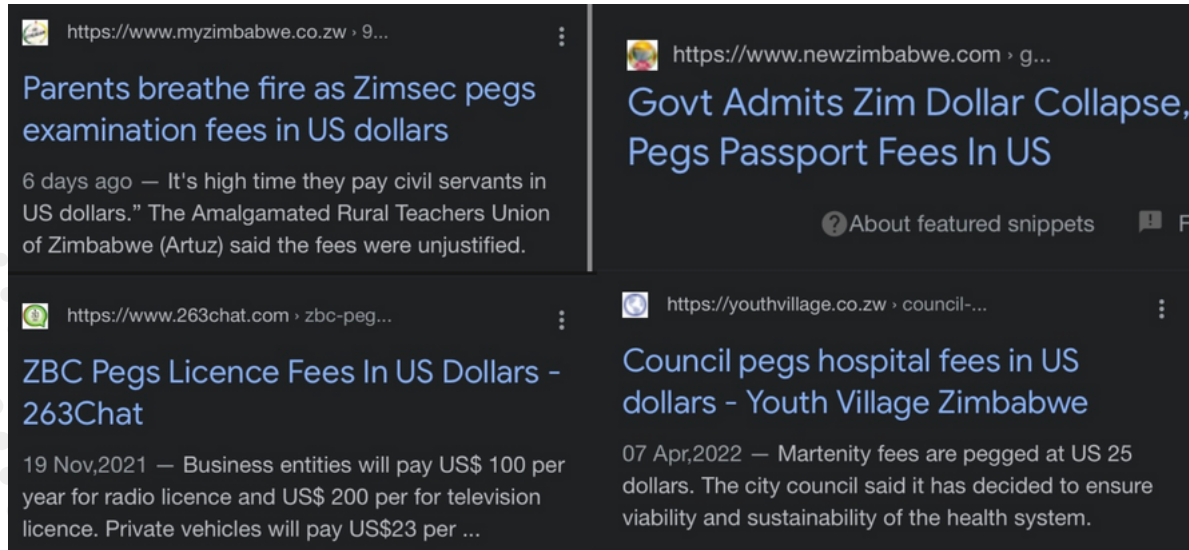




# THE WEEKEND READER

"Your Weekly Read on Debt, Development & Socio-Economic Justice"

## GOVERNMENT PEGGING FEES IN USD WHILE DE-DOLLARIZING A SLAP IN THE FACE TO CITIZENS



The Zimbabwean economy was de-dollarized in 2019 after a decade of using the USD as the primary currency. However, the nation has gradually returned to an unstated dependency on forex as the ZWL which was initially touted to stand at par (1ZWL: 1USD) with the USD has now slid to over 1USD: ZWL 500 on the parallel market and 1USD: ZWL 308 at the forex auction. This erosion of value has led to increased poverty for citizens as their incomes are increasingly losing value while prices continue to rise. Many have expressed that we are in a state of crisis! In the month of May alone, price inflation increased by 21% all while the Ministry of Finance Minister stated, "What crisis? We are performing well. We have put measures in place to fight inflation, people should not panic, and everything is in order, zvinhu zvese zvakarongeka (all is well)."<sup>1</sup> This is a slap in the face to citizens who are struggling to make ends meet and a complete denial of the reality as May 2022 inflation statistics are at 131.7% Year on Year<sup>2</sup> and our inflation is rated as one of the highest in the world at present.

On the 2nd of June, Zimbabweans received a statement from the Zimbabwe School Examinations Council (ZIMSEC) with approved 2022 examination registration fees. Much to the surprise of citizens, the statement declared that registration fees were to be pegged in United States Dollars (USD) but paid in the local ZWL at the prevailing rate. The idea behind this decision is noble, especially when considering runaway inflation and the continued loss of value of the ZWL against the USD. The USD is a stronger store of value and would ensure that ZIMSEC and related institutions would be able to settle their monetary commitments.

1. <https://news.pindula.co.zw/2022/06/09/mthuli-ncube-says-there-is-no-crisis-in-zimbabwe/>

2. [https://zimcodd.org/sdm\\_downloads/zimcodd-weekly-review-7-june-2022/](https://zimcodd.org/sdm_downloads/zimcodd-weekly-review-7-june-2022/)

This logic however also presents a problem as the parents expected to pay these fees are also experiencing the same inflation and loss of value in their incomes. In this decision, government has admitted that the ZWL salaries they are paying out are continually eroded and should then award the same protections to members of the civil service particularly. Furthermore, education has already become a serious inequality point in light of the inadequate spending by government to protect citizens. It is reported that four million children are in need of financial assistance to access education under the Basic Education Assistance Model (BEAM) program but in 2021

In the same vein, the government has announced exorbitant Hospital fees pegged in USD. The new consultation fees are an over 1000% hike from the previous fees and present a grave challenge for citizens who will not be able to access the sacred and constitutionally guaranteed right to Health Care. This also comes on the background of the government failing to meet the Abuja Declaration of 15% allocation for health in the National Budget. It is reported that the government does not fully disburse the allocated funds as the health sector utilised only 46% of the allocated revenue in 2021. This is concerning because it suggests that government is moving their responsibility to provide meaningful healthcare services to the citizen at a time when they should be stepping up with social protection mechanisms to support the populace. Health Care should not be a preserve of the rich only as this further widens the inequality gap!

## **Of Concern**

### ***Policy Inconsistency***

The Reserve Bank Governor, Dr John Mangudya, recently stated, “Let’s not destroy our own currency and our own economy”<sup>3</sup> this plea targeted at businesses and citizens who have shown a preference to settling and receiving payments in forex. These recent announcements by government to then peg fees in USD is a contradiction and yet another inconsistency as they are using the USD to benchmark value. If the strength of a currency is in confidence in it as Governor Mangudya has stated then government itself should lead by example and also whole heartedly commit to the ZWL.

## **Recommendations**

### ***The right to health***

As a matter of policy, government should develop social protection mechanisms to support the ailing health industry. Furthermore, government should fulfil its commitments and follow the Abuja Declaration requirement of 15% allocation for health in the National Budget.

### ***The right to Education***

The Ministry of Finance must increase social spending allocation to meet the African Social Policy prescription of 4.5% of the national budget. As it stands, millions of children are already failing to access education and the onus lies with government to cushion citizens.

3. [https://zimcodd.org/sdm\\_downloads/april-policy-digest/](https://zimcodd.org/sdm_downloads/april-policy-digest/)

### ***Policy Consistency***

Inconsistencies on micro and macro policy decisions and pronouncements discourage confidence in the government and its institutions. Government should go beyond rhetoric and craft evidence based decisions.