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BNNB Statement

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A CALL TO ADDRESS PUBLIC REVENUE LEAKS IN ORDER TO REDUCE THE HIGH 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 October 2022 in Lusaka stood at K8,537.78. This reflects a K312.6 decrease from the K8, 850.38 recorded in September, 2022. The downward movement in the basket is attributed to reduced prices in items such as 40 kg of vegetables which went down by K152.11 from K569.69 (569.69/40kg) to K417.58 (417.58/40kg), 16kg of bananas which went down by K48.34 from K268.48 (16.78/kg) to K220.14 (K13.76/kg), 4kg of rice which went down by K11.54 to K75.46 (K94.33/5 kg) from K87 (K108.75/5kg), 2kg of beef which went down by K7.16 from K135.33 (K67.67/kg) to K128.17 (K64.08/kg), among others. The non-food but essential items section also recorded a decrease, as two 90 kg bags of charcoal went down by K93.33 from K833.33 (K416.67 per bag) to K740 (K370 per bag). The basket, however, recorded notable increases in items, such as 6kg cassava which went up by K43.48 from K86.98 (K14.50/kg) to K130.46 (K21.74/kg) and 3kg beans which went up by K27.53 from K97.71 (K32.57/kg) to K125.24 (K41.75/kg).

Despite the increase in fuel pump prices in the month of reflection, it is important to note that seasonality remains a factor in influencing movement of both the food and non-food sections of the basket and, in turn, the cost of living. This has been observed, for example, in the decrease in the price of charcoal, which could be attributed to lower energy demand as a result of a hot season. The JCTR notes that demand for biomass still remains high in the nation due to most households' limited access to the grid. This demand poses a negative impact on the environment, reversing mitigation and adaptation efforts. Furthermore, the exchange rate has shown a level of stability during the month. While it depreciated slightly towards the end of October, it has not reflected abnormal fluctuations throughout the month. The absence of exchange rate volatility has the potential to stabilise prices. According to available central bank data, the average exchange rate for October was around K15.95.

The government has introduced efforts to address the high cost of living, such as increasing the Pay-As You-Earn tax free threshold in 2023, and/or facilitating bilateral engagements with fertiliser and fuel producing nations with the hopes of accessing the commodities cheaply. However, it has come to light that public resources that are desperately required (in the midst of fiscal deficits) to expedite this process are being significantly lost. The Auditor General's 2021 Report presented in the month of reflection showed various cases of potential revenue leaks in public procurement and revenue collection processes. For example, the report revealed approximately US\$ 10.3 million in unjustified overpayments in the Lusaka City Decongestion Project. It further revealed that about K 85.75 billion (US\$ 5.4 billion) in taxes were owed to Zambia Revenue Authority (ZRA). To put this in perspective, this is an amount that is 7 times the US\$750 million Euro Bond that was due in September, 23 times more than the 2023 Social Cash Transfer Budget and 9 times more than the 2023 Farmer Input Support

Budget. By reducing these potential revenue losses, more vulnerable households can be cushioned from the high cost of living through increased social sector spending and increased resources aimed at diversifying the economy. These irregularities are therefore providing obstacles to the development of our nation.

In light of the aforementioned the JCTR therefore recommends the following measures:

1. ZRA must continue to scale up monitoring and awareness interventions to limit tax evasion and to enhance tax efficiency and compliance. This is important for the reduction of the tax arrears.
2. Government must ensure utmost transparency in public procurement systems to limit revenue losses.
3. The Auditor General's Report must not be treated like an academic undertaking. Parties found to be at fault must be investigated and brought to book as prescribed by the law.
4. Government must continue supporting the private sector, so as to expand exports with the aim of boosting the local currency.
5. Government must invest in alternative sustainable energy sources to limit dependence on biomass.

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