutional capacity building (civil society, service delivery, accountability). The UNDP

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7 Operational Guidelines for the implementation of the Bank Group Strategy for addressing Fragility and building Resilience in Africa (2014-2019) and the Transition Support Facility (TSF), Par 3.20.

8 Despite efforts made on token payments, the country is in arrears and US$2.5 million is outstanding since Q4 2024. Through the Country Office (COZW), Government expressed its commitment to clear the arrears at the earliest.

9 The Humanitarian Development and Peace Nexus (H-D-P Nexus)

10 The co-chairing is as follows: 1. Economic Growth: MOFEDIP and IMF/WB; Governance: Ministry of Justice and EU; 3. Land Tenure: Office of the President and Cabinet and Switzerland/UNDP.

provides support towards democratic governance. Details are in Technical Annex 1-3. The project will work with all the DPs bilaterally and through the SDP and SWGs in ensuring synergies and strengthening complementarity of support.

2 PROJECT DESCRIPTION

A. Project Development Objective

2.1 **The project development objective is to enhance dialogue and build consensus on prerequisites for implementation of a roadmap for financing and clearance of Zimbabwe's arrears. Clearance of arrears and debt resolution is critical for macroeconomic stabilisation, unlocking** development financing, achieving inclusive and sustainable growth, and enhanced regional integration in Southern Africa. The specific objectives include: (a) support implementation of the Arrears Clearance and Debt Resolution Roadmap and economic stabilisation reforms; and (b) create an enabling environment for arrears clearance and economic stabilisation through public debt, governance, land and oversight functions of state and non-state institutions. Through the ZACDEP, Government will work with the civil society, the private sector actors, and specialized institutions to increase its capacity to identify opportunities for promoting resilience and macroeconomic stabilisation.

B. Theory of Change

2.2 **Zimbabwe is a country in arrears since 2000, and the country's debt overhang is a serious impediment to the country's socio- economic development**. The arrears have made it difficult for the country to access concessional financing hence making it difficult for government to invest in infrastructure required to spur economic development and critical for regional integration. Provision of social services has also been compromised. Government needs to clear the arrears to address the challenges. Demonstrated commitment to implement economic, governance and land reforms is critical for continued dialogue leading to arrears clearance. Attaining a middle-income status by 2030 can be achieved through a high, accelerated, inclusive and sustainable economic growth. The clearance of arrears is central to macro-stability and restoring debt sustainability, as it will enable the country to access resources for financing development projects as well as reduce the cost of borrowing for private sector growth.

2.3 **The ZACDEP will provide technical assistance to effectively implement the arrears clearance and debt resolution roadmap**. This will include support to implementation of arrears clearance roadmap process and economic stability reforms, facilitation of dialogue on arrears clearance and debt resolution, supporting high-level engagement and enhanced diplomacy on economic and governance reforms, strengthening capacity of government institutions on public debt management, combatting corruption, strengthening property rights and governance. The key expected outcomes of the project include arrears clearance financing mechanism for multilateral public debt agreed, satisfactory progress on the governance matrix reform priorities, and BIPPA farmers and GCD farmers receiving partial compensations. The success of the project depends on key assumptions including: (i) Successful implementation of the SMP; (ii) Payment of Former Farm Owners (FFOs) and BIPPA compensations; (iii) Successful implementation of governance reforms; and (iv) Political stability. Technical Annex 2-1 provides a detailed overview of the project's theory of change.

C. Project Components

2.4 **The Project has three components, namely: Component 1**: Enhanced dialogue on arrears clearance and debt resolution; **Component 2**: Strengthened capacity on debt management, arrears clearance, land tenure and governance; and **Component 3**: Project management. Arrears clearance and sustainable debt management are critical for macroeconomic stabilisation and fiscal consolidation while good governance including protection of property rights, combating corruption and strengthened oversight are prerequisites for prudent use of public resources and re-engagement with the creditors.

Component 1: **Component 1: Enhanced dialogue on arrears clearance and debt resolution (UA 1.357 million)**

2.5 This component seeks to support the on-going dialogue processes on arrears clearance and debt resolution. This will be achieved through two sub-components.

a. ***Sub-component 1.1: Accelerated and deepened dialogue on implementation of the Arrears Clearance and Debt Resolution Roadmap:*** Dialogue on arrears clearance will continue being supported through the Structured Dialogue Platform with a focus on implementation of the Roadmap and agreed priorities under the three pillars (Economic Growth and Stability Reforms, Governance Reforms, and Land tenure Reforms, Compensation of FFOs and the Resolution of BIPPAs). The dialogue on arrears clearance will also include a structured high-level dialogue with Zimbabwe creditors on designing a sustainable debt management framework. Key activities for support will include: (i) Facilitation of technical discussions through the three SWGs, sub-SWG and technical working groups on Economic growth and stability, Governance, and Land tenure and compensation of FFOs; (ii) Consultation with Zimbabwe's creditors, including members of the Paris Club, to develop a sustainable debt management framework that facilitates debt-for-climate or debt-for-nature swaps and supports climate-resilient investment; (iii) Establishment and supporting the work of the Debt Resolution Sector Working Group that seeks to foster and facilitate dialogue with bilateral and multilateral creditors; and (iii) Establishment and facilitation of coordination within Government through an Inter-Ministerial Committee comprising the Office of the President and Cabinet (OPC); Ministry of Finance, Economic Development and Investment Promotion; Ministry of Justice , Legal and Parliamentary Affairs; Ministry of Lands, Agriculture, Fisheries, Water and Rural Development; Ministry of Foreign Affairs and International Trade; Ministry Information, Publicity and Broadcasting Services; Ministry of Public Service, Labour and Social Welfare; Ministry of Home Affairs; Ministry of Industry and Commerce; Parliament of Zimbabwe; and other MDAs key to implementation of policies and strategies arising from the dialogue process.

b. ***Sub-component 1.2*: *Provide advisory services for arrears clearance, debt resolution, and engagement with creditors*.** The sub-component seeks to provide technical, legal, financial, communication, international relations and advisory support services on arrears clearance and debt resolution. Key activities will include: (i) engagement of a High-Level Facilitator on governance reforms and the implementation of the ACDR Roadmap; (ii) TA on strengthening communication and outreach on arrears clearance and debt resolution; and (iii) Facilitation of engagement and dialogue at domestic, regional and international levels on arrears clearance including on the role of the legislative and judicial arms of Government.

Component 2: Strengthened capacity on debt management, arrears clearance, land tenure and governance (UA 1.278 million)

2.6 This component seeks to strengthen government's capacity in its pursuit and quest to engage with its creditors and have arrears cleared. This will be achieved through two sub-components.

a. Sub-component 2.1: Enhanced capacity on public debt management, arrears clearance and debt resolution. This sub-component seeks to strengthen government's capacity to engage with creditors on arrears clearance and debt resolution, enhance transparency in management of debt and ensure accuracy of data on public debt. Key activities include : (i) With support from UNCTAD and MEFMI, upgrading the Debt Management and Financial Analysis System (DMFAS) from the current 6.2 version to 7.0 version and training staff on use of the System; (ii) Providing technical assistance for implementation of identified reforms under the SMP to strengthen macroeconomic management, governance and improve the management of fiscal risks ; (iii) In partnership with the Parliament of Zimbabwe, Zimbabwe Coalition on Debt and Development (ZIMCODD) and the African Forum and Network on Debt and Development (AFRODAD), sensitizing Members of Parliament on its oversight role on acquisition and management of public debt, including on relevant instruments for monitoring the status of public debt; and (iv) Supporting ZIMCODD and AFRODAD to provide evidence-based advocacy and capacity building support including undertaking comparative Study of African Debt and Arrears Clearance Models , and developing Community Debt Diaries to document how ordinary Zimbabweans experience the debt crisis, and convening CSO dialogue meetings on debt management and arrears clearance. As part of the studies, the project will undertake a gender analysis of the impact of debt on women and youth. The analysis will inform the arrears clearance dialogue by creating structured spaces for women's and youth's voices, including through Community Debt Diaries. Furthermore, the project will support a dedicated dialogue session to synthesize key gender-related findings and policy messages and feed them into Government-led dialogue and reform processes.

b. Sub-component 2.2: Strengthen capacity on governance and management of Land Tenure Reforms and Compensations of FFOs under the GCD and BIPPAs. This component seeks to provide capacity building support that facilitates the dialogue process on arrears clearance with creditors. The key activities include: (i) Procurement of Palladium Premium Accounting System software to support proper accounting of land compensations including staff training; (ii) supporting the process for coming up with suitable title deeds for foreign land holders/investors; (iii) Strengthening government's efforts on combatting corruption through establishment of a forensic laboratory, development of training modules and training of staff on investigations, asset recovery, and corruption prevention; (iv) supporting development of Regulations for implementation of the Witness Protection Bill, Whistleblower Protection Bill, the Anti-Corruption (Amendment) Bill and Asset and Conflict of Interest Bill; (v) training of staff on the governance indicators with support from relevant governance research institutions (World Justice Project, Mo Ibrahim and Transparency International); and (vi) Supporting CSOs [such as National Association of Non-Governmental Organizations (NANGO), Zimbabwe Human Rights NGO Forum, the Zimbabwe Council of Churches, the Zimbabwe Institute] dialogue platform meetings on governance .

***2.7 Component 3: Project management* (UA 0.365 million):** This Component will support government to coordinate implementation of project activities including playing its oversight role. This will be done through provision of resources for project coordination, financial management, and procurement management, including training on the Monitoring, Evaluation, Reporting and Learning (MERL) Toolkit for Project Implementation Units

(PIUs) that has been developed by the Bank with the aim to strengthen M&E assessment, planning and execution.

D. Project Cost and Financing Arrangements

2.8 The estimated total cost of the project, net of taxes and duties, is UA 3.35 million. The total Bank contribution is UA 3.0 million from TSF-Pillar III grant. The in-kind Government counterpart contribution, estimated at 10.0% of the total project cost, will cater for office space and some operational overhead costs. The cost includes 3% and 2% physical and price contingencies. Tables 3 to 6 provide a summary of project costs.

E. Project's Target Area and Beneficiaries and other Stakeholders

2.9 **The direct project beneficiaries are the Ministry of Finance, Economic Development and Investment Promotion (MoFEDIP), the Office of the President and Cabinet;** the Ministry of Justice, Legal and Parliamentary Affairs; the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development; the Ministry of Foreign Affairs and International Trade; and the Zimbabwe Anti-Corruption Commission (ZACC). These institutions will collaborate and work with other MDAs [Par 2.5(a)], the private sector and CSOs, which are key in achieving Project objectives. CSOs will partner with government in undertaking studies, training, and advocacy work based on agreed work plans. The Project will strengthen capacities of the beneficiary institutions through provision of technical assistance, training and procurement of ICT hardware and software. The indirect beneficiaries are all the people of Zimbabwe since clearance of arrears and improved oversight will lead to improved economic and business environment. The people of Zimbabwe will be the overall beneficiaries through improved governance and reduced burden to pay the country's arrears, removal of lending sanctions, as well as the country's ability to access diversified concessional financing.

2.10 **To ascertain the proposed scope of the Project, the mission held discussions with the relevant MDAs on the proposed project activities**. The mission also met with the private sector, CSOs and DPs including World Bank, IMF, UNDP, EU, British High Commission, Netherlands Embassy, Brazil Embassy, ZIMCODD, AFRODAD, and Zimbabwe Institute. There was consensus among stakeholders on the need for continued engagement with the creditors and have arrears cleared as they have led to serious socio-economic hardships. Stakeholders also expressed the need to build trust among various parties and consult widely and across all key sectors in implementing agreed reform measures. Besides applauding government on bold steps on macroeconomic management, partners expressed the need for accelerated governance and anti- corruption reforms. It was noted that the arrears clearance process should be aligned to NDS-2 and that SDP ought to respond to the lived realities of the Zimbabwean citizens to reduce the risk of being perceived as an elitist process. While the dialogue process has provided space for CSOs, it is critical that strategic interventions are innovative and supported to enable CSO's participation and contributions to be effective. CSOs and human rights groups widely view the PVO Amendment Act as a tool to restrict and control civil society. Some felt that public mistrust and information asymmetry are due to weak communication on reforms and limited access to public debt data. Finally, the role of the Ministry of Foreign Affairs on engagement with creditors, diplomatic community and potential champions was identified as critical. The information generated has informed the project design.

F. Bank Group Experience and Lessons Reflected in Design

2.11 **The design of the ZACDEP is guided by various analytical and diagnostic reports, as well as consultations during the Project appraisal.** The main analytical underpinning reports are the NDS1; the 2025 Independent Development Evaluation (IDEV) Cluster evaluation of the Bank's governance Institutional Support Projects (ISPs) in Zimbabwe for the period 2012–2024 (draft report); the Arrears Clearance, Debt Relief and Restructuring Strategy; Zimbabwe Country Brief; Project Completion Reports for institutional support projects in Zimbabwe; the 2024 Annual Debt Bulletin; Public Finance Management Reform Strategy (2021-2025); the Medium Term Debt Strategy 2022-2026; the Multi-Dimensional Action Plan for the Management and Mitigation of Debt Distress in Africa; the IMF Article IV Report (2025); and the various SWG matrices and reports under SACAGE project including the Roadmap and the July 2025 Progress Report on Zimbabwe's Structured Dialogue Platform on Arrears Clearance and Debt Resolution Process.

2.12 **Key lessons from the IDEV Cluster Evaluation of the AfDB's Governance Institutional Support Projects in Zimbabwe (2012-2024) report include: (**a) Gender and inclusivity dimensions require deliberate integration into governance projects, as they do not automatically emerge from institutional reforms without specific design attention.**;** (b) Leveraging and strengthening existing institutions—rather than creating parallel units—enhances sustainability, preserves institutional knowledge, and improves implementation efficiency.; (c) Multi-institutional governance programs require clear mandates and adequate staffing for coordination.; (d) Long-term institutional sustainability requires a coordinated approach that combines technical capacity, financial continuity, and enabling policy conditions after external financing ends.; and (e) Integrating political economy analysis and flexible partnership strategies is critical for sustaining reforms in fragile environments.. The project has integrated some of the lessons by (i) integrating gender issues into project design [pars. 2.6(a) & 3.14.3] ; (ii) using an existing project management unit (par. 4.1); (iii) through creation and supporting operations of the inter-ministerial committee and sector working groups [pars. 2.5(a); and (iv) working closely with other partners through the sector working groups and existing platforms on PFM [par. 2.5(a), 1.15, & 1.16] .

2.13 **Key lessons from the on-going SACAGE project include: (a) the importance of trust-building and stakeholder engagement for successful arrears clearance**. SACAGE II strengthens dialogue with creditors and CSOs and provides technical assistance in critical areas; (b) Alignment with Zimbabwe's NDS 1 and 2, and related policies enabled progress on sensitive reforms; ZACDEP maintains this alignment; (c) Political leadership and ownership were vital, with high-level facilitation enhancing coordination. ZACDEP follows government's request which also anticipates continued support from the high-level facilitation team; (d) Weak technical leadership and coordination hindered SACAGE;

ZACDEP addresses this by establishing an inter-ministerial committee and recruiting a project technical lead; (e) Underfunding affected anti-corruption efforts; ZACDEP prioritizes impactful, well-funded activities on combatting corruption; and (f) The absence of the Ministry of Foreign Affairs and International Trade (MoFAIT) in SACAGE weakened international engagement. ZACDEP includes MoFAIT to lead image-building and diplomatic efforts. A detailed summary of lessons is provided in Annex 2–4.

3. PROJECT FEASIBILITY

a. Financial and Economic Analysis

3.1 **While it is difficult to carry out credible and rigorous cost-benefit and financial analyses for an institutional support project, the economic and financial benefits**, and ramifications, accruing from the Project will be much higher than the UA 3.0 million. Zimbabwe is facing a social and economic crisis due to the arrears situation with limited access to external development financing to meet its development needs. The fiscal deficit is being primarily financed through domestic borrowing, thereby crowding out the private sector and increasing the cost of borrowing. This also has an impact on the growth of the private sector and its contribution to the economy including employment creation. The comprehensive support package provided by the proposed project includes a credible arrears clearance roadmap and broader structural reforms that are consistent with macroeconomic stability, growth, and poverty reduction. The NDS-2, whose objectives this operation supports, targets an average GDP growth of 5%, a budget deficit of 3%, and a stable exchange rate over the next five years which will contribute positively to Zimbabwe attaining its development vision. Overall, the benefits of the Project will be the availability of resources to finance development, greater competitiveness, and better public service delivery.

3.2 ***Additional Positive Effects***: Enhanced dialogue with the citizenry, CSOs, private sector and DPs will contribute to enhancing and building trust, key to arrears clearance, political stability, peace-building and socio-economic development of the country. It will help in building consensus on key development issues. The project will also assist in enhancing the image of the country as the government takes action to improve governance indicators and re-engage with the international community of development partners. The project will also provide opportunities for increased financing opportunities through private sector investment ventures and official development assistance, thus contributing to increased employment and economic prospects.

b. Environmental and Social Safeguards

3.3 ***Environment and Social Safeguard***: The project is classified Category 3 (Low Risk) validated on ISTS and confirmed on SAP on 29th August 2025. This categorization is as per the Zimbabwe's Environmental Management Act (EMA) of 2002 and in line with the Bank's Integrated Safeguard System requirements. The justification for this category is that the project activities envisaged are focusing on technical assistance through human and institutional capacity building, and acquisition of information technology equipment to strengthen the public debt management and effort to combat corruption that will trigger low to negligible E&S risks. The operation will not involve civil works (construction and rehabilitation) nor environmental and social assessments or studies.

3.4 **Required Environmental and Social Safeguard instruments and their readiness: based on the project E&S Category 3**, no environmental and social safeguard instruments are required for preparation and disclosure before the project's presentation to Board or during project's implementation. The Recipient is expected to ensure that the project's activities comply with the low-risk categorization and operate in accordance with the national laws and regulations.

3.5 **Capacity to Implement Environmental and Social Mitigation Measures**: The Executing Agency is the Ministry Finance, Economic Development and Investment Promotion, which has previous experience is managing Bank's operations including the Institutional Support Project for Governance and Public Finance Management, and the SACAGE project, whose last recorded E&S performance was satisfactory. The project is Category 3 and does not require to hire an E&S specialist to manage risks and impacts.

3.6 ***Involuntary Resettlement:*** No physical resettlement or economic displacement is expected to occur during the implementation of the operation.

3.7 The project is compliant with Bank's ISS requirements, and an Environmental and Social Compliance Note (ESCON/NOCES) is attached to the PAR (Annex III).

c. ***Climate Change and Green Growth***

3.8 The ZACDEP is classified as a **Category 3** technical assistance project under the Bank's Climate Change Safeguard System (CSS), as it is not directly exposed to physical climate risks nor contributes to greenhouse gas emissions. Zimbabwe has shown strong commitment to climate action through its updated Nationally Determined Contribution (NDC, 2021) and Long-Term Low Emission Development Strategy (LT-LEDS, 2023), which outline a pathway toward a climate-resilient, low-carbon economy by 2050. The NDC targets a 40% reduction in per-capita emissions by 2030 compared to business-as-usual, conditional on international support, and estimates a financing need of USD 10.3 billion to meet its mitigation and adaptation objectives across key sectors such as energy, agriculture, water, health, and infrastructure. Despite this ambition, implementation is constrained by limited fiscal space, high debt distress and arrears from its creditors. The project therefore supports dialogue with creditors, including the AfDB, the World Bank, and the Paris Club—to develop a sustainable debt management framework that can enable debt-for-climate or debt-for-nature swaps and unlock resources for climate-resilient investments. In line with the Joint Multilateral Development Bank (MDB) Paris Alignment Methodology, the operation qualifies as a direct investment aligned with both Building Blocks 1 (mitigation) and 2 (adaptation), thereby reinforcing Zimbabwe's NDC and LT-LEDS while promoting fiscal sustainability, economic resilience, and Paris-aligned development.

d. Other Cross-cutting Priorities

3.9 ***Poverty reduction, Inclusiveness and Job Creation:*** Poverty (based on lower bound poverty line of US$45,60 per person per month) stood at 57% in 2019 compared to 54% in 2017. In 2019 it was 72% in rural areas and 24% in urban areas. Inequality, as measured by the Gini index, rose from 44.7 in 2017 to 50.4 in 2019 (Zimbabwe Poverty Update 2017-19). Based on the Q2:2025 Labor Force Survey results, the official unemployment rate stood at 20.7% down from 21.8% in Q3:2024. On the other hand, the expanded/relaxed unemployment rate was 37.1% in Q2:2025 compared to 38.8% in Q3:2024. In Q2:2025, there was a marginal fall in the proportion of the working age population that is in the force (labour force participation rate) to 47.1% down from 47.6% in Q3:2024. In Q2:2025, the informal sector accounted for 58.5% of the employed population whilst the formal sector absorbed 35.8% with household accounting for 5,7%. . Income inequality remains high, (Gini index =50.3), disproportionately affecting rural communities due to limited economic opportunities and recurrent climate shocks. The 2024 El Niño-induced drought worsened rural poverty and food insecurity, increasing reliance on social assistance. While Zimbabwe has a moderate life expectancy of 64.7 years, as reported in the 2022 census, access to affordable and quality healthcare remains a major challenge.

3.10 **The Project's focus is on institutional development and capacity building**. The project will neither support physical investments nor feasibility and Environmental & Social Studies. The project is intended to enhance economic growth and poverty reduction through negotiated arrears clearance processes, improved PFM- systems and increased oversight of public resources. Better quality governance is essential to growth and poverty reduction. The project will contribute to strengthening transparency, accountability and efficiency in debt management and efficient resource utilization. Transparent and accountable management of resources will ultimately lead to increased public confidence in government. The project is expected to strengthen the capacity in Government to manage resources more efficiently and effectively. This will increase Government's capacity to reduce poverty and sustain economic growth. The project is unlikely to generate negative social impacts during project implementation.

3.11 ***Civil Society Engagement:*** The CSOs acknowledged and appreciated the efforts of the Government in addressing debt related issues. Key Issues raised included: (a) need to strengthen transparency in areas of debt management and arrears clearance; (b) need to strengthen capacity in areas of governance; (c) Need to undertake evidence-based advocacy on the impact of Zimbabwe's isolation arising from accumulated public debt and arrears; and (d) Need for further dialogue on implementation of the PVO (Amendment) Act. CSOs also need to be supported on holding CSO indabas on public debt, governance and in attending SWG and SDP meetings on a regular basis and providing workable policy solutions.

3.12 ***Opportunities for Building Resilience:*** The governance sector is confronted with the accumulation of arrears to multilateral and bilateral creditors, unsustainable debt levels, and institutional capacity gaps in debt management and oversight. Weak PFM systems and incomplete reform implementation have contributed to inefficiencies, resource leakages, and limited accountability, while the political economy context and sensitivities surrounding governance and land tenure reforms hinder consensus-building. Socioeconomic pressures, including high unemployment and limited social protection, exacerbate public discontent, with potential spillover effects on trade and investment flows within the Southern African Development Community (SADC) region. ZACDEP presents a strategic opportunity to consolidate and deepen the governance and institutional reforms initiated under the SACAGE project, thereby strengthening Zimbabwe's capacity to withstand future macro-economic shocks. Building on the Bank's catalytic role in championing the Structured Dialogue Platform (SDP) and advancing progress on arrears clearance, the ZACDEP will sustain high-level engagement between the Government, creditors, and Development Partners, fostering a predictable reform environment and maintaining consensus on sensitive economic and governance priorities.

3.13 **Targeted interventions in debt management, public financial management (PFM), and oversight will address long-standing structural weaknesses that have undermined fiscal sustainability and eroded stakeholder confidence**. Enhancing the capacity of the Zimbabwe Public Debt Management Office (ZPDMO) to conduct debt sustainability analysis and manage fiscal risks will help equip the Government with robust tools to anticipate, mitigate, and respond effectively to macroeconomic shocks. Also, the improved public debt reporting system will reinforce fiscal discipline, enhance transparency, and promote more efficient utilisation, allocation and management of public resources. These reforms altogether will be reinforced through stronger oversight functions, safeguarding the effective use of public funds and embedding accountability into public finance management. Overall, this technical assistance will contribute to rebuild public trust in state institutions, foster a more predictable policy environment, and improve investor confidence, thereby creating a more resilient foundation for sustainable economic growth.

3.14 ***Gender Equality and Women's Empowerment Promotion***

3.14.1 *Gender* ***analysis:*** Zimbabwe's prolonged debt distress and accumulation of arrears have constrained the fiscal space and the government's ability to finance public services such as health, social protection, water, and education. These sectors are critical for reducing women's unpaid care burden and strengthening household resilience and advancing gender equality. In the previous phase of the project, debt was treated primarily as a macroeconomic issue, even though its impacts are gendered. Because women in Zimbabwe are disproportionately concentrated in informal and low-income activities, they have absorbed the larger share of adjustment cost and burden following the deterioration of public services. Men on the other hand have been more exposed to employment losses in formal sectors.

3.14.2 **At the household level, reduced access to public services has shifted coping strategies inward, resulting in increased unpaid care work for women and girls**. A further challenge is that debt negotiations and arrears clearance processes have in the past excluded a systematic gender analysis of the differentiated impacts of debt on women, youth and men, as well as women's and youth's voices in shaping reform priorities. Without this analysis the lived experiences of women and youth in the debt crisis might remain invisible, weakening the inclusiveness and legitimacy of the reform process.

3.14.3 **To address these gaps, the project will support ZIMCODD and** AFRODAD to undertake a gender analysis of the impact of debt on women and men as part of evidence-based advocacy and capacity-building efforts. The analysis will inform the arrears clearance dialogue by creating structured spaces for women's and youth's voices, including through Community Debt Diaries that document how ordinary Zimbabweans, particularly women and the youth, experience the debt crisis, and through CSO dialogue meetings on debt management and arrears clearance. In addition, the project will support a dedicated dialogue session to synthesise key gender-related findings and policy messages and feed them into Government-led dialogue and reform processes.

3.14.4 **The project is a GEN III on the Gender Marker System, and the evidence-based advocacy** and dialogue will help anchor debt and arrears clearance as a pathway for gender-responsive public financial management, recognising that arrears clearance is not only a macroeconomic objective but also a lever for advancing gender equality and inclusive growth.

4. IMPLEMENTATION

e. Institutional and Implementation Arrangements

4.1 **The Ministry Finance, Economic Development and Investment Promotion shall be the Executing Agency**. The existing Program Management Unit (PMU) within the Ministry shall be responsible for project coordination and shall work with all beneficiaries in implementing Project activities. The PMU (comprising the Program Manager, Budget and

Finance Officer, Procurement Specialist, M&E Specialist, and Program Officer) is well experienced in implementing Bank funded projects. It will be supported by Project Technical Lead, Sector Leads and consultants on identified specialist areas based on need. The PMU will spearhead Project implementation and oversee the day-to-day management and execution of Project activities including planning, coordination, preparation of tender document/specifications and terms of references, contract management, communication, monitoring and result reporting. The technical and sector leads will be instrumental in ensuring that work plans and SWG matrices are closely monitored and implemented. The African Capacity Building Foundation (ACBF) will assist in managing resources disbursed through Special Accounts after signing a tripartite Agreement with the Recipient and the Bank.

4.2 **The existing Project Steering Committee (PSC) established for the SACAGE Project will be responsible for strategic oversight and policy guidance, and monitoring portfolio performance**. Members from the inter-ministerial committee shall be added to the PSC. The full composition shall comprise the OPC (chairperson); MOFEDIP; the Ministry of Justice, Legal and Parliamentary Affairs; the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development; MoFAIT; and the ZACC. Additional members may include other MDAs such as the Parliament of Zimbabwe; the Ministry Information, Publicity and Broadcasting Services; Ministry of Public Service Labour and Social Welfare; and Ministry of Home Affairs. Selected CSO umbrella bodies (maximum of three) and private sector bodies (maximum of two) may be invited to attend as observers. The PSC shall meet at least once every six months to coordinate and review project implementation and help to resolve technical and implementation problems affecting project progress.

f. Procurement Management

4.3 **Procurement Arrangements**: The procurement of goods and acquisition of consulting services will be done in accordance with the Procurement Policy for Bank Group Funded Operations, dated 2015 following the provisions stated in the Financing Agreement. Procurement shall be carried out using:

- **Borrower Procurement System (BPS):** Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations, *Procurement Act and Disposal of Public Assets Act [Chapter 22:23] No. 5 of 2017* and *Public Procurement and Disposal Regulation 2018*, using the national Standard Solicitation Documents (SSDs) or other Solicitation Documents as permitted by the above cited Laws and Regulations for various group of transactions to be entailed under the project. Specifically, all small-value goods contracts shall use the BPS.

- **Bank's Procurement Methods and Procedures (Bank's PMPs):** Bank standard PMPs, using the relevant Bank Standard or Model Solicitation Documents (SDs) and review procedures, for contracts (i) in case BPS is not relied upon for a specific transaction or group of transactions; and (ii) in case BPM have been found to be the best fit for purpose for a specific transaction or group of transactions. All large-value goods, works and consultancy services shall follow the Bank's PMPs.

4.4 **The procurement of goods (including non-consultancy services), works, and acquisition of consulting services shall be conducted by the existing Program Management Unit (PMU) within MOFEDIP**, whose overall capacity, compliance performance, and operational track record in implementing procurement actions have been assessed through a Procurement Risks and Capacity Assessment (PRCA) at the Country, Sector, and Project levels. The PRCA is outlined in Annexes 4-5. The Procurement Risk and Capacity Assessment (PRCA), was undertaken by the Bank during the appraisal to: (i) evaluate the risks associated with the use of Borrower procurement system (BPS); assess the sector capacity which includes the capacity of the local industry, the project complexity and design, and the procurement capacity of the Executing Agency in relation to the project; (ii) set up risk mitigation measures to be exercised by the Bank and the Borrower; and (iii) form a judgment on the adequacy of Procurement Methods and Procedures (PMPs), as well as controls being utilized by the Borrower in the use of funds and contract management.

g. Financial Management, Disbursement, and Audit

4.5 **The existing PMU, within MOFEDIP, will lead on Financial Management with the support of the African Capacity Building Foundation (ACBF**). Under the existing Project management arrangements, the financial management aspects, inclusive of the management of direct disbursements, are managed within the PMU. The Project's Special Account will be managed by ACBF under the Grant Administration Agreement which will be signed by the AfDB, the Government, and the ACBF. The PMU and ACBF have extensive experience in the management of AfDB-funded projects including the SACAGE and Institutional Support for State Enterprise Reform Project.

4.6 **The PMU will update the existing Project Implementation Manual (PIM), to include project specific financial management arrangements**, including the coordination and funds flow mechanisms. Detailed financial management arrangements are included in Sections 4-7 of the Technical Annexes. The overall FM risk for the project is assessed as Moderate.

4.7 ***Disbursement arrangements:*** The project will primarily make use of (i) Direct Payment, and (ii) Special Account (SA) disbursement methods in accordance with Bank rules and procedures set out in the Disbursement Handbook 2020 Edition, as amended from time to time. The other two methods (Reimbursement and Reimbursement Guarantee) will also be available if required. ACBF will manage the Special Account on behalf of the Government of Zimbabwe. The PMU will prepare the payment requests together with the supporting documentation and submit them to the ACBF for review and payment processing.

4.8 ***Reporting and External Audit:*** The PMU will be responsible for preparing the quarterly interim financial reports that will be submitted to the Bank within 45 days after the end of the quarter reported on. The PMU will also prepare the annual financial statements that will be submitted to the auditor for review. ACBF will be responsible for submitting the reconciliation of the Special Account and Bank Statements to the PMU, on a monthly basis.

4.9 The Office of the Auditor General (OAG) bears the responsibility to undertake audits of government, Local Authorities and State-Owned Enterprises. The OAG will be responsible for the audit of the annual financial statements of the project prepared by the PMU, using Terms of Reference agreed with the Bank. If the OAG is unable to undertake the audit, a private audit firm will be engaged by the PMU, in collaboration with the OAG, to carry out the audit under the supervision of the OAG. The OAG will remain responsible for submitting the audit report to the Bank. The audit report, comprising the audited financial statements, auditor's opinion, and management letter, will be submitted to the Bank within six months after the end of the financial year. The audit costs will be covered by the project.

h. Monitoring and Evaluation

4.10 The Project is scheduled for implementation over a 36-month period, from January 2026 to December 2028. The project monitoring and evaluation functions will be coordinated by the PMU and under the responsibility of the M&E specialist. The PMU will design and implement monitoring and evaluation systems and related activities in liaise with beneficiary institutions focal points. The focal points or sector experts in liaison with the PMU will be accountable for the results expected under their project components. The PMU will periodically collect, process project data, prepare progress reports showing progress across all activities, and submit them to the Bank on quarterly basis. The reports will be in a format agreed with the Bank. Additionally, the PMU as a coordinating entity will organize periodic learning sessions that bring all project teams to share experiences, best practices etc. and learn from each other. The M&E Specialist will work closely with a communications consultant to report on project impact and enhance visibility of the project. The Bank will carry out monitoring and implementation support missions to track progress and address implementation challenges. A mid-term review would be carried out within approximately 18 months of effectiveness of the grant. The Project will also be subjected to completion report to evaluate progress against outcomes and draw lessons for follow up operation.

i. Governance

4.11 **The main implementation challenge for the project from a governance perspective is the overall fragility and macro-economic situatio**n which makes it difficult and more costly to implement the project. Due to nature of activities to be supported, fiduciary risks associated with procurement and financial management are also envisaged. As such, the project will continue to utilize the existing Third-Party implementation arrangement between the Government of Zimbabwe, Bank and the ACBF. Some of the project activities (e.g. on anti-corruption) will also contribute to strengthening public sector effectiveness, fiduciary, and oversight. Macro-economic stability is central to the realization of the objectives of the NDS, with a priority being arrears clearance and further re-engagement with partners. As such, the Bank will work with other partners to ensure that the country has an SMP with the IMF and that there exists consensus on clearance of arrears through bridge financing and other available alternatives.

j. Sustainability

4.12 **The project responds to Zimbabwe's demand-led technical and institutional strengthening efforts, informed by legal frameworks, diagnostic studies, and strategic planning processes**. These include the National Development Plan, Public Finance Management and Debt Management Acts and strategies, the Anti-Corruption Act, and the Arrears Clearance and Debt Restructuring Strategy—all developed through participatory processes. The government is actively implementing these frameworks and establishing monitoring mechanisms. The project design emphasizes sustainability by focusing on rebuilding systems, skills, and competencies, and promoting inclusive governance. Continued support to institutions such as the Debt Management Office, Anti-Corruption Commission, and other MDAs aims to consolidate capacity gains. Training will be delivered through in-country programs, while technical assistance will strengthen SWGs. These efforts are expected to enhance institutional performance, support re-engagement with development partners, and contribute to Zimbabwe's long-term development goals.

k. Risk Management

4.13 The key risks include: (a) ***Macroeconomic***-Failure of the government to successfully implement the SMP could undermine the clearance of IFI arrears since the IMF programme is a prerequisite for mobilisation financing for arrears clearance. Climate related external shocks have potential to affect mobilisation of resources for financing reform related interventions such as farmer compensation and for clearing the arrears. Successful implementation of the SMP also is key including implementation of climate-financing interventions ; (b) ***Political-*** As the country prepares for 2028 elections, internal ZANU-PF succession plans may derail the dialogue process; (c) ***Governance-*** Retrogression on governance reforms that are expected to contribute towards fast-tracking and facilitating the arrears clearance process could stall the dialogue ; and (d) ***Fiduciary-*** Delay in project procurements and abuse of project resources. Technical Annex 4-2 the summarises the risks and their mitigation measures.

l. Knowledge Building

4.14 **The Project will build knowledge and develop skills in specific areas related to arrears clearance, public debt management, governance and anti-corruption** including the development of training manuals for combatting corruption and undertaking studies on debt management and related areas. The project will also support the development of a forensic laboratory for ZACC and procurement of an accounting software for proper accounting of land compensations. The Project will enhance partnership and collaboration with researchers, Parliamentarians, private sector and CSOs to share experience and analyseze economic, public finance and public policy which will inform policy making. The Bank will capture and disseminate knowledge through sharing the findings of supervision missions, progress reports, and the Project Completion Report. Lessons learned and experience gained will be available to inform future policy operations.

5. LEGAL INSTRUMENTS AND AUTHORITY

a. Legal Instrument

5.1 **The legal instruments for financing the project will be a Letter of Agreement amongst the Republic of Zimbabwe (the "Recipient"),** and the African Development Bank and African Development Fund (*collectively referred to as the "Fund"*) acting as Administrators of the Transition Support Facility (TSF).

b. Conditions Associated with Fund's Intervention

5.2 **Conditions Precedent to Entry into Force:** The Letter of Agreement shall enter into force on the date of its signature by the Recipient and the Fund.

5.3 **Conditions Precedent to First Disbursement**: The first disbursement of the grant shall be conditional upon the entry into force of the Letter of Agreement, and the Recipient providing evidence of the fulfilment of the following conditions, in form and substance satisfactory to the Fund:

a. signature of a tripartite Grant Administration Agreement amongst the Fund, the Recipient and ACBF, as the third-party disbursement facilitator, that sets out the terms and conditions under which ACBF will facilitate and manage disbursements made by the Fund using Special Account method, for purposes of the Project.

b. opening, by ACBF, of a USD denominated Special Account at a commercial bank acceptable to the Fund, in the name of the Project, for deposit of the proceeds of the Grant; and

c. submission of a letter from the Ministry of Finance, Economic Development and Investment Promotion (MoFEDIP) confirming that the existing joint Project Management Unit (PMU) domiciled at MoFEDIP, and the Project Steering Committee (PSC) established for the ongoing SACAGE Project will support implementation of the Project and serve as PMU and PSC throughout the Project lifecycle.

5.4 **Compliance with Bank Policies.** This project complies with all applicable Bank Group policies.

C. African Development Bank Group Independent Recourse Mechanism

5.7 Communities and individuals who believe that they are adversely affected by an African Development Bank Group (AfDB) supported project may submit complaints to existing project-level grievance redress mechanisms or the AfDB's Independent Recourse Mechanism (IRM). The IRM ensures project affected communities and individuals may submit their complaint to the AfDB's Independent Recourse Mechanism which determines whether harm occurred, or could occur, as a result of AfDB non-compliance with its policies and procedures. To submit a complaint or request further information please contact: IRM@afdb.org or, visit the IRM website www.irm.afdb.org. Complaints may be submitted at any time after concerns have been brought directly to the AfDB's attention, and Bank Management has been given an opportunity to respond before reaching out to the IRM.

6. RECOMMENDATION

6.1 In accordance with the approval procedure for TSF Pillar III, Management recommends that the Boards of Directors approve the award of the proposed Grant of Three Million Units of Account (UA 3,000,000) from the resources of TSF Pillar-III to the Republic of Zimbabwe, to finance implementation of the Project, on the terms and conditions stipulated in this report.

7. RESULTS FRAMEWORK

RESULTS FRAMEWORK					
A PROJECT INFORMATION					
I PROJECT NAME AND SAP CODE: Zimbabwe Arrears Clearance Dialogue Enhancement Project (ZACDEP Project code: P-ZW-KF0-017				I COUNTRY/REGION: Zimbabwe/RDGS	
I PROJECT DEVELOPMENT OBJECTIVE: To enhance dialogue and build consensus on prerequisites for implementation of a roadmap for financing and clearance of Zimbabwe's arrears					
I ALIGNMENT INDICATOR (S): Public debt/GDP ratio, CPIA on governance; Corruption Perception Index (CPI); Ibrahim Index of African Governance (IIAG)					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	**RMF/ADOA INDICATOR**	**UNIT OF MEASUREMENT**	**BASELINE (2025)**	**TARGET AT COMPLETION (2028)**	**MEANS OF VERIFICATION**
I OUTCOME STATEMENT 1: DIALOGUE ON AND IMPLEMENTATION OF ARREARS CLEARANCE AND DEBT RESOLUTION ENHANCED					
OUTCOME INDICATOR 1.1: Arrears clearance financing mechanism for multilateral public debt agreed on[11]	**Yes**	No/Yes	*No*	*Yes*	*Agreement document*
I OUTCOME STATEMENT 2: STRENGTHENED CAPACITY ON DEBT MANAGEMENT, ARREARS CLEARANCE AND GOVERNANCE					
OUTCOME INDICATOR 2.1: Satisfactory progress on the governance matrix reform priorities	**Yes**	*Yes/No*	*No*	*Yes*	*Governance matrix report*
OUTCOME INDICATOR 2.2: BIPPA farmers and GCD farmers receiving partial compensations	**No**	*Number*	*463* [12] *(2025)*	*850*	*Compensations Reports*
I COMPONENT 1: ENHANCED DIALOGUE ON ARREARS CLEARANCE AND DEBT RESOLUTION					
I OUTPUT STATEMENT 1: Accelerated and deepened dialogue on implementation of an arrears clearance roadmap					
OUTPUT INDICATOR 1.1 multilateral creditors and partners reached out on modalities and support for arrears clearance[13]	**No**	*Number*	*0*	*10*	*Report on modalities and support for arreas clearance with creditors and partners*
OUTPUT INDICATOR 1.2: Roadmap for sustainable debt management framework developed	**No**	*Yes*	*No (2025)*	*Yes*	*Roadmap document*
OUTPUT STATEMENT 2: Provide advisory services for arrears clearance, debt resolution and engagement with creditors					
OUTPUT INDICATOR 2.1 Analytical and diagnostic reports informing the arrears dialogue process submitted	**No**	*Number*	*0*	*3*	*Analytical and diagnostic reports*
OUTPUT INDICATOR 2.2: An arrears engagement and communication strategy developed	**No**	*Yes/No*	*No*	*Yes*	*Strategy document*
OUTPUT INDICATOR 2.3: Gender analysis of the impacts of debt on women and youth.	**Yes**	*Yes/No*	*No*	*Yes*	*Diagnostic reports*
I COMPONENT 2: STRENGTHENED CAPACITY ON DEBT MANAGEMENT, ARREARS CLEARANCE, LAND TENURE AND GOVERNANCE					

[11] The focus is on clearance of multilateral debt for AfDB, World Bank and European Investment Bank.

[12] In 2025, 85 out of 94 approved BIPPA farmers (90.4%) had started receiving compensations while 378 out of 874 (43.2%) approved GCD farmers received their initial compensations, thus giving an average of 66.8%. The total number of compensation beneficiaries is thus 463 out of the 968.

[13] In total Zimbabwe has 9 multilateral and 20 bilateral creditors that include 16 Paris Club and four non-Paris Club members. Multilateral creditors include the AfDB, World Bank, EIB, Trade and Development Bank and Afreximbank and others (*BADEA, IFAD, NDF, and OFID)*

OUTPUT STATEMENT 3: Enhanced capacity on public debt management, arrears clearance and debt resolution					
OUTPUT INDICATOR 3.1: Debt Management & Financial Management System (DMFAS) upgraded from 6.2 to 7.0 and operational	**No**	*Yes/No*	*No*	*Yes*	*DMFAS report*
OUTPUT INDICATOR 3.2: Staff/people trained/sensitised on public debt management and arrears clearance (30% being women).	**Yes**	*Number*	*0*	*100*	*Training/Sensitisation Reports*
OUTPUT STATEMENT 4: Strengthened capacity on governance and in management of land tenure and compensations					
OUTPUT INDICATOR 4.1: Forensic and cybercrime laboratory established and operational	**No**	*Yes/No*	*No*	*Yes*	*Laboratory acceptance report*
OUTPUT INDICATOR 4.2: System to support proper accounting of land compensations acquired, installed and operational	**No**	*Yes/No*	*No*	*Yes*	*System acceptance report*

ANNEX I: Summary of progress achieved under the SACAGE Project and Structured Dialogue Platform

1. The SACAGE project, amounting to UA 3 million, was approved on 6th October 2022 and is closing in June 2026. The overarching development objective of the project is to improve arrears clearance, sustainable debt management and oversight, thereby contributing to macroeconomic stability and fiscal consolidation. The Project has three components, namely (a) Enhanced capacity on arrears clearance and debt management; (b) Strengthened accountability and oversight; and (c) Project management. As at 10 February 2026, 94.17% had been disbursed. Overall, the project has played a key role in advancing reform and dialogue on debt resolution and governance through the three Sector Working Groups (Economic Growth and Stability Reforms, Governance Reforms, and Land Tenure Reforms, Compensation of Former Farm Owners and the Resolution of Bilateral Investment Protection and Promotion Agreements, BIPPAs), and institutional strengthening support provided to the Ministry of Finance, Ministry of Justice, the Zimbabwe Anti-Corruption Commission (ZACC) and Office of the Auditor General.

2. The project has supported key interventions to combat corruption and enhance transparency. These include strengthening implementation capacity for anti-corruption strategies and improving the regulatory framework for combating corruption. The Government has drafted several bills—Witness Protection, Whistleblower Protection, Anti-Corruption (Amendment), and Asset and Conflict of Interest, in order to strengthen the fight against corruption. The Bills have been submitted to Cabinet for approval. The project also supports the Ministry of Justice and the Attorney General's Office in legal drafting, with 30 officers undergoing an 18-month training. A forensic laboratory development process began in 2024 with ICT equipment procurement, though funding constraints limited full implementation. Due to resource limitations, activities such as training on investigations, asset recovery, and corruption prevention, as well as civil society-led advocacy, were cancelled.

3. Further, the Government has initiated and continues with compensation of former farm owners under the Bilateral Investment Protection and Promotion Agreements (BIPPAs) and under the Global Compensation Deed (GCD), reinforcing trust and buttressing property rights in line with constitutional provisions. Additionally, consensus has been reached on 16 governance indicators, forming a foundation for continued dialogue and technical support. The Bank-supported process is widely regarded as credible and advanced, with strong momentum that stakeholders agree should be sustained through a second phase.

4. Aligned with Component 1 of the SACAGE project, the Government, with financing from the Africa Legal Support Facility, appointed a team of financial and legal advisors to develop an accelerated Roadmap for Arrears Clearance and Debt Resolution. The Roadmap includes key steps such as signing an IMF Staff Monitored Program (SMP), identifying and engaging potential champions for bridge financing, mobilizing resources, and clearing arrears with International Financial Institutions (IFIs). Arrears clearance is a critical step in Zimbabwe's broader debt restructuring strategy. The Roadmap outlines three initial requirements: (a) closing the fiscal financing gap and securing liquidity relief through an SMP with the IMF; (b) obtaining bridge financing to clear IFI arrears, which total approximately US$2.7 billion—necessitating innovative and blended financing solutions; and (c) initiating negotiations with bilateral and private creditors while pursuing eligibility for an IMF Upper-Credit Tranche (UCT) program and debt treatment potentially under the

G20 Common Framework. The Government has identified ten potential champions for bridge loan financing and is actively engaging them. Financing options under consideration include bridge loans, bilateral commercial loans, and domestic resources. Continued progress depends on maintaining momentum across the three reform pillars and securing an SMP. The SMP discussion have been on-going for the past 12 months and are expected to be concluded before the end of first quarter 2026.

5. Progress under the three pillars to the dialogue process is summarised below.

a. Economic Growth and Stability Pillar

The agreed reform package under this pillar was based on the IMF Article IV assessments and focused on two key policy reform issues: (i) improving exchange rate management; and (ii) elimination of Quasi Fiscal Operations (QFOs) of the Reserve Bank of Zimbabwe (RBZ).

i. **Exchange Rate Policy:** The *"Dutch"* foreign exchange auction system, adopted in June 2020, was discontinued in December 2023 and replaced with a Willing Buyer-Willing Seller (WBWS) exchange rate system. The WBWS has enabled significantly more market-determined foreign exchange trading through commercial banks, reducing parallel market premiums to around 20% from over 40% before October 2024.

ii. **Elimination of Quasi-Fiscal Operations (QFOs):** Prior to December 2023, the RBZ was used to undertake fiscal obligations on behalf of the government. This enabled the government to spend outside the budget, leading to the accumulation of untransparent domestic debt and arrears. Following the agreement through the SDP, in December 2023, the government transferred all its QFOs, amounting to US$ 3.66 billion, to the National Treasury (Ministry of Finance Economic Development and Investment Promotion).

iii. **IMF SMP:** In 2023, the government submitted a request for an SMP to the IMF. The Zimbabwean authorities and the IMF signed a 10-month agreement on the SMP on 16 April 2026. The 10-month program seeks to consolidate recent stabilization gains, further strengthen fiscal and monetary policy frameworks, improve foreign exchange market functioning, and advance governance reforms to support stronger and more inclusive growth.

b. Governance Pillar

Governance Assessments: Stakeholders agreed to use 16 internationally acceptable governance assessment indices from the World Justice Project (WJP) Rule of Law Index, the Ibrahim Index on African Governance (IIAG), and Transparency International's Corruption Perception Index. All stakeholders agreed on a baseline for 2019. Progress under the governance pillar has been mixed, as indicated by the October 2024 assessments from the WJP and IIAG. The WJP maintained Zimbabwe's overall score of 0.40/1.0, the same as in 2019. The IIAG showed a slight improvement to 47.1/100 in 2023 from 46.1 in 2019. Of the 15 indicators assessed by WJP and IIAG, seven indicators improved while four deteriorated.

Law Reforms: Notwithstanding concerns surrounding the PVO Act, there have been improvements in some aspects of legal reform. Several bills supporting the good governance agenda are currently under preparation or have already been enacted. These include the Anti-Death Penalty Legislative Bill was passed and signed into law in December 2024, formally abolishing the death penalty in Zimbabwe. The Witness Protection, Whistleblower Protection Bill, Anti-Corruption Commission Amendment Bill, and Asset Declaration and Conflict of Interest Bill have been prepared and validated. If enacted into law, these will strengthen the anti-corruption drive in Zimbabwe.

PVO Bill: The Private Voluntary Organizations (PVO) Act was signed in April 2025. Government and a coalition of Civil Society Organizations are engaging in dialogue to facilitate compliance and clarify implementation of the PVO Act. Discussions are between the Ministry of the Public Service, Labour and Social Welfare and the National Association of Non-Governmental Organizations (NANGO), through Provincial meetings. Engagements are also on the drafting of the Regulations under the Act to promote compliance and facilitate implementation of the PVO Act.

c. Land Tenure and Compensation of Former Farm Owners Pillar

The Sector Working Group on Land Tenure and Farmer Compensation was established in April 2023 and is co-chaired by the Office of the President and Cabinet (OPC) on the government side, and Switzerland and the United Nations Development Programme (UNDP) on the development partners' side. Discussions have focused on three main sub-themes: (i) Land tenure reforms; (ii) Former Farm Owners' (FFOs) compensation under the Global Compensation Deed (GCD); and (iii) Farmer compensation under the Bilateral Investment Partnership Promotion Agreements (BIPPAs). Three technical sub-working groups were established, aligned with these sub-themes. A summary of progress and key issues is provided below.

Land Tenure Reforms: Dialogue focused on preparing and adopting a bankable 99-year land lease agreement to respect property rights. On 8th October 2024, the constituted a Cabinet oversight committee to coordinate the new tenure document (Title Deeds) rollout programme. The Committee was to ensure that the new Title Deed is both bankable and transferable. The process of issuing new land title deeds started on the 20th of December 2024, and as of August 2025, over 511 new title deeds have been issued.

Compensation of BIPPA farmers: In 2000, Zimbabwe expropriated farms owned by white farmers. This was the genesis of the imposition of economic sanctions by partners. In 2013, Zimbabwe adopted a new Constitution that provided for compensation of these former farm owners (FFO). As of February 2025, 94 farms had been cleared for compensation, totalling US$ 145.9 million. A total of ten farms were fully compensated while equal payments of US$215 355.00 for each farm were made for the remaining 84 farms. In 2025, Government paid US$15 million for BIPPA farmers, and the balance, US$5 million, is scheduled for payment in February 2026. The government will continue making allocations of resources in each National Budget for the next four years towards the compensation of farms protected by BIPPAs. Government has made an allocation of US$20 million, in the 2026 National Budget, for compensation of farms protected by BIPPAs.

Table 1: Compensation Payment for BIPPA Farmers as of March 2025

BIPPA Nationality	Farms Fully Compensated	Farms Partially Paid	Total Farms Paid	Value (US$ Millions)
Denmark	0	6	6	1.3
Germany	6	5	11	2.4
Netherlands	3	37	40	8.4
Switzerland	1	26	27	5.9
Yugoslavia		1	1	0.2
Total	10	75	85	18.2

Global Compensation Deed FFOs: The Constitution also provides that FFOs under the GCD arrangement are compensated for improvements made to the land[14]. In 2020, the government signed an agreement with these FFOs to pay US$ 3.5 billion in compensation. Following dialogue under the SDP, the government allocated US$ 35 million in the 2024 national budget for GCD farmers compensation. In line with the GCD payment offer, to date, Treasury has paid US$5.1 million, representing 1 % of total value of US$513 million, for 623 farms from the first and second batches of FFOs applicants approved for payment. The balance, US$507.2 million, after netting off 1% of capital amount, and interim relief payments paid to each of the 623 approved applications, was settled through the issuance of US$ denominated Treasury bonds with maturities ranging between 1 and 10 years and a coupon of 2 %. The payment of compensation for the third batch of 256 FFOs, amounting to US$210 million, is expected during the Q1 of 2026. Government has allocated US$10 million in the 2026 National Budget, for the 1% upfront cash payment of compensation of farms in line with the payment agreement.

[14] This relates only to former white farmers, not black farmers. Most black farmers affected by the 2000s land challenges had bought land after independence.

ANNEX II: Summary of the Zimbabwe Government Roadmap for Arrears Clearance and Debt Resolution process

The Government of Zimbabwe has developed a comprehensive roadmap, laying out the milestones and steps that need to be completed to: (i) clear arrears with major International Financial Institutions (IFIs) and become eligible for an Upper Credit Tranche (UCT) financing program with the IMF (phase 1); and (ii) implement comprehensive debt restructuring to fully restore public debt sustainability (phase 2). This document outlines the nine steps comprised in the roadmap's two phases, including indicative timelines.

Phase 1: Arrears clearance and UCT-eligibility

There are three main steps in Phase 1 enabling arrears with major multilaterals to be cleared and UCT-quality program eligibility to be reached.

1. ***Step 1:*** The Government to reach a Staff-Level Agreement with the IMF on an SMP (this achieved on 6 February 2026). As part of the SMP, the Government has assessed the scale of its fiscal financing gap for 2025 and devised a strategy to close it, involving debt service moratoria with creditors to generate immediate liquidity relief.
2. ***Step 2:*** The Government intends to clear arrears with IFIs covered by the IMF's Non-Toleration Policy, namely the World Bank, African Development Bank and European Investment Bank. This will involve securing financing, including bilateral bridge loans from countries with strong ties to Zimbabwe, referred to as 'Champions'.
3. ***Step 3:*** At the time of the final review of its SMP, and after arrears with major IFIs have been cleared, the Government of Zimbabwe will request a UCT-quality program with the IMF. Simultaneously, the Government will start the process towards comprehensive debt treatment, leveraging a Common Framework type of format.

Phase 2: Comprehensive debt restructuring

There are five prospective additional steps in Phase 2 enabling a comprehensive restructuring of Zimbabwe's debt and, ultimately, paving the way for a return to debt sustainability.

4. ***Step 4:*** An Official Creditor Committee (OCC) is created, and a Staff-Level Agreement (SLA) is reached with the IMF on a UCT-quality program.

Subsequently, steps match future IMF reviews - theoretically scheduled every 6 months.

5. ***Step 5:*** Financing assurances are secured from bilateral and commercial creditors, enabling the IMF Executive Board's approval of the UCT-quality program.
6. ***Step 6:*** Agreement-in-principle is reached with the OCC, and Zimbabwe engages with commercial creditors in "good faith", leading to completion of the IMF's first program review.
7. ***Step 7:*** A Memorandum of Understanding is signed with the OCC, and an AIP is reached with commercial creditors, enabling the conclusion of the IMF's second review.
8. ***Step 8:*** Final restructuring agreements are signed, and the UCT-quality program is fully implemented, bringing the debt resolution roadmap to completion.

ANNEX III: IMF Staff Monitored Program

IMF Management Approves a Staff Monitored Program for Zimbabwe

April 16, 2026

Staff Monitored Programs (SMPs) are informal agreements between national authorities and IMF staff to monitor the authorities' economic program. As such, they do not entail endorsement by the IMF Executive Board. SMP staff reports are issued to the Board for IMF Management has approved a 10-month Staff-Monitored Program (SMP) for Zimbabwe aimed at consolidating recent stabilization gains and strengthening macroeconomic management.

- The program emphasizes prudent budget execution, improved cash and expenditure controls, sustained monetary discipline, and governance reforms to enhance transparency and manage fiscal risks.
- The SMP supports the authorities' social protection efforts and forms part of their broader strategy to build a credible reform track record and advance re-engagement with the international community.

Washington, DC: IMF Management has approved a 10-month non-financing Staff-Monitored Program (SMP) for Zimbabwe. The program aims to consolidate recent stabilization gains, strengthen macroeconomic management, and support the authorities' efforts to advance re-engagement with the international community.

Zimbabwe's economic recovery continues, supported by tight monetary policy, improving fiscal discipline, and favorable external conditions. Growth strengthened in 2025, with solid performances in agriculture and mining, supported by high gold prices and recovering platinum and lithium output. Inflation declined sharply, reaching 4.4 percent in March 2026, aided by a stable foreign exchange rate and tight monetary conditions. Sustained policy efforts will help entrench macroeconomic stability, deepen confidence in the ZiG, enhance foreign exchange market functioning, rebuild reserve buffers, and reinforce the foundations for durable and inclusive growth.

The program supports the authorities' commitment to prudent budget execution and sound expenditure control. In line with the 2026 budget, spending in the first half of the year will be anchored on a conservative revenue outlook to ensure alignment with available resources and avoid the accumulation of new domestic arrears. The authorities will strengthen fiscal discipline and transparency through enhanced monitoring and reporting of domestic arrears and clearer institutional responsibilities.

Improving cash planning and public financial management is a central pillar of the program. The authorities will enhance institutional arrangements for cash management and improve short-term liquidity forecasting to support more predictable and credible budget execution. Over time, broader public financial management reforms, including strengthened budget controls, improved commitment recording, and progress toward a Treasury Single Account—will enhance the efficiency, transparency, and discipline of public spending.

The program will support efforts to maintain low and stable inflation and preserve progress in easing foreign exchange market pressures. It will also help lay the foundations for strengthening the monetary policy framework, including measures to promote demand for the ZiG, enhance monetary policy operations, and improve foreign exchange market efficiency.

Structural reforms under the program aim to strengthen governance and improve the management of fiscal risks. This includes measures to enhance transparency through the publication of audited financial statements for state-owned enterprises under the Mutapa Investment Fund, and to limit fiscal risks through adherence to the Public Debt Management Act and improved reporting of public sector liabilities.

The program also supports the authorities' efforts to strengthen social protection. The Zimbabwe Social Registry will be further operationalized to improve the targeting and delivery of social assistance and ensure support reaches the most vulnerable households.

The SMP is intended to help Zimbabwe establish a credible track record of policy implementation as a steppingstone toward a potential Fund-supported program and to support the authorities' broader roadmap for arrears clearance and re-engagement with the international community.

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ANNEX IV: ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

A. Basic Information[15]	
Project Title: Support for Arrears Clearance and Governance Enhancement, Phase Two (SACAGE-II)	**Project SAP or TFMS code: P-ZW-KF0-017**
Country: Zimbabwe; **Region: RDGS**; **Lending Instrument**: **Project Finance Loan/Grant**	
Project Sector Unit: Economic Governance	**Task Team Leader(s):** Fenwick KAMANGA
Appraisal dates: **16.07.2025 to 22.07.2025**	**Estimated Approval Date**: **January 14, 2026**
Environmental Safeguards Officer: Bruno Alberto NHANCALE	
Social Safeguards Officer: **xxxxxxx**	
Environmental and Social Category: Category 3; **Operation type**: **Public Sector Operation**; **Financial Intermediary**: **No**	
Categorization date: August 29, 2025; **Categorization in ISTS: August 29, 2025**; **Categorization in SAP: August 29, 2025**	
Is this project processed under rapid responses to crises and emergencies?	**No**
Is this project processed under a waiver to Integrated Safeguards System (ISS) requirement(s)?	**No**
B. Disclosure and Compliance Monitoring **B.1 Mandatory disclosure**	
Environmental Assessment/Audit/System/Others: [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Resettlement Action Plan (RAP)[16]**:** [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Stakeholder Engagement Plan (SEP): [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Pest or Vector Management Plan (PMP/VMP): [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Vulnerable Peoples Plan (VPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Riparian Communities Participation Plan (RCPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Emergency Preparedness & Response Plan (EPRP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Hazardous/Medical Waste Management Plan (HWMP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***

[15] **Note**: *This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.*

[16] *Including Livelihood Restoration Plan*

Date of disclosure by the Bank	*Click to Set the date*
Riparian notification:	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Environmental and Social Management Plan (ESMP) of the financing agreement[17]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	**Click to Set the date**
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: The project is a technical assistance grant and will not involve any physical activities, and no adverse negative impacts are anticipated; hence, the project does not require any environmental and social safeguard documentation.	

B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	**NA.**
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	**NA.**
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured?[18]	**NA.**
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	**NA.**
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	**NA.**

C. Clearance

D.

Is the project compliant with the Bank's environmental and social safeguards requirements, and can be submitted to Approval? **Yes**

Prepared by	***Name***	***Signature***	***Date***
Environmental Safeguards Officer:	Bruno Alberto Nhancale		**September 30, 2025**
Social Safeguards Officer:	**xxxxxxx**		**Click to set the date**
Task Team Leader:	Fenwick KAMANGA		**September 30, 2025**
Submitted by			
Sector Director:	**Abdoulaye D. Coulibaly**		**October 14, 2025**
Cleared by			
Director SNSC:	Maman-Sani ISSA		October 14, 2025

[17] As referred to in section III.2.3 of the Bank's Environmental and Social Policy (ESP)

[18] *In case a resettlement action plan (RAP) are not required although ESIA is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the borrower that it is a public-owned land.*