

Press Release

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Sustaining the Zambian Economy Amidst the COVID-19 Pandemic

The Global community is racing to turn the tide, impede and eventually halt the spread of COVID-19. The pandemic has indeed brought the entire world to a standstill. Loss of life, disruptions to social life and declining growth trends have already been observed across so many economies. Life as we know it is simply just not the same. More so for a developing nation such as Zambia. The impacts of the pandemic are a setback on progress that has been made towards eradicating poverty, enhancing equality and development for the populace. As the scenario is unpredictable and constantly changing, the Jesuit Centre for Theological Reflection (JCTR) did note on 14th April, 2020 that it is imperative that responses to the emerging challenge are evaluated on a regular basis. For this reason we do commend the Ministry of Finance (MOF) for keeping the public informed on measures that have been set in place to mitigate impacts of COVID-19 on the economy.

The JCTR notes that reaffirmations of some measures introduced by the Minister on 27th March 2020 and the introduction of additional measures on 20th April 2020 do give some hope. The JCTR therefore makes the following observations in view of the update provided by Zambia's Finance Minister on 20th April, 2020.

Of great concern are projections by the International Monetary Fund (IMF) that the Zambian economy will grow by negative 2.6% in 2020 from the earlier projection of 3.6%. Declined economic growth entails a reduced revenue base for government. Therefore, in the middle of already challenging times, it is worrisome that this will further affect the delivery of public goods and services. Additionally, we agree with MOF that our revenue base is shrinking and will continue to do so given the nature of the pandemic.

From the Minister's address budgeted revenue is estimated to fall short of target by at least K14.8 billion or 19.7 % of the approved 2020 budget. Recalling the 2020 National Budget presented in September 2019, a huge composition amounting to 90% of the budget was allocated towards emoluments and debt servicing. Obligations that government cannot afford to default on. The remaining 10% of the budget allocated to all other sectors will therefore be greatly affected by any severe budget deficits that may arise. We therefore foresee social sectors such as education and the much needed empowerment schemes for the poor and vulnerable under Social Protection for example; Social Cash Transfer and the Farmer Input Support Programme being severely affected. We further note that problems like climate change still remain eminent. This makes it more imperative that Government should prioritize engagements with creditors to suspend interest payments as advised by the IMF so that some resources are saved. Further, any external relief that can be sought either through postponement of debt payments or emergency support facilities to mitigate the impact of COVID-19 are welcome and timely. Financial challenges are already compromising Zambia's position to respond to the COVID-19 pandemic due to constrained fiscal space.

In the event of reduced budgetary allocations, the agricultural sector one of the largest livelihood providers to the rural based populations may suffer significant setback. Without financial support, small scale farmers will not be able to ensure stability in the food value-chain thus threatening national food security. Additionally, Zambia's current reliance on imports of some essential food items may affect the economy greatly if specific country lock-downs are prolonged. A case in point is our reliance on the South African market for fruits whose prices may further be strained by exchange rates and limited supply induced by travel restrictions. High costs of such items will likely compel households to compromise on nutrition. Balanced nutrition, especially

in terms of adequate vitamin, mineral and protein intake, remains key at household level as it enhances resistance against infections. Measures to substitute imported products with local products can only be realized if a key sector like agriculture is adequately supported. Furthermore, in the event that the pandemic escalates in Zambia and is quenched by August 2020 as alluded to by the Minister, the impact on the most poor and vulnerable households will indeed be devastating beyond 2020. Devastating impacts are highlighted by the JCTR Basic Needs and Nutritional Basket that stands at over K7,000 for the bare minimum of basic food and non-food items. This amount is exclusive of additional costs occasioned by the pandemic such as expenses for items like hand sanitisers, soap and masks.

Introduction of a waiver of tax penalties and interest as a tax relief mechanism does provide some relief to the business community in this pandemic. The JCTR maintains that there is need to consider extending relief directly to the citizenry through temporary suspension or reduction of taxes directly linked to the households during this pandemic i.e. Pay as You Earn and Value Added Tax (VAT). This will be mainly for the purpose of easing the burden of the high costs of most goods and services in order to protect the dignity of human life.

The decision to further extend the list of medical supplies that are not subject to import duty and VAT for an initial period of 6 months is a progressive move in the fight against COVID-19. The measure protects the fundamental right to life of all Zambians and protects the poor from exploitation with regards to the high costs of protective garments. It is our hope that more efforts to distribute free masks can be extended to the poorest in our society.

Easing of liquidity remains key to ensuring support of Zambian businesses and reduction of capital flight to enable the much-needed growth of the economy. Of interest to JCTR, K500 million has been allocated to the Public Service Pensions Fund to pay over 1,500 retirees or their beneficiaries. This is progressive to allow pensioners that have already given their service to the country to survive amidst challenging times. It is a further hope that various SME's (especially those in the informal sector that may have no collateral) will be able to tap into the Bank of Zambia's K10 billion medium-term refinancing facility on more favorable terms. We hope that this is a long-term measure that will remain post COVID-19 as it is key to economic growth.

While the Minister alludes to the current situation providing Zambia with a new opportunity for domestic agricultural and locally manufactured products to be sold in great numbers in the major chain stores, as a country we have not built the capacity of local producers nor prioritized local sourcing in the manufacturing sector over the years. Initiatives such as the "*Proudly Zambian*" campaign do exist but are not sufficient. Addressing such a challenge may therefore not be feasible in the short term. The JCTR notes however that the task force created can foster positive contribution towards building new and sustainable value chains going forward.

Lastly, the JCTR urges Government to ensure transparency and accountability in the handling of all funding support received towards the COVID-19 response. We further emphasise the need for strong public private sector partnership going forward as Government puts in place measures focused on cushioning the economy to combat the effects of COVID-19.

Note: Attribute the statement to Father Alex Muyebe, JCTR Deputy Director

For further information, please contact the Social and Economic Development (SED) Programme of the Jesuit Centre for Theological Reflection (JCTR) on 0955295881 and 0954755319. Email: jctr.sed@gmail.com and jctr.info@gmail.com. Martin Mwamba Road, Plot 3813 Martin Mwamba Road, Olympia Park – Lusaka. P. O. Box 37774 Lusaka - Zambia