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BNNB Statement

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Securing Livelihoods in Light of the High Cost of Living: The 2025 Budget and Medium Term Expenditure Framework

As the nation navigates another budget cycle, it's crucial for all Zambians to engage in the national planning and budgeting process. The Ministry of Finance and National Planning, in line with the Planning and Budgeting Act of 2020, has called for budget proposals to ensure inclusive participation. Amid economic challenges faced by Zambians such as rising inflation, drought and high levels of unemployment, it is imperative that as policies are being debated and formulated, policy makers ensure that they respond to the needs of the people by increasing financing for social spending and poverty reduction.

In disseminating the April 2024 Basic Needs and Nutrition Basket (BNNB), the Jesuit Centre for Theological Reflection (JCTR) focuses its analysis on this critical exercise mostly because the budget is a powerful economic tool that influences the direction of economic policy and other development initiatives.

The cost of living for a family of five as measured by the BNNB now stands at K10, 348.08 for the month of April 2024 representing a K255.14 reduction in the total basket compared to the month of March. The reduction in the basket was primarily attributed to lower charcoal prices dropping to K343.33 from K428.33 for a 90kg bag. Additionally, it was observed that the price of some food items also reduced. Notably the price of 40 kg of vegetables reduced to K511.97 from K571.93 while the price of 1kg of fruits such as apples and oranges reduced to K37.12 from K43.23.

The persistently high cost of commodities in the market, as underscored by the basic needs and nutrition basket, remains a pressing concern. This reality is particularly alarming amidst widespread unemployment, disproportionately impacting women and youth. Incomes remain stagnant while non-discriminatory taxes, such as Value Added Tax, continue to burden consumers. While these taxes serve as an important revenue source for the government, they must be implemented carefully to avoid disproportionately burdening certain groups, especially low-income individuals and families.

In light of the above, the Centre puts forth the following recommendations to bolster financing for poverty reduction.

1. **Strengthening Social Sector Spending:** Allocate funds to strengthen social safety nets aimed at supporting vulnerable populations, particularly women and youth affected by unemployment.
2. **Small Business Support:** Implement targeted support initiatives aimed at small businesses and entrepreneurship programs to not only stimulate economic growth but also to address the pervasive issue of limited access to finance.
3. **Tax Reform:** Consider tax reforms to ensure that non-discriminatory taxes like VAT do not disproportionately burden low-income individuals and households. For instance, a significant example of non-essential items listed on the BNNB is sanitary towels. Despite sanitary towels being subject to a 5% customs duty rate, consumers still incur a 16% VAT on the product. This heightens the societal inequalities experienced by women and girls.

Similarly, raising awareness about safe usage of alternative energy sources for household cooking and heating is crucial. Charcoal, though widely used, is costly (K343.33/90kg bag) and harmful to health and the environment. Encouraging alternatives like Liquefied Petroleum Gas (LPG), which has no customs duty, is important despite challenges in infrastructure, accessibility, and affordability.

4. More broadly there is a need for more initiatives through the national budget to provide cost of living relief, particularly for the dignity of vulnerable groups. These might include revising upwards the PAYE non tax thresholds and low tax band rates to provide more disposable income for workers, capitalizing on VAT and corporate tax.

As a Center we would like to encourage various stakeholders to continue engaging the government on this critical development process. Citizens participation in the budgeting process ensures and strengthens transparency and accountability in the governance process. It is through effective and efficient policy implementation that the country would achieve its Vision 2030 of a prosperous middle income country.

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