

# COUNTRY REVIEW

## Zimbabwe



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**ANALYST: Andrew Atkinson**

**EULER HERMES COUNTRY RISK GRADE: D**

**Country Risk Grades are on a scale of AA, A, BB, B, C, D  
where AA is the lowest and D the highest risk.**

## COUNTRY PROFILE

Capital city:	Harare
GDP:	(see text)
Population:	12.5mn (2008e)
GDP per capita:	(see text)
Currency:	Zimbabwe dollar (ZWD)
Form of state:	Republic
Head of state:	President Robert Mugabe
Head of government:	PM Morgan Tsvangirai
Next elections:	Timetable subject to change

Collapse of the formal economy has made some data relatively meaningless and we do not provide our standard GDP and per capita income statistics. The situation reflects **poor management by political bodies and the country is estranged from IFIs and the wider international community.**

The two main parties in a **power-sharing government established in February 2009**, Robert Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) and Morgan Tsvangirai's Movement for Democratic Change (MDC), appear unable to form a unified government with coherent, effective and transparent policies. Indeed, Tsvangirai may be on the verge of leaving the government, perhaps undoing any positive momentum recently attained. In any event, **violence in rural areas is likely to increase.** Despite the endeavours of Tsvangirai to regain sound relations with the donor community, **Mugabe perseveres with an antagonistic approach to international relations with the west.** Regional powers, including SADC, the AU and South Africa have achieved little in relation to tempering Mugabe's perceived mismanagement and in improving conditions within the country.

Mugabe is an octogenarian and has had health problems but he appears unwilling to relinquish power, having **created a de facto life presidency.** His death or a military-backed coup appear to be the only likely means of a meaningful regime change in the ST. Meanwhile, party members of ZANU-PF are seeking advantageous positions from which to attempt **succession challenges.** Violence and intimidation, largely perpetrated by ZANU-PF militia, are likely to continue to limit opposition, but **pressure for change is growing and the risk is that it will be violent when it arrives.**

**Land redistribution remains a core policy** and has contributed to the economic collapse and the breakdown of social fabric. Despite official claims to the contrary, there is a serious food shortage and the UN's World Food Programme estimates that approximately 35% of the population requires direct food aid. Since 2000 and the escalation in Mugabe's policy of expropriation of white farmers' land for the benefit of black Zimbabweans, approximately three-quarters of tobacco growers have been forced, often with violence, to leave their farms. Tobacco was the principal foreign currency earner, but output has declined since 2000 and production from gold and platinum mines has also been seriously disrupted because of power cuts and lack of inputs.

Some economic data can be presented to illustrate the parlous condition of the country. **Real GDP has contracted every year since 1999 and we forecast further declines this year and in 2010.** In February 2006, Zimbabwe settled in full its remaining overdue financial obligations to the IMF's General Resources Account (GRA). However, it still has substantial arrears to the Poverty Reduction and Growth Facility (PRGF)-Exogenous Shocks Facility Trust (ESF), although it is now no longer under threat of compulsory withdrawal from the Fund. The IMF has declared (in unusually strong political terms) that "inappropriate" policies, corruption and the government's record on human rights contributed to Zimbabwe's economic decline. **The Fund withdrew financial and technical assistance and Zimbabwe no longer has the right to vote within the IMF.**

Andrew Atkinson

London: +44 (0)20 7860 2577