TITLE: HARNESSING ZAMBIA'S DEMOGRAPHIC DIVIDEND

Background

The Demographic Dividend is the economic benefit that arises from significant increase in the ratio of working-aged adults relative to young dependents resulting from rapid fertility decline, informed by robust family planning programmes and accompanied by sustained investments in comprehensive education, skill development, health, job creation and improved governance. When fertility and mortality rates decrease substantially, the age structure shifts in such a way that there are more working-age adults relative to young dependents in the population. Zambia is one of the growing numbers of African countries that have achieved sustained economic growth over the past decade. The economy has grown at an impressive average rate of 6.7% per year between 2003 and 2013 with GDP increasing from ZKW 23,202 billion (4,901 billion USD) to ZKW 165,632 billion (30,673 billion USD) respectively. However, Zambia's economic growth has been faulted for not being inclusive and pro-poor and for failing to create adequate decent jobs. With over 61 percent of the population living below the poverty line in 2010, and persisting high levels of underemployment (over 70 percent), especially among youth and women, more needs to be done to move the country towards the Vision 2030 aspirations of becoming a prosperous middle income country by 2030.

Main question/hypothesis

The primary objective of the study was to assess Zambia's prospects for harnessing the demographic dividend and demonstrate priority policy and programme options the country should adopt in order to optimise its demographic dividend in line with its Vision 2030 development aspirations. The specific objectives of the study were (a) To review demographic and economic opportunities and challenges and assess their implications for attainment of the country's development aspirations; (b) Assess prospects of harnessing the DD in Zambia using the DemDiv Model; and (c) Demonstrate policy options for optimising chances of earning the DD in Zambia.

Methodology

This descriptive study, conducted in Zambia between November and December 2014, included literature review from various national and external data sources on population dynamics and socio-economic changes. It modelled data to demonstrate the potential demographic dividend that Zambia can earn under different policy and investment scenarios. The modelling tool used was DemDiv, developed by USAID supported by Health Policy Project; being a two-part model that projects the combined power of policy investments in family planning, health, education, and the

economy. It generates four policy scenarios with projections over a period of 40 years from 2013 to 2053: (a) Business-as-usual scenario representing the status quo of persistent high child-dependency ratios and relatively modest economic performance; (b) Economic Emphasis scenario addressing bottlenecks that have curtailed socioeconomic development, through economic policies, systems, and resources required to fully implement the economic ideals in Vision 2030; (c) Moderate Scenario assessing the net impact of moderate increases in investments in family planning and education in addition to the Economic Emphasis scenario; and (d) Combined Scenario being the best policy option of attaining the socioeconomic transformation envisaged in Vision 2030 with maximum prioritization of family planning and education in addition to economic competitiveness and good governance reforms.

Results/key findings

Population and Age Structure Changes: The Business-as-Usual and Economic Emphasis Scenarios reveal a CPR of 55, total fertility rate of 4.09, and total population of 49 million by 2053. The dependency burden decreases from 0.96 in 2013 to 0.79 in 2053. Annual population growth rate will still be high (2.8 percent) in 2053, with same age structure and high child dependency ratio. Under the Combined Scenario, CPR increases to 74%, total fertility rate reduces to 2.11, and population size to 36 million by 2053 with growth rate and dependency burden of 1.3% and 0.51 respectively.

Working Age Population and Job-Creation The four policy Scenarios produce substantial increases in the size of the working age population (15 years and older) from 7.8 million in 2013 to 26, 28, 30 and 30 million by 2053 in the Combined, Moderate, Business-as-Usual and Economic Emphasis scenarios respectively. It is estimated that the resultant employment gaps will rise to about 15, 9, 8 and 7 million by 2053 for Business-as-Usual, Economic Emphasis, Moderate and Combined scenario respectively. The employment gap difference of 2 million between the Economic Emphasis and Combined Scenarios is attributable to the demographic dividend.

Change in Economic Growth and Average Incomes: The Business-as-usual Scenario yields the least increase in per capita GDP of USD 5,426 by 2053 from USD 1,839 in 2013, followed by the Economic Emphasis scenario, with up to USD 19,547 increase. The Moderate and Combined scenarios, yield per capita GDP increases to USD 22,875 and USD 26,940 respectively, likened to those aspired in the vision 2030.

Knowledge contribution

Considering the three overarching pillars of Zambia's Vision 2030 namely (a) Economic growth and wealth creation; (b) Social investment and Human Development, and (c) Creating an enabling

environment for sustainable socioeconomic development, the study generated policy and programme relevant evidence. In particular, it provides new knowledge on the potential impact of combined investments in social and economic dimensions as compared to the model previously used which was biased towards only economic reforms. **First**, it adds to what we know about what the Zambian government needs to do to harness the demographic dividend through different policy and investment scenarios. **Second**, the modelling approach we have employed provides a very powerful tool to engage Zambian policy and decision makers in conversations, considering the potential socioeconomic transformation and transition into a prosperous middle income country. **Third**, the concurrent prioritized investments to increase CPR, reduce unmet need for family planning and initiate rapid fertility decline, improve human capital, reform the economy and create adequate decent jobs, amidst good governance and accountability are indicated as high impact investment areas and smart economics. Guided by an integrated approach, these will include programmes that advance universal access to family planning, enhances female education; accelerates economic growth and decent job creation while improving governance and accountability. **Finally**, through South-South cooperation, Zambia can share this knowledge and encourage other countries to undertake similar modelling exercises to ensure a harmonised development throughout the region.