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## CTPD CALLS FOR CONSENTED EFFORT TO ADDRESS THE COST OF LIVING

Government has continued to pursue various policy interventions aimed at steering sustained economic growth. Several reforms have been announced and/or effected post the August 2021 elections, with the removal of some fuel subsidies in December of 2021 being a key highlight in policy conversations. Expectedly, this triggered an instantaneous rise in pump prices of fuel and a consequent increase in transportation costs, which together account for the first-round effects of increased energy prices. The second-round effects will occur over the medium-term, premised on increased output prices for commodities whose production and distribution require the use of fuel.

Since the onset of COVID 19, the cost of living for a family of five as measured by the Jesuit Centre for Theological Reflection (JCTR) Basic Needs and Nutrition Basket (BNNB) increased substantially in excess of K8, 500 in 2021 from around K5, 979.57 in 2019. Premised on upside risks such as rising energy costs, the cost of living will remain high over the foreseeable future, all things equal. We therefore cannot overemphasize the need for consented effort to abate the impact thereof, as we rebuild the economy.

As the Bank of Zambia constantly seeks to find the right balance between lowering interest rates to induce liquidity and raising them to combat demand-pull inflation, there will be need to exploit various other competent intervention centers for reducing output prices and these should include trade and energy policy.

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Trade policy that stimulates value addition and a diversified export base driven by increased non-traditional exports will support sustained foreign exchange receipts, underpin the stability of the Kwacha and a slowdown in headline inflation. There is a need to exploit more opportunities for bilateral trade within the region and beyond. Particularly, the Democratic Republic of Congo (DRC) continues to be an untapped market for agricultural output.

Every farming season, the Ministry of Agriculture deals with the trade off between effecting export bans on Maize to ensure food security and lifting these bans to enhance regional trade. Going forward, it will be key for agricultural policy that seeks to ensure food security to drift away from export bans, as indicated in the 2022 National Budget. The focus should lean more on stimulating production that yields enough output for consumption and export. In this regard, a plausible intervention will be to empower the Zambia National Service (ZNS) into growing more food to support the cause. This should be complimented by deliberate policy to address the dampening effect of climate change on crop yield by investing more in irrigation initiatives to reduce overdependence on rain-fed agriculture, especially for small-holder farmers. The completion of the Kazungula bridge in Southern Province also offers more opportunities for bilateral trade with Botswana and other countries on the southern block.

On the other hand, energy policy should explore the scope for energy switching and substitution possibilities to manage demand and moderate energy-induced inflation. Efficiency in procurement processes is key in reducing energy costs. In this regard, we recognize government's intent to restructure the fuel supply chain which has seen the removal of some fuel subsidies and the placement of Indeni Oil refinery on care and maintenance. Beyond this, Government should explore long-term energy substitution initiatives anchored on the use of hydro-electric power and coal in place of petroleum and encourage the use of solar energy to meet some industrial, commercial, and household needs thereby reducing demand for diesel. In the mining sector, mines employ diesel generators to ensure stable power supply in the face of load-shedding and power cuts. Thus, to moderate demand for diesel in the sector, energy policy should focus more on building solar-diesel hybrid power plants or micro-grids close to the mines. These can be done through power purchase agreements with Independent Power Producers (IPPs) that would produce solar energy.

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Overall, Government should explore options for more consensus building on key economic reforms. Stakeholder and general citizenry engagement prior to the implementation of any reforms will help build consensus on the underlying rationale. Post-implementation conversations should seek to further steer an appreciation of the short and long-term implications thereof. This way, we all get to 'sing the same song' whose title will border around the need to rebuild the economy.

Issued by;
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Editor's Note

The Centre for Trade Policy and Development (CTPD) is a not- for –profit, membership based trade policy and development think tank. The organization was established in 1999 and existed as the civil society trade network (CSTNZ), until 2009 when it was rebranded as the Centre for Trade Policy and Development (CTPD).

The mandate of CTPD is to influence pro-poor trade and investment reforms at national, regional and multilateral levels as well as facilitate the participation of various stakeholders including member organizations in ensuring that trade is used as a tool for poverty eradication.

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