

BNNB Statement

11th August, 2022

A Call for Increased National Resource Allocation for Effective Interventions on the Cost of Living

The cost of living for a family of five as measured by the Jesuit Centre for Theological Reflection (JCTR) Basic Needs and Nutrition Basket (BNNB) for the month of July 2022 in Lusaka stood at K9, 332.82. This is a K31.36 increase from the K9, 301.46 recorded in June, 2022. The upward movement in the basket is attributed to price movements in items such as 2 90kg bags of charcoal which went up by K59.11 increasing from K840.89 (K420.45 per bag) to K900.00 (K450.00 per bag), 14kg other fruits which went up by K54.93 from K245.00 (17.50/kg) to K299.93 (21.45/kg), 16kg of bananas increased by K88.51 from K223.44 (13.97/kg) to K311.95 (19.50/kg). The basket however recorded notable reductions in items such as 6kg tomatoes which went down by K39.00 from K111.36 (18.56/kg) to K72.36 (12.06/kg), 6kg onion which went down by K32.75 from K93.78 (23.45/kg) to K72.36 (15.30/kg).

The cost of living trends recorded for the month of July 2022 could be attributed to a number of developments. These include; fuel pump price increments recorded at the beginning of July 2022 that may have had an impact on the cost of production for items such as cooking oil, seasonality as seen in the price increase recorded for charcoal and reduced prices for various food items; tomatoes, vegetables, onion, cassava flour among others. Another notable factor could have been the appreciation of the kwacha against major currencies such as the US dollar that may have led to a lower cost of feed imports for the production of food items such as eggs and milk.

Further examination of the cost of living for July 2022 is taking place against a backdrop of notable policy developments. The month of July saw the historical recruitment of 30,497 teachers and 11,200 health workers. Additionally, through the approved supplementary budget of K22 billion arising from financial prudence and lower debt servicing expenditure in the first half of the year, government has redirected resources to selected budget lines including; K4.7 billion to the agriculture sector, K280 million to support secondary schools, K6.5 billion to dismantling arrears, K752 million to strengthen domestic resource mobilisation through the Zambia Revenue Authority and K2 billion to critical roads. Further, on 30th July the Creditor Committee for Zambia under the Common Framework for Debt Treatments issued a statement agreeing to negotiate debt restructuring for Zambia. The possibility of debt restructuring has the potential to spur investment necessary for growth and poverty reduction impacting on the cost of living.

JCTR recognises that the above interventions are a step towards responding to the cost of living challenge. The interventions in the education and health sectors, not only provide a platform for improving service delivery but ultimately cushions close to 42,000 households with potential impact to improve living conditions for at least 200,000 persons. The K6.5 billion allocation to dismantling arrears as well as the ongoing payment of pension arrears also positively impacts on the incomes of

suppliers and households that have not received their dues over the years. Additionally, the allocation to the agriculture sector will hopefully see better production output in the 2022/2023 farming season especially following the slump recorded in the 2021/2022 farming season.

JCTR however notes that the above measures while being a cushion for a number of families, may not still adequately respond to the challenge on the ground if bottlenecks are not promptly addressed. Firstly, the recruited education and health workers will need to be optimally supported with supporting infrastructure and services to effectively deliver in their duty areas. Secondly, allocated funds towards arrears dismantling will need to be promptly disbursed to beneficiaries. The additional allocation to agriculture development and productivity should also deliver corresponding impact by ensuring issues are addressed such as timely delivery of inputs.

Overall, the cost of living for an average family of five as surveyed by the JCTR BNNB stands way above the national average incomes pegged at K4391 according to the 2020 Labour Force Survey. The gap between the prevailing cost of living and incomes means families are unable to meet the cost of the most basic essentials which results into compromised living conditions and sustains a vicious cycle of poverty in families and in the nation.

JCTR therefore submits the following key recommendations:

1. Ministry of Finance and National Planning

- Consider waiving or reducing import duty for edible oils to help reduce the cost of production for items such as cooking oil
- Increase budget allocation to the livestock sector in the 2023 national budget particularly for the growth of animal feed inputs such as soya beans and sunflower

2. Ministry of Agriculture

- Continue working towards sustained expansion of irrigation support in as the 2023 national budget, the 2023-2025 Medium Term Budget Plan and Vision 2030 to realise all year round food production

3. Ministry of Energy

- Facilitate the provision of sustainable and affordable energy sources that will respond to the low incomes of the majority Zambians.

4. Energy Regulation Board

- Consider reverting to 90 day pump price review cycles to aid in stabilizing the pump price of fuel.

5. Bank of Zambia

- Sustain efforts aimed at stabilizing key macroeconomic fundamentals such as the exchange rate that provides greater certainty for importation, therefore encouraging more trade and investment at local level aimed at ultimately improving prices of commodities and services.

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