

THE 2009 JCTR PRE-BUDGET SUBMISSION

A Challenge on Cost of Living

According to the CSO 2006 Living conditions monitoring report, poverty levels in urban areas decreased from 53% to 34% contrary to a 2% rise from 78% to 80% in rural areas. We also note that in the past five years, the government has been vigilant in ensuring that the country continues to grow at an average annual rate of 5%. Although this macro-economic outlook is necessary for the international appearance of the economy, it has not adequately helped to deal with the core issue of lifting Zambians living in abject impoverished conditions as indicated by high levels of rural poverty where two-thirds of Zambia's population reside.

We commend the government for its progressive realisation on the need for poor people to afford basic needs of human life for them to live dignified lives. This is evident in the sustained upward increase in the tax exemption threshold adjusted from K500, 000 in 2007 to K600, 000 in 2008. Now, in view of the ever rising cost of living demonstrated by increasing commodity prices, especially food, there is need to further sustain the upward trend in tax exemption threshold in coming years. The Jesuit Centre for Theological Reflection (JCTR) in its *Basic Needs Basket (BNB)* for August 2008 indicated that the amount needed to purchase very basic food and non-food items stood at K1, 800, 000. The discrepancy between the 2008 tax exemption threshold and the amount of money required for a family of six to meet basic needs was K1, 200,000. In the 2009 financial year, the government should consider a further increase in the tax exemption to K800, 000 to enable households, especially low income earners to at least get close to meeting the basic food needs.

While the proposed tax exemption threshold of K800, 000 will cushion those absolved in the labour market, attention should also be paid to the struggling households outside the labour market and not protected from the rises in commodity price. The JCTR through its Rural Basket which measures calorie intake as well as its Satellite Homes Research, which is a qualitative household survey in the high density areas on living conditions of the people, shows that more households are facing challenges in meeting their household needs. In light of the above, the JCTR proposes that there should be increased allocation to the Ministry of Community Development and Social Services (MCDSS) particularly the Social Protection Department to facilitate an effective response to the expected increase of vulnerable households.

Effective Public Resource Utilisation

Transparent loan Contraction and Debt Management Strategies.

The year 2009 will mark four years after the attainment of the Heavily Indebted Poor Countries and the Multilateral Debt relief Initiative (MDRI) which significantly reduced Zambia's external debt to US \$1.8 billion in 2006 from US \$7.1 billion at the end of 2004. In the 2008 national Budget Speech, the Minister of Finance

and National Planning assured the country that efforts to reform the loan contraction and debt management were going to be expedited in 2008. At present, no publicly known reforms have been put in place to improve debt management except for a draft of a debt strategy that has taken an unnecessary indefinite period to finalise. The current constitutional provisions regarding loan contraction and debt management are neither adequate nor appropriate enough to cushion Zambia from a possible debt trap especially with the looming global fiscal crises. The JCTR in November 2007 developed a set of proposals for institutional, policy and legal reforms in the loan contraction process and availed them to the Ministry of Finance and national Planning and Parliament. We urge the government to review and use these documents to facilitate the formulation and enactment of an effective debt management strategy in 2009.

It is unfortunate that in the 2007 budget, the government set aside K129.3 billion for external debt service but actually paid out of K244.8 billion with a supplementary allocation of K115.5 billion above the approved estimates. While supplementary estimates are lawful, it is improper that such expenditures could be as much as 90 % of projected expenditures in specific budget lines. Considering that the amount for debt service is based on repayment schedules which are always kept by both creditors and debtors, it is therefore worrying that our debt repayment schedules could miss such indicative amounts in excess of K100 billion.

As the government prepares for estimates of revenues and expenditures, it is prudent to take a review of all records of repayment schedules to ensure that accurate figures are presented in the 2009 budget. In the wake of effective public resource management and foresight, the government is urged to carryout regular domestic Debt Sustainability Analyses in order to maintain back and forth checks on the debt sustainability levels unlike relying on IMF standard DSA which could be misleading.

Agriculture

The Agriculture sector still harbours huge potential for enhancing the country's economic growth however, the rate at which the sector has been growing is worrying and its contribution to GDP has slumped. In the fisheries sector for example, the government takes interest in sustaining the tradition of fish bans without taking proactive approaches of improving fish catches. Statistics from Ministry of Agriculture indicate that since January 2008, Zambia has imported approximately 3,447 tonnes of fish against 33 tons fish exports. It is further surprising that the bulk of fish imports are from Zimbabwe with which we share fresh waters from Zambezi and amid its political instability.

In addition, after critically analysing the 2008 budgetary allocation to Ministry of Agriculture and Cooperatives, the Jesuit Centre for Theological Reflection (JCTR) has made a succinct observation that the bulk of the sector's allocation is consumed by only Food Reserve Agency and Fertiliser Support Programme. JCTR urges the government that if Agriculture is to enhance the country's economic growth and improve the majority of people's livelihood as clearly stipulated by the FNDP, there should be increased allocations to other core programmes of Ministry of Agriculture. This will adequately unravel the supply side constraints such as lack of adequate irrigation facilities among small scale farmers, transportation

challenges due to poor roads, inadequate storage facilities, technological advancements in production, and sanitary and phyto-sanitary standards, among others.

The JCTR hopes that the above submissions will be reflected in the 2009 budget.

Thank you!

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