

THE GLOBAL ECONOMIC CRISIS MANIFESTS WORSENING SOCIAL CRISIS, REVEALS JCTR

Zambia's trade and economic performance has consistently been aligned to the boom and bust pattern of the copper market. "The latest slump in copper prices -- largely attributed to the reduced demand at the global level -- has led to a sharp decline in the trade balances with imports exceeding export revenues. As a result, Zambia has been widely cited as one of the worst hit developing economies from the global economic crisis", says Miniva Chibuye, Coordinator of the Social Conditions Programme.

One critical question that needs to be asked regarding the economic crisis is, what impact will the economic crisis have on the Zambian people, most of whom are already poor? The rising unemployment levels have been one of the prominent socio-economic consequences at the national level. For example, a recent study by the Overseas Development Institute revealed that the fall in copper prices has led to the loss of a quarter of the mining jobs. Undoubtedly, this has important repercussions for human development and the diminutive progress made towards achieving the first Millennium Development Goal on poverty and hunger.

Furthermore, the high cost of living has not helped the situation. The JCTR *Basic Needs Basket (BNB)*, a simple but concrete tool that measures the cost of living for a family of six in Lusaka and other towns, reveals that the cost of mealie meal has continued to rise. For the month of March 2009 in Lusaka, on average a 25 kg bag of mealie meal cost K64,000 indicating a nominal increase of K4,000 from the K60,000 recorded in February. Increments were also recorded in beans, meat and cooking oil. However, reductions were recorded in kapenta, dry fish and vegetables. Despite the price decline in some food items, the total cost of food still amounted to a large amount of K766,500.

Essentially, the slight reduction in food costs is unlikely to lighten the burden at the household level as the cost of essential non-food items increased by K21,800 from K1,425,630 in February to K1,447,430 in March. The main contributor to the increase was charcoal which rose from K57,500 to K67,000 per 90 kg bag. The total cost of the Lusaka March 2009 *BNB* therefore totalled K2,213,930. It is important to highlight that the total *BNB* does not take into account the cost of important essential non-food items such as transport, health and education.

According to Ms. Chibuye, "in an economy where the majority of people lack sufficient income to meet adequate requirements for a decent livelihood, the effects of the global economic crisis have worsened the situation and compromised the inherent dignity of most Zambians". The manifestation of this high cost of living and reduced consumer spending is expressed in the inability of most households to meet adequate food intake, quality health care and education as well as decent housing. As such, it is important to address three critical issues in responding to this.

Firstly, "the Government should introduce a well developed fiscal policy to stimulate investment and promote growth. One such policy would be the reduction of interest rates. Such a fiscal measure would raise investment in Zambia and create the much needed employment which is central to uplifting living standards of people. Currently, the average interest rate is at 20.8%. Difficult as it may be, the central bank should consider targeting interest rates rather than money supply as is currently prevailing," says Miniva Chibuye.

Secondly, as has been emphasised before and set forth in policy documents such as the Fifth National Development Plan (FNDP), it is of utmost necessity that the strategies to diversify the economy away from copper be highly prioritised. It was clear from the just ended Indaba that what would be required to respond to the negative effects of the economic crisis as well as those problems which are beyond this crisis would be the implementation of these well laid out plans.

Lastly, while the above recommendations may help restore economic growth, it is also important to mitigate the immediate impact of the economic crisis on the vulnerable populations. As clearly acknowledged at the recently held G20 meeting in London, the global economic crisis has a disproportionate impact on the vulnerable people in poor countries such as Zambia. Therefore, more resources should be made available to support social protection programmes such as cash transfers.

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