ARE MEASURES TO CUSHION THE ZAMBIAN ECONOMY FROM THE EFFECTS OF COVID-19 SUFFICIENT?

Press Release

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The increasing number of global cases of COVID-19 continue to amplify the need for Africa and indeed Zambia to continue to roll out increasingly robust measures to contain the pandemic and halt its spread. Global cases are still on the rise standing at over 1.9m as at 14th April 2020. The United States of America even with one of the most advanced health systems in the world, now has the highest number of coronavirus infections at over 587,000 cases representing 30% of global cases and over 23,000 deaths representing 19% of global deaths. Africa on the other hand, comprising over 52 countries has recorded about 15,000 cases with 835 deaths. As at 14th April 2020, Zambia had only recorded 45 cases, 30 recoveries and 2 deaths from COVID-19. It therefore remains imperative that responses to the emerging challenge are evaluated on a regular basis given the uncertainties that lie ahead.

Reflecting on the impact of the pandemic on the economy from the ministerial statement made on 27th March 2020 by Zambia’s Finance Minister, the Jesuit Centre for Theological Reflection (JCTR) makes the following observations:

The JCTR agrees with expectations that economic growth will decline further. This is partly on account of the pandemic-induced shock. We however, note that the Zambian economy has been grappling with a number of challenges prior to COVID-19. Challenges such as rising debt obligations and lower copper prices both affected by a weakened currency. Inflation for instance as a macro-economic indicator has performed outside the set Bank of Zambia parameters of between 6-8% since May 2019. The most recent statistic recorded by the Zambia Statistics Agency for the month of March 2020 was 14%. Further, climatic variations have in the recent years affected rainfall yields as witnessed by dry spells experienced most especially in the 2018/19 rain season. This has led to grave inefficiencies within the electricity sub-sector. JCTR highlights that COVID-19 is simply happening at a worse time for an economy already engulfed by a widening budget deficit and debt. This is a harmful combination which is socially and economically detrimental on the lives of the Zambian populace.

Some of the preliminary assessment impacts of COVID-19 on the Zambian economy as alluded to in the Ministers’ statement are already being felt by various entities. The tourism, mining and trade sectors have already recorded disruptions and declining revenue. What this means firstly is that businesses are not yielding enough profits to keep their full labor force working. A rise in unemployment levels should therefore not be ruled out. Secondly Zambia is largely an import-based economy. Given the global interconnected market, a significant reduction in imports is likely to be further perpetuated by flight restrictions and country specific lockdowns. The supply of certain goods and services will reduce thus pushing prices upwards. Given these eventualities, to a larger scale all these disruptions and their negative business and employment effects will impact households and individuals the most. A heighted cost of living becomes a great threat for health and nutrition especially at household level.
The JCTR therefore commends the immediate efforts to set up an Epidemic Preparedness Fund under the Ministry of Health and Contingency and Response Plan under the Disaster Management and Mitigation Unit with a budget amounting to K57 million and of K659 million respectively. Furthermore, the decision to suspend excise duty on ethanol for use in alcohol-based sanitizers and other medical related commodities directly speaks to preventive action that is needed to combat the disease. The suspension of import duties on the importation of concentrates in the mining sector to ease pressure on the sector is timely given the various challenges already being faced within the sector. It is however saddening that Mopani Copper Mines management has still gone ahead to place the mine on care and maintenance thereby putting over 10,000 Zambians out of employment.

The JCTR further commends Government’s plan to work with major retail outlets in building domestic value chains that will encourage the sale of domestically produced goods in major supermarkets. This is in view of the anticipated difficulties in importing various consumer goods. We however hasten to say that the sale of locally produced foods in major supermarkets is faced with a number of hurdles, among them the limited capacity of local suppliers to timely supply the quality and quantity of goods required by major stores. Addressing such a challenge may therefore not be feasible in the short term.

In spite of the above progressive measures noted in the Minister’s address, it is our view that much more needs to be done to keep the economy afloat. The JCTR therefore asks Government to ensure that protection of human capital is a top priority agenda. Policy efforts should therefore be directed towards providing employment and income support to stimulate both the economy and labour demand. Cushioning enterprises and workers against immediate employment and income losses, helps prevent a chain of supply shocks (e.g. losses in workers’ productivity capacities) and demand shocks (e.g. suppressing consumption among workers and their families) that could lead to a prolonged economic recession\(^1\). On tax measures proposed, there is need to consider extending relief to the citizenry through the suspension or reduction of taxes directly linked to the households during this pandemic i.e. PAYE and VAT. It is understandable that government heavily relies on tax revenue collected for operations, especially in a constrained fiscal space like ours.

Further, while the release of K2.5 billion to offset domestic arrears is a step in the right direction, the JCTR reckon that this measure is too little and too late. This measure is long overdue and should have been put in place a long time ago. The stock of domestic arrears, excluding VAT, amounted to K26.2 billion at the end-September 2019. The allocated K2.5 billion therefore does not address the problem to the core. Similarly, delayed payments to retirees under the Ministry of Justice is a longstanding issue not tied to COVID-19.

Lastly, in view of current fiscal constraints, the JCTR urges Government to embrace a very strong public private sector partnership going forward as it puts in place measures focused on cushioning the economy to combat the effects of COVID-19.

Note: Attribute statement to The JCTR Deputy Director, Father Alex Muyebe SJ.


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