

Chapter 1: An overview of Zambia's economic and poverty situation

Introduction

Poverty is the most profound challenge that Zambia faces today. It is a social crisis with the majority of people denied a minimum decent living standard. The latest JCTR (2001) Monthly Food Basket Survey shows that it is becoming more and more difficult for the majority to meet basic needs, because food costs have been rising while wages remain static and too far below the food cost. The gravity of the situation is such that more and more lives are being lost due to hunger, sickness and disease including HIV/AIDS. But what is the definition of poverty?

"Poverty is pain; it is like a disease.
It attacks a person not only materially but also morally.
It eats away one's dignity and drives one in total despair."
(World Bank, 2000)

From a poor person's perspective, poverty can be described as above. However, there is no single definition for poverty. It is generally agreed, though, that poverty is a phenomenon of many dimensions. Poverty is the negation of development; and since development is a multi-dimensional phenomenon, poverty is multi-dimensional as well.

Poverty differs from one place to another. In the Zambian context it can be defined as deprivation of a "long healthy life, educational opportunities, access to resources for a decent standard of living (e.g. income and consumption, housing, health, clean water and sanitation), and lack of freedom to exercise choice and participate in society" (MCDSS, 1998a).

The purpose of this document is, therefore, to present civil society perspectives on strategies that can effectively reduce poverty in Zambia. The contents of the document were arrived at after wide consultation within civil society. Several meetings were held before arriving at these positions. The views presented here will be part of the contribution to the Poverty Reduction Strategy Paper (PRSP) process that the Zambian Government is formulating through a wide participatory process.

The political and economic context

A few years after independence in 1964, Zambia was one of the most prosperous nations in Africa. With a rich endowment of arable land, water and mineral resources, it held great potential for sustainable economic development. The new government of the United National Independence Party (UNIP) inherited very poor or inadequate infrastructure, including human capital, from the colonial regime.

Initially, the government followed a fairly liberal political and economic policy, primarily focused on providing infrastructure and services to the majority of the people. However, after the implementation of the 1968 Mulungushi Declaration in

1972, the government switched to a more restrictive policy environment, with a heavy role for the state in national development. The state owned and controlled industry, with high tariffs imposed for protection. Consumption was heavily subsidised, prices were controlled and agricultural marketing and credit were provided by state agencies.

A booming copper industry, Zambia's economic mainstay, encouraged state controlled policies. In the first ten years after independence, the nation experienced a growth averaging 2.4% a year, significantly lower than population growth thereby leading to declining per capita incomes.

After 1975, Zambia faced falling copper prices (initially thought by government as temporal), political turmoil in neighbouring countries and severe effects of the first oil shock. Anticipating a rise in copper prices, the government borrowed heavily to sustain the economy. By the early 1980s, however, it was clear that the 1970s reform had failed. Between 1983 and 1985, therefore, the government attempted an IMF/World Bank Structural Adjustment Programme (SAP) that had stringent conditions attached. This was abandoned in May 1987, after massive food riots on the Copperbelt. SAP was replaced by another local programme that re-imposed the controls of the 1970s. However, the economy continued declining, poverty levels rising and debt swelling to US\$7.1 billion by 1991.

In October 1991 the people of Zambia, discontent with the performance of the reforms thus far, elected the Movement for Multi-party Democracy (MMD) government. The new government pushed liberal policies supported by the IMF and World Bank SAP, in anticipation of a more efficient private sector led economy. The state's role remained the creation of an enabling environment for private business. Trade, exchange rates and interest rates were liberalised, subsidies removed, agricultural marketing liberalised and most parastatals privatised. The invisible forces of the market were to determine prices for goods and services. On the other hand, the state started measures to reduce the bloated civil service to the right size, through retrenchment and voluntary separation. During its first ten years in power, the MMD government has committed itself to implementing these measures even faster than anticipated by other stakeholders.

These measures have, however, failed to yield the desired goal - to make the economy grow so as to bring about prosperity in the nation. Instead, economic growth has been sluggish while poverty has continued the upward trend. Discouraged by the inadequate results of these policies, the MMD government has shown signs of retracting some of its earlier commitments. Privatisation of the remaining utilities, such as the Zambia Electricity Supply Company (ZESCO), is uncertain while media reports indicate that government intention is to designate some of the remaining state enterprises, like the Zambia National Commercial Bank (ZANACO), as strategic industries. On the other hand government has introduced stringent interventions in the foreign exchange market to stabilise the depreciating Kwacha.

In December 2000, the IMF and the World Bank allowed Zambia to qualify to the Highly Indebted Poor Countries (HIPC) Initiative. This means that the nation will now be allowed lower amounts of debt service than otherwise, while the debt stock is expected to be almost halved. Some groups like Jubilee 2000, though, still insist that

HIPC debt relief is extremely inadequate and will certainly not solve the debt crisis for poor nations.

The poverty situation

Today, Zambia is among one of the poorest nations in the world. The World Bank classifies Zambia as a Least Developed Country. The UNDP *Human Development Report 1999* ranks Zambia 156 out of 174 countries, having fallen consistently over the past years, from 136 in 1996, to 142 in 1997, to 146 in 1998. Indeed, of 79 countries for which data is available between 1975 and 1997, Zambia is the only country where the value of the Human Development Index is lower than it was in 1975.

A look at the social indicators reveals a declining trend over time, clearly showing the worsening living conditions of most Zambians. Life expectancy is estimated at 37 years, compared to 42 years at the time of independence (1964) and 54 years at the end of the 1980s. Mortality rates are among the highest in the world. The number of orphans has increased, while a significant proportion of school age (7-13 years) children are not in school (Kelly, 1999).

National household surveys conducted by the Central Statistical Office (CSO) in 1991, 1993, 1996 and 1998 use an income poverty line as a measure for poverty. According to the latest statistics, CSO estimates that 73% of the population have incomes below the minimum level determined by CSO. CSO further reveals that the percentage of people living in poverty increased from 70% of the population in 1991 to about 74% in 1993, decreased to 69 % in 1996 and then rose again to 73% in 1998. This measure only shows the proportions of the population that are income poor, but poverty has many other dimensions.

According to Seshamani (2000c), people who are income poor need not necessarily be poor in other dimensions of poverty. For example the latest data from CSO shows that 35% of the rural population have access to safe water; hence 65% of the rural population are water poor. 59% of the children are stunted: they are nutrition poor. 27% of the population have not had any schooling at all: they are knowledge poor, and so on.

Apart from being a multi-dimensional phenomenon, poverty is also not homogenous. Some people are poorer than others are. Zambia faces both high incidence and high severity and depth of poverty (Seshamani, 2000c). According to the *Living Conditions Monitoring Survey 1996*, the incidence of poverty was nearly 70%, but the intensity was 34% and the depth of poverty was over 50%. According to Seshamani *et al.*, 1997, it is the high levels of intensity and depth of poverty that militate against development.

Causes of poverty

The causes of poverty are too numerous to itemise, but they can be categorised into two groups: a) internal factors and b) external factors. With proper planning, the

nation is able to control internal factors, whereas external factors normally come as shocks - like drought about which the nation can do little to control. Internal factors include cultural factors, the failure of structural adjustment programmes to generate the desired economic growth, high inequality, over-dependence of the economy on copper and disease like HIV/AIDS, etc. External factors include declining terms of trade, drought, etc.

The policies of the first UNIP government were centred on empowering the people, but were over-dependent on the copper industry. The collapse of the copper industry automatically translated into lack of sustainability. The current government has focused on reviving the economy, with the sole goal of restoring macroeconomic stability and growth. Although a favourable economic environment has been created, no meaningful growth has been achieved, while income inequality still remains high. During both regimes poverty has remained high, especially in the last ten years.

Corruption in government and lack of proper measures to monitor public resources have been cited by civil society as other major causes of poverty. The SAP monitoring team of the Catholic Commission for Justice and Peace (CCJP) has clearly shown in its national budget reviews that government lacks prioritisation towards poverty reduction. For example, while agriculture is commonly believed to have high potential for poverty reduction, it does not get adequate resources.

The huge external debt and disease have exacerbated poverty. As at December 2000, Zambia's external debt stock stood at US\$6.3 billion. During the last decade the external debt has been largely above this figure. As a result debt repayments over the last five years has averaged US\$150 million per year, resulting in amounts paid on debt servicing outstripping allocations to the health and education sectors. Under the SAP arrangement, debt service seems to be given priority over social sector payments. Such huge debt servicing has meant draining away the much-needed resources for the social sector and general development.

Like debt, disease has further worsened the poverty situation in Zambia. Cholera, malaria, tuberculosis and HIV/AIDS are some of the major prevalent diseases. For a long time malaria has been the top killer disease (accounting for over 20% of deaths in 1994). But the nation faces a bigger challenge of the HIV/AIDS pandemic. Zambia ranks as one of the worst affected countries in sub-Saharan Africa. Over 20% of the population are believed to be infected and a good proportion of the population has been affected in one way or another. The dangers of HIV/AIDS are best summed up by Prof. Kelly (1999) as follows: "the HIV/AIDS pandemic is undercutting every development initiative in the country and reversing years of hard-won gains".

Other factors responsible for the declining living conditions for the majority of Zambians include the declining terms of trade and drought. These two factors are to a large extent externally determined, making it difficult to control.

Conclusion

The narration and figures above show that Zambia is in a deep social crisis. The majority of the population who are poor need to be urgently lifted from that condition. Poor people too have a right to a long healthy life. It is not acceptable that a large proportion of the population is poor and destined to die even from preventable diseases, while the rich, especially those in government, are flown out for specialist treatment even when terminally sick. Zambia needs urgent practical steps to redress the poverty situation. The PRSP is, therefore, a welcome process that enhances dialogue between government, donors and civil society to find lasting solutions to poverty. To address poverty, however, four things are critically necessary:

- Political will: from the very highest authority in government, the reduction of poverty must be declared as the top priority. All national policies, strategies and programmes must be evaluated in terms of their impact on the problem of poverty.
- Integral framework: the many faceted dimensions of poverty must be adequately addressed. Policy interventions must not be centred only at the income dimension of poverty.
- Effective implementation, monitoring and evaluation: PRSP should not end up as a good document on paper; it must be implemented effectively. Donors, government and civil society must ensure commitment to PRSP not only during formulation but also during implementation.
- Pro-poor Growth: for poverty reduction to be sustainable, the economy must grow in an equitable manner. The economy must be tailored to generate high, sustained economic growth that benefits the poor more than the rich.