

Short Term Costs and Long-term Effects

Belated Easter greetings! An old Lozi proverb sums up well the contrast between Good Friday and Easter Sunday: *Ailoola anakene* (After it darkens, it brightens again). The earlier suffering of the crucified Christ, sorely wounded and dying, should fill us with compassion for victims of injustice. And while in our worship and witness we comfort the afflicted, we need also to afflict the comfortable, and while loving the world and seeking peace we also need to speak out for justice, offering ourselves to him who loved us and gave himself for us.

In light of the above, the Jesuit Centre for Theological Reflection (JCTR) Basic Needs Basket has revealed that the cost of living in March 2014 for an average family of five living in Lusaka increased by K71.44 from K3,616.28 in February to K3,687.72. The increase is mainly attributed to the rise in the cost of mealie meal which rose from K68.00 to over K82.00 per 25kg bag of Breakfast in many parts of the country.

The government is being urged to ensure that the price of mealie meal does not increase any further as it will adversely affect and exacerbate the already eroded coping strategies of the majority of Zambians who depend on this staple food and who have very limited opportunities to escape the poverty trap.

Below is the full press statement:

“Mealie meal which is a staple food in Zambia must to be readily available to the greater majority of the citizens. However, during the month of March, the price of breakfast mealie meal sharply increased from ZMW68.00 to over ZMW82.00 per 25kg bag in some parts of the country making it difficult for many to access the commodity. The high cost of mealie meal is very saddening and alarming especially for a country whose staple food is maize. The increasing systematic exclusion of families in accessing a 25 Kg bag of maize meal has been compounded by the reality that over 60% of the population is living in absolute poverty and depends heavily on maize and maize supplements for their dietary needs. Further, it has been observed that the price of mealie meal remains high despite the various interventions by the government.

The fall in the value of the Kwacha has also contributed to the high cost of mealie meal due to the increase in the cost of importation of production related inputs needed by millers. This has adversely affected people’s livelihoods and coping capabilities as it inadvertently pushes up the cost of production of goods and services thereby making the cost of goods and services beyond reach of ordinary citizens.

The cost of living has generally increased owing partly to the fact that key accounts of inflation which include prices of basic food items and non food items have continued rising. The Central Statistics Office (CSO) Report, The Monthly for the month of March affirms that annual food inflation has risen by 0.1 percentage point

from 7.5 % to 7.6% while non-food inflation rate has increased by the same rate from 7.7% to 7.8% from February to March 2014. This simply means that there is an upward thrust on the average prices of goods and services particularly over the first quarter of 2014 as evidenced by both the rising cost of Basic Needs Basket (BNB) and the CSO Consumer Price Index (CPI) for the months of February and March 2014.

JCTR is concerned with the rising cost of living due to its adverse effects on majority of the citizens as evidenced by the failure of some families to meet the cost of a 25Kg bag of maize meal. Survey findings from peri-urban markets show that there is a sharp increase in demand for small unit repackaged mealie meal popularly known as Pamela. This is indicative of the systemic increase in the number of families living from hand-to-mouth in peri-urban areas. Local traders of the commodity justify the high prices on grounds that millers have not reduced the wholesale price despite government intervention.

Therefore, on a general scale, the cost of living for the month of March 2014 as measured by the JCTR's Basic Needs Basket for an average family of five living in Lusaka stood at K 3,687.72. This reflects an increase of K71.44 compared to the month of February 2014 when the basic needs basket stood at K3, 616.28. The increase is mainly due to the rise in the cost of mealie meal. However, there has been a minimal decrease in the price of beef from K30.58 to K29.36 per kg, which translates into a net decrease of K1.22. Conversely, during the month under review, the price of onions, due to the commodity's season induced scarcity is showing an upward price trend from K6.12 to K8.78 per kg

The government must therefore intervene, both in the medium and long term, in the rising cost of mealie meal bearing in mind that Maize pricing is overtly over-sensitive to market forces and weather patterns.

Further, the JCTR urges the government to ensure that the price of mealie meal should not increase any further as it will adversely affect and exacerbate the already eroded coping capabilities of the majority of Zambians who depend on this staple food and often have very limited escape opportunities from the poverty trap. Additionally, we urge the government to ensure a stable macro-economic environment buttressed on consistent and sound economic policies rather than political imperatives. We also add that the depreciation of the Kwacha must be squarely addressed as millers are transferring the cost to the consumers.”

To add further fuel to the fire of inflation, the Energy Regulation Board increased fuel prices by an average 8.3 percent in mid-April, following the depreciation of the Kwacha against the United States Dollar.

Petrol has been increased by 7.22% to K10.63, Diesel by 8.75 percent to K10.01 and Kerosene by 9.45 percent to K7.40, while the wholesale prices have been adjusted by 11.15 percent. This will affect transport costs such as fares, utility bills, haulage and delivery as well.

Another knock-on effect in an underdeveloped economy such as Zambia is that rising food costs and static wages push more people into poverty and these factors worsen the nutritional status and hence the health of many people. To cope people reduce on the quality and quantity of food consumed which leads to hungry adults and children who cannot perform, develop or grow well. It is a hand-to-mouth existence that makes any savings impossible.

Expensive food-stuffs means less meat, chicken, eggs fish milk fruit and vegetables being consumed, which are sources of protein and vitamins. It also means that a higher proportion of stretched incomes is spent on basic foods. To help balance the budget less nutritious food is consumed less frequently, usually exclusively high carbohydrate staples, despite this putting them at risk of malnutrition.

Again the most vulnerable groups, those most requiring good nutrition are most affected: young children, pregnant and breast-feeding mothers, the chronically ill and those living with HIV. Other obvious consequences are stunted and underweight infants, an increased proneness to sickness by all, poor school performance by pupils and lower productivity amongst the work-force. It is not just quantitative economic indicators that are affected but qualitative social development is also stunted. The main thing is to stabilize prices to make good food more affordable to the vulnerable nation-wide.

And Be Sure Your Sins Will Find Ye Out!

In contrast to the majority of Zambians struggling to make an honest living we have this week seen another example of the cynicism and rapacity of the multi-national companies who mine Zambia's copper and who in their own way too are often struggling to make an honest living as well!

Mr Anil Agarwal, the Chairman of Vedanta Resources, the majority shareholder of Konkola Copper Mines, was reported to have unwisely boasted in an unguarded moment that KCM PLC is making an annual profit of \$500 million after buying the mine in 2004 from the Zambian Government for a song at \$25 million. There is apparently video footage of the comment posted on You Tube

Vedanta Resources were quick to try and correct this misunderstanding. A spokesperson for "Corporate Social Responsibility" said the comment was made at a business forum in India, apparently he was speaking engagingly about the human side of running a multi-national business. The CSR went on to say that comment regarding the acquisition was "anecdotal" unfortunately it was pounced upon by an "activist" and "used negatively and out of context." Furthermore the CSR spokesman continued that nearly all the returns from KCM were re-invested in the mining company. However, this type of 're-investment' is often nothing more than a form of aggressive tax-avoidance.

The Zambia Revenue Authority will now investigate and see if KCM have been paying their due taxes to the Government. It will be interesting to see if this statement on profits is at variance with the profits declared to the Tax Authorities and if there is need to make adjustments with the resultant penalties and interest.