

INTRODUCTION

POVERTY IN ZAMBIA: SETTING THE CONTEXT

1. 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 Africa's wealthiest countries. 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. Zambia's industrialization policies were not a success and were accompanied by only limited investment in alternative exports. The economy continued to deteriorate and accumulate substantial external debt in the late 1970s and 1980s.

2. Zambia's transition to multi-party democracy in 1991 stoked optimism that its dormant economic potential would be awakened and that revived economic growth would improve the lot of the nation's poor. Unfortunately, Zambia's hopes for a sustained economic recovery during the 1990s remained unrealized. The continued deterioration in the international price of copper, 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 over the course of the decade. Other measures of welfare also declined: life expectancy fell, school enrollments stagnated, child malnutrition increased sharply, and by 1998, nearly three-quarters of the population were estimated to live in poverty.

3. Reversing this loss of dynamism and the impact of that loss on the poor and most vulnerable is Zambia's most important challenge. There are early and encouraging signs of economic recovery – the country has for the first time since the early 1970s registered positive rates of growth over five successive years. But these gains must be consolidated and built upon to ensure sustained improvements.

A. Objectives and Coverage of the Report

4. Zambia has nearly completed its 2002-2005 Poverty Reduction Strategy Paper (PRSP) and has begun preparation of its Fifth National Development Plan (5th NDP). Future PRSPs will be mainstreamed within Zambia's National Development Plans, beginning with the 5th NDP. This *Poverty and Vulnerability Assessment (PVA)* has been prepared for Zambia, with the aim of (i) updating the last World Bank Poverty Assessment, completed in FY95; (ii) facilitating an informed debate among stakeholders in Zambia about priority policies and programs to reduce poverty and improve security; and (iii) thus inform the preparation of the 5th NDP.

5. The report begins with a discussion about the public sector and poverty reduction. At the heart of Zambia's loss of economic momentum has been the loss of effectiveness of the state administration, which has led to a business environment not sufficiently supportive of private investment and growth, and to poor performance in the delivery of social and infrastructure services essential for growth, security, and poverty reduction. The 2002-2005 PRSP was Zambia's plan for reviving growth in the economy and reducing poverty. *Chapter 1* assesses the underlying opportunities and constraints to poverty reduction created by public sector management, governance, corruption, and democratic participation, and looks in detail at the planning, design, and implementation of the PRSP. PRSP implementation was uneven, in large part reflecting pervasive problems of governance and public sector accountability. The chapter takes stock of lessons from Zambia's first PRSP and highlights issues – including process and substance – that should be considered when preparing the 5th NDP.
6. The *second chapter* describes the nature and evolution of poverty in Zambia. It reviews the definition of poverty and discusses measurement issues specific to Zambia. It also touches briefly on some of the debates regarding poverty levels and trends during the 1990s and early 2000s. Data inconsistencies limit rigorous comparisons between poverty estimates based on earlier Central Statistics Office (CSO) household surveys and poverty estimates from the most recent 2002-03 survey. Based on various sources of information augmented by the findings of qualitative field studies, this report finds no convincing evidence that poverty has fallen between the early 1990s and 2002-03. This is particularly true for poverty in rural areas. However, there are early indications (based on recent changes in the structure of the Zambian economy as well as consultations and fieldwork in low income urban settlements) that the urban economy is beginning to recover.
7. A profile of the poor in Zambia is presented in *Chapter 3*, which analyzes poverty along three critical dimensions – poverty of private resources, poverty of access to public goods and services, and poverty of social relations. The chapter looks in depth at the characteristics of urban and rural poverty, and highlights the stark differences between the two.
8. *Chapter 4* then turns to an examination of the economic environment. It identifies the policies and barriers to Zambia's economic growth, which is vital for creating opportunities for the poor, enabling their empowerment, and reducing their vulnerability. The chapter briefly compares the investment climate in Zambia with that of other countries in Africa and explores some of the reasons why Zambia ranks so low. Infrastructure shortcomings and counterproductive regulations have reduced returns on private investment while poor governance and policy reversals have raised variability and uncertainty of such returns. The chapter looks in depth at constraints to growth in the rural sector, given the importance accorded to agriculture in the 2002-2005 PRSP and its central role in providing employment and income for the rural poor.
9. Many individuals in Zambia feel vulnerable and increasingly exposed to different sources of risk (e.g. weather shocks, external price shocks and related unemployment, health shocks, often linked to HIV/AIDS). Very few of the poor have the resources to protect themselves against risk. *Chapter 5* examines the links between risk and poverty, identifies the major risks in Zambia that affect the poor, and describes the strategies used by households and communities to manage these risks. Uninsured risk can be a major source of downward mobility, particularly for the poor. Due to shocks and other factors, there are an increasing number of destitute and chronically poor households in Zambia. *Chapter 6* looks at vulnerable groups and destitution. It describes the limited number of social assistance programs currently in place to address their needs and the new SP Strategy that will be integrated into the 5th NDP.

10. *Chapter 7* explores the links between HIV/AIDS and poverty. Zambia is entering its third decade of double-digit HIV/AIDS prevalence and the disease has had a devastating impact on people's lives that works across the social and economic spheres. Malnutrition is another grave concern. Chronic malnutrition among young children has risen from 40 to 48 percent between 1991 and 2002-03, which puts an ever increasing number of Zambian children at risk of early mortality and lifelong delays in cognitive development and schooling achievements. *Chapter 8* reviews the causes of malnutrition in Zambia and the policies for addressing these

B. Data Sources and Data Concerns

11. This report makes use of a wide range of information, including data from household surveys, administrative records, and participatory studies and consultations, several undertaken specifically for the report. However, the survey data present a number of challenges; in particular, the interpretation of the most recent official data on welfare and poverty (2002/03 Living Conditions Monitoring Survey) with respect to earlier surveys is controversial, and while more generally accepted data are available, they are often out-of-date and of dubious current relevance.

2002-03 LCMS III

12. The quantitative analyses of poverty and vulnerability in this report are based primarily on the 2002-03 Living Conditions Monitoring Survey (LCMS III), a nationally representative, household survey carried out by the Central Statistics Office (CSO) between November 2002 and October 2003. GRZ has carried out a number of other household surveys in the 1990s, including the LCMS II (1998), the LCMS I (1996), as well as Social Dimensions of Adjustment Priority Surveys in 1991 (PS I) and 1993 (PS II). These surveys have been used to estimate poverty levels and assess poverty trends in earlier studies, as well as for the PRSP (2002-2005). The Central Statistics Office recently published a report on the LCMS III.⁷

Other Sources of Data

13. The report also utilizes data from three Demographic and Health Surveys (1992 ZDHS, 1996 ZDHS, 2001 ZDHS) and the 2000 and 1990 Population Censuses. Statistics on corruption are presented based on the findings of three in-depth baseline surveys commissioned by the Government of Zambia and conducted in 2003 by the Department of Political and Administrative Studies, University of Zambia.

Urban and Rural Participatory Studies

14. Two in-depth, participatory studies of poverty and vulnerability were carried out in the process of preparing this report, in close partnership with Zambian NGOs, development specialists, and staff at the University of Zambia. (Box 1) The report draws extensively on these studies as well as a wealth of earlier participatory studies carried out in Zambia.

⁷ *Living Conditions Monitoring Survey Report 2002-2003*. Central Statistics Office, Government of Zambia, November, 2004.

C. Consultations

15. The report and PVA background studies benefited enormously from the active collaboration and advice of many individuals and organizations in Zambia. The PVA process was highly consultative; it has involved Zambian NGOs and researchers, partners in the development community, and government counterparts at various key stages. The draft concept note was discussed with local stakeholders before being finalized. PVA background papers were disseminated and discussed in series of workshops – e.g. with civil society, with Members of Parliament and labor organizations, with the donor community in Lusaka – before this report was prepared. This report has been distributed to a range of stakeholders in Zambia, including but not limited to Government, and again discussed through a series of workshops and other consultations before it is finalized for wider distribution. The final report will note areas of consensus as well as areas of remaining debate.

Urban and Rural Participatory Studies of Poverty and Vulnerability

Poverty and Vulnerability in Rural Zambia

As a component of the ZPVA, a participatory qualitative study of rural poverty and vulnerability was carried out by the World Bank, DFID and their partners from the University of Zambia, in Jan-March 2004. The research was carried out in villages and settlements of all three of Zambia's major agricultural/environmental zones. In each zone, research teams visited three villages in each of two randomly selected districts. The three zones vary significantly in terms of rainfall, terrain and soil quality, as well as in the degree of urbanization and investment each has experienced; and villages were purposively selected to reflect the range of conditions that is typical of each zone. Utilizing an array of six qualitative research instruments designed for the study, the field teams carried out focus group discussions, semi-structured and case history interviews, social mapping and wealth ranking exercises. The goal of the study was to elicit rural Zambians' views about: the factors that determine who is chronically poor and why, and the risks, events, shocks and set-backs that precipitate vulnerable households into further destitution. Informants were also asked to discuss the coping strategies they utilize to prevent, mitigate or compensate for these risks and shocks.

Poverty, Shocks and Responses in Low-Income Urban Settlements of Zambia

To examine the livelihoods and living conditions of Zambians residing in low-income and informal urban settlements, participatory data collection and analysis were carried out by the World Bank with extensive support and collaboration from academics and NGOs. The goal of the study was to capture some of the nationwide diversity of urban living conditions in low-income communities. To gain an understanding of this broad range of conditions, the researchers visited three types of urban centers that represent a cross-section of Zambian urban life. First, Lusaka, Kitwe and Livingstone were selected to illustrate large urban centers with many levels of economic diversification. Lusaka is the national administrative center, while Kitwe is a large industrial city and Livingstone exhibits a growing economy based on tourism. In addition, Mufulira was selected as an industrial city that has experienced a sharp economic decline after the nationwide collapse of mining activities. Finally, Kasaa was chosen to represent small provincial towns in rural hinterlands, since little was known about conditions in these rapidly growing "non-metropolitan" towns. The team carried out a series of qualitative and PRA exercises in poor communities in each of these urban centers, focusing on the plight of informal settlements that are unrecognized by government.