

CAN THE KWACHA APPRECIATION BE APPRECIATED BY THE PEOPLE? ASKS JCTR

One of the key points associated with the appreciation of the Zambian Kwacha in relation to the US Dollar (and other foreign currencies) has been its implications on prices of basic needs of the people of Zambia, says the Jesuit Centre for Theological Reflection (JCTR).

Muweme Muweme, coordinator of the Social Conditions Research Project of the Jesuit Centre for Theological Reflection (JCTR), cautions that without price reductions following the Kwacha's appreciation we will continue to speculate as to whether or not this is a true reflection of the improvements in the Zambian economy which everyone is eager to see. "We all realise that a fundamental criterion to evaluate economic performance is the relationship between cost of basic needs and incomes of the people."

At the start of the new year (2006), the JCTR *Basic Needs Basket* (BNB) for Lusaka recorded the cost of basic food items alone at K506,100. This is a marginal decrease in food costs from K512,100 last month. If costs of non-food items such as housing, water, energy, soap, etc., are added, the total cost of the Lusaka *Basic Needs Basket* for January comes to K1,415,650, which is a notable increase from K1,368,700 in December 2005. The *Basic Needs Basket* is a monthly survey of essential food and non-food items for a family of six living in one of six urban areas across Zambia. At the end of January, the BNB stood at K1,160,720 in Ndola, K1,054,640 in Kitwe, K922,290 in Luanshya and K917,140 in Kabwe.

Making comparisons across these urban areas, some marginal reductions were seen in mealie meal, vegetables and tomatoes in most places. However, a 25Kg bag of mealie meal increased on average by K200 in Luanshya and 1Kg of vegetables increased on average by K100 in Ndola. Also, marginal decreases were recorded on dry fish, eggs, milk and cooking oil in Lusaka, but these savings to customers were not regularly seen in the other BNB areas. In terms of increases, the price of charcoal continued to rise in all urban areas due to the rains, and rentals were also raised in some cases.

"While appreciating the complexities of the free market, shouldn't the Kwacha's appreciation have bearing on the cost of essential items in all parts of Zambia, especially with significant reductions seen recently in the cost of fuel, and correspondingly, transportation?" asks Muweme. "To some degree, the selling of commodities in Zambia is not being conducted freely and fairly."

During ongoing discussions on the Kwacha's appreciation and the 2006 National Budget, a primary focus should remain upon the cost of basic food items to all Zambians. This is one of the most important and basic assessments of good economic performance and favourable development conditions. For Zambians to find more affordable basic needs in the coming year, the 2006 National Budget must empower more farmers, especially small-scale farmers, to grow increased quantities of more diverse crops.

Unfortunately, only a modest percentage of the agriculture budget has been allocated to improving rural infrastructure and investing in irrigation. Also, with the introduction of 17.5% VAT tax on all agricultural inputs, small-scale farmers in Zambia, the majority who are poor, will now be paying 17.5% tax on inputs such as fertiliser, seed, equipment, etc. Will this lead to increased food prices in 2006?

At this point, the JCTR feels that it is unclear whether or not the 2006 National Budget and the strengthened Kwacha will lead to significant improvements in people's lives. "The basic question remains: what do the strengthened Kwacha and the 2006 National Budget promise for the lives of the Zambian people, especially the majority poor?"

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