



## **POVERTY REDUCTION FORUM TRUST'S SEPTEMBER 2019 BASIC NEEDS BASKET (BNB) SURVEY PRESS STATEMENT**

### **Extortionate Trading Raising the Cost of Living for the Majority Poor**

The continued inflationary environment coupled with the cash crisis has significantly reduced households' ability to access sufficient and affordable basic goods and services. The market has been characterised with arbitrage business practices. The practices include charging premiums averaging between 40%-60% on goods purchased using electronic and mobile money platforms such as Ecocash. This, however, has been at the detriment of households who find themselves unable to access sufficient quantity of affordable basic food and non-food services.

The Poverty Reduction Forum Trust's Basic Needs Basket sentinel survey established that the cost of living for an average family of six increased from ZWL\$ 2 086.52 in August 2019 to ZWL \$3 262.26 in September 2019. In this survey, PRFT noted that the cost of acquiring basic goods increases as people use electronic or mobile money. Local grocery shops are charging a premium of between 40% and 60% on every single purchase for goods using Ecocash. The practice is also rife among informal sector traders. PRFT also noted that even reputable shops have put that risk free cushion in their pricing modalities considering they take all forms of payment. The comparison was made between the prices of the same goods in shops such as OK and Pick and Pay against informal sector shops that sell cash only goods. For instance, a 2kg Marian rice was costing ZWL\$ 18,20 at a local shop (cash only shop) in Mabvuku whereas the same brand was going for 37,39 in a reputable shop in the same area and this translates into nearly \$19 additional ZWL\$ that someone has to pay when the transaction is done through Ecocash. More so, adding the 2% tax and transaction charges to the already exorbitant prices is worsening people's ability to access basic goods as traders and shops continue to transfer this cost to consumers. This has raised the cost of living for the urban poor whose income continues to fall.

Although the government of Zimbabwe banned the use of multi-currency and reintroduced the Zimbabwe Dollar (ZWL\$) to sustain a mono-currency economy, no stringent measures have been put in place to address shortages of cash which engrossed the country since 2016.

The unavailability of sufficient cash to meet the demands of the citizens to meet daily needs such as transportation costs has exposed them to market exploitation. The scarcity of cash has fuelled abuse of dominant positions as those with access to cash are selling it at a premium. The mismatch between the supply of and demand for cash has exacerbated extortionist tendencies among traders who have seen the opportunity to profiteer from the situation. In this case, profiteering behaviour has become a moral in as much as it is a legal issue. Due to high levels of unemployment and lack of lucrative economic opportunities, the cash crisis has provided an easy way for many people to engage in speculative schemes to gain wealth thereby creating a large parallel market. The current trends of market price distortions and charging of premiums on certain methods of payments have eroded the very essence of mobile money platforms and cashless economy. What is obtaining on the ground contrasts with government's aspirations to have a cashless economy. The people are charged highly for using mobile platforms which are proved to be useful in improving financial inclusion in the country. The volatility of the economy is to some degree attributed to the lack of trust that the different policy pronouncements have brought especially on issues around monetary policy. People's ability to access healthy, nutritious food; choice of food and access sufficient food to meet their dietary requirements has been greatly reduced.

The Government of Zimbabwe, through the Ministry of Finance, has been associated with policy inconsistencies on fiscal reforms and lack of clarity in terms of sharing and communicating the fiscal reform vision to the masses. The policy announcements on fiscal reforms have also been rushed with little consultations and thought given to the consequences of the policy on the masses. Policies such as the introduction of bond notes in November 2016, separation of the US dollar accounts and Nostro Accounts in October 2018, the pronouncement of RTGS as a currency in February 2019 and the reintroduction of the Zimbabwe Dollar in June 2019 has done nothing but increase public mistrust in the financial sector. Another discouraging factor is that these policy pronouncements have been characterised by ultimatums which gives the market very little time to adjust resulting in losses being incurred. This is mainly because citizens are losing value of personal and business savings, pension funds, local credit lines, financial assets and investments with each fiscal policy pronouncement.

Key policy messages are as follows;

Section 8 of the Zimbabwe Constitution (Amendment No.13) in setting out the objectives of the State, stipulated that "...the State and all institutions and agencies of government at every level should formulate and implement laws and policy decisions that will lead to the establishment, enhancement and promotion of a sustainable, just, free and democratic society in which people enjoy prosperous, happy and fulfilling lives". We reiterate the need for the Ministry of Finance and Economic Development to ensure policy consistency that will enhance public trust and confidence.

As an organisation, we are also in support of regulation of mobile money platforms through collaboration between government (Ministry of Information Communication Technology, Postal and Courier Services); Postal & Telecommunications Regulatory Authority (POTRAZ) and Telecommunication Companies such as Econet Wireless Zimbabwe. They should work together to strengthen policing of mobile platforms especially with regards to abuse and extortionate trading. We look forward to see parliament creating and passing laws that offer legal protection of consumers against extortionate trading. However, the government should take a holistic approach when strengthening the regulation of the mobile money platforms and addressing the overall economic challenges that the economy is facing. We strongly believe that extortion/ arbitrage challenges will be significantly reduced if the government addresses the key root problems such as lack of public confidence in government policies, high levels of unemployment and economic collapse.

It is PRFT's strong belief that the country will go nowhere with these knee jerk monetary policy changes. We call for thorough interrogation of the policy measures before they are adopted and people must be consulted. The government, through the Ministry of Finance and Economic Development should have a clear communication and public engagement strategy to disseminate its fiscal reform vision and also collect feedback or input on people's perspective about their policy stance. This will help build public confidence and trust through increased public understanding of government fiscal reform direction.

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