

# OVERVIEW

# Reversing the Tide

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REDUCING POVERTY  
AND BOOSTING  
RESILIENCE  
IN ZIMBABWE



**WORLD BANK GROUP**

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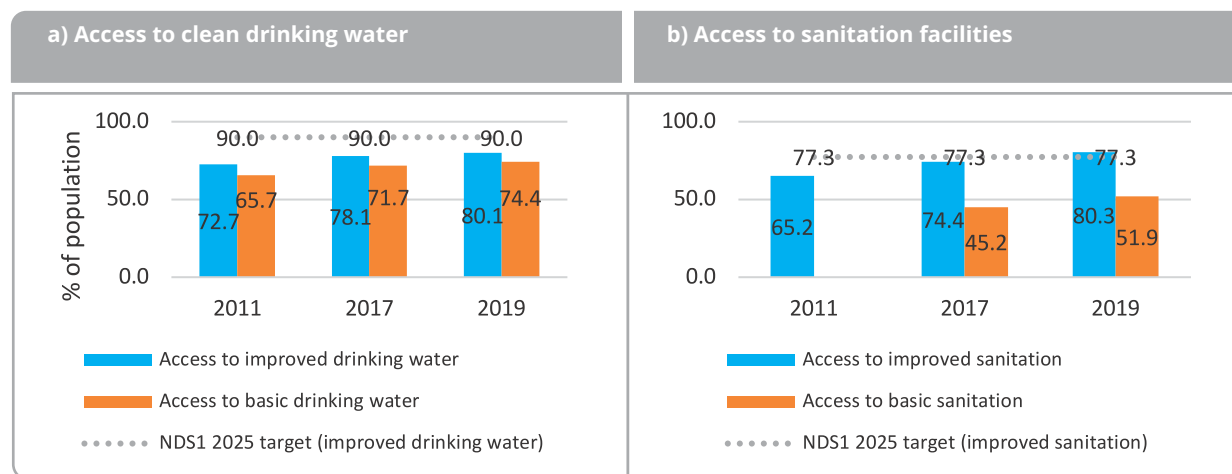
The Zimbabwe Poverty Assessment report explores how poverty has evolved in Zimbabwe in recent years, shedding light on the main forces shaping its progression. Its objectives are three-fold: (i) to take stock of the recent trend in poverty and inequality, as well as to sketch a profile of the poor; (ii) to explore the main drivers of the change in household welfare; and (iii) to build the evidence base for the formulation of policies to foster inclusive growth.

The primary data used in the analysis are the official household data collected by ZIMSTAT through the Poverty, Income, Consumption, and Expenditure Surveys (PICES) in 2011, 2017, 2019, and phone surveys conducted after the pandemic in 2020 and 2021. The 2011 and 2017 surveys were large face-to-face surveys that collected detailed, month long information on household consumption. The 2019 survey had a smaller sample size, spanned only two months (May and June), and relied on imputation method using proxy indicators to estimate household consumption and poverty levels. Finally, the COVID-19 monitoring surveys interviewed households over the phone and the poverty levels are estimated using proxy indicators. For these reasons, the 2019, 2020, and 2021 poverty estimates are not strictly comparable to the 2011 and 2017 estimates. Nevertheless, the data points are indicative of the *direction* of change, and they permit a decade-long view of the evolution of poverty and living conditions.

## The quality of life improved in the 2010s.

There was a significant improvement in the living conditions in Zimbabwe in the 2010s. At the end of the decade, fewer mothers died at childbirth, fewer children died within the first year of birth, and fewer children under the age of five were malnourished (World Development Indicators). These outcomes were better in Zimbabwe than in the rest of sub-Saharan Africa. As well, more adults were literate, and more young children were engaged in early childhood learning. The average child born in Zimbabwe in 2019 is expected to have a higher endowment of human capital at the age of 18 than his/her peers born even in some of Zimbabwe's richer neighbors. Access to basic infrastructure services such as clean drinking water, sanitation, and electricity also improved (Figure 0.1), although the coverage level was below the national development targets in some areas and there were spatial and socioeconomic disparities.

**Figure 0.1: Access to basic services**

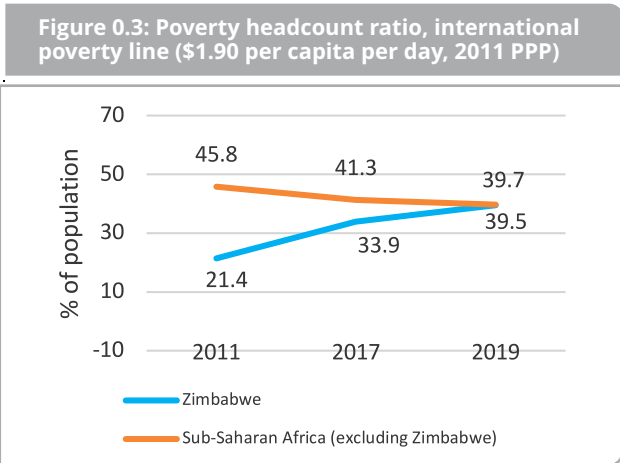
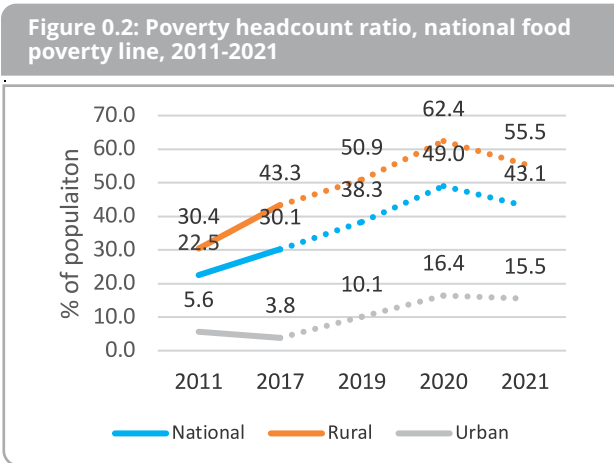


Source: Authors' calculations using PICES 2011, 2017, Mini-PICES 2019

## But poverty and inequality rose in the 2010s.

The decade started with just over a fifth of the population (23 percent in 2011) below the national food poverty line (extreme poverty). This means that the extremely poor households had consumption level insufficient to meet daily caloric needs. By 2017, three in ten Zimbabweans (30 percent) were living in extreme poverty, increasing to almost four in ten (38 percent) in 2019. The extreme poverty prevalence reached its peak in 2020, soon after the onset of the COVID-19 pandemic, when almost half (49 percent) of the Zimbabwean population was extremely poor (Figure 0.2). The extreme poverty rate fell by 6 percentage points to 43 percent in 2021 on the backs of economic recovery and record maize harvests.

This experience of sustained increase in poverty stands in sharp contrast when we compare Zimbabwe to other countries using the common yardstick of the international poverty line (USD PPP 1.90/person/day). The decade started with the international poverty rate in Zimbabwe less than half that of the rest of sub-Saharan Africa. But unlike in Zimbabwe, the poverty headcount in the region declined during the 2010s. As a result, by the close of the 2010s, Zimbabwe's poverty level was on par with the SSA's (Figure 0.3).

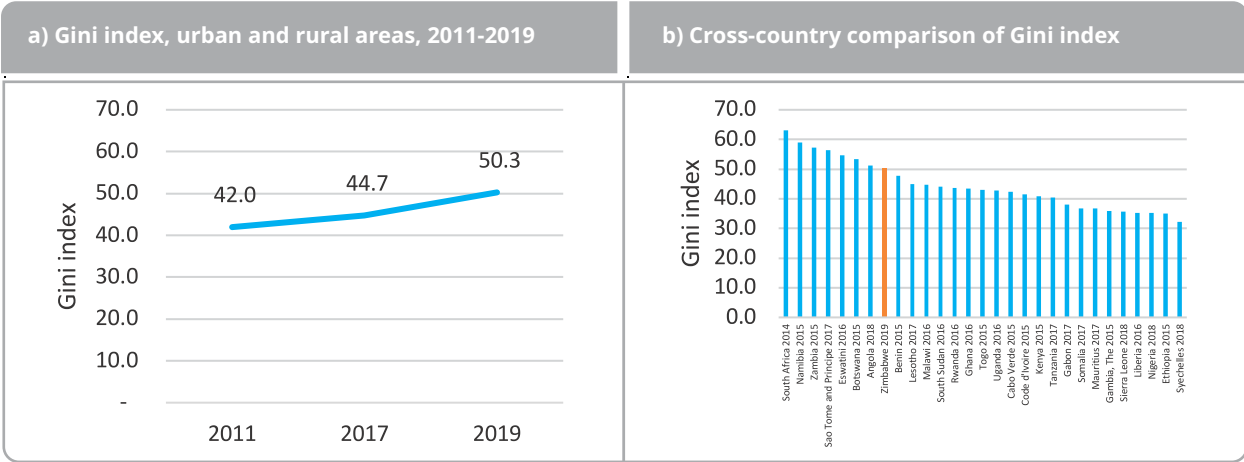


Source: Authors' calculations using PICES 2011, 2017, Mini-PICES 2019, and Rapid-PICES 2020, 2021; Povcalnet (<http://iresearch.worldbank.org/PovcalNet/introduction.aspx>). Accessed January 17, 2022.

Note: The poverty estimates for 2019, 2020, and 2021 denoted by dotted lines are based on survey-to-survey imputation.

It was not just poverty that increased during the 2010s, but so did inequality. The Gini index, one of the most common measures of inequality, rose from 42 in 2011 to 50 in 2019, making Zimbabwe highly unequal. Thus, many Zimbabweans not only saw their living standards deteriorate over the decade, they also witnessed the gulf between the poorer and richer segments of the population widen (Figure 0.4).

**Figure 0.4: Gini index, 2011-2019**

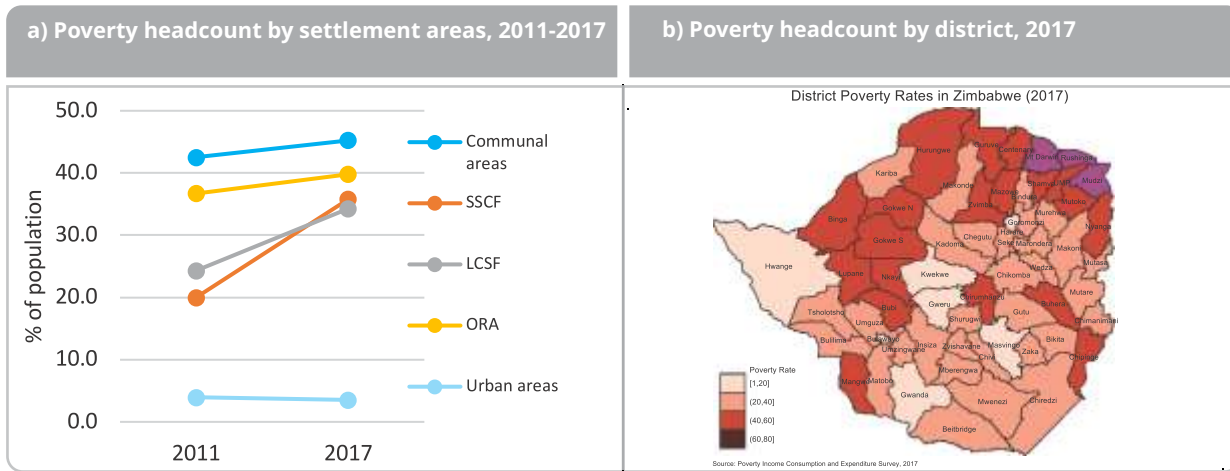


Source: Authors' calculations using PICES 2011, PICES 2017, Mini-PICES 2019; Povcalnet (<http://iresearch.worldbank.org/PovcalNet/introduction.aspx>). Accessed January 17, 2022.

**Some fared better than others.**

There was a large disparity in welfare, cutting across geographic and socioeconomic lines. Extreme poverty in Zimbabwe is mainly rural and agrarian. Rural areas are four to five times poorer than urban areas (Figure 0.2), and they account for about 90 percent of the poor. Communal areas are at a particular disadvantage, with the extreme poverty rate there more than 10 times that in urban areas (Figure 0.5). The differences are accentuated at smaller administrative levels such as districts. The least poor district in 2017 had about 1 percent of its residents in extreme poverty, while the poorest district had more than 60 percent of its population in extreme poverty (Figure 0.5). The level of education and sector of employment are other markers of disparity. Households whose head has secondary or tertiary education or is employed in industry or services are less poor compared to households whose head has less than secondary education or works in agriculture.

**Figure 0.5: Spatial differences in poverty**



Source: Authors' calculations using PICES 2011, PICES 2017

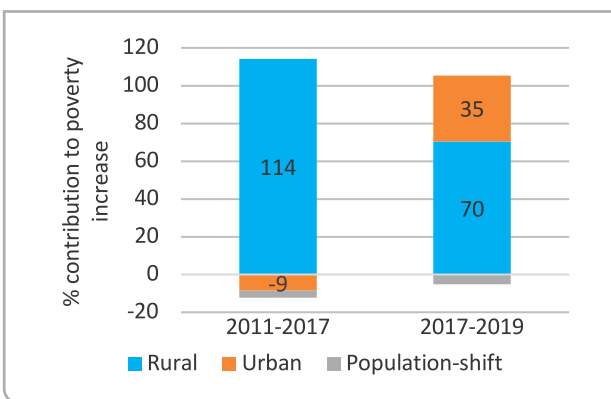
Note: SSCF = Small Scale Commercial Farms; LCSF = Large Scale Commercial Farms; ORA = Old Resettlement Areas

## Distilling the evidence: What lies behind the poverty trend?

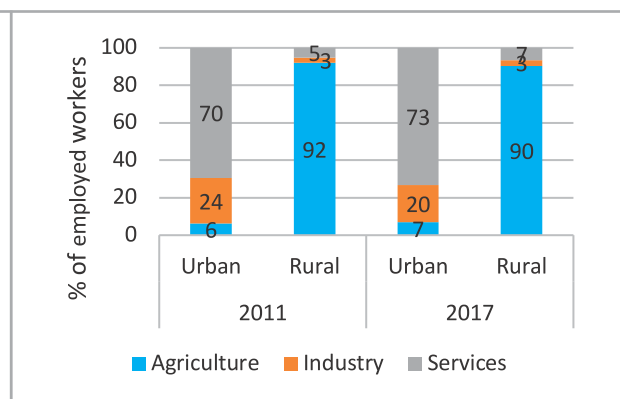
### Drought and other natural shocks

Droughts are frequent and pervasive in Zimbabwe. The most drought-prone wards of the country experience drought on average every two to three years. The 2010s saw several episodes of drought, with the one between 2014 and 2016 one of the worst episodes in recent history. Poor rains also affected agricultural outputs in parts of the country in 2019, 2020, and most recently in 2022. Besides the years with widespread drought, there were localized occurrences every year, for example in the north in 2011-12 and the center and southwest in 2012-13. Combine this with the fact that less than 1 percent of total cultivated land is irrigated, and it is clear why agriculture in Zimbabwe is a risky proposition. A successful harvest is highly dependent on the right timing and optimal amount of rainfall. In addition, more than 90 percent of rural employment is in agriculture, which exposes many to the negative effects of drought. Much of the poverty increase during the 2010s was driven by the increase in rural poverty (Figure 0.6, Figure 0.7).

**Figure 0.6: Contribution to poverty change, 2011-2017 and 2017-2019**



**Figure 0.7: Sectoral distribution of jobs, working-age adults (15-64 years), 2011 and 2017**



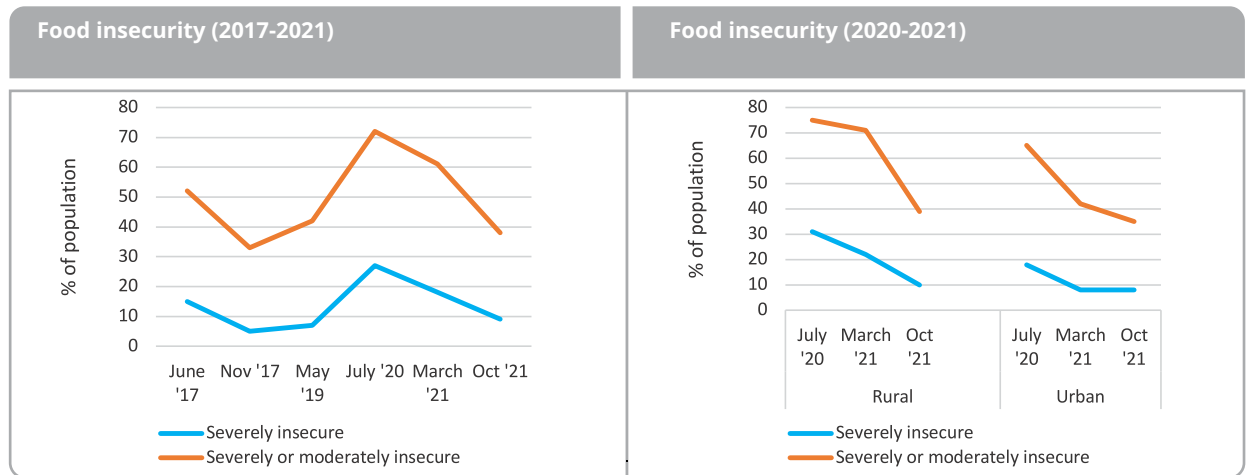
Source: Authors' calculations using PICES 2011, PICES 2017, Mini-PICES 2019

Because agriculture in Zimbabwe is primarily dependent on natural rainfall, poor rains have an immediate bearing on the food security of many people, especially those in rural areas. There was a sharp increase in the share of food insecure households in 2020 due to the combined effect of poor harvests, inflation, and COVID-19 induced stresses. In July 2020, 72 percent of Zimbabwean households



were severely or moderately food insecure, with 27 percent in severe food insecurity. Thanks to the plentiful harvest of the 2020-2021 agricultural season, food security improved by late 2021. Nationally, only 9 percent of the population was in severe food insecurity in October 2021, the lowest level since 2019. As expected, rural households are more food insecure than urban households (Figure 0.8).

**Figure 0.8: Food insecurity**



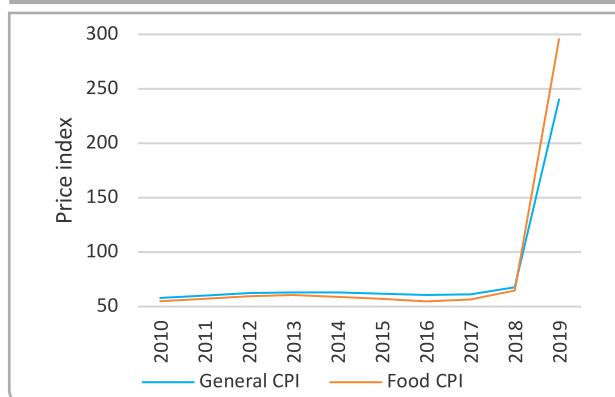
Source: FAO estimates using PICES 2017, Mini-PICES 2019, Rapid-PICES 2020-2021

In addition, other natural hazards like the tropical cyclone Idai in 2019 also caused significant damage to crops, livestock, and assets in the Eastern Highlands. In absence of well-developed financial markets, such losses are not insured, so households must absorb the loss and engage in costly ex-post coping mechanisms. As the climate changes, such extreme weather events are predicted to become more frequent, increasing the risk to vulnerable households.

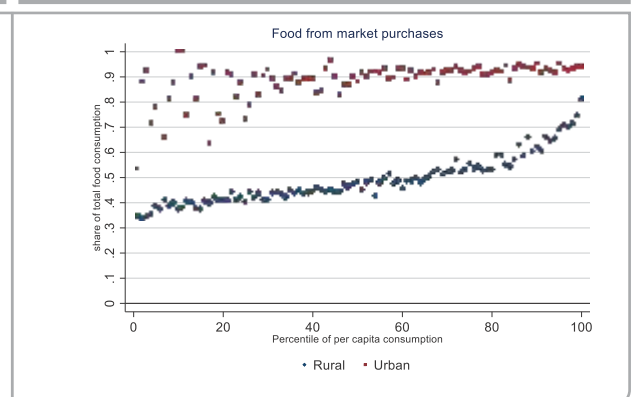
### Inflation

After staying low and stable for much of the 2010s, prices jumped sharply in 2018, with the increase in food prices outpacing the increase in general prices (Figure 0.9). For a similar level of consumption, urban households procure a significantly higher share of total food consumption from market purchases (Figure 0.10). This means urban households are more affected by food price inflation. Indeed, the relative contribution of urban areas to the total increase in poverty was higher in 2017-2019 than in 2011-2017 (Figure 0.6).

**Figure 0.9: General CPI and food CPI, 2010-2019**



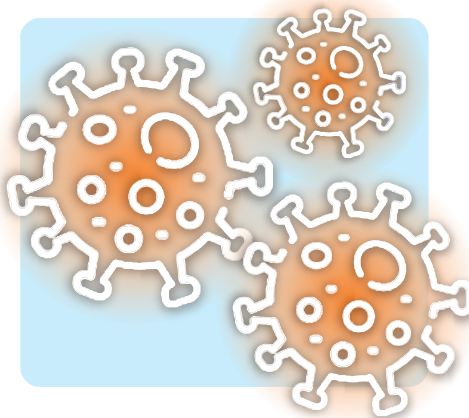
**Figure 0.10: Share of food from market purchase, 2017**



Source: ZIMSTAT; Authors' calculations using PICES 2017

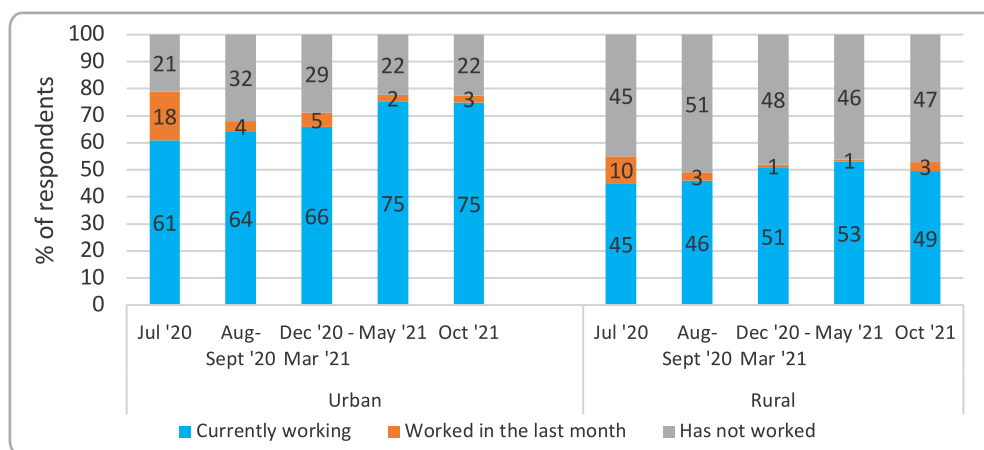
## Pandemic

The economy entered into a recession in 2019 reflecting the impact of poor harvest and power shortages caused by a record drought, and the damages by cyclone Idai. As a result, the per capita income fell by 9.4 percent in 2019 relative to 2018. The already difficult situation was exacerbated in 2020 by the Covid-19 pandemic, leading to another recession in 2020. Immediately after the pandemic onset, 89 percent of firms had to suspend operations, at least temporarily. The business closure had an immediate effect on employment. Of the roughly 64 percent of working-age adults who had a job before the pandemic, 13 percent were no longer working in July 2020 following the imposition of mobility restrictions.



Given the nature of the crisis and the associated containment measures, the impact of the pandemic fell disproportionately on urban residents. Of the approximately 80 percent of urban workers who were working before the pandemic, 18 percent were out of a job by July 2020 (Figure 0.11). Most of the urban workers who lost their job (80 percent) were previously employed in wholesale and retail, education services, food, accommodation, or other service activities that were presumably more affected by the pandemic. In contrast, 84 percent of households engaged in farming could continue performing the farming-related activities that they would have normally performed even after the pandemic.

**Figure 0.10: Employment status, 2020 – 2021**



Source: Authors' calculations using Rapid-PICES 2020-2021

## Policy choices

Taking a long and broad view, macroeconomic challenges, natural disasters and lately the pandemic have been impediments to economic growth, structural transformation, private sector development, jobs creation, poverty reduction, and improvements in the coverage and quality of service delivery. Frequent expansionary fiscal and monetary stance has sometimes contributed to high inflation that in turn impacted on growth potential. Money creation to finance off-budget expenditures added to inflationary pressures, while quasi-fiscal expenditures intended to boost production in targeted sectors of the economy often exacerbated distortions in the economy. Further inability to access the international capital market due to external arrears has often led to domestic liquidity shortages, impacting private sector activities, and stifling employment generation (World Bank, 2004; World Bank, 2017). Also, paying the civil service large wage bill, support to agriculture and subsidizing inefficient public enterprises have diverted resources that otherwise could have been spent on social sectors such as health, education, and social protection.

## Looking ahead: Reversing the tide

This study narrates the story of a steady deterioration in the standard of living in Zimbabwe in the 2011-2021 period. But the past does not have to be a prologue. Lessons from the past can inform policy choices in the present to ensure a better future.

Agriculture is an inescapable fact of economic life for many in Zimbabwe, forming the livelihood of about three-fifths of the population, more than 90 percent of the rural population, and more than 80 percent of the poor. But agriculture as it is currently practiced, i.e., growing crops primarily for own consumption using traditional methods and relying on erratic rainfall cannot be a viable pathway out of poverty. Agricultural productivity must increase for it to assume a larger role in raising incomes, improving food security, and reducing poverty. The increase may be achieved, among other things, through an increase in yields (via an expansion of irrigation or the use of modern inputs, practices, and technology), diversification to high-value crops, or improving the market orientation of smallholder farmers. To break the dependence on natural rainfall, the government has committed to expanding the area of irrigated land under NDS1 through the construction and rehabilitation of irrigation infrastructure and construction of dams.

Climate change gives little reason to be sanguine about the prospects of agriculture. Climate models predict that Zimbabwe will get hotter and drier in the coming decades, making almost the entire rural area unsuitable for maize cultivation by 2050. This may necessitate a switch to the production of more heat- and drought-tolerant crops such as sorghum, millet, and cassava. The government's recent initiatives like the Pfumvudza program that promote climate-smart agricultural practices are expected to improve resilience to climate change.

As important as agriculture is in the short term, no society has become prosperous without a fundamental transition of its economy from rural, low-productivity agriculture to higher-productivity activities in industry and services often concentrated in urban areas. But the spatial and structural transformation has been stunted in Zimbabwe. Better urban planning, reform of land use regulations, and investment in basic infrastructure are necessary for orderly and equitable urbanization. Zimbabwe has a promising endowment of human capital so the supply of skilled labor is not the bottleneck for structural transformation. It is rather hampered by the anemic growth in demand for labor as the private sector has created few off-farm jobs and the jobs that do exist are of poor quality. Thus, promoting the entry and growth of firms for the creation of productive jobs is a priority for Zimbabwe.

Given the high level of vulnerability, social protection is vital to protect the welfare of poor and vulnerable households in the short term while improving the long-term potential for growth and productivity through human capital investments. However, Zimbabwe's social assistance programs have low coverage and may benefit from improved targeting. As a result, the programs leave out many of the poor and have a minimal impact on poverty and equity. There are clear opportunities to improve the efficiency of social assistance programs, even without additional fiscal commitment, through better targeting of the poor. But increasing coverage and adequacy (which comes with additional fiscal commitment) is equally important to make a significant dent in poverty and equity. The pandemic showed that the social protection system is not well-equipped to respond to shocks as it did not expand to reach the households affected by the shock. In the medium to long term, the policy priority should be laying the foundations of a shock-responsive social protection system that meets chronic needs and can quickly respond to transient needs due to recurrent shocks.

Policy consistency and macroeconomic stability are foundational for structural transformation of livelihoods and sustained poverty reduction. Policy prescriptions to boost resilience and stimulate economic growth will also be taken up in forthcoming World Bank studies such as the Climate Change and Development Report (CCDR) and Country Economic Memorandum (CEM).