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Press statement

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Interests of the Poor should guide/centre final decision on proposed electricity tariff hike

In August 2015, ZESCO made an application to the Energy Regulation Board (ERB) for an average tariff hike of 187% which was approved but later suspended in January 2016. Following various consultations, ZESCO has again made an application to ERB announced on 26th March 2017 of a reduced percentage of 75%. This is in an effort to ensure cost reflective tariffs that attract the required revenue for adequate service provision as well as investment in the energy sector. The effects of this proposed increment is twofold; with benefits and disadvantages.

Reflecting on its March 2017 Basic Needs Basket, the JCTR notes that for an average family of five living in Lusaka, the cost of living remains high for most households. The JCTR Basic Needs Basket has increased from **K4, 918.76** in February 2017 to **K5, 017.09** in March 2017 for a family of five in Lusaka. This increase has been mainly due to rise in cost of food and essential non-food items like charcoal which has increased from K131.67 to K171.67, Kapenta has also increased from K179.5 to K181.05 and beans has increased from K33.5 to K40.1. With the high cost of basic needs in mind, an increase in tariffs on electricity is worrisome because of its potential to further push up these costs.

From the consumers end, the worry has been mainly focused on the direct impact of the hike i.e. what they will now pay for electricity in their homes. On this, JCTR would like to acknowledge ZESCO for increasing the life line tariff band from 100 kWh to 300 kWh (R1) with constant energy charge at K0.15 per kWh. This in effect means that the poor and low income earners using less electricity will be cushioned from the direct impact of the hike. However, the poor will still be indirectly affected as tariffs on commercial and social services will increase, thus affecting prices of commodities as the cost of production will be increased.

Products that have a high likelihood to be affected include those that require processing; products such as mealie meal, sugar, milk and cooking oil which all fall under JCTR's Basic Needs Basket. Further, water utilities, which require electricity to pump water, will most likely follow suit in the near future by requesting NWASCO to increase their tariffs thus affecting access to clean and safe water for the poor who are by and large unable to pay.

ZESCO's migration to cost reflective tariffs will unarguably cut down Government electricity subsidies and reduce Zambia's budget deficit. It is estimated by the World Bank that the electricity subsidy costs Zambia on average US\$26 million a month since September 2015. This a huge burden on government coffers. However, JCTR cautions that an increase within the 6 month period as currently being proposed may strain the poor indirectly as well as make Zambia's business environment unfavourable by raising the cost of doing business. JCTR proposes that initial increment be reduced from 50% to at most 40% and that the tariff hike period be stretched to a period of 1 to 2 years to smoothen the impact and allow both the businesses and citizenry to adjust accordingly. In addition, JCTR asks that issues previously raised on ZESCO's operational inefficiencies such as the huge wage bill as compared to that of actual service delivery and large electricity subsidies to employees, be addressed to remove these costs from the real cost of providing electricity.

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