

# Are Zambians Feeling the Crunch? A Perception Survey on Debt and the Economy

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# Summary

Since November 2018, CUTS has carried out two national surveys and further qualitative research, fielded by the Zambia office of Ipsos, to explore how Zambians understand and are experiencing the impacts of debt, and their demands for government action. This policy brief presents the findings of this study.

2019 has been a difficult year for Zambians. Economic growth has fallen and is expected to be below 2 percent this year – the lowest growth in 20 years. Key sectors such as agriculture are in recession, the job market is stagnant, whilst food shortages and the depreciation of the kwacha have led to substantial hikes in the cost of living. Blackouts have characterized much of the year, with loadshedding reaching 17 hours a day in some places. Debt service payments have ballooned, also fueled by the falling kwacha, creating a government liquidity crisis and depletion of foreign reserves which left very limited fiscal space to respond to the impacts of the drought.

Given this context, it will come as little surprise that people are feeling the impacts of debt at household level. 64 percent of respondents feel that their personal economic situation is worsening, and 71 percent reported that the consequences of national debt are negatively affecting them. The primary concerns are that debt will cause more unemployment and increase the cost of living.

The survey highlights a strong feeling that people hold government accountable. Though respondents acknowledged the role climate change has played in the deterioration of Zambia's economy, 70 percent of respondents felt that the problems with the economy in Zambia are primarily caused by mismanagement by government, with blame being most heavily placed on corruption (33 percent) and over-borrowing (26 percent). Only 46 percent of respondents felt that the government was working to improve the lives of citizens – and this was lower in the Copperbelt and the west region.

There is a strong political case for urgent and accelerated action against debt. Firstly, citizens are feeling the economic consequences of debt on their daily lives, particularly through an increased cost of living, and lack confidence that the situation will improve: 86 percent of respondent think the economy is getting worse.

Secondly, as public concern about debt grows, there are indications that infrastructure development is less of a priority and that the electoral dividend of borrowing to fund infrastructure projects may be diminishing: reduced spending on roads and bridges was identified as the second spending line that respondents would cut. This is corroborated by focus group discussions, where people indicated frustration at poor service delivery as debt servicing crowds-out spending.

Government has taken positive steps in recognizing the debt problem, including quarterly updates from the MoF, a proposed slowdown in debt contraction and abandonment of the Sales Tax.

However, the current level of action is insufficient, and citizens are recognising that the economy is deteriorating quicker than any progress that is being made: only 32 percent of respondents felt confident that government would be able to reduce national debt in the next year.

Based on the findings of this public opinion research, we make the following recommendations to the government:

**1. Take greater steps to reduce the debt burden and increase communication with the public on debt:** Over the last year, we have seen a concerted effort by the government to acknowledge the debt problem and make progress on slowing debt contraction. However, confidence in government is waning because people have yet to see any concrete action on the debt. The government should seek to restore confidence, domestically and internationally, by developing and implementing credible debt management plans – such as a new MTEF and Eurobond refinancing strategy – and communicating with the public on progress in dismantling pipeline debt and fiscal savings.

**2. Stabilising the kwacha:** The depreciation of the kwacha is feeding into concerns about rising prices and fuelling a lack of confidence among investors, which causes further depreciation. The government needs to take action to prevent a further downward spiral in the value of the kwacha.

**3. Food security and maize market reform:** Rising food prices in 2019 are driving concerns about the cost of living. Stabilising the kwacha will contribute to addressing this issue, but government should also address maize prices by boosting productivity in the sector in line with His Excellency President Edgar Lungu's direction to "do more with less" – particularly through crowding in the private sector.

# Introduction

Over the past year civil society organisations (CSOs), think tanks, academics, and private sector institutions have condemned the country’s national debt situation. Indeed, at a macroeconomic level, the last 12 months have been challenging for Zambia. We have seen several impacts of debt on the economy, namely: the depreciation of the kwacha; increasing debt servicing costs; the rising and squeezing out recurrent spending, especially in the social sector; foreign exchange reserves falling to 1.7 months import cover; inflation breaching the 8 percent target and rising to double figures, and perhaps most significantly, fiscal constraints limiting the government’s ability to respond to exogenous factors such as the pressures of climate change on the energy and agricultural sector.

With growth down, inflation up and debt obligations increasing, CUTS, undertook a survey and qualitative research, fielded by the Zambia office of Ipsos, to explore how Zambians understand the impact of debt and their demands for government action.

## Public opinion sources

- November 2018: 10 focus group discussions (FGDs) on debt with 100 total participants: two in Eastern Province, two in Lusaka Province, four in Northern Province and two in Copperbelt Province respectively
- July 2019: National survey with 2043 respondents, fully representative by location, age, gender, education, urban/rural (margin of error +/-2.2 percent)
- September 2019: Nine FGDs on social protection with 73 total participants
- September 2019: National survey with 841 respondents, fully representative by gender, age, location, and urban/rural (margin of error +/-3.4 percent)

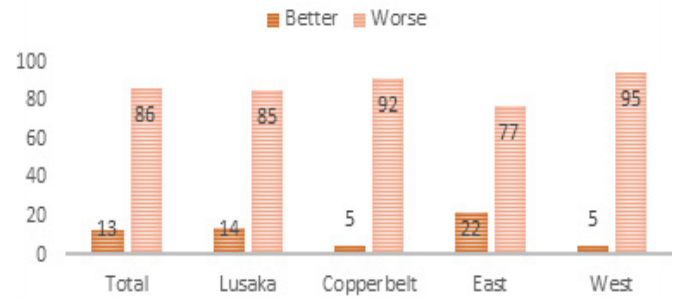
Debt is no longer considered the proverbial ‘elephant in the room’ as there is now widespread acknowledgment, including from the government itself, that we have a dire fiscal situation on our hands. This Policy Brief outlines the impact of debt on citizens and argues that perceptions of falling growth, rising inflation and a growing understanding of the importance of debt have meant that there is a call from citizens for government to address the country’s debt challenge.

# Perspectives on the Economy

**Key finding:** citizens are experiencing the negative impact of Zambia’s economic slowdown and have little confidence in it improving.

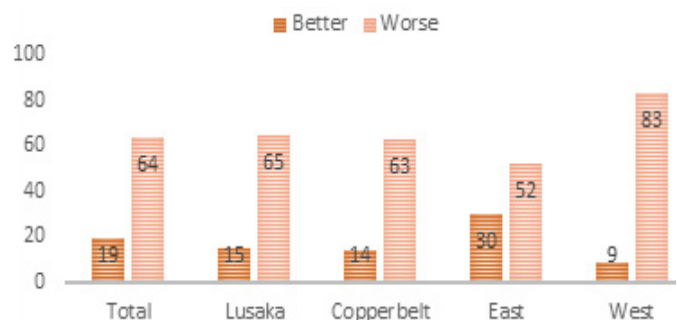
Based on the September 2019 survey, the results indicated that 86 percent of respondents felt that the economy was getting worse as a whole. This was felt most predominantly in the west region<sup>1</sup> where the number of respondents who believed that the economy was getting worse as a whole was 95 percent.

**Figure 1: Question – Now I want to ask you about the economy, and things like employment, salaries, and prices. Would you say Zambia’s economy is getting better or getting worse?<sup>2</sup>**



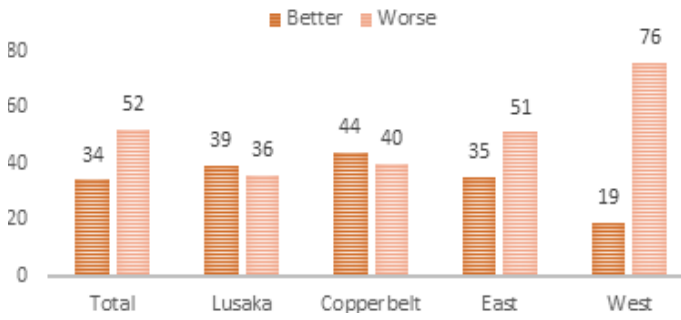
At a personal level, 64 percent of respondents felt that their own household’s economic situation in the last 12 months had gotten worse. Similarly, this sentiment was most predominantly felt in the west region where 83 percent of respondents indicated that their economic situation had got worse.

**Figure 2: Question 2 - Thinking about your own household’s economic situation in the last 12 months, has your economic situation gotten better, worse or about the same?**



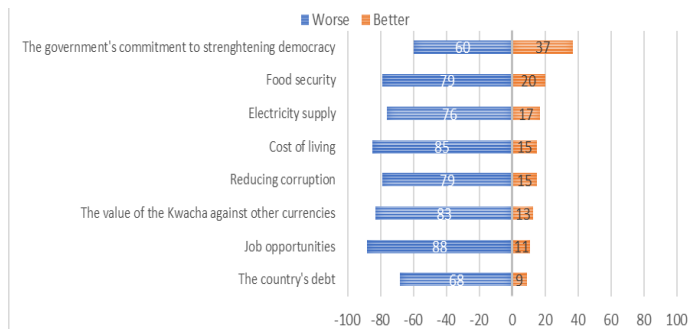
Further to this, when respondents were probed about the future, the outlook of respondents was generally negative. Over half of the respondents felt that they would personally be worse off a year from now. This feeling was particularly strong in the west region, where 76 percent of respondents felt that their personal situation would deteriorate.

**Figure 3: Question 2 - Thinking about your own household’s economic situation, do you expect your economic situation in a year from now to better, worse or about the same?**



When asked about what specifically was becoming worse, most respondents were concerned about job opportunities and the cost of living. 88 percent of respondents felt that job opportunities had gotten worse over the past 12 months, and 85 percent felt that the cost of living was becoming worse.

**Figure 4: Now I will read you a list of issues. Please tell me if you think this issue has gotten better or worse in the last 12 months?**

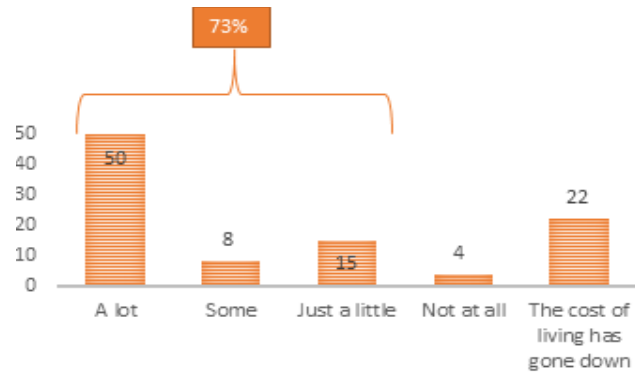


## Perspectives on the Cost of Living

**Key finding:** the majority of citizens feel that their cost of living has increased, with food prices identified as the key driver.

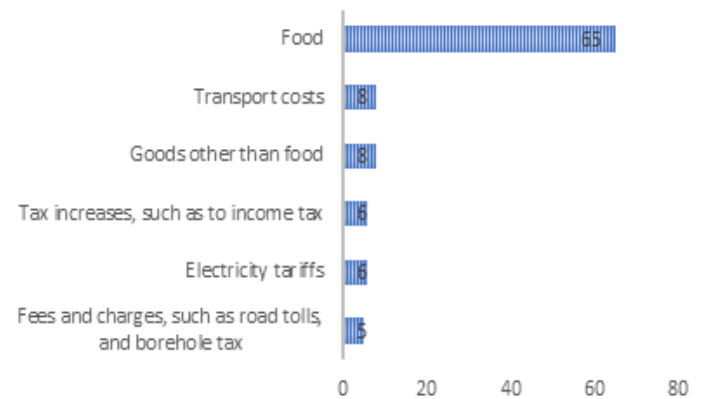
73 percent of respondents felt that their personal cost of living has increased, with this being felt strongly in both the highest (earning K5,001 or more per month) and lowest income groups (earning less than K100 per month).

**Figure 5: Question - Generally, in your opinion, how much has your cost of living gone up in the past year? A lot, some, just a little, not at all, or has the cost of living has gone down?**

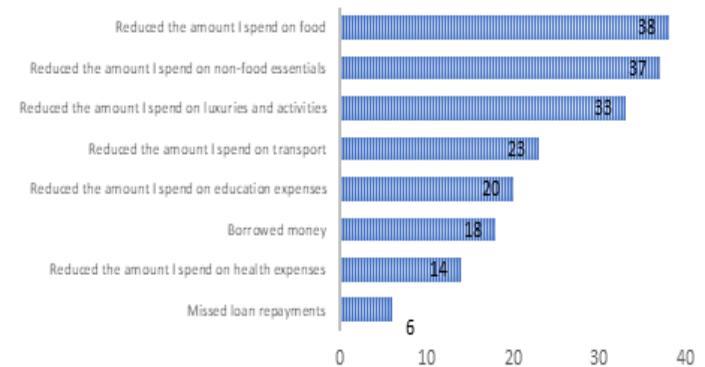


Worries about the cost of living are being driven largely by increasing food prices. In response to rising prices, respondents report reducing expenditure on food (38 percent), and non-food essentials (37 percent), reducing education (20 percent) and health (14 percent) expenses, among other measures such as borrowing and cutting down on luxuries.

**Figure 6: Question - Now, I am going to read you a list of items that may have increased in cost. Please tell me which ONE of these increases in prices has had the largest impact on your household over the past 12 months if any? If the item you wish to select is not included on this list, please tell me what that item is.**



**Figure 7: Question - In which ways have you changed your behaviour due to price increases over the past 12 months. Please select all that apply**

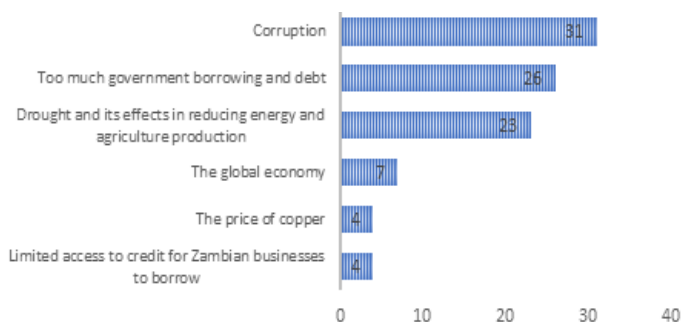


# Perspectives on the Causes of Country's Economic Situation

**Key finding:** while citizens recognise the impact of drought and climate change on the economy, they largely believe that 'internal' factors within government control are driving economic problems.

The impact of climate change has been heavily felt over the last year. Almost a quarter of respondents identified drought as the key reason for the country's economic situation. However, beyond this, 26 and 31 percent of respondents blamed the economic situation on too much government borrowing and corruption respectively.

**Figure 8: Question - Among the following options, who or what do you blame most for the country's economic situation?**

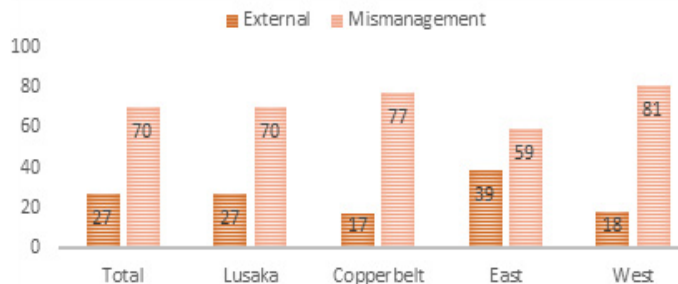


In further support of the results above, most respondents felt that government mismanagement was the root cause of current challenges and not external forces such as climate. 70 percent of respondents felt that the problems with the economy in Zambia are primarily caused by mismanagement by government, with blame being most heavily placed on corruption and over-borrowing.

**Figure 9: Question – Now I'm going to read you a pair of statements. Tell me which choice comes closer to your point of view.**

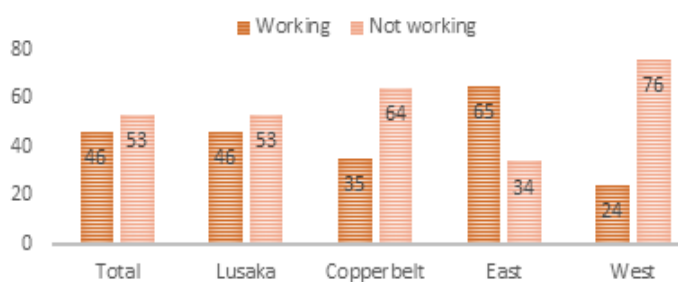
**STATEMENT 1: The problems with the economy in Zambia are primarily caused by external forces out of the government's control.**

**STATEMENT 2: The problems with the economy in Zambia are primarily caused by mismanagement by our government.**



A belief that the government is working to deliver for Zambia is waning. Only 46 percent of respondents felt that the government was working to improve the lives of citizens – and this was lower in the Copperbelt and the west region. 63 percent of respondents reported being dissatisfied with the services the government delivers to their area.

**Figure 10: Question – Now I'm going to read you a pair of statements. Tell me which choice comes closer to your point of view. STATEMENT 1: The government is working to improve the lives of ordinary Zambians. STATEMENT 2: The government is not working to improve the lives of ordinary Zambians.**

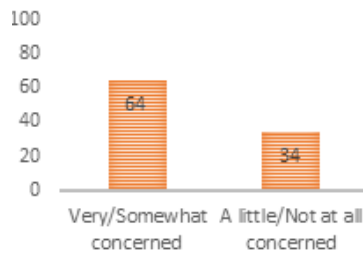


# Perspectives on the Country's National Debt

**Key finding:** citizens are concerned with the country's debt levels, the impact on services and social protection and government plans.

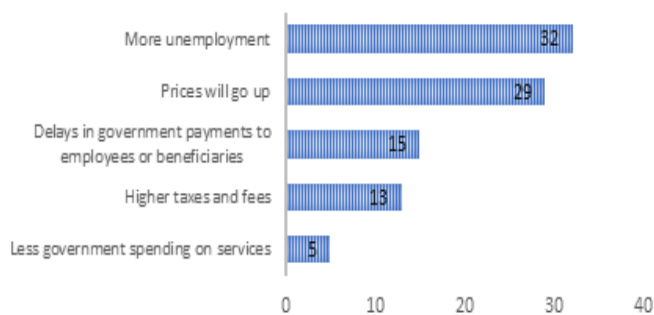
While only 34 percent of respondents felt that they were well-informed about the debt, 64 percent of respondents expressed their concern about it as an issue.

**Figure 11: Question - Would you say you are very concerned about that national debt, somewhat concerned, a little concerned, or not at all concerned about that national debt?<sup>3</sup>**



Most respondents indicated that they were concerned with unemployment and prices increases at 32 and 29 percent respectively.

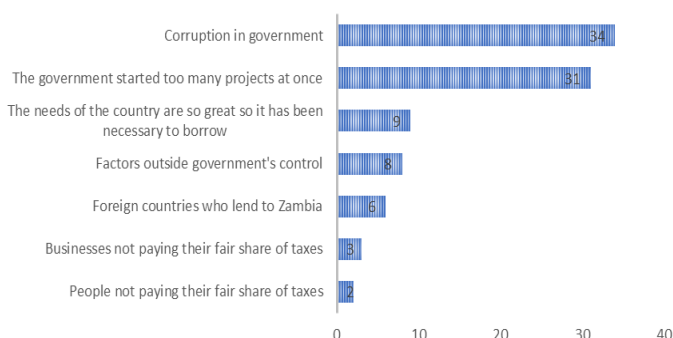
**Figure 12: Question – I am going to read you a list of potential concerns you may have about the impact of the country’s national debt on you and your family. Please tell me which ONE of these concerns you the most. It is okay to say you don't know, or that debt does not concern you.**



“I feel bad that our country is borrowing money and ask myself where the country will get the money to pay it back. This will be a risk for the country.” (November 2018 Focus Group Study)

And when asked about what they thought were the major causes of this debt, most respondents indicated that they thought that it was corruption in government (34 percent) and the starting of too many projects at once (31 percent).

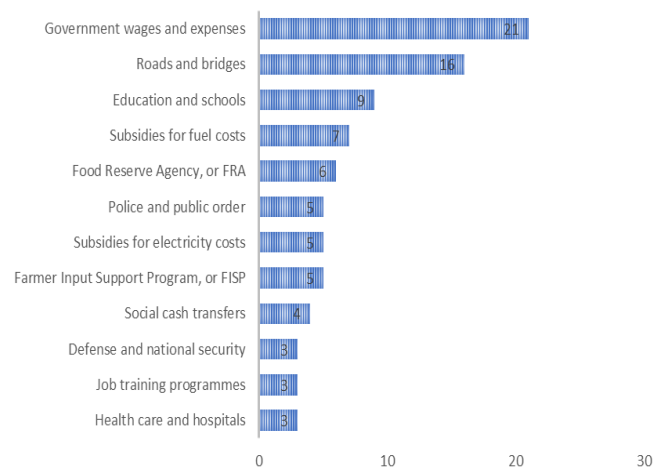
**Figure 13: Question - Among the following options, what do you think is the main reason Zambia has a large debt?**



Further to this in the July 2019 survey, 63 percent of respondents<sup>4</sup> felt that the government is not open about its borrowing, including what they intend to use the funds for and the cost of repayment. 69 percent of respondents<sup>5</sup> were concerned about the lack of debt transparency, and 58 percent agreed that all loans should be approved by the Parliament.

In the September 2019 survey, when asked where the government should cut spending, the two most popular options of the respondents were: wages and expenses and roads and bridges, demonstrating that infrastructure may be less of a priority for citizens currently.

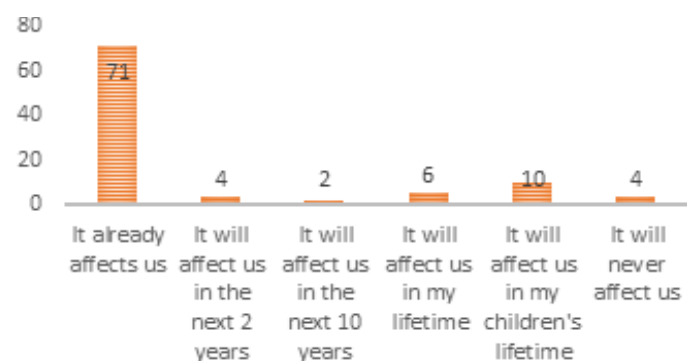
**Figure 14: Question - Below is a list of areas where the government might need to reduce spending. If you had to pick one area for the government to reduce spending, what would it be, if the choices are:**



“When they borrow that money, they do not plan and as a result the things they spend money on cannot even help me at the end of the day.” (November 2018 Focus Group Study)

Perhaps, most interestingly was the response to the question of when, if ever, do they think the consequences of the national debt will negatively affect people like you and your family? An overwhelming number of respondents (71 percent) indicated that the country’s debt situation was already affecting them.

**Figure 14: Question - When, if ever, do you think the consequences of the national debt will negatively affect people like you and your family?**



Focus group discussions illuminated this response. Presented with the disparity in spending on debt servicing and service delivery in November 2018, participants linked debt with the impact of worsening health and education services respondents, expressing disappointment with current service provision and concern for future performance:

“The money that we should be helped with here in the rural areas for roads, schools and clinics goes to paying debt.”

“My concern is that we will suffer. In health centres, there will be a shortage of drugs. In schools, chalk will run short.

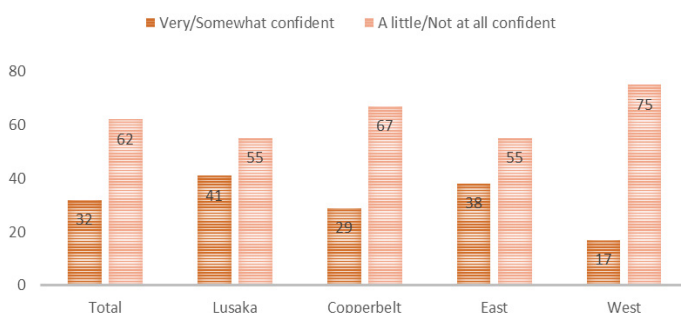
These problems are here now, what about next year

In the September 2019 Focus Group Study, presented with a similar comparison between spending on debt servicing and social protection, participants highlighted the importance of social protection during the economic challenges, with a number mentioning a ‘time of hunger’. Moreover, most participants expressed that social protection spending should take priority over infrastructure if a choice between the two is required:

“If they have limited funds, they should go to social protection programmes, not construction.”

Given the continued deterioration of the economy, Zambians are losing faith in the government to turn the economy around. Only 39 percent in the July 2019 survey felt that the government was actively trying to reduce borrowing, while in the September 2019 survey 62 percent of respondents had little to no confidence that the government would reduce the national debt over the coming year.

**Figure 15: Question - How confident are you in the government's ability to reduce the national debt in the next year? Would you say you are very confident in the government's ability to reduce the about that national debt in the next year, somewhat confident, a little confident, or not at all confident in the government's ability to reduce the about that national debt in the next year?<sup>6</sup>**



## Conclusion

The findings indicate that a significant amount of the population feels that the economy is getting worse and that it is beginning to affect their household economic situation as well. There is also a generally negative outlook on the economy with the west region feeling the hardest hit. Most are concerned with the loss of job opportunities and the increasing cost of living. 50 percent of the population feels that the cost of living has increased ‘a lot’ with this being most strongly felt within the highest and lowest income groups.

Concerns about the cost of living are being driven largely by increasing food prices. In response to rising prices, survey respondents reported reducing expenditure on both food and non-food essentials, education, and health. Additionally, the depreciation in the kwacha has increased, causing the price of imports to rise, which has fed through to fuel and transport costs and a general rise in the cost of consumer goods.

Many respondents attributed the country’s economic problems to corruption and too much government borrowing. Though drought also featured as the third-highest factor, the majority of respondents felt that economic mismanagement was to blame rather than external forces. Citizens are concerned that the decline in the economy caused by the debt burden will result in more unemployment and increased prices. These are acute concerns, as just over 70 percent of the population feels that the national debt is already affecting them. Compounding this is that trust on the part of the government to reduce the national debt in the next year is low. Citizens when asked where the government should cut spending, the two most popular options were: wages and expenses, and roads and bridges, the latter showing perhaps infrastructure is less of a priority current.

But what does this mean for the political salience of debt — or what people demand from the government? The government was elected on a platform of development through infrastructure spending in order to close the infrastructure deficit, stimulate economic growth and reduce poverty. In short, the contraction of debt brought an electoral dividend. However, with the economy is now struggling under the strain of debt and unable to respond well to exogenous shocks like this year’s poor rains, there is demand for action on debt, rather than continued borrowing.

Firstly, 86 percent of citizens think the economy is getting worse, manifesting 61 percent of citizens’ top fears that debt will cause more unemployment and price rises.

Secondly, citizens are concerned with how infrastructure spending, including repayments, is crowding out spending on services and social protection, especially in an economic downturn.

Finally, increasing numbers identify debt as a primary cause of this deterioration and 62 percent of citizens currently have little or no confidence that the government will be able to address the problem of debt.



The government, therefore, needs urgent action to improve citizens' trust and address debt levels to promote job creation, stabilise prices and improve service delivery.

Based on the findings of this public opinion research, we make the following recommendations to the government:

- **Take greater steps to reduce the debt burden and increase communication with the public on debt:** Over the last year, we have seen a concerted effort by the government to acknowledge the debt problem and make progress on slowing debt contraction. This has included: quarterly updates from the Ministry of Finance (MoF), public statements from State House, an emergency cabinet meeting, a new Finance Minister, a slowdown in the contraction of infrastructure projects. However, confidence in government is waning because people have yet to see any concrete action on the debt. The government should launch an ambitious yet feasible Mid-Term Economic Framework which addresses how the government plans to manage upcoming debt repayments. A refinancing strategy should be developed and published to restore public confidence that the government has the means to repay the first Eurobond in 2022.

The government should continue its quarterly state of the economy updates, and report progress against the commitments made in the Special Cabinet meeting in May 2019. Furthermore, survey respondents have indicated that in current circumstances the wage bill and road spending should be cut. The government should pursue further savings in these areas.

- **Stabilising the kwacha:** The depreciation of the kwacha is feeding into concerns about rising prices and fuelling a lack of confidence among investors, which causes further depreciation. The government needs to take action to prevent a further downward spiral in the value of the kwacha. The actions outlined in (1) will help build investor as well as public confidence, which will help stabilise the kwacha. The government needs to act: developing – and enacting – a plan to refinance borrowing in the short- to medium-term will reduce the burden of debt servicing on demand for the dollar and prevent the slide in investor confidence, particularly in the demand for treasury bills. The government should also prioritise its limited spending to support growth in key export sectors with the potential to bring in foreign exchange.

- **Food security and maize market reform:** Rising food prices in 2019 are driving concerns about the cost of living. Stabilising the kwacha will contribute to addressing this issue, but government should also address maize prices by boosting productivity in the sector in line with His Excellency President Edgar Lungu's direction to "do more with less". Government can do this by pursuing a market-based strategy which will reduce reliance on smallholder farmers which produced over 95 percent of maize in 2019, up from 92 percent in 2015 and are dependent on rains: this means crowding-in the private sector through scaling back the FRA and taking a consistent approach to export bans, which, combined will bring benefits in reduced costs and higher foreign exchange.

In order to have confidence in the market, target interventions and reduce speculation, the government should operationalise the Zambia Grain Information System with the private sector which will provide up to date information on stock levels and location.

# Annex: Survey Methodology

The surveys were drawn from a random, nationally representative sample. The face-to-face surveys are designed to be fully nationally representative of the adult-aged population of Zambia across key demographics such as gender, age, education, location and urban/rural and are designed so that every adult has an equal chance of being selected in the sample. In order to adequately represent the Zambian population, the survey uses a multi-stage cluster sampling methodology.

The surveys are fully representative by location, age, gender, education, as well as urban and rural locations.

Of the 2043 respondents in the July 2019 survey, the breakdown was as follows:

Region	Respondents	Margin of Error
Lusaka	415	+/- 4.8%
Copperbelt	319	+/- 5.5%
East Region -Eastern, Luapula, Muchinga, Northern	664	+/- 3.8%
West Region -North Western Southern, Western	454	+/- 4.6%
<b>Total National:</b>	<b>2,043</b>	<b>+/- 2.2%</b>

Of the 841 respondents in the September 2019

Region	Respondents	Margin of Error
Lusaka	171	+/- 7.5%
Copperbelt	131	+/- 8.6%
East Region -Eastern, Luapula, Muchinga, Northern	273	+/- 5.9%
West Region -North Western Southern, Western	187	+/- 7.2%
<b>Total National:</b>	<b>841</b>	<b>+/-3.4 %</b>

The number of respondent interviews are allocated initially around the country proportionally based on the official administrative province populations and taking into account urban and rural divides for each province. The interviews allocated within a province are further divided by randomly selecting at the ward level so that each ward's chance of being selected is proportional to its population size according to the 2010 census.

# Endnotes

1. West region is comprised of Southern, Western and North Western.


2. The data reported in Figure 2 is from half of the respondents (420) and the data reported in Figure 3 is from half of the respondents (421). Therefore, the margin of error for subsample questions such as these is higher than the full sample questions

3. The data reported in Figure 11 is from half of the respondents (420). Therefore, the margin of error for subsample questions such as these is higher than the full sample questions.

4. The data reported here is from half of the respondents (1022). Therefore, the margin of error for subsample questions such as these is higher than the full sample questions.

5. Ibid

6. The data reported here is from half of the respondents (421). Therefore, the margin of error for subsample questions such as these is higher than the full sample questions.



Consumer Unity & Trust Society  
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We're Here

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