

**JESUIT CENTRE FOR THEOLOGICAL REFLECTION
(JCTR)**

**MEMORANDUM ON THE IMPLEMENTATION OF MONTHLY FUEL PRICE
REVIEWS IN ZAMBIA**

SUBMITTED TO

**THE NATIONAL ASSEMBLY COMMITTEE ON
ENERGY, WATER DEVELOPMENT AND TOURISM MATTERS**

December 2023,

“A Just Zambian Society Guided By Faith, Where Everyone Enjoys the Fullness of Life”

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1.0 ORGANISATIONAL BACKGROUND

The Jesuit Centre for Theological Reflection (JCTR) is a faith-based research, education and advocacy Centre established in 1988. Over the years, the Centre has contributed to development discourse by conducting analysis and research on key social and economic issues affecting our nation. The organisational mandate is coined in our mission statement that aims “To Enhance Justice and Equality for all, Particularly the Poor and Marginalised, Through the Promotion of Christian Values, Empowerment, Care for the Environment and Provision of Policy Alternatives”.

The Jesuit Centre for Theological Reflection (JCTR) in Zambia has been a steadfast advocate and researcher in the realm of living standards and wellbeing. Founded on principles of social justice and ethical considerations, the JCTR has dedicated itself to understanding and addressing the multifaceted challenges that impact the living standards and overall wellbeing of individuals and communities in Zambia. Specifically, in the context of national development, JCTR takes keen interest in matters concerning the cost of living and its consequent impacts on the wellbeing of the Zambian people. In this regard, JCTR has in the past been awarded the opportunity to analyze and input towards a number of national matters of interest through various interventions. The Jesuit Centre for Theological Reflection (JCTR) stands as a stalwart entity in Zambia, dedicated to advancing the cause of social justice, advocating for policy changes, and striving to enhance the living standards and wellbeing of all individuals, especially the marginalised and vulnerable populations in the country.

The global economic crisis resulting from increased fuel costs has widespread implications across various sectors and nations. The fuel price review was first made on 16th December 2021 on the backdrop of the Government’s policy decision to scrap off fuel subsidies due to excessive government debt. Since then, the Energy Regulation Board (ERB) moved to a 30-day pricing cycle for Petrol, Diesel and Low Sulphur Gas oil (LSGO). The monthly review of domestic fuel prices means that domestic prices of petroleum products will heavily rely on the performance of international oil prices and the kwacha-dollar exchange rates which are highly volatile. Even in this context, working at bringing forward the interests of all Zambians and making recommendations of policy responses remains the core of the work done at JCTR.

2.0 INTRODUCTION

Zambia, endowed with natural resources and agricultural potential, has faced economic fluctuations over time. Historically reliant on copper mining, the economy witnessed vulnerabilities due to fluctuations in global commodity prices. However, in contemporary times, the surge in petroleum prices has added a new layer of complexity to Zambia's economic landscape. This surge in fuel costs has triggered a ripple effect across various sectors, compounding existing economic hardships and posing multifaceted challenges for the nation.

The monthly review of domestic fuel prices means that domestic prices of petroleum products will heavily rely on the performance of international oil prices and the kwacha-dollar exchange rates which are currently extremely volatile. Thus, prices will rise whenever a rise is recorded either in the international oil prices or when the Kwacha loses value against the US dollar. Likewise, domestic fuel prices will decline whenever international oil prices reduce or when the Kwacha gains value against the US dollar. The increased prices of petroleum products have drastically elevated transportation costs. Zambia heavily relies on road transport for both domestic movements of goods and international trade. This surge in fuel costs has directly impacted the transportation sector, causing a domino effect across various industries. The resultant increase in the prices of goods and services has not only affected domestic consumers but has also impacted Zambia's competitiveness in the global market.

Global factors such as the Russia-Ukraine war have had a significant impact on the rise in the international oil prices. However, this is being exacerbated by the Zambian Kwacha's depreciation which is attributed to many economic factors such as the unsustainably high Debt-GDP ratio reduced copper production and Zambia's struggle to effectively mobilise revenue within the country. Against this backdrop, fuel prices in Zambia are likely to rise further, and regular fluctuations of higher domestic fuel pump prices should be anticipated. The surge in fuel prices has posed macroeconomic challenges for Zambia, affecting fiscal and monetary policies. Increased import bills for petroleum products strain the country's foreign exchange reserves, impacting the stability of the currency. The Government remains confronted with the task of balancing the need for fiscal prudence with measures to mitigate the adverse effects on businesses and citizens.

In the 2024 National Budget, The Ministry of Finance and National Planning appreciates the role that energy plays in being a critical enabler of economic development as it cuts across various socioeconomic activities. The minister through his speech attributed the high cost of fuel to the rise in the price of the commodity where it is sourced from and the depreciation of the exchange rate. The budget plan prepared by the Ministry of Finance and National Planning in 2022 indicated that Zambia's economy is projected to grow by just 2.7% in 2023, down from 4.7% in 2022, as contractions in the mining and energy sectors restrain growth. Industries, particularly small and medium enterprises (SMEs), have faced the brunt of elevated fuel prices. SMEs, crucial for employment generation and economic diversification, have encountered challenges in sustaining operations due to increased overheads. This has led to reduced profit margins, potential job losses, and a slowdown in business growth. The socioeconomic implications of high fuel prices are far-reaching. Going forward, based on improvements in macroeconomic conditions and the enactment of reforms, the budget plan projects that Zambia's GDP will grow by 4.8% in 2024, 4.3% in 2025, and 5.0% in 2026. We however as the JCTR envisage that for the country to experience these projected growth rates, Zambia must work to restore fiscal sustainability and create a positive image on the global scene.

The rapid depreciation of the Kwacha against the United States Dollar and other major convertible currencies is threatening to worsen the already dire cost of living in the country. The Kwacha had been appreciating since around October 2022, with intermittent marginal appreciations followed by more rapid depreciations since which have boosted inflationary pressures. The Zambian Kwacha has significantly depreciated, reportedly making it one of the worst-performing currencies in the world. To address this issue, the Bank of Zambia has made adjustments to the Kwacha and Foreign Currency Statutory Reserve Ratio in an effort to control the free-falling Kwacha. In February, 2023, the Bank of Zambia increased the statutory reserve ratio by 2.5 percentage points to 11.5. Recently, in November 2023, Bank of Zambia announced that it had adjusted upwards the statutory reserve ratio by three percentage points, from 11.5 percent to 14.5 percent. While JCTR commends the Central Bank for its efforts to stabilise the kwacha's depreciation, it remains true that the decision to raise the statutory reserve ratio by the Bank of Zambia is not the lasting solution to the adverse exchange rate and high inflation in the country. The rise in fuel prices has contributed significantly to inflationary pressures within the Zambian economy. The increased cost of transportation has translated into higher prices for

essential commodities, thereby straining household budgets. The cost of living has risen sharply, affecting the purchasing power of individuals and exacerbating socioeconomic disparities.

Lower-income households, already vulnerable, face increased hardships due to elevated costs of transportation, cooking fuel, and basic necessities. This exacerbates poverty levels and creates social tensions, widening the gap between different segments of society. Zambia's economic challenges in the wake of soaring petroleum product prices represent a complex interplay of factors affecting various sectors and strata of society. JCTR suggests that addressing these challenges requires a comprehensive approach encompassing policy interventions aimed at mitigating immediate impacts, fostering economic resilience, and promoting sustainable and inclusive growth to safeguard the welfare of its citizens.

Driven by the desire for a just Zambian society guided by faith, where everyone enjoys the fullness of life, JCTR, has taken time to analyse the impact of monthly reviews on fuel prices on the nation's economy particularly, using the social justice lens. The subsequent sections below highlight our submissions to this Committee.

3.0 THE LEGAL AND POLICY FRAMEWORK GUIDING PETROLEUM PRODUCT PRICING IN ZAMBIA

Zambia, like many countries, operates within a legal and policy framework that guides the pricing of petroleum products. The regulatory structure is designed to ensure fair pricing, market stability, and sustainability in the petroleum sector.

3.1 LEGAL FRAMEWORKS

ENERGY REGULATION ACT OF 2019 (NO. 12 OF 2019)

The legal basis for petroleum product pricing in Zambia primarily revolves around the Energy Regulation Act of 2019. This legislation repeals and replaces the Energy Regulation Act of 1995. The Act provides for the licensing of enterprises in the energy sector; continue the existence of the Energy Regulation Board and re-define its functions; re-constitute and revise the functions of the Board.

The Energy Regulations Act provides Zambia's legal framework for the regulation and pricing of energy products, including petroleum and empowers the Energy Regulation Board (ERB) as the key regulatory authority overseeing the petroleum sector. The ERB functions as an autonomous body responsible for regulating the supply, pricing, and quality of petroleum products in Zambia. It operates within the confines of the law to ensure transparency, efficiency, and fairness in the pricing mechanism. The ERB implements a cost-plus pricing mechanism, often based on import parity pricing. This approach considers various factors such as international market prices, transportation costs, taxes, levies, and profit margins to determine the retail prices of petroleum products in Zambia. Importantly, the ERB periodically reviews and adjusts these prices in response to fluctuations in global oil prices and changes in domestic factors affecting the petroleum market.

PETROLEUM (EXPLORATION AND PRODUCTION) ACT, 2008 (NO. 10 OF 2008)

This Act is a piece of legislation that governs the exploration, production, and development of petroleum resources in Zambia. The Act was designed to regulate the petroleum industry within the country and outlines various provisions related to licensing, exploration, production, environmental protection, and revenue sharing. The Act provides for title to and control of petroleum in Zambia; to provide for the continuation of the Petroleum Committee and revise its functions; to provide for the constitution of the Petroleum Technical Committee and define its functions; to establish a Petroleum Environmental Protection Fund; to provide for the registration of the National Petroleum Company; to establish the Petroleum Trust Fund; to repeal and replace the Petroleum (Exploration and Production) Act, 1985; and to provide for matters connected with or incidental to the foregoing.

Through this Act the ERB is able to covers aspects related to the fiscal terms, royalties, taxes, and revenue sharing between the government and petroleum companies involved in exploration and production activities. The Zambian Petroleum (Exploration and Production) Act of 2008 establishes regulatory bodies or authorities responsible for overseeing and regulating the petroleum sector, ensuring compliance with the provisions of the law, and in line with the country's interests. Fuel prices in Zambia are largely determined by the movements in the international oil prices and the exchange rate between the Kwacha and the United States Dollar. Other factors that influence the price of fuel include changes in other associated costs, fees, taxes, levies, charges as well as pumping fees and the processing fees. As a result, Zambia imposes taxes and levies on petroleum products, contributing significantly to the final retail price. These include the excise duty, Value Added Tax (VAT), road levy, and other miscellaneous charges. The government periodically revises these taxes and levies, impacting the overall pricing structure.

3.2 POLICY FRAMEWORKS

In addition to the legal framework, Zambia's government has formulated various policies that guide the petroleum sector. These policies encompass aspects of market regulation, energy diversification, environmental sustainability, and consumer protection while ensuring sustainable growth and benefits for the country.

NATIONAL ENERGY POLICY 2019

This policy outlines the broader energy strategy for Zambia, encompassing various energy sources, including petroleum. It focuses on ensuring energy security, promoting efficient energy use and facilitating the development of diverse energy resources, including petroleum. The overall objective of the National Energy Policy 2019 is to achieve optimal energy resources utilisation to meet Zambia's domestic and non-domestic needs at the lowest total economic, financial, social, environmental and opportunity cost and establish Zambia as a net exporter of energy. In tandem with the Petroleum (Exploration and Production) Act (2008), Zambia has specific policies that focus on the exploration and production of petroleum resources. These policies aim to attract investment, facilitate exploration activities and establish regulations for the responsible extraction of petroleum.

FISCAL POLICIES

Pump prices in Zambia are now at record highs and, with global prices rising and the local currency weakening, the trend is unlikely to reverse in the near future. In a bid to achieve fiscal discipline, since December, 2021 the Government *scrapped off subsidies on fuel* so as to migrate to *cost reflective pricing* that has been subjected to a monthly review basis. The Government also converted the Tazama Pipeline from a carrier of petroleum feedstock to a transporter of low-sulphur diesel in order to reduce diesel prices.

Unfortunately, the impact of this has not been fully appreciated as the overall cost of petroleum prices has escalated dramatically, much to the dismay of consumers. JCTR holds the view that as long as the global dynamics that have driven crude oil prices higher persist and with no relief provided to stabilise the Kwacha depreciation, fuel prices are likely to remain high. We agree with the Government's sentiments that escalating fuel prices are a lesser evil than subsidies (given the background of accumulated arrears of fuel stock), which allow for funding other interventions such free education. However, an uncontrolled escalation in the price of petroleum products will have multiple knock-on effects that keep the cost of living high and make achieving sustained economic growth challenging.

These policies collectively form the framework that guides the development, regulation and management of the petroleum sector in Zambia, emphasising responsible resource utilisation, economic growth, environmental sustainability and the country's overall energy needs. While the framework is designed to ensure a fair and transparent pricing mechanism, challenges persist. Fluctuations in global oil prices, currency volatility, infrastructural limitations and taxation policies contribute to pricing complexities. Balancing the need for affordable prices for consumers, while ensuring the sustainability of the petroleum industry remains a continuous challenge.

4.0 RATIONALE BEHIND THE IMPLEMENTATION OF MONTHLY FUEL PRICE REVIEWS IN ZAMBIA

Petroleum plays a pivotal role in the economic development of every developing country and Zambia is no exception. The price of these commodities is of interest to key stakeholders in the sector: The Government, seeking revenue; Oil Marketing Companies requiring an acceptable return on their capital investment; industry players needing reliability and price stability; consumers and the general public who ultimately rely on a pricing structure in line with inflation and affordability. For developing countries, access to gas and petroleum play an additional role of stimulating development in less developed/rural areas. Once a fuel station is opened in a rural area, not only does it serve to provide the primary function of providing fuel, but it results in the mushrooming of other industries such as guest houses, entertainment spots and employment opportunities for the local population. In addition, local tourism may be enhanced.

In December, 2021, the Energy Regulation Board (ERB) made a pivotal decision to shorten the fuel price review cycle from 60 to 30 days, aiming to enhance the responsiveness of domestic fuel prices to changes in exchange rates and international oil prices. This frequent review cycle aims to offer consumers the benefit of quicker adjustments in fuel prices in response to market conditions. The implementation of monthly fuel price reviews in Zambia serves as a mechanism to ensure a more responsive and transparent approach to managing fuel prices within the country. This strategy is typically driven by several key rationales that cater to both economic and social

considerations. However, JCTR notes that the heightened volatility has presented challenges for consumers, businesses and policymakers alike.

After years of excessive government borrowing drove its debt burden above 120% of GDP. It currently owes \$16 billion in external debt alone, leading Zambia to be the first sovereign African country to default on its debt servicing obligations in November 2020 during the Covid-19 pandemic. Zambia's debt includes \$3 billion in international bonds, \$2.1 billion to multilateral lending agencies such as the IMF and another \$3 billion to China and Chinese entities. True to the New Dawn Government's commitment to bringing Zambia's debt to sustainable levels, subsidies were removed so that the limited national resources can be allocated to other expenditures. The IMF extended credit facility package that is required in order for Zambia to restructure its external debt demands that Zambia reduces its fiscal deficit and removes inefficient subsidies which the country has on power, fuel and farming. This removal of subsidies subsequently led to price increases on fuel pump prices. Non-discretionary subsidies on the consumption of fuel in particular are seen by many economists as a wasteful use of state resources. Before the subsidies were scrapped off the Minister of Finance and National Planning accounts that Zambia was spending \$67 million a month subsidising fuel. While JCTR commends strides made to revive Zambia's economic performance, it is noteworthy to state that subsidises for a population already suffering from an economic recession worsened by COVID-19 have resulted in high costs of living and increased poverty.

5.0 THE EFFECT OF MONTHLY FUEL PRICE REVIEWS ON THE COST OF LIVING AND THE ECONOMY

The impact of monthly fuel price reviews on the cost of living and the economy in Zambia is a multifaceted issue that affects individuals, businesses, and the overall economic landscape. This is due to the fact that fuel prices are intricately linked to various aspects of daily life and economic activities, making fluctuations in these prices consequential.

The cost of living is directly impacted by changes in fuel prices. Fuel is a fundamental component in transportation, affecting the prices of goods and services across the board. When fuel prices increase, transportation costs rise, leading to higher prices for commodities, groceries and transportation services. This inflationary pressure creates a domino effect, impacting household budgets and reducing the purchasing power of consumers. The Zambian lower-income groups are particularly vulnerable to these changes, as they spend a higher proportion of their income on essential goods and transportation.

KEY DRIVERS OF BNNB MOVEMENTS & IMPACT ON PEOPLE

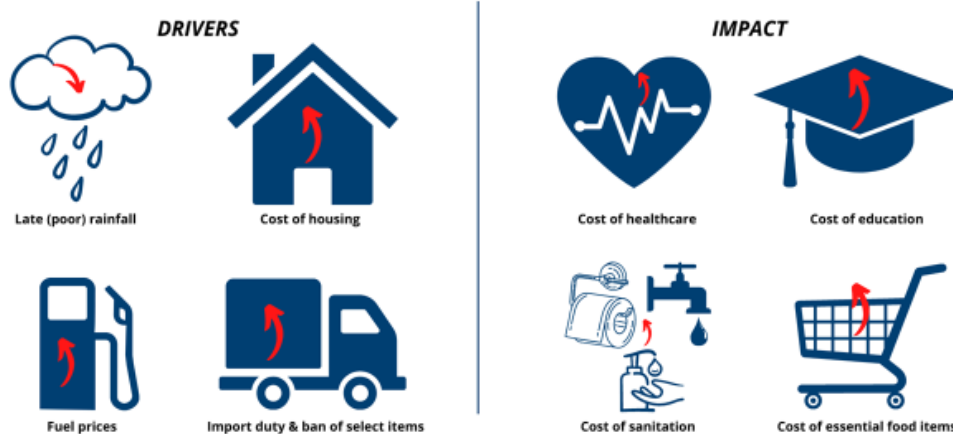


Figure 1: Drivers of the Cost of Living

The economy as a whole is significantly influenced by fuel price fluctuations. Industries that heavily rely on transportation such as logistics, agriculture and manufacturing, experience

increased operational costs when fuel prices surge. These businesses often pass on these extra costs to consumers, contributing to overall inflation. As it stands, the monthly reviews of the fuel prices have subjected the manufacturing sector to such an unpredictable policy adding to inconveniences they already face. The manufacturing sector has been grappling with supply chain disruptions triggered by the COVID-19 pandemic, where goods would move between a month and three months, travel time had extended to a period as long as six to twelve months. Thus, manufacturers cannot use ‘just in time’ principles but have to order raw materials and other stock way in advance hence disturbing their cash flow. Further, electricity disruptions are usually unannounced and without schedule thus increasing down times for production. And consistent fluctuations in the depreciation of the Kwacha have made it difficult for manufacturers to effectively operate. JCTR worries that factors such as these hold the potential to deter investment in this sector thereby hampering economic growth and development.

The monthly nature of these fuel price reviews can introduce instability and uncertainty in the market. Businesses and consumers struggle to plan effectively when faced with frequent changes in fuel prices. Long-term investment decisions become challenging as forecasting becomes more uncertain, impacting growth and development initiatives.

However, there can be positive outcomes as well. Regular fuel price reviews allow for more responsive adjustments to global oil market fluctuations. This adaptability can sometimes mitigate sudden price shocks and ensure a more stable supply of fuel within the country. It can also encourage the development of alternative energy sources and more fuel-efficient technologies, fostering innovation in the long run.

6.0 THE EFFECTS OF THE MONTHLY REVIEWS OF FUEL PRICES ON THE FOOD BASKET

The monthly reviews on fuel prices in Zambia have substantial repercussions on the country's national food basket. The national food basket refers to the collection of essential food items that form the core of a typical household's dietary needs. The Basic Needs and Nutrition Basket was developed by estimating the minimum cost of a diet that provides a household's recommended nutrient intake taking into account local food habits and the principles of a healthy diet. A linear programming software, the Cost of Diet (CoD), was used to select the least expensive

combination of foods for a diet that meets energy, protein, fat and micronutrients for a family of five over the period of a month. A realistic amount of food that can be consumed in one meal was also allocated using CoD. The software determined portion sizes for each food per meal in order to promote dietary diversity. The nutrient requirements for individuals are the Estimated Average Requirements (EAR) as recommended by the Food Agriculture Organisation (FAO) and World Health Organisation (WHO) for individuals by age, sex and physical activity. Fluctuations in fuel prices directly impact the production, distribution and accessibility of these food items, thereby influencing food security and the overall well-being of the population.

Energy is one of the key drivers behind the cost of living in Zambia. The prices of fuel directly affect transportation costs which are a significant component of food production and distribution. When fuel prices increase, transportation expenses surge, thereby affecting the entire supply chain of food items. Farmers rely on transportation to move agricultural inputs such as seeds, fertilizers and equipment, to their farms. Additionally, transporting harvested crops to markets or processing facilities becomes more expensive. These increased costs ultimately impact the final retail prices of food items. The availability of food items in different regions of Zambia is affected by fuel price fluctuations. Rural areas, where agricultural production often takes place, may face challenges in accessing essential goods if transportation costs rise significantly. This leads to localised shortages and price disparities, affecting the affordability and accessibility of food for those in remote or less economically developed regions.

The cost of imported food products is also influenced by changes in fuel prices. Zambia, like many other countries, relies on imported goods to supplement domestic production. Higher fuel prices lead to increased transportation costs for imported food items, which can contribute to higher prices on the market shelves. The impact of fuel price reviews on the national food basket is particularly significant for vulnerable populations. Low-income households spend a substantial portion of their income on food. When prices rise due to increased transportation costs, these households face difficulties in affording an adequate and nutritious diet. This situation can exacerbate food insecurity and nutritional deficiencies among already vulnerable groups, including children and the elderly.

To mitigate the effects of monthly fuel price reviews on the national food basket, JCTR believes that policymakers need to adopt measures that safeguard food security and affordability. This might include targeted support programs aimed at reducing the impact of increased transportation costs on food prices. This should also be matched by encouraging local agricultural production through incentives and support for smallholder farmers to contribute to a more resilient food system, which reduces reliance on imported goods and promotes local production. The country can minimise the vulnerability of the national food basket to international market fluctuations influenced by fuel prices.

The monthly reviews on fuel prices in Zambia significantly affect the national food basket. These fluctuations impact the production, distribution, availability and affordability of essential food items, thereby influencing food security and the well-being of the population. Addressing these challenges requires a comprehensive approach that focuses on supporting local production, improving transportation efficiency and implementing measures to protect vulnerable households from the adverse effects of rising food prices

Figure 2: Lusaka BNNB Highlights 2019-2023

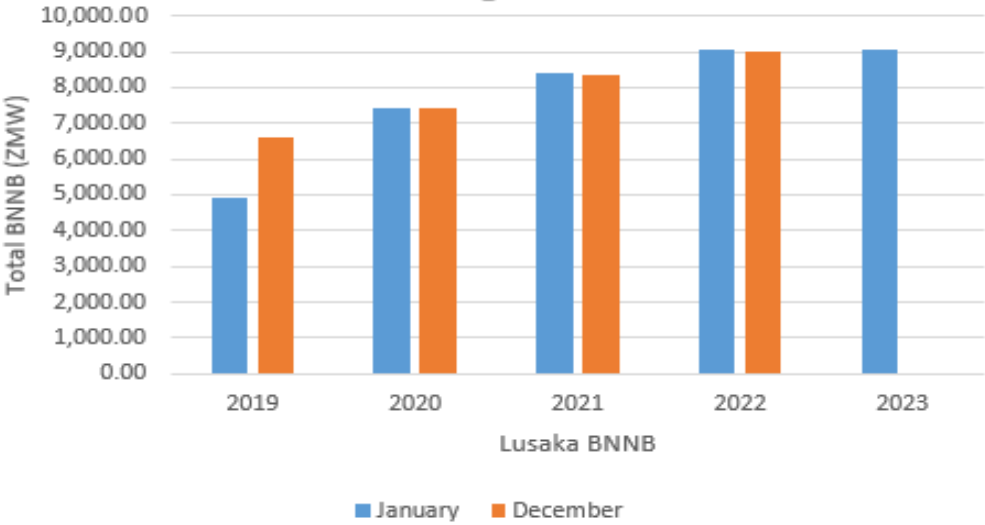
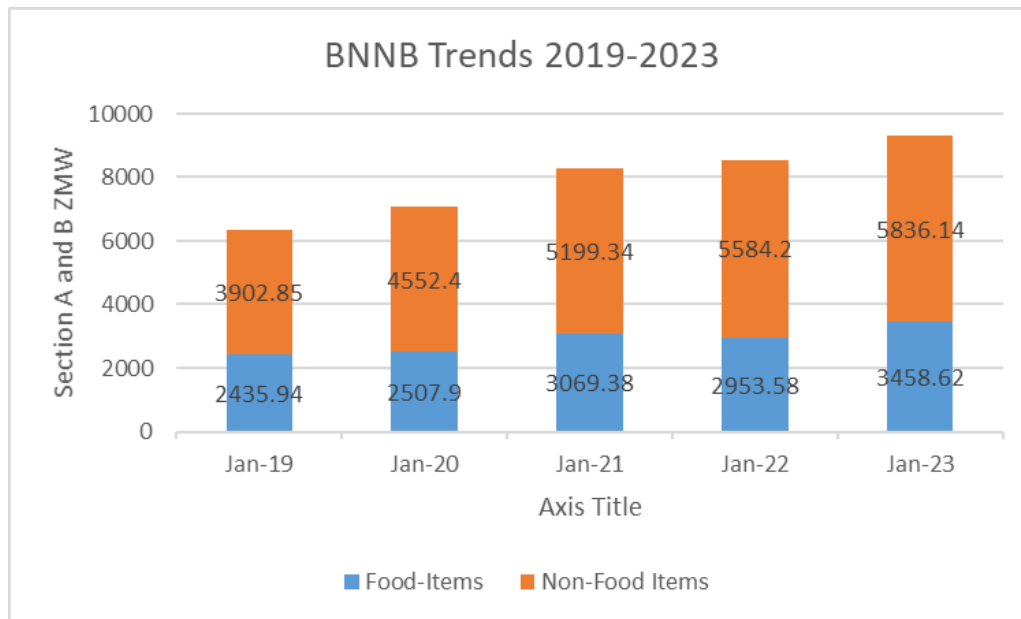


Figure 3: Food and Non-Food Items 2019-2023



7.0 CHALLENGES AND OPPORTUNITIES IN THE IMPLEMENTATION OF MONTHLY FUEL PRICES

Challenges

a) Volatility of the International Prices

Likewise, Zambia depends solemnly on importations of the fuel commodity and this is dependent on the prices of the how the kwacha and dollar relate. Firstly, it is important to note that the cost of fuel and the performance of retailers are not mutually exclusive because most activities along the supply chain have a significant bearing on the final price that the retailers will charge. On the other side of the equation, fuel upsurge will have a strong impact on consumers' pockets as the current cost of living makes it challenging for people to manage their finances.

b) Transparency in Procurement Process

The Energy Regulation Board with regards to issues of transparency substantially is rated low despite providing for provision where the general public and stakeholders are able to access to key regulatory documents from the authority's website with hard copies available on request – not all major regulatory decisions are accessible to the public. In addition, prices of the fuel commodity tend to haphazardly increase which can be attributed to the procurement processes

involved in the purchase of fuel and also the way specific companies are awarded tenders and how the best bidder is determined.

Going further, there is need to shorten the procurement cycles so as to adequately track all fundamental processes this is so as to strengthen oversight and monitoring.

c) Infrastructure Development Challenges

The storage of petroleum is crucial to its supply because an inappropriate and inefficient structure for the storage of Petroleum resources and products can lead to immeasurable loss to the producers, citizens, communities, and the country. Extraction of products is not the only important process in the production cycle of petroleum resources. It could also mean pending danger to the locality where such defective storage is situated. Therefore, it is important to ensure that the storage facilities have a security system that is not easily breached and can stand the test of time. This will prevent undue and unauthorized intrusion into the storage depot. These measures will prevent damage to storage equipment, theft of oil, amongst others.

d) High Tax Regimes on Fuel

Zambia being one of the countries with the highest tax regimes on fuel, the current high tax rates and levies applied on fuel the Government must revisit and reform the controls and taxes that govern the petroleum procurement system in order to allow greater competition in the market, which ultimately eliminates any expensive procurement procedures.

Subsequent looking at government's decision to reintroduce Value Added Tax (VAT) on fuel. In 2021, a Statutory Instrument (SI) zero-rating Value Added Tax on imported petrol and diesel was issued. However, government recently reintroduced VAT on fuel as it is one of the conditions that come with the International Monetary Fund (IMF) bailout package.

This greatly having an effect on other factors that can initiate a price adjustment these changes in cost structure such as levies, duties fees, margins for transporters, Oil marketing companies OMC's or dealers and pumping or processing fees. Therefore, government must consider reducing the rate of taxes on petroleum products

Opportunities

a) More investment in the energy sector especially storage – transportation logistics

Because of its attractive nature the energy sector has great potential to attractive massive investments especially with regards to proper storage and transportation logistics, this area has great potential for investment despite it facing a gap therefore leading to less storage facilities

and this greatly affects the surging prices. Lastly it is important for more investment in this area as it will help balance up the constant fluctuating fuel prices.

b) Consumer Awareness

Monthly reviews create awareness among consumers about the factors influencing fuel prices. This transparency fosters understanding and may reduce dissatisfaction or misconceptions about price changes. Regular reviews offer a feedback loop for stakeholders, allowing them to provide input or express concerns about the fuel pricing system. This engagement can contribute to continuous improvement.

c) Government Revenue

For governments that heavily tax fuel, monthly reviews offer a mechanism to adjust tax rates in response to global oil price changes. This flexibility can help maintain government revenue while ensuring fair fuel prices for consumers. This narrative remain true for the Zambian government treasury as Zambia did owe unpaid bills for petroleum products (of \$480 million” and was spending \$67 million a month subsidising fuel. Monthly reviews also provide a mechanism to adapt to changing economic conditions, ensuring that fuel prices align with broader economic trends and challenges.

8.0 RECOMMENDATIONS

To mitigate the effects of monthly fuel price reviews in Zambia, JCTR makes the following recommendations:

1. The Energy Regulation Board (ERB) should promote clear communication regarding the reasons behind fuel price fluctuations and be more transparent in the factors influencing price changes to help the public and businesses understand the rationale behind the reviews. This should also be complimented by allowing for a transition period for businesses and consumers to adapt to new fuel prices.
2. The government should use social protection programmes as a means to implement targeted subsidies for vulnerable groups to cushion the impact of higher fuel prices on low-income households. Direct subsidies or social welfare programs help alleviate the burden on those most affected. This can help keep prices stable and affordable for consumers, especially for low-income households.

3. The Energy Regulation Board (ERB) must work towards the predictability and stability of the fuel pricing mechanism. While monthly reviews may continue, stabilising the rate of change or providing forecasts will assist businesses in planning and reduce uncertainty. Key stakeholders such as businesses, consumer groups and experts should be engaged in the decision-making process related to fuel pricing. Their input will provide valuable insights into the practical implications of price changes.
4. Develop long-term energy policies that focus on reducing dependency on fossil fuels, promoting energy diversification and investing in sustainable energy sources. This should be implemented by encouraging the adoption of alternative energy sources and more fuel-efficient technologies such as promoting renewable energy use, investing in public transportation and incentivising energy-efficient practices in industries.

JCTR hold the view that implementing these recommendations in a coordinated and sustained manner can contribute to mitigating the adverse effects of monthly fuel price reviews on the cost of production, cost of living and national food basket, ensuring the well-being of the Zambian population.

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