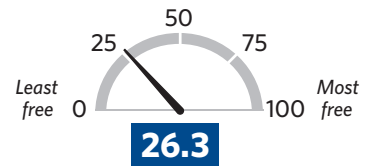


# ZIMBABWE

## Economic Freedom Score



World Rank: **178** Regional Rank: **46**

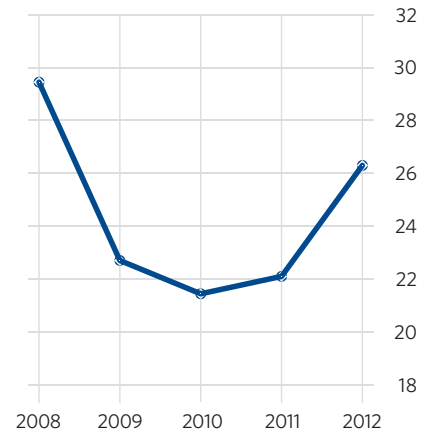
**Z**imbabwe's economic freedom score is 26.3, making its economy the 178th freest in the 2012 *Index*. Its score has increased by 4.2 points from last year, reflecting gains in half of the 10 economic freedoms. Zimbabwe is ranked last out of 46 countries in the Sub-Saharan Africa region and is the second least free country ranked in the 2012 *Index*.

The Zimbabwean economy has recorded some progress toward stability after years of economic and social destruction by the repressive Mugabe regime. Its improvement is relatively broad-based, but the impressive size of the score change is driven primarily by renormalization of government spending levels that had spiked extraordinarily during the country's recent crisis.

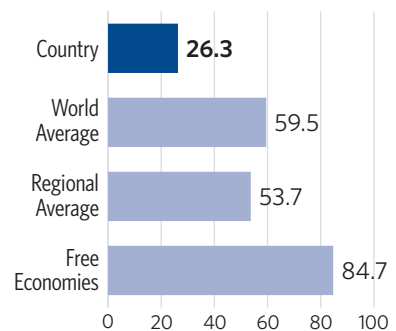
Zimbabwe is still characterized by instability and policy volatility, both hallmarks of excessive government interference and mismanagement of the economy. The fragile economic infrastructure has crumbled after years of neglect. The lingering impacts of years of hyperinflation continue to impede entrepreneurial activity, severely undermining the country's economic potential. A corrupt and inefficient judicial system and general lack of transparency severely exacerbate business costs and entrepreneurial risk.

**BACKGROUND:** When it became independent in 1965, Zimbabwe had a diversified economy, a well-developed infrastructure, and an advanced financial sector. It is now one of Africa's poorest countries. Robert Mugabe became prime minister in 1980 and president in 1987. Still in power in 2008, his party lost its parliamentary majority in a hotly contested election, but Mugabe won the runoff when opposition leader Morgan Tsvangirai withdrew after widespread intimidation of his supporters. Under a power-sharing agreement, Mugabe remains head of state, the cabinet, and the armed services. A referendum on a new constitution has been delayed to 2012. The economy has stabilized somewhat, and allowing foreign currencies to be used for all transactions has curtailed hyperinflation. Agriculture has been crippled by expropriation of white-owned commercial farms.

## Freedom Trend



## Country Comparisons



## Quick Facts

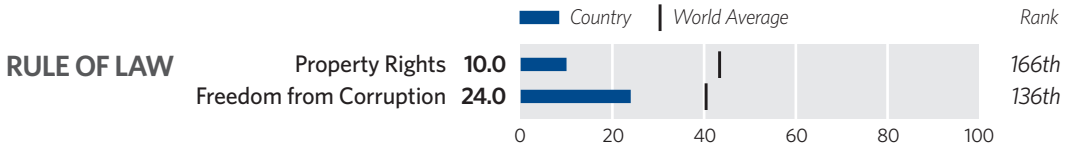
**Population:** 12.6 million  
**GDP (PPP):** \$5.5 billion  
 9.0% growth in 2010  
 5-year compound annual growth -2.4%  
 \$434 per capita  
**Unemployment:** 95.0%  
**Inflation (CPI):** 3.0%  
**FDI Inflow:** \$105.4 million  
**Public Debt:** 56.2% of GDP

### How Do We Measure Economic Freedom?

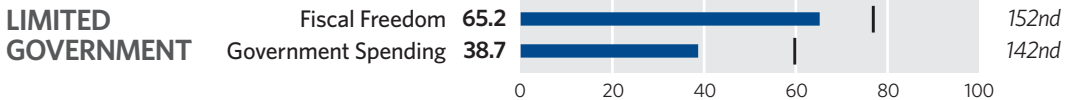
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

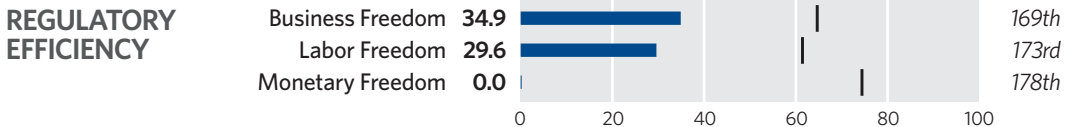
**THE TEN ECONOMIC FREEDOMS**



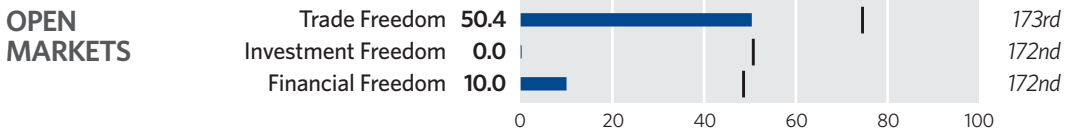
The executive branch strongly influences the judiciary and openly challenges court outcomes. Expropriation is common. The government’s land reform program, characterized by chaos and violence, has badly damaged the commercial farming sector, turning Zimbabwe into a net importer of food products. Corruption, encouraged by government officials at all levels, remains pervasive.



The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a capital gains tax, with the overall tax burden amounting to 39 percent of total domestic income. Government spending has reached a level equivalent to 45.2 percent of GDP. The budget balance has been in deficit, and public debt amounts to about 56 percent of total domestic output.



The overall regulatory environment is opaque. Starting a business takes nine procedures and 90 days in comparison to the world averages of seven procedures and 30 days. Completing licensing requirements costs over 10 times the level of average annual income. The labor market is essentially non-functional, but informal markets provide some jobs. Monetary stability has been fragile in light of the previous hyperinflation.



The trade weighted average tariff rate is prohibitively high at 17.3 percent, with pervasive non-tariff barriers constraining freedom to trade even further. Heavy government interference cripples investment opportunities. Extensive state involvement in finances and ongoing political instability have caused Zimbabwe’s financial sector to contract significantly in recent years.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	-5.1	Business Freedom	+2.8	Trade Freedom	+5.4
Freedom from Corruption	+2.0	Government Spending	+38.7	Labor Freedom	-7.2	Investment Freedom	0
				Monetary Freedom	0	Financial Freedom	0