



## **PRFT's July, 2019 Basic Needs Basket (BNB) Statement**

### **CURRENCY REFORMS AND AUSTERITY MEASURES WORSENING THE PLIGHT OF ORDINARY ZIMBABWEANS**

The adoption of the Austerity for Prosperity policy direction in 2018/2019 national budget cycle and the recent re-introduction of Zimbabwean Dollar (ZWL\$) in June 2019 marked the beginning of major shifts in the country's economic development trajectory. A couple of monetary and fiscal measures have since been put in place to support the government's new national development policy direction. Some of these measures include the introduction of 2 percent tax on all electronic transaction in 2018/2019 national budget. These policy changes have not stabilised the economic situation as the cost of living has increased to extreme levels. Continuous increase in prices of basic goods and services against stagnant disposable incomes has become a breeding ground for more poverty and vulnerability among ordinary citizens. The last annualised inflation recorded in June 2019 before the government suspended the publication of year on year inflation in Zimbabwe was 175.66% up from 97% in May 2019 (ZIMSTAT, June 2019). ZIMSTAT in June 2019 published the rise of monthly consumer prices to 39.9 percent in June from 12.54 percent in May 2019.

The persistent hard economic situation has the potential to affect and derail some of the progressive plans that the government has put in place to attain the Sustainable Development Goals (SDGs). As a signatory to the SDGs and the 2030 agenda, Zimbabwean government committed to ensure no hunger and no poverty, which are SDGs 2 and 1 respectively, by 2030, which unfortunately seems to pale into a pipe-dream by the day.

Despite having introduced a local currency (ZWL\$), Zimbabwe is still facing a two tier pricing model. The pricing model includes prices of goods pegged in RTGS (Electronic money) and hard currency (Bond notes and Coins). Evidence gathered by PRFT during its price tracking in Harare established that tuckshops prefer selling basic commodities at bond cash prices and they charge an extra 10% to 15% on average to a consumer who buys with electronic money (Ecocash). Shop owners in Epworth, Ushehwekunze and Hopley indicated that they demand payment for their goods in bond notes and coins because they face the same situation when they order their stocks from wholesalers. The situation is compounded by the fact that the RBZ has not increased the supply of cash in banks since the re-introduction of the Zimbabwean dollar. The daily maximum withdrawal for banks is still pegged at ZWL\$100 for individuals and ZWL\$300 for institutions. PRFT's overall observation is that the introduction of local currency through the Statutory Instrument 142 of 2019 has not removed the two tier pricing system and the citizens have continued to be short changed.

In the month of July, 2019, a family of six in Harare needed ZWL \$ 1684.45 to have access to a sufficient quantity and quality of food and non -food items. Accessing the basic needs at this cost has become a nightmare given salaries for both public and private sector has remained frozen with civil servants earning an average income of \$500 per month. Prices of most goods and services are being pegged at parallel market rate (currently fluctuating around 1 United States Dollar = 11 ZWL \$ on average) yet salaries have not been reviewed to match the price level.

There is no reprieve for citizens as fuel prices are continuously being increased due to the continued weakening of the ZWL dollar against the US dollar and other foreign currencies. The increase in excise duty on fuel imports which was recently announced in the Mid Term Budget Review statement made by the finance minister, Professor. Mthuli Ncube partially contributed to the increase in fuel prices. The increase in excise duty is operationalized by Statutory Instrument 161 of 2019, Customs and Excise (Tariff) (Amendment) notice 10, 2019. Fuel prices increases continue to push up costs of transporting goods and this is ultimately increasing the prices of basic goods and services.

The Poverty Reduction Forum Trust (PRFT) continues to advocate for government to come up with policies that ensure that all citizens can afford to live dignified lifestyles. The economic hardships are increasingly being characterized by an erosion of social norms and values. The urban areas are becoming increasingly unsafe as incidents of robbery are on the increase as well as reports of drug abuse, especially among the youths. Despite PRFT acknowledging the need for government to spearhead policy reforms that stir economic revival, in the meantime the government needs to;

- Develop a mechanism that fosters uniform pricing of commodities in \$ZWL as per SI142/2019. This will reduce incidences of extortion which has been taking a lot of money from the little incomes that the poor are getting
- Review salaries of public sector employees so that they meet the Basic Needs Basket threshold.

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