

## Poverty and Inequality in Zambia

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Poverty and Inequality continue to be important subjects especially for developing countries like Zambia where the challenges persist. The global development agenda which is outlined in the sustainable development goals identified ending poverty under goal 1 and reducing inequalities under goal 10 as fundamental aspirations for the world to be achieved by the year 2030. In Zambia, the current national development plan also has a pillar focusing on reducing poverty and inequality. There have been a number of more direct policy actions such as the poverty reduction strategy papers as well as scaling of the social cash transfer programmes despite poverty and inequality persisting. In order to address these challenges, policy interventions must be informed by robust empirical studies.

Zambia continues to record high levels of poverty despite some modest reduction observed over the years and the problem is particularly extreme in rural areas. The country's income inequality has been on the rise in the recent history and is estimated at 0.69 when measured by the Gini coefficient, which is a widely used measure of inequality (ranging from 0 to 1, with 0 representing perfect equality and 1 representing perfect inequality so that the Zambian value indicates great inequality). On the other hand, the country has experienced varying episodes of growth with more positive achievements observed in the early 2000s.

Following years of economic decline during the 1970s and 1980s, Zambia experienced rapid economic growth in the 2000s, driven largely by a rebound in copper production, as well as strong expansion in construction and services industries. Consequently, the country progressed from a low-income country classification to a lower-middle income status in 2011. Despite this recovery in economic growth, poverty has remained high especially in the rural regions of the country. At the same time, income inequality when examined over the period has been increasing reflecting growing unequal distribution of welfare. The latest Zambia Statistics Agency reports indicate that the proportion of the population living below the poverty line is 55 per cent while rural poverty is estimated at 78 percent and urban poverty is at 23 percent.

There is growing evidence on the measurement and drivers of poverty and inequality in many Sub Saharan countries including Côte d'Ivoire, Mauritania, Malawi, Ghana, Burkina Faso, Mozambique and South Africa. However, there is limited literature on Zambia surrounding the key drivers of poverty as well as the main constituents of the distribution of welfare with prior studies focusing mainly on the linkages between growth, poverty and inequality. However, there is not much evidence to provide an extensive micro level profile of the developments in poverty and the distribution of wellbeing among households in Zambia over the period 1996 to 2015. Particularly, there are very few studies that attempt to provide an elaborate account of the changes in the entire distribution on poverty and inequality during varying episodes of growth. In addition, the key determinants of poverty and the main contributors to the distribution of welfare over the period are not well established.

This raises fundamental questions surrounding the effectiveness of growth in reducing poverty and closing the inequality gaps. Notably, it is unclear if the choice of measurement methodologies for poverty and inequality have been comprehensive enough to characterise these developments or reflect the influence of the changing episodes of growth on poverty and inequality. It is also not well established if the recorded growth was large enough or sustained to have a meaningful impact on poverty and inequality. Lastly, there is not sufficient evidence to ascertain if there are structural barriers to reducing poverty and inequality even amidst diverse episodes of growth.

This confirms that there is scope to fill a gap in the literature covering the three aspects on poverty, inequality and growth and their linkages. Such an assessment can leverage on more recent measurement tools that build on the shortcomings of earlier methodologies. Emphasis can be placed on providing an assessment of the changes in the entire distribution of households over the different episodes of growth as opposed to point estimates associated with generalisations about the entire distribution. Second, what have been the key drivers of poverty and inequality in Zambia over varying periods of growth covering the period 1996 to 2015? Lastly are there any linkages between poverty and inequality in the midst of these diverse episodes of growth. The analysis of the developments in poverty and inequality can rely on the existing and most recent five waves (1996, 1998, 2004, 2010, and 2015) of nationally representative household survey data obtained by the Zambia Statistics Agency and not per capita national income aggregates which are often adopted in cross country studies.

The surveys follow a consistent design and have some consistent questions related to consumption expenditure and wealth among other attributes that could assist with providing a detailed profile of developments in poverty and inequality as well as investigating the key drivers. These surveys have resulted into some comprehensive studies on poverty and inequality in Zambia based on micro level data. Such an assessment can build on the findings of some of the earlier work by extending the series to the most recent datasets on household income and expenditure. Most of the prior studies focus on periods prior to the growth recovery period of the 2000s. The can study also provide a more comprehensive assessment of the entire distribution of welfare across households covering varying episodes of growth. The analysis can also be extended to spatial differences in the profile of poverty and inequality beyond the traditional rural urban classification which will be extended at the least to provincial assessments.

Headcount poverty at the national level has decreased by 6.0 percentage points from 66 percent in 2006 to 60 percent in 2010 and then further down to 55 percent in 2015. Rural poverty however reduced marginally from 81 percent of the rural dwellers being poor in 2006 to 78 percent in 2015. This represents a reduction of only 3 percent in rural poverty. On the other hand, the proportion of people living below the poverty line in urban areas declined significantly over the period. Whereas 36 percent of the urban dwellers were living below the poverty line in 2006, the proportion of poor reduced to 23.0 percentage points in 2015, a reduction of about 13.0 percentage points. This shows that the observed growth has not had the largest impact especially for the rural populace.

The Zambian households' sources of income revealed that self-employment is the most common source reported in 2015, with 46% of households reporting agricultural self-employment income, and 48.4% reporting non-agricultural self-employment income. In contrast, only 27.4% of households report earning wage income. Despite this, wage income is the largest contributor to total household income at 51.2% of the total. This reflects that wage employment has ore capacity to reduce poverty in Zambia. It also points to the need to improve productivity in Agriculture

where the majority of people draw their earnings. The low earnings in Agriculture could potentially point to poor agriculture production methods, poor inputs as well as poor access to markets which all have potential to reduce returns.

There is therefore an important need to extend the analysis of the key drivers of poverty and inequality in Zambia so as to inform the appropriate anti-poverty initiatives. The impact of distribution and growth on poverty will also be useful to identify the main source of the persistence of poverty in Zambia.