OCTOBER 2019 BNB STATEMENT

ZESA's NEW TARIFFS WIDEN POVERTY, INCREASE SOCIAL AND ECONOMIC INJUSTICES

The Poverty Reduction Forum Trust's Basic Needs Basket (BNB) survey for October shows that the cost of living for an average family of five has rocketed from ZWL$ 3 262.26 in the month of September to ZWL$ 4 307.16 .16 in the month of October 2019. In the survey, PRFT noted that the continued increase in the prices of food and nonfood items on the backdrop of the ongoing price arbitrage and devaluation of the local currency mainly contributed to the hike in the overall cost of the BNB. The table below shows the changes that took place in the components of BNB between the two months.

Average Cost	September 2019	October 2019	Change
Food Items	ZWL$1934.69	ZWL$ 2 768.76	ZWL$ 834.07
Non -food items	ZW$386.31	ZWL$ 566.14	ZWL$ 179.83
Rates and other essential services including accommodation	ZWL$941.26	ZWL$ 972.26	ZWL$ 17.00
Total	**ZWL$ 3 262.26**	**ZWL$ 4 307.16**	**ZWL$1 030.90**

The analysis of the October BNB reveals that the marginal increase in the average cost of utilities and basic service provision was mainly brought about by an increase in the cost of energy requirements per family of five against the backdrop of the new ZESA tariffs that were gazette by Zimbabwe Electricity Transmission and Distribution Company (ZETDC). On average, the cost of electricity per family of five increased from ZWL$126.00 in September 2019 to ZWL$ 157.00 in October, 2019 which brought up the average energy (electricity + gas + firewood + paraffin + charcoal) costs to ZWL$ 283.00 from ZWL$ 252.00 in the same period. Although the effect of the new tariff on the cost of energy requirements in the month of October may seem minimal, it tends to further marginalize the poor from accessing the service.

On the 3rd of October 2019, the Zimbabwe Electricity Transmission Distribution Company (ZETDC) came up with new electricity tariffs to domestic customers. These new tariffs come against the backdrop of an average 18 hours daily of load shedding that has literary crippled both households and industrial operations. According to the ZETDC, the new tariffs have been adopted to promote efficiency on the usage of electricity and punish what they term “careless spenders”. ZETDC also indicated as part of their Press Statement that new tariff position will also serve as a resource mobilization strategy towards servicing of debt that the country contracted in the sector and improve the supply of electricity.

The new tariff position as presented in the table below applies to both the prepaid and convectional meters:

Consumption band	**Price (c/kWh)**	**Total price**
(i) 0 - 50 kWh	(@0.41c/kWh	$20.50
(ii) 51 to 200 kWh	(@0.91c/kWh	$136.50
(iii) From 201 kWh	(@3.87/ kWh	$777.87

The above stepped tariff regime stipulates that, the first 50 kWh will be sold at ZWL$20.50 which means price per unit will be ZWL$0.41. For the remaining 150 units to reach the 200 units cap, users will be charged ZWL $0.91 per unit. This means a household needs ZWL$157 to buy 200 units of electricity. According to the new tariff position, if one consumes electricity that exceeds the 200 unit band he/she will buy the next electricity token at ZWL$ 3.87 per unit. The energy provider indicated that 200 units are enough for a household of five hence any consumption beyond the cap will be regarded as “careless spending of energy’’. The new tariffs will be reviewed on a monthly basis. In essence, the new policy position punishes those households who will buy electricity that will exceed the 200 units cap within the same calendar month.

The PRFT is of the view that this policy position makes too many assumptions and fails to acknowledge the ordinary citizens’ lived realities;

- Firstly, the policy assumes that every household in the urban areas (where electricity is mostly used) is occupied by a single household. The reality is that both in high density and increasingly in the low density, households are lodging and sharing one house among more than one household. The allocation of one meter unit per house already misses this reality. It’s clear in this scenario that the first 200 kWh will be depleted in less than a month, not as a result of careless energy use (leaving geysers on unnecessarily, not using energy saver bulbs or any such reasons as postulated by ZETDC) but because of this highlighted reality. As a result it will become more expensive for the lodgers to buy additional units since they will be now facing a tariff rate of ZWL$ 3.87 per unit. Co-sharing a house is generally a coping mechanism used by the poor and this policy almost punishes them for being poor and further marginalizes these households.

- Secondly, the organization also noted that in as much as the new tariffs position might improve efficiency in terms of consumption of energy, failure to address the supply-side of electricity production in the medium to long term will continue to make access to energy expensive for households. The organization noted through its BNB surveys that whilst the availability of ZESA has improved in the month of October, there are some areas that are still experiencing high levels of load shedding and these include Hatcliff ,Mabvuku, Ushehwekunze and Glen Norah. Discussions with the residents in these areas revealed that due to persistent load shedding, households are still incurring the cost of buying gas on top of their monthly electricity budget cost. Persistent load shedding made the cost of basic energy requirements in these suburbs in the month of October to go beyond the ZWL$157 worth of electricity which ZETDC considered to be enough as households continued to spend on expensive energy alternatives such as gas.

Key policy messages for the month of October

1. The Poverty Reduction Forum Trust notes that in as much as the Zimbabwe Electricity Transmission Distribution Company (ZETDC) would want to promote efficient use of electricity by putting a limit to which residents can buy electricity at an affordable price, there is a need to look at the burden of this new tariffs on the residents, especially the poor. If citizens have no electricity they will be forced to buy either fuel for generators, gas or firewood .These alternative energy sources are already both unaffordable and unavailable or have an environmental implication. There is therefore need to adopt a holistic analysis before instituting such a blanket policy.

2. While domestic resource mobilization is highly commendable, ZETDC is urged to prioritize the resources available to it in a manner that is both pro-people and pro-poor, address the leakages within the system, curb corruption and stop pushing the cost of the system's inefficiency to the poor citizens.

3. Resource mobilization for financing energy provision should not solely depend on money that is generated through consumption based charges. This way of financing is regressive and tends to punish the poor, especially in a country like Zimbabwe where there are other sources of financing service delivery such as taxes from mineral extraction that should be exploited. The government should ensure that the money it provides to electricity provision through the national budget is used to fund energy capital projects which should ultimately lead to improved access to affordable energy.

4. Since the introduction of the pre-paid meters, citizens that now use them have been generally prudent in their energy use. Even where households are not yet on the pre-paid electricity meters, lodgers often complain about a myriad of rules from their landlords on the usage of power, an indication that generally citizens are conscious of the need for power saving. We therefore believe that the introduction of these tariffs is punitive and

does not necessarily translate into more efficient use of the energy. Access to energy is a human right and to deny anyone to it is unjustified and further deprives the poor of their socio-economic rights.

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