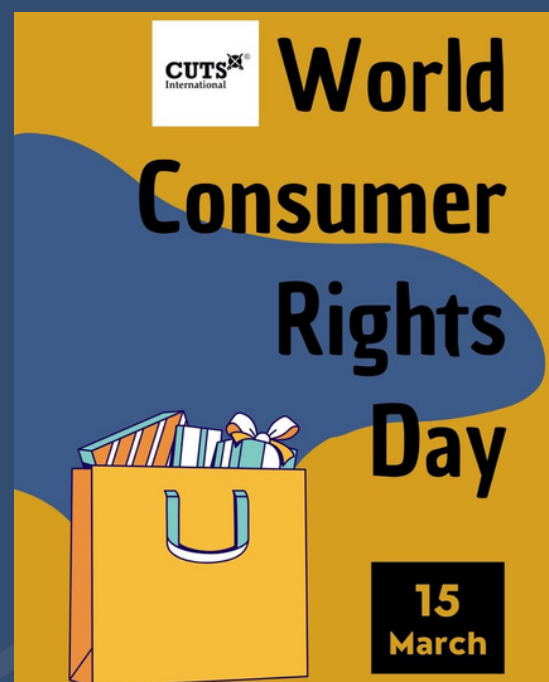


Consumer watch

What Happened in this quarter

Consumer Watch is an initiative of the CUTS International Lusaka, published with the objective of enhancing consumer welfare through sensitization, information dissemination, and capacity building of consumers, business entities, and government. While addressing consumer concerns, the newsletter focuses on bringing out issues such as violations of consumer rights and measures to be taken by the relevant authorities to protect stakeholders.



know your consumer rights

World Consumer Rights Day is commemorated on March 15 annually for raising awareness around consumer rights and needs. This year's global theme was "Fair Digital Finance".

Research shows that[1] digital banking consumers are expected to exceed 3.6 million globally. Additionally, account owners sending and making payments digitally has grown from 57 per cent in 2014 to 70 per cent in 2017.

<https://fb.watch/cjO8fhOEFF/>

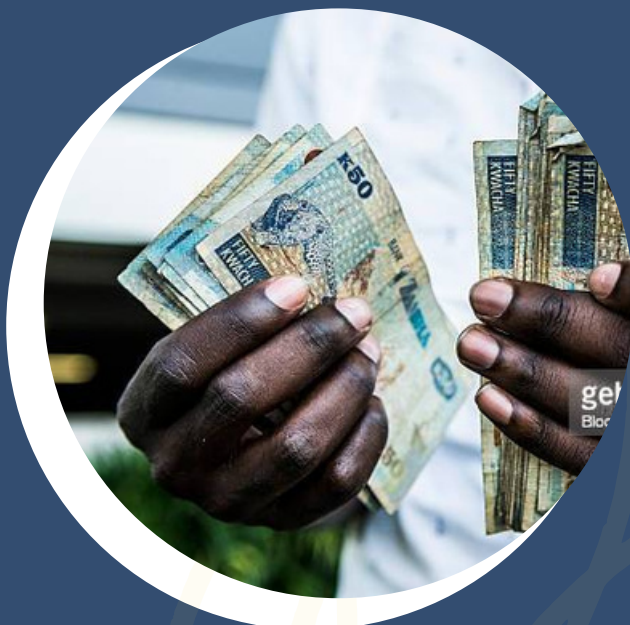
#KNOW YOUR CONSUMER RIGHTS

- Right to basic satisfaction
- Right to safety
- Right to be informed
- Right to redress
- Right to consumer education
- Right to choose
- Right to be heard
- Right to healthy environment

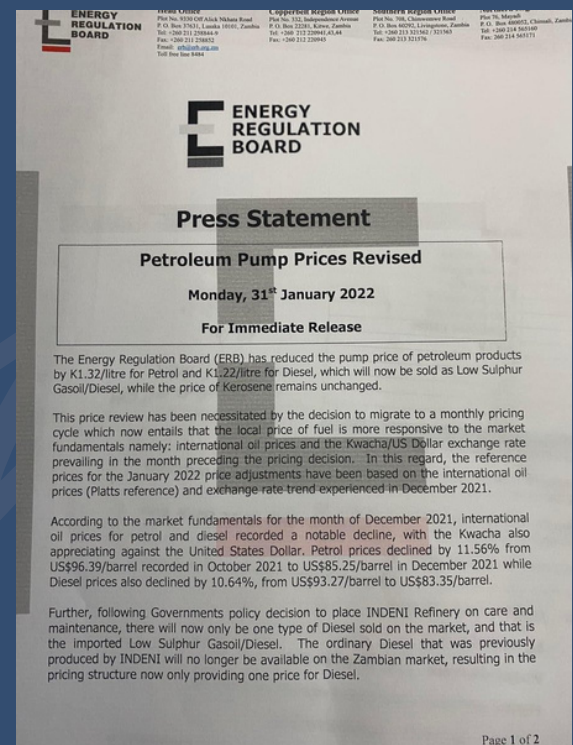
BE MONEY SMART

March 21, 2022 marked the commencement of the financial literacy week under the theme **BUILD YOUR FUTURE: Be Money**. This year marks a decade since the launch of Financial Literacy Week in Zambia, which also coincides with the Global Money Week.

<https://fb.watch/cjO8fhOEFF/>



Consumer watch



MONTHLY PRICING CYCLE

On January 30, 2022, the Energy Regulation Board (ERB) announced that effective from January 31, 2022 at 00:00hrs, the pump prices of petroleum products would be reduced by K1.32 for petrol and K1.22 for diesel, which will only be available as low Sulphur Gas oil, whilst the price of kerosene remains unaltered.

<https://fb.watch/cjO8fhOEFF/>

MONETARY POLICY RATE

On February 16, 2022, the Bank of Zambia announced that the Monetary Policy Committee (MPC) decided to maintain the Monetary Policy Rate (MPR) at 9 per cent. The decision was influenced by the continued reduction of inflation, which has seen a significant drop since the last quarter of 2021.

PRESS STATEMENT

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A RESPONSE TO THE MONETARY POLICY RATE ANNOUNCEMENT.

The global inflationary pressures being experienced around the world and current relations between Russia and Ukraine have had an impact on the global fuel prices, with oil prices increasing from around \$75/barrel in late December, 2021 to around \$118/barrel in March, 2022. It is assumed that this will trickle down to Zambia and this is evidenced by the upward adjustment to the fuel pump prices effected on March 1st, 2022. In the same period, the value of the Dollar has been strengthened and therefore, Zambia now has to contend with cost of fuel and foreign exchange pressures which ultimately raise the manufacturing and mining costs. These costs are eventually passed down to the consumers who bear the brunt of increased prices of their daily nutritional needs and services.

On 16th February 2022, the Bank of Zambia announced that the Monetary Policy Committee (MPC) decided to maintain the Monetary Policy Rate (MPR) at 9.0 percent. The decision was influenced by the continued reduction of inflation which has seen a significant drop since the last quarter of 2021. In January 2022, the rate of inflation stood at 15.1 percent, which represents a reduction from the 16.4 percent reported in December, 2021. The monthly inflation rate for February, 2022 now stands at 14.2 percent. It is assumed that inflation will continue to reduce towards the single digit 6-8 percent target range in the year 2022.

The Bank of Zambia stated that upside risks such as the potential inadequate rainfall in some parts of the country could potentially lead to poor crop yield which might adversely influence food inflation through increased food prices. This may negatively impact the consumer's ability to meet their daily nutritional needs in light of the increased cost to the Basic Needs and Nutritional Basket (BNNB) announced by The Jesuit Center for Theological Reflection (JCTR) for the month of January, 2022.

In light of the above, the government has emphasized on the need for the economy to be led by the private sector and maintaining the policy rate will allow for ample space within which businesses can plan in order to meet their financial obligations and sustain their operations. The cost of credit has been cited as a major hindrance to business expansion in the country and an increase to the policy rate would have had negative effects in light of the already existing unsustainable debt burden, which would have meant that the cost of borrowing from the commercial banks would have increased. Therefore, maintaining the rate provides a stable fiscal space which allows for better planning around the business financial needs. Additionally, the cost of borrowing being unchanged means businesses can utilise the option to borrow in order to finance their business needs which in turn frees up cash for other business usage and investments.

Additionally from a consumer perspective, maintaining the MPR also means that for households with personal loans and mortgages, interest rates remain unchanged. This will allow them more disposable income to meet their nutritional and other basic needs. Therefore, it will be crucial to maintain this rate as it is in line with the long term single digit inflation rate target for the end of 2022 and 6-8 percent range for 2023.

Continuation...



RECOMMENDATIONS

While it is commendable that the MPR has remained unchanged and that inflation continues to sharply decrease, we reiterate the need for a longer cycle (quarterly) review for prices of fuel. This will aid the process of planning and forecasting both at a household and business level.

Deliberate investment in the mechanization of the agricultural sector to move from seasonal to all year round agriculture as well as revising the administration of the Farmer Input Support Program (FISP) to adopt the proposed e-FISP system (e-voucher system) which allows for a broader choice in inputs for farmers which will make diversification a reality. This would help cushion long term food inflation.

The supply side risks are the most dynamic as regards changes that could impact monetary policy at the moment, namely, the adjustment to pump prices, the potential poor yield from poor rainfall, it will be important to continue to stimulate the demand side so as to make monetary policy viable. The stable MPR can be a catalyst for an increased demand in credit for businesses to spur growth. In light of the already existing unsustainable debt burden, the current status does provide the government with an option to borrow domestically at a cheaper cost.

Therefore, the Government must continue to be responsive to the dynamics of the economy but must ensure that it stays true to ensuring its monetary policy is accorded the chance to be fruitful by ensuring it is responsive, monitored and administered adequately without interference.

By Allan Chitwamali and Ntalasha Chilukutu

ZAMBEZI NATIONAL PARK MINING

On 31st January 2022, it was announced in the media that the large-scale open pit copper mining in the Lower Zambezi National Park would take action following the completion of court processes that ruled in favour of Mwembeshi Resources Limited.

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PRESS STATEMENT LOWER ZAMBEZI NATIONAL PARK MINING DEVELOPMENT

On 31st January 2022, it was reported in the media that the large-scale open pit copper mining in the Lower Zambezi National Park would proceed following the completion of court processes that ruled in favour of Mwembeshi Resources Limited. The Minister of Green Economy and Environment stated that the mining activity would be conducted under strict adherence to Zambia Environmental Management Authority (ZEMA) measures that have been put in place. Further, government stated in a later statement that the development was not in its plans.

In light of Zambia's tight fiscal space this development would be offering government options to expand its domestic resource mobilisation capacity. Zambia's fiscal deficit is projected at 10.4 percent of GDP while its public external debt stands at USD 14.7 billion. Government would therefore have an extra channel to secure resources for debt service as well as social sector spending. Further, the mining activity would equate to employment opportunities for the local people and stimulate economic activity in the process.

While reviewing projected merits of this development, it is also important to take the projected costs into account. Firstly, this is a critical environmental issue. The impact of mining on the environment is detrimental. In this case the environment is no ordinary one. It is one where livelihoods of people within Zambia and beyond its borders depend on the rivers, streams, wildlife that thrive from the ecological system in place. Zambia is currently experiencing impacts of climate change which tend to disproportionately impact women, youths, the elderly and children. While we pursue development, it must be done in a sustainable manner to protect the future generations' welfare. The long term 'scars' that mining may leave on the environment as evidenced in Kabwe will exert a bearing on our health and national budgets.



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Secondly, evidence in reports such as the Financial Intelligence Centre of Zambia (FIC) Trends report show the existence of Illicit Financial Flows (IFFs) in the mining industry. The government loses revenue in tax evasions. The African Union -Economic Commission for Africa (AU-ECA) Conference of Ministers of Finance, Planning and Economic Development's High-Level Panel report had reported that Zambia accounts for 65 per cent of the continent's IFFs in copper. Therefore, it calls for a clear consideration of some of the existing issues that may come with the processing of this mine.

Thirdly, Zambia is diverting away from the goal of diversification. There must be a clear focus on the national set goals. We must move away from extractives and begin to focus on other sectors that would drive growth such as agriculture and manufacturing. Most importantly diversification must be done in a sustainable manner.

On this note, we wish to encourage government to show clear and strong commitment to rescind this decision through the available avenues of the legal systems as long-term environmental disruptions this activity will far outweigh the short-term benefits. We further urge government to ensure full independence and autonomy of political interference in the operations of ZEMA as noted in the past where rulings were reversed. We also urge government to provide needed legislation on climate change with a strong focus on preserving protected areas. Going forward, we hope to see inclusion at all levels of consultation particularly with different CSOs to capture the voices of the communities when a critical activity as this one is proposed.

By Aquila Ng'onga and Ntalasha Chilukutu



FINANCIAL LITERACY WEEK

Financial Literacy Week is Commemorated annually and is purposed to enable market players, consumers and the general public to understand and use financial services and products that have the most positive impact on their lives

PRESS STATEMENT

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WORD CONSUMER RIGHTS DAY AND FINANCIAL LITERACY WEEK

World Consumer Rights Day is commemorated on the 15th of March annually this is as a means of raising awareness around consumer rights and needs. This year's global theme is "**Fair Digital Finance**". Research shows that digital banking consumers are expected to exceed 3.6 million globally. Additionally, account owners sending and making payments digitally has grown from 57% - 70% in 2014 to 2017 respectively.

The emerging use of digital services in developing countries presents various opportunities and consequently presents new challenges. This year's theme stimulates a global conversation on how consumers are to be protected in their use of digital spaces.

Investing in building a financially inclusive and resilient space is vital for thriving economies. With the emerging digital financial services there is need to create products that help to alleviate poverty, avoid debt and create jobs.

CUTS recognises the benefits that digital finance presents and the possible danger it poses to consumers. Therefore, it is cardinal to enhance the effort to maximise the benefits and prevent consumers from being harmed, consequently creating a fair, sustainable and safe trading space for all.

Additionally, Monday 21st March, 2022 marked the commencement of the Financial literacy week launch under the theme **BUILD YOUR FUTURE: Be Money Smart**. This year marks a decade since the launch of Financial Literacy Week in Zambia which also coincides with the Global Money Week. This is a significant milestone as it not only highlights how much evolution has taken place in the world of finance but also signifies the immeasurable progress that has been made in the financial space as regards digitization.

Evidently, financial literacy is an immediate necessity especially with the increase in the usage of digital financial services that has been exacerbated by the Covid-19 pandemic. It is therefore important for consumers to be well informed as they transact using these various platforms. CUTS urges all consumers to take an interest in knowing their rights as they interact in these various spaces.

Consumer Unity & Trust Society International (CUTS) Lusaka

We're Here
CUTS International, Lusaka
Plot No 406 Kudu Rd, Kabulonga, Lusaka
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lusaka@cuts.org



+290211410098



www.cuts-lusaka.org

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