

# Press Statement

5 May 2020

## About us

The Consumer Unity and Trust Society (CUTS) International, Lusaka is an NGO that was established in 2000 to function as a center for research, advocacy and networking on issues of trade and development, economic governance and consumer welfare.

The mission of the center is to function as a resource, co-ordination, as well as networking center, to promote South-South cooperation on trade and development by involving state and non-state actors (NSAs).

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**THANK YOU!**

## Contact us



## Prioritise Low-income Consumers in the Re-programming of the 2020 Budget

As the Government considers reprogramming the 2020 national budget due to the impact of Covid-19, the Consumer Unity and Trust Society (CUTS) urges the Government to prioritise low-income consumers.

CUTS is concerned that the pandemic has had its most negative impact on consumers who have been most hard hit by rising inflation, the depreciation of the Kwacha and job losses. The cumulative impact of these issues is likely to see an increase in poverty and as such, it is expected that the demand for social services namely, health, education and social protection will see an increase.

In order for the economy to navigate out of this situation CUTS urges the government to undertake a dual approach. Firstly, it is imperative the social sector spending is not only ring-fenced but increased to cushion the marginalised that are most hard hit. Secondly, it is crucial that the government provide support to the SME sector and ensure that it is accessible. The conditions on the Covid-19 ZMW 10 billion stimulus package were too stringent for the average SME thereby contributing to its slow uptake. SMEs ought to be appropriately supported as they are the backbone of the economy contributing significantly to job creation and livelihoods in Zambia.

Last year, the national budget was severely compromised as the cumulative spending on debt interest payments and emoluments left less than 10 percent of domestic revenues available for discretionary spending. Already this saw significant cuts in social sector spending. The secondary socio-economic impact of the Covid-19 pandemic in Zambia has further exacerbated the availability of resources for discretionary spending and caused a spike in unplanned expenditures thereby putting the social sector at further risk.

Zambia's public debt levels remain at the center of Zambia's increasing tight fiscal position. The downgrading of Zambia's credit rating by international rating agencies such as Fitch to one of the lowest in the world a few months ago was reflective of debt obligations become increasingly less likely to be met. Last week, the news of Zambia acquiring the services of Lazard Freres at USD5 million to assist it in its effort to address Zambia's debt situation indicated a significant turning point in Zambia's debt discussions.

In light of the impact that the growing debt burden and Covid-19 are having on consumers we urge the Government that even in reprogramming the 2020 national budget to support the most in need, the Government also exercise high levels of prudence and accountability for the limited resources that are available to them.

"The important announcement on the downsizing of the budget illustrates that Zambia is in a very difficult position. Unfortunately, this situation was avoidable and had Zambia stuck to its earlier commitments to tighten its belt and implement its Economic Growth, Recovery and Stabilisation Plan, the economy may not have found itself in the position. It is most concerning as it is livelihoods of consumers that will be most hard hit." CUTS Director, Ms Chenai Mukumba said.

By Ucizi Ngulube, Researcher