

## **Zambia Poverty and Vulnerability Assessment**

### **EXECUTIVE SUMMARY**

Rich in human and natural assets, Zambia once appeared to be a pace-setter for Africa's economic and social development. At independence in 1964, Zambia was among the continent's wealthiest nations. However, excessive dependence on copper together with a highly centralized one-party state left the economy vulnerable. The economy contracted beginning in the mid-1970s, when copper prices began to fall and fuel prices rose. Zambia resorted to heavy external borrowing to finance consumption and investment in capital-intensive, import-substitution industries. These industrialization policies were not a success and there was only limited investment in alternative exports.

Zambia's transition to multi-party democracy in 1991 stoked optimism that its dormant economic potential would be awakened and revived economic growth would improve the lot of the nation's poor. The Government introduced an array of reforms in the early-to-mid 1990s, removing exchange rate controls, liberalizing the trade regime, decontrolling food and agriculture prices, liberalizing the banking sector, and privatizing many state-owned enterprises. Although there were initial gains—including a fall in inflation, a sharp increase in non-traditional exports, and some diversification in agriculture—momentum slowed in the mid-1990s and Zambia's hopes for a sustained economic recovery remained largely unrealized. The continued deterioration in the international price of copper, macro instability, the collapse of major manufacturing industries, the scourge of HIV/AIDS, and acute governance and policy failures have conspired to stifle the nation's progress. At the macro level, the disappointments of the decade are reflected in the decline of GDP per capita by an average 1.5 percent per year. Other measures of welfare also deteriorated: life expectancy fell, school enrollments stagnated, child malnutrition increased sharply, and by 1998, 73 percent of the population was estimated to live in poverty.

At the heart of the country's loss of economic momentum is the loss of effectiveness of the state administration. This has led to weak policies and uneven implementation, an investment climate not supportive of private investment and growth, and poor performance in the delivery of social and infrastructure services essential for growth and poverty reduction.

Reversing this loss of dynamism and the impact of that loss on the poor and vulnerable is Zambia's most important challenge. There are early and encouraging signs of economic recovery. During the initial years of the new millennium, Zambia achieved sustained albeit modest growth in GDP per-capita for the first time in several decades, and the country is finally reaping the benefits of economic reforms. But as yet there is no evidence that these economic gains have

resulted in better living conditions for the poor.<sup>1</sup> As one hears frequently in Zambia, growth in aggregate GDP has not been accompanied by GDP-in-the-pockets of the poor.

### The Face of Poverty in Zambia

The report documents poverty along a number of dimensions, including *material deprivation*, *human deprivation*, *vulnerability*, *destitution*, and *social stigmatization*. There must be progress across all dimensions if Zambia is to meet the ambitious development goals reflected in the MDGS and being discussed in the work-up to the Fifth National Development Plan.

Poverty, measured in terms of *material deprivation*, is high in Zambia—according to the poverty analysis done for this report, 56 percent of the population was poor in 2002/03, including 62 percent in rural areas and 45 percent in urban areas. The vast majority of Zambia's poor live in rural areas, with the highest concentrations in Northern and Eastern Province. Urban poverty is also high, and due to their large size Lusaka, and cities and towns in the Copperbelt account for a substantial share of Zambia's poor.

Inequality is an important aspect of poverty in Zambia. Since Independence, there have been high levels of inequality between urban and rural areas, and within urban and rural areas due to the dualistic nature of the economy. Despite structural changes in the economy, inequality has remained high at the national level as well as within urban areas. In contrast, Zambia's rural areas appear remarkably homogeneous, albeit still remarkably poor.

Moreover the long decline in Zambia's economy has created a somewhat unique type of poverty. Many Zambians have as their point of reference the boom period of the 1960s and 70s and the high levels of services and protection that were the result of economic prosperity. An overwhelming majority of Zambians (95 percent of those interviewed for 2002/03 Living Conditions Monitoring Survey, LCMS III) feel that they either are poor or very poor, including many who work in the formal sector and have secure jobs.

This gap between expectations and the reality of life is at the heart of an ongoing debate about the extent of poverty in Zambia. Poverty was estimated at 70-75 percent of the population throughout the 1990s, based on a series of household surveys (viz. the 1993 Priority Survey, 1996 LCMS, 1998 LCMS II). The surveys only covered a 6-8 week period in each survey year (late October through early December, the lean season when poverty rates are higher). The more recent 2002/03 LCMS III covered a full 12 months to account for seasonality, and additional changes were introduced in the survey methodology<sup>2</sup> and the methods used to calculate poverty<sup>3</sup> that rendered LCMS III results incompatible with results from the earlier surveys. Using the most recent data from the LCMS III, this report estimates that the national poverty headcount in Zambia (percent of population falling below the poverty line) is 56 percent. Using a similar methodology and poverty line, the Central Statistics Office estimates a national poverty headcount of 67 percent.<sup>4</sup> According to NGOs and other stakeholders in Zambia, neither estimate

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<sup>1</sup> A national Indicators Monitoring Survey (IMS) recently was completed that is comparable in design to the 1998 LCMS II. The findings from the IMS should indicate whether headcount measures of poverty have or have not improved since 1998.

<sup>2</sup> The consumption module was implemented using a 1-month diary approach in the LCMS III, compared to a 1-week recall in previous surveys.

<sup>3</sup> Poverty lines were re-estimated, also adjusted for regional cost-of-living differences in 2002/03.

<sup>4</sup> To reiterate a point made earlier, neither CSO's nor this report's 2002/03 figures are comparable to earlier poverty estimates e.g. for 1998.

is correct. Most Zambians perceive the extent of poverty to be much greater. One of this report's key recommendations is that MoFNP set up an Expert's Advisory Group to facilitate and lead wider discussions in Zambia on what comprises a decent standard of living and what therefore should be Zambia's official poverty line. The advisory group could support Government in determining how many individuals and households currently fall below the poverty line and how best to monitor progress – in reducing poverty and raising living conditions – over time.

Current differences in views on poverty levels and trends should not distract attention from the central finding on which all parties agree: poverty levels are unacceptably high in Zambia and there is little if any evidence that poverty has fallen in recent years. By any estimate, Zambia remains one of the poorest countries in Sub-Saharan Africa and stronger and more effective efforts must be made to foster growth and improve the welfare of the poor.

**Human deprivation** is another important aspect of poverty. Zambians receive more education on average (6.4 years for men, 4.9 years for women) than residents of most other African nations. Of large countries in the region, only South Africa and Botswana have populations with higher average years of adult schooling. However, Zambia's successes were achieved in the 1960s and 1970s; Zambian men in their 40s have more education than men in their 20s and literacy rates have fallen for the younger cohorts. In contrast to men, literacy among younger women has deteriorated less and schooling rates continue to improve slowly. As of 2001, 75 percent of children (7 to 13 years) were enrolled in school, and the longstanding gap between boy's and girl's enrollments had closed. However, wealth matters: there is a gap of approximately 20 percentage points in school enrollment for children from the poorest 20 percent of households compared to those from the wealthiest 20 percent.

Zambia has the lowest life expectancy at birth in the world according to UN estimates. At current period death rates, less than one in three Zambians born today will survive past his or her 40th birthday. The UN figures have been disputed by the Zambian Central Statistics Office, which has produced official estimates of around 50 years for life expectancy at birth, very similar to what Zambia had achieved in the 1970s.

The Zambian people suffer from a high burden of disease, due in large part to high rates of HIV/AIDS, but also to malaria and other infectious diseases. In 2001<sup>5</sup>, HIV/AIDS prevalence was estimated at 18 percent for women and 13 percent for men, and Zambia was entering its third decade of double-digit HIV/AIDS prevalence. Children are particularly at risk: they are frequently malnourished—47 percent of Zambian children are chronically malnourished, rising from 40 percent in the early 1990s—and less shielded against disease. Three out of ten youngsters are still not fully immunized, and under-five mortality is very high at 176 per 1000 live births. Infant mortality is particularly high in households suffering from high levels of income poverty.

Just as the reality of poverty goes beyond material deprivation, it also encompasses more than shortcomings in human development. The poor—in Zambia as elsewhere—are highly **vulnerable**. They are exposed to multiple risks, including droughts, commodity price shocks, health shocks, and all too frequent deaths due to HIV/AIDS and other diseases, and they have limited capacity to cope with these risks. Often **voiceless and powerless**, the poor have little influence over institutions of the state. A small but growing subset of the poor is truly **destitute**, and the fear of joining their ranks, from which there is often no escape, colors the thinking and actions of the poor and non-poor alike. The poorest and most vulnerable in Zambia include

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<sup>5</sup> Zambia Demographic and Health Survey (2001 ZDHS)

widows and the disabled, as well as households caring for members with HIV/AIDS and other serious diseases. Fifteen percent of all children are orphans, many of whom live on the streets or in households with no adult caregiver, and those that have lost either their father or both parents are significantly less likely to be enrolled in school than other children. Female orphans fare particularly poorly. The elderly, particularly elderly heads of household in urban areas are emerging as a new very poor and at-risk group. Many are raising orphaned grandchildren, and they struggle to survive without the support traditionally provided by their own adult children. HIV/AIDS has extracted a terrible toll on Zambians of all ages.

### **The Causes: Poverty of Resources, Access, and Relationships**

***Poverty is the result of low levels of assets, coupled with low and uncertain returns to these assets.*** In combating poverty, Zambia will need to build purposefully on all its assets, those in public hands as well as those in the private sector, and not least the assets of the poor themselves.

The labor of poor men and women is concentrated in subsistence agriculture or low-paid casual work in Zambia's cities and towns. Few have secure jobs, and most own little in the way of productive assets.

While land is plentiful in rural Zambia, little is irrigated and most is in the hands of traditional chiefs who make allocations to individuals living in their communities. Labor is a binding constraint for many of the rural poor, and most cannot afford to purchase seeds, fertilizer, and other productivity-enhancing agriculture inputs. Although they are educated, the poor often lack marketable skills, and they suffer disproportionately from poor health and disability. Moreover they struggle with pervasive market failures, e.g. in credit and insurance markets, that make it difficult to protect their meager asset base in times of economic stress. Thus poverty in Zambia is caused by ***scarce and uncertain levels of private assets.***

Poverty in Zambia is also caused by a ***scarcity of public assets and services.*** Public services such as health and education frequently bypass the poor, and the services that are available are often under-funded, poorly managed, and capacity constrained. Community schools offer a viable alternative in some low-income urban settlements, but the quality of the services offered is rarely up to the standards in government schools. Existing public safety net programs have limited outreach and demand for services far outstrips supply. Infrastructure development, including provision for roads, communications, electricity, drinking water and irrigation, is low in rural Zambia, and access is particularly limited in more isolated regions of the country, where many of the poor reside. Infrastructure is more developed in urban areas but is suffering from inadequate capacity and years of poor maintenance. Despite these difficulties, there are some reasons for optimism. Access to rural health care facilities has improved since 1998, and reports from participatory studies indicate that school attendance has increased since primary school fees were abolished in 2002.

The poor do not participate as extensively as the better off in networks of informal assistance and mutual support: they suffer from ***poverty of social relations.*** Zambia society is comprised of a system of overlapping kinship networks whose members are obligated to offer each other assistance and support. However, the multiple strains of a deteriorating economy and pervasive risk has put traditional coping mechanisms under considerable strain. For those households with strong social networks (usually the better-off) these networks can open opportunities for investment or employment and can protect households against the economic shocks that push less fortunate households deeper into poverty and destitution.

## **The Instrumental Role of Risk**

Poverty in Zambia is persistent and self-perpetuating but far from static. Uncertainty and risk impact on the lives of poor men and women. Adverse events are all too common. Households describe frequent illnesses, injuries, deaths of breadwinners, losses in employment, crop failures, fires, thefts, droughts and floods. Shocks are an important cause of downward mobility and can lead to chronic poverty and destitution. Nearly all households have viable strategies for managing risk. However poor Zambians are more exposed to risk and largely depend on traditional support networks and informal risk management strategies. Many of these strategies, while effective in the short-term, may have adverse long-run consequences. In order to cope with a shock, poor households frequently run down critical assets like human capital (e.g. they pull children out of school in times of economic stress, or forgo critical health treatment) and other productive assets and may become perpetually trapped in poverty. Other poor households may shun risky albeit high-return economic activities (e.g. diversification into cash crops) and also remain perpetually trapped in a low-risk, low-return world.

## **The Policy Challenges**

Looking forward, Zambia faces four fundamental challenges in its efforts to reduce poverty, increase equity, and ensure better living conditions for all its citizens:

**First**, to expand economic opportunities for the poor. These include broad measures to improve the investment climate for private sector-led growth, ensure well-functioning markets, and promote a more diversified, stable, and faster-growing economy. Accelerating growth in rural areas is a particular priority, both on poverty reduction and equity grounds. In addition, it is essential to anticipate and better manage economy-wide risks, and improve the overall resilience of the Zambian economy.

**Second**, to provide the poor with the tools they need to participate in market-led growth. The poverty-reducing impacts of reforms are contingent on ensuring that poor men and women have the assets, education, entrepreneurial skills, good health, and access to public goods and services they need to grasp new opportunities.

**Third**, to reduce the vulnerability of the poor to risk. Large shocks like droughts and sharp increases in food prices can destroy the asset base of poor households. No matter how well the economy performs, many will still remain destitute, food insecure, and malnourished, and suffer from chronic or debilitating illnesses. It is essential to improve security for individuals, households, and communities through well-designed policies that support formal and informal risk management strategies and provide for the needs of the most destitute.

**Fourth**, to improve governance. In order to meet any of these challenges, Zambia must develop a well-functioning and responsive public administration, and an overall institutional environment that supports, and indeed encourages private sector initiatives, active and healthy involvement of civil society organizations (in policy debates as well and service delivery), and fair and transparent political processes.

## Reshaping the Role of the Public Sector

The burden of poor governance falls directly and indirectly on the poor. They are more vulnerable to predatory behavior on the part of government officials, particularly the police. Resources intended for the poor may be diverted for the use of the wealthy and politically well-connected. One result is that the poor frequently lack access to basic services, and those that reach them are of inferior quality. Indirect impacts are equally pernicious: the poor are confined to the sidelines in the country's political life. While they carry heavy burdens in their daily lives, they carry little or no weight in the offices, agencies and assemblies where their lives are often shaped without their active or informed consent. Moreover, they lack the resources (and frequently the opportunity) to vote with their feet and use private providers when unable to get the services to which they are entitled from the public sector.

A government cannot work for the poor unless it works for all citizens, rich and poor alike. In Zambia, the public sector faces serious challenges in reducing poverty. In recent years there has been a consistent record of gaps between the level of aspirations and policies. At all levels, a varying combination of political will, technical capacity, budgetary constraints, unrealistic expectations, corruption, and poor management combine to undermine the successful implementation of many plans and programs.

Even with the best of intentions, the public sector struggles to work in a manner that is *effective, transparent, and accountable*. Deficits in performance range from the quality of policy coordination and planning, through the management and control of the civil service, through the deficits in services intended to serve the people, especially those that target the poor. Priorities for reform include (1) more transparent and effective budget and procurement systems; (2) rightsizing ministries and other agencies based on organizational functions and the national budget envelope; (3) pay reforms to attract and retain skilled and professional staff; (4) greater transparency and effectiveness; and (4) progress on decentralization linked with capacity building for local and central governments.

Implementing public sector reform will have noticeable benefits for poverty reduction. In the place of inefficient and unproductive expenditures, more funds will be available for employing teachers, health staff, and other workers who directly benefit the poor. With them will come higher resource allocations to support improved service delivery.

Over the past five years, *corruption* has become a major focus of political debate in Zambia. Although much of the debate focuses on grand corruption and political corruption – the alleged wholesale extraction or misuse of state resources by people in high positions in the public sector – other forms of corruption affect many Zambians on a daily basis.

Based on the findings of a recent survey<sup>6</sup> commissioned by the Government of Zambia, *petty corruption* is the most common and visible form and affects people in all walks of life in Zambia. An estimated 40 percent of households in the survey reported that bribes were necessary to secure public services. *Corruption in procurement and budget mismanagement* are also common. It constrains the growth of the private sector, particularly in making the transition from an informal economy to the emerging small business sector. Public officials also reported that *nepotism and corruption in personnel* are serious challenges and affect opportunities for recruitment and subsequently access to training and promotion. This in turn affects the quality of services

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<sup>6</sup> The *National Governance Baseline Survey* was commissioned by the Government of Zambia and conducted in 2003 by the Department of Political and Administrative Studies of the University of Zambia.

delivered, by having the wrong people in key positions, and reducing the morale of more competent but less “successful” officials. The levels of corruption that affect daily work and progress within public sector institutions create a lack of respect for leaders, and subsequently reduces the performance and effectiveness of these organizations.

*Grand corruption and political corruption* are reported to be severe problems in Zambia. Political corruption is the abuse of public resources for political advantage, and grand corruption is the extraction of state resources by highly placed people. Instances of political corruption were recorded during the 2001 elections. State capture describes how laws, regulations and government decisions can be influenced through corruption. In Zambia, irregularities have plagued the privatization of state-owned enterprises and divestiture of some of the largest and most significant assets were affected by grand corruption and state capture. Even now, the need to engage with political corruption is said to be normal to maintain the operations of a large firm.

All forms of corruption are having an adverse impact on Zambia’s economic and social development and undermine confidence in the institutions of the state. Citizens’ voices are still ineffective in combating corruption in Zambia. Citizens often do not know how or where to report corruption, and if they do they often do not report it.

There is a pervasive need *to improve transparency and accountability* at all levels of government. While the Government of Zambia has an important role in fighting poverty, the battle cannot be won without the active and willing involvement of many other actors in Zambia—local communities, civil society, the churches, labor and trade organizations, the private sector, and the poor themselves. Popular participation – the dialogue between Government and Zambian stakeholders – has improved over time but is still uneven. At times partnerships between civil society and Government have been strong. At others, dialogue is replaced by tension and competition. A stronger and more consistent dialogue, characterized by a more open response from Government and a more realistic and results-oriented approach from civil society, could result in a more productive dialogue contributing to poverty reduction.

## **Broadening and Accelerating Economic Growth**

Growth is the foundation stone of poverty reduction efforts. A dynamic economy, growing strongly, is a powerful force for creating new and better employment opportunities for the poor, enabling empowerment, and reducing vulnerability. Experience from many countries shows that poverty falls in periods of rapid growth and stagnates in periods where growth is slow. Poverty in Zambia has risen as the economy has deteriorated, and stagnated in the latter part of the 1990s. While Zambia has registered positive rates of growth in recent years, the poverty impacts have yet to be demonstrated.

Achieving faster growth will require *greater diversification* in production, *international competitiveness* in export sectors, and *overall improvements in the investment climate for private sector led growth*. While Zambia is rich in natural resources, much of its natural resource wealth remains largely underutilized. Infrastructure has deteriorated since the mid-1970s. At present, the high costs of transport, communications, and power make it difficult for Zambian farmers to compete internationally. In the early 1990s, the Government removed many of the protective policies and state-administered pricing structures that had long prevailed in the economy. Recent surveys rank Zambia’s trade and exchange control regimes among the most open and liberal. However, the transition to a fully-market defined economy is by no means complete. Zambia is rated poorly compared to other African countries on the effectiveness of its legal system and the quality of public administration more generally. The country continues to

experience periods of macro instability, high levels of inflation, high interest rates, and exchange rate volatility.

**Poor governance and corruption** constitute the most important constraints to business development and to competitiveness in many emerging economies. In this regard, Zambia is no exception. In a recent survey, Zambian firms also expressed concerns (in order of importance) about access to finance as well as the high cost of finance, macro instability, high tax rates and poor administration, uncertainty in regulatory policies and weak and inconsistent implementation of existing policies, widespread crime and corruption that increases the cost of doing business, and inadequate and costly infrastructure services. Interviews with individuals and firms in the urban informal economy highlighted the impact of over-regulation and restrictive government controls. The informal economy could be strengthened by allowing the many entrepreneurs in Zambia's cities and towns to operate and develop their informal activities, e.g. by removing restrictions against street peddling and providing more affordable space and services in markets for informal vendors and artisans. While the Government has moved some way in removing regulations that curb economic activity and investments, there is a substantial unfinished agenda. And while good laws and measures have been passed or enacted, the main challenge ahead is to ensure effective implementation in practice.

### **Focusing on Rural Growth and Diversification**

Where poverty is endemic in the countryside, as in Zambia, any program to reduce poverty must include a leading role for **rural growth and diversification**, with a substantial focus on smallholder agriculture. The post-reform period has created both challenges and opportunities for the rural poor. The government's retreat from heavy-handed intervention in the agricultural sector has had mixed results. The end to government subsidies for agricultural inputs and a government-guaranteed purchased price for maize has created hardship for many smallholders, particularly those that are geographically isolated or have suffered debilitating shocks. Unfortunately, years of subsidies and agriculture supports have promoted maize cultivation in regions where maize will never be an economically viable crop. At the same time, the liberalization of agricultural markets has led to success for smallholders who are able to tap into the opportunities created by a more vibrant private sector. The challenge for the future is to allow the private sector to flourish while ensuring that the most vulnerable rural poor are not left behind.

A key success for rural growth has been cotton production, which is dominated by smallholders. A variety of evidence suggests that cotton production can be a viable path to prosperity for the rural poor, without endangering their food security. Due to geographical and climate constraints, however, the potential reach of cotton is limited, and a more broad-based approach is needed.

For broad-based rural development in Zambia it is essential to recognize the many bottlenecks to growth in rural areas, both in agriculture and nascent non-farm activities, which include (1) inadequate infrastructure; (2) the small size of the domestic market; (3) a macroeconomic environment not sufficiently conducive to growth; (4) inconsistent policies; and (5) inadequate provision of business services to support the development of the small and medium enterprise (SME) sector. These bottlenecks, in addition to weak public institutions and the lack of critical public good and services, can choke any attempts for the agricultural sector to become a stronger engine of growth in Zambia.

The report identified a number of basic actions to facilitate growth in the rural sector; these include (1) a (revived) system of regular manual maintenance of rural roads; (2) simple systems of animal disease control; animal movement control; health inspection of abattoirs, etc.; (3) a



revival and refocus of agriculture extension services and research, with an emphasis on promoting diversity of production and a de-emphasis on the mono-cropping of maize; and (4) a revisiting of the Government's approach to the maize sector, including whether there is still a need for Zambia to be self-sufficient in maize, to provide inputs on arbitrarily changing terms, or to ban exports. The report also highlights the importance of addressing the duality in the rural sector, and finding more effective ways to promote small-holder agriculture e.g. through strengthening the policy framework, improving market integration and infrastructure, and ensuring better access to capital and complementary inputs. It is essential to develop a more holistic approach to rural development that recognizes explicitly the need for complementary policies and inputs rather than partial responses.

Realistically, many of the rural poor will continue to need assistance for years to come. In the recent past, the Government has intervened in agricultural markets, making ad hoc decisions to provide free or subsidized fertilizer to a limited number of households and making limited purchases of maize. Such interventions, motivated both by political pressures and a concern for the well being of the rural poor, are understandable. However, haphazard intervention in the markets creates what is arguably the worst of all possible worlds. The government's limited and poorly targeted resources fail to assist the most vulnerable, while at the same time haphazard state intervention creates tremendous uncertainty in markets and effectively discourages private sector development. It is important to establish a stronger private sector-public sector dialogue to guide Government as to the services it should provide and the policies it should adopt. In addition, the use of maize inputs and buying as a form of poorly targeted social protection and "market strengthening" should be reassessed and likely discontinued, because it militates against the private sector's healthy development. There are other and more effective instruments for insuring against risk and promoting security.

Policies for the agriculture sector should be part of a general set of economic policies designed to turn Zambia into a competitive producer and exporter. Above all, whatever specific policy measures are adopted, they should be clearly stated and consistently adhered to. Substantial damage has been done to Zambian agriculture by covert policy changes and overall inconsistency.

### **Moving Beyond Growth—the Formidable Challenge of HIV/AIDS**

Zambia faces one of the world's most severe HIV/AIDS pandemics. Policies and measures to reduce the spread of HIV/AIDS are at least as important as policies to increase the rate of economic growth. Sixteen percent of adults are HIV positive, and among urban women in their 30s, prevalence exceeds 40 percent. No one in Zambia remains untouched by the consequences of the pandemic. Due to the society's strong kinship networks, many people bear the burden of caring for sick relatives and the nation's nearly 1 million orphans. AIDS has also placed immense strain on the nation's health system, crippled public services by claiming the lives of professional public servants, and discouraged private sector development by decimating the skilled labor force. Nonetheless, there are small signs of improvement, including some evidence that the prevalence rate has declined for girls aged 15-19. The Government has also achieved significant improvements in services for orphans and households affected by HIV/AIDS in the past five years.

Stronger political leadership and increased efforts on the part of Government are essential. Anti-retrovirals (ARVs) are increasingly available in Zambia, but they provide only a temporary respite from the disease, not a cure. Recent research suggests that the ARV treatment regime requires 95 percent compliance to be effective, and given difficulties of compliance and the many

pressures put on those who have access to ARVs, drug resistance will inevitably develop over time. Planning for the HIV/AIDS must confront the longer-term reality of the epidemic, and not focus solely on short term concerns. The needs of today's AIDS-affected individuals and households are considerable and there is urgent need for more and better support. While ARVs can improve the lives of those currently suffering from AIDS, they will not prevent future infections, and it is essential for Zambia to continue to confront the consequences of the pandemic. Priority actions identified in this report include (1) stronger political leadership for HIV/AIDS prevention campaigns; (2) more focused prevention efforts on youth; (3) correcting misleading information, providing accurate information; (4) targeting support programs according to the labor status of households; (5) significantly increasing commitment to staffing essential public services; (6) protecting access to education (particularly for girls); (7) improving health worker HIV/AIDS training; (8) scaling up and coordinating AIDS care and mitigation programs; (9) providing more support for local HIV/AIDS initiative.

### **Reducing Malnutrition**

Malnutrition is a longstanding and serious problem in Zambia. Malnutrition affects capacity to learn, physical development, and energy to work. The nutritional status of the entire population deteriorates during the pre-harvest season, when the supply of food is most limited and transmission of disease is highest due to heavy rains. Children under five, school-age children and women of reproductive age are most vulnerable to malnutrition because their requirements for energy, micronutrients, and protein are high. The prevalence of chronic malnutrition in children under five years of age increased in Zambia from 40 percent in 1992 to 48 percent in 2002-03. While malnutrition is in part driven by poverty, many children among even the wealthiest households are malnourished, and there is a need for additional measures specifically focused on nutrition. There are immediate steps that could be taken to address malnutrition, which include better nutrition information, improving the quality and coverage of rural health services, expanding access to clean water, better housing in rural areas, targeted food aid, improving micronutrient status, and delaying age at first pregnancy. Over the longer term, it is important to increase the diversity of children's' diets and make sure all children (in particular girls) attend school.

### **Protecting the Most Vulnerable**

A Social Protection (SP) Strategy is being formulated under the leadership of the Ministry of Community Development and Social Services (MCDSS) as part of the preparation for the Fifth National Development Plan. Since the early 1990s, Zambia has been reluctant to allocate funds for social assistance. Instead, there is a stated preference for spending on subsidies and programs that promote self-reliance, or at least graduation into self-reliance, such as fertilizer and other inputs subsidies. Better forms of social assistance are clearly needed. These should be targeted using local knowledge and institutions, and aim to complement rather than replace indigenous systems of support. They should recognize the specific vulnerabilities of the Zambian people including the plight of families affected by HIV/AIDS, orphans, and elderly heads of households, many of whom are caring for orphans. Zambia's draft Social Protection Strategy focuses on the needs of the most vulnerable. Some of the proposed programs have the potential to serve both as a *springboard* (to help households take advantage of new opportunities) and a *social transfer* (to protect the living conditions of destitute and chronically poor). As work on the strategy progresses, it will be important for Zambia's Social Protection Strategy to focus more on prevention and *ex ante* risk management policies and instrument, in addition to its current focus on the poorest and most vulnerable.

## **The Way Forward—Preparing for Zambia’s Fifth National Development Plan**

The forthcoming Fifth National Development Plan provides an important opportunity for public debate and making difficult choices about poverty reduction priorities and government spending, and to build a consensus for action around key poverty reduction priorities. Zambia just completed its 2002-2005 Poverty Reduction Strategy Program and the Transitional National Development Plan. The lessons from the PRSP and TNDP should inform and help to shape Zambia’s next National Development Plan.

### **Drawing From These Lessons...**

The new Plan must above all things ***be clear at the outset on what it is trying to achieve and how it will measure success***. There should be explicit links between inputs and outputs, and expected outcomes and impact, e.g. on the poor and other vulnerable groups. Monitoring and evaluation systems should be built into the design of the NDP, and thus become an integral part of M&E and accountability systems within line ministries and other implementing agencies.

The design of the next National Development Plan ***must be informed by good poverty analysis***, which takes account of existing commitments such as the MDGs as well as emerging issues and changes in the external environment. The poverty analysis should complement and help to focus macroeconomic work and more conventional growth analysis.

The Plan must be ***realistic*** in terms of what it can achieve over the five-year planning horizon, and programs included in the Fifth National Development Plan should have a realistic budget and realistic expectations of human resource capacity in implementing agencies and ministries. Moreover it is essential to improve the ***timeliness*** of planning and Government action in implementing the Plan.

Most importantly, greater effort must be made to ***identify and act upon core development priorities that will improve the lives and livelihoods of the poor and vulnerable***, and to reflect these fully in the Plan. Explicit trade-offs should be discussed and agreed. It is not sufficient to just set priorities; these priorities must be reflected across all functions of Government, including in budget allocations and actual spending, staffing decisions, and accountability systems.

### **In summary,**

Zambia faces formidable challenges: renewing growth and making it sustainable, putting the delivery of basic services to the poor on an efficient basis, empowering the poor as citizens and opening the public sector to public scrutiny so that both corruption and nonfeasance can be identified and redressed. These challenges would strain the resources and will of many developed societies. But they are not utopian goals. They are the prerequisites for steady progress, not just against poverty but toward widely and equitably shared well-being. Zambia will have to harness all her efforts and will to overcome the separate but interlocking challenges identified above.