



PRFT's August 2019 Basic Needs Basket (BNB) Statement

The Continued Power Cuts , A threat to Citizens' Right to Meet their Basic Needs

The Poverty Reduction Forum Trust (PRFT)'s August Basic Needs Basket (BNB) Survey revealed that the cost of basic needs increased from ZWL \$ **1684.45** in July 2019 to ZWL\$ **2086.52** in August 2019. The change in the cost of the BNB was mainly brought by increases in the price of foodstuffs and energy experienced in August. PRFT notes that without factoring the impact of the sudden sharp decline in the value of the local currency (ZWL\$) witnessed during the first week of September, the civil servants' adjusted salaries were still way below the cost of the Basic Needs Basket for August 2019. In August, the Government of Zimbabwe provided civil servants with a cost of living allowance of 76% translating into a new civil servants salary range of ZWL\$700- ZWL\$1000. The allowance has sparked the ongoing price increases, bringing civil servants' welfare back to where it was before the cost of living adjustment or even worse. Prices of basic goods and services are being adjusted in response to the increases in wages, a situation responsible for the production bottlenecks in the economy. Given that the Basic Needs Basket value of ZW\$ **2086.52** shows the bare minimum cost of basic food and non-food items needed by an family of five(excluding costs of other essentials such as education and health care) it is evident that even after being given the cost of living allowance, civil servants cannot afford to access basic social services.

The citizens whose sources of livelihoods are hinged on informal sector activities are hit hardest by the ever-increasing cost of living. The wages they receive are far off from the living wage benchmarks since they are no longer capable of enjoying all the basic social and economic rights. The Zimbabwean Dollar has been depreciating against the USD since it was introduced as a local currency in June 2019. The onset of a huge sharp decline in the value of the Zimbabwean Dollar(ZWL\$) against the USD which has seen one USD being exchanged for 12.88 and 15.80 \$ZWL on the RBZ intermarket and parallel market, respectively, by the second of September, indicates that the monetary authorities have failed to put in place measures to stabilise the exchange market and control inflation. Small businesses where most people are employed and earning their livelihood from are losing a lot of income opportunities due to inflation, the uncertainty of government policy direction and high cost of energy among other challenges. Even in cases where they are earning a reasonable income, it is difficult to budget for living wages for their workers because their small businesses are subjected to harsh taxes such as the 2 percent tax that the government is charging on all electronic transactions. As such,companies and small informal businesses are finding it difficult to pay workers wages that can afford a right to enjoy all the basic rights and attainment of a dignified lifestyle.

Lack of access to affordable energy at the household level has contributed to an increase in the cost of Basic Needs Basket and inequality in Harare's suburbs. Due to the continued electricity crisis in Zimbabwe, households are now forced to budget for firewood or gas even if their homes are connected to electricity. PRFT's price tracking survey in August revealed that gas was being sold at an average price of ZWL\$ 18.00 per kg in Harare's suburbs. Based on the interviews that we had with citizens who were queuing for the gas at different Gas selling points in Harare's suburbs, we established that a family of five needed 5 KGs of gas per month to use during load shedding periods and this translated to a total average cost of ZWL \$90 per month. Previously, before the onset of current energy crisis, a family of five used to struggle to raise ZWL/USD50¹ on average, the amount that was needed to access electricity for a month. However, the cost for energy requirements for the same family has gone up. In the month of August, we established that a family of five needed ZWL \$ 140 on average to buy energy that can sustain it for a month. This energy budget is basic as it only caters for cooking and lighting requirements.

The situation is even worse in suburbs which have never had access to electricity even during the period when others were getting it consistently. Gas has become an alternative source of energy for both households who are not getting electricity consistently and those who have never received electricity connection. However, its price has become a major deterrent for its use especially by the poor. In August, a family of five living in Ushehwekunze or Hopley whose home is not connected to electricity needed to budget appropriately ZWL\$180 to buy 10 KGs of gas, an amount that would sustain the household for a month. Our interviews with citizens in Hopley, Mbare and Epworth indicated that the majority of the people are not in a position financially to use gas for cooking. Rather, they are resorting to relatively cheaper alternatives such as firewood or coal that is being imported from Mozambique. At the moment, there is neither a government energy subsidy being given to the poor and vulnerable households nor a government policy intervention to ensure that alternative sources are regulated to ensure affordability and quality.

PRFT's key policy messages are as follows;

- The government should create an environment that ensures the right to a living wage and a life of dignity for both those in the informal and formal employment and ensure that all citizens get access to basic social and economic rights as enshrined in the country's constitution. Specifically, there is a need for government to stabilise foreign exchange and inflation as this is the only avenue at the moment through which the right to a living wage and dignified lifestyle can start to be promoted. PRFT argues that measures to continue increasing salaries would only lead to wage-price spirals and not solve the current status of public servants' welfare
- There is a need for government to put in place deliberate policy measures to ensure that alternative sources of energy such as gas are accessed affordably. Whilst we note and applaud the importance of government investing in other sources of energy

¹ One to One Parity between ZWL \$ and USD\$

such as solar, there is still a need for the government to ensure that the immediate electricity power needs of the country are met. People should be given more affordable and accessible energy options to choose from.

For more information about Poverty Reduction Forum Trust (PRFT) and the BNB initiative please contact us on Number 59, Mendel Road , Avondale, Harare; Tel: +263 4 307472; Email: info@prftzim.org; Website: www.prftzim.org