



ZIMCODD

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

Fuel Price Increases in Zimbabwe: Between Global Crisis and Domestic Choices





Zimbabwe's latest fuel price increases must be understood within both a global and domestic context but, more importantly, they must be interrogated for what they mean for ordinary households and the broader economy. On 4 March 2026, the Zimbabwe Energy Regulatory Authority (ZERA) set fuel prices at US\$1.77 per litre for diesel and US\$1.71 for petrol. Within just two weeks, prices have reportedly climbed to around US\$2.05 (diesel) and US\$2.17 (petrol), reflecting a sharp and rapid escalation. Zimbabwe is experiencing frequent, upward price adjustments in short intervals adjustments that quickly ripple through transport fares, food prices and the cost of doing business, with the poorest households paying the highest share of their income toward essentials.

Government, through ZERA, argues that the situation is under control. The latest statement emphasises that Zimbabwe has more than three months of fuel supply in the pipeline system and storage facilities and that alternative supply routes are being explored to bypass disruptions linked to the Middle East conflict. This is significant, because it confirms that the country is not currently facing a physical shortage of fuel. Instead, the justification for price increases is framed around “cost pressures” and the need to prevent arbitrage and supply distortions. Yet the public still needs clarity on what these “cost pressures” are in practical terms whether they relate to freight and insurance premia, longer and more expensive routing, financing costs, exchange-rate expectations or mark-ups along the supply chain and how these components translate into the pump price. Without transparency on the drivers, citizens are left to absorb price hikes without a clear basis for accountability.

Escalating tensions involving major oil-producing regions have already pushed global crude prices upward, affecting import-dependent countries like Zimbabwe. In that sense, part of the price increase is real and externally driven. However, global shocks do not operate in a vacuum. They interact with domestic pricing systems and this is where the Zimbabwean case becomes more complex. If global pressures were the only factor, price movements would be more gradual and broadly aligned with regional trends. Instead, Zimbabwe's increases appear sharper and more immediate. This creates a legitimate question: are we witnessing only the pass-through of global prices, or also the compounding effects of domestic vulnerabilities such as narrow supply routes, limited competition, weak transparency in procurement and pricing and the costs of risk that are ultimately being pushed onto consumers?

This is where the Government's own narrative begins to raise questions. ZERA maintains that it is “**cushioning**” consumers, noting that diesel could have reached US\$2.20 per litre without intervention yet in March, a similar argument was made where diesel was set at US\$1.77 per litre with authorities claiming it could have been US\$1.90 without cushioning. What is revealing is that even as Government claims to be protecting consumers, the actual price trajectory continues to rise significantly. Cushioning, in this context, does not prevent increases; it merely moderates them while still transferring the burden to citizens. The unanswered issue is what constitutes “cushioning” in practice whether it is a levy adjustment, a subsidy-like intervention, a pricing band or a policy directive and what its fiscal implications are for public resources that are already under strain.

If Zimbabwe truly has three months of fuel reserves already secured, then current price increases are not responding to immediate shortages, but to anticipated or projected costs. This raises a critical economic question: why are future risks being priced into present-day consumer costs so aggressively? In effect, citizens are absorbing the shock in advance, rather than being shielded from it. That approach matters because **“pricing in risk”** can quickly become self-fulfilling. Once fuel prices move sharply, they raise economy-wide costs, weaken household purchasing power and can dampen demand yet none of these outcomes improves resilience. It simply relocates the adjustment burden onto those least able to carry it.



The broader implication is that fuel pricing in Zimbabwe is not just a reflection of global oil markets; it is also a function of domestic policy choices. Fuel is a foundational input across transport, agriculture, mining and basic goods. When prices rise this quickly, the impact is immediate and widespread, feeding directly into the cost of living. In an economy already characterised by high informality and limited income security, these adjustments are not neutral; they are redistributive, shifting economic pressure downward. They also have a direct fiscal governance dimension because higher fuel costs depress economic activity and tax compliance in stressed sectors, while also increasing pressure on Government to respond through ad hoc measures that may crowd out social spending if not carefully managed.

Ultimately, the issue is not whether fuel prices should respond to global events because they should. The issue is how that adjustment is managed and who carries the burden. ZERA's statement reassures the nation about supply stability, but at the same time justifies continuous price increases. That tension sits at the heart of the current debate. If fuel supply is secure and Government is intervening, why are citizens still experiencing such rapid and sustained price increases? Answering that question requires more than reassurance, it requires credible transparency on the pricing and procurement architecture, clear communication on the true drivers of “cost pressures” and an explicit commitment that crisis-response measures will not deepen household vulnerability or erode the social contract through reduced access to essential public services.

Rethinking Performance Management in Zimbabwe's Local Authorities

The recent signing of performance management contracts by local authorities marks a continuation of Zimbabwe's efforts to strengthen accountability and improve service delivery at the local level. Introduced as part of broader public sector reforms, these contracts are intended to shift councils from general planning to measurable, results-based management.

Since their introduction, there have been notable changes in how local authorities operate. Councils are now more structured in their planning processes, with clearer annual targets and more regular reporting cycles. Performance reviews, once irregular or opaque have become more standardised, creating a system where local authority leadership is expected to account for progress against defined indicators. This has contributed to a modest improvement in administrative discipline. Budget processes are somewhat more aligned to timelines, and there is increased attention to documentation, monitoring, and evaluation. In some instances, councils have also begun to experiment with digitisation, particularly in revenue collection and service administration. However, while these procedural improvements are important, they have not yet translated into widespread and consistent improvements in service delivery.

Across many urban and rural local authorities, residents continue to face persistent challenges, including unreliable water supply, inadequate refuse collection, and deteriorating infrastructure. This suggests that while performance contracts may be strengthening internal systems, their impact on the quality of public services remains limited. One of the key challenges lies in the weak link between performance and consequences. For a performance management system to be effective, it must be supported by clear incentives and sanctions. At present, there is limited evidence that failure to meet targets results in corrective action, or that strong performance is systematically rewarded. Without such mechanisms, performance contracts risk becoming compliance tools rather than drivers of institutional change.

Another limitation relates to the direction of accountability. Current performance frameworks tend to emphasise reporting to central government, with less emphasis on accountability to residents. Yet local authorities are primarily service providers to communities. Where citizens are not meaningfully involved in setting priorities or assessing performance, there is a risk that reported achievements may not reflect lived realities.

Financing constraints also play a significant role. Local authorities operate in a challenging fiscal environment, characterised by constrained own-source revenues and inconsistencies in intergovernmental fiscal transfers. Performance targets that are not adequately resourced are difficult to achieve, regardless of the strength of the management framework. This disconnect between planning and financing undermines the effectiveness of performance contracts.



In addition, current performance indicators often focus on outputs rather than outcomes. For example, measuring the number of projects completed does not necessarily capture whether those projects have improved access to services or reduced inequalities. A more outcome-oriented approach would provide a clearer picture of real impact, particularly for vulnerable groups. Despite these challenges, performance contracts remain a potentially valuable tool for improving local governance. The key issue is not their existence, but how they are implemented and strengthened over time.

Recommendations

- Strengthen the link between performance and accountability. This includes establishing clear, transparent mechanisms for both incentives and corrective action based on performance outcomes.
- Citizen engagement should be more deliberately integrated into performance management systems. Mechanisms such as public consultations, community scorecards, and participatory monitoring can help ensure that performance assessments reflect the priorities and experiences of residents.
- Performance targets must be aligned with available resources. This requires greater transparency in budgeting and more predictable intergovernmental transfers, enabling local authorities to plan and deliver more effectively.
- Performance indicators should shift from a narrow focus on outputs to a broader emphasis on outcomes and service quality. This would allow for a more accurate assessment of whether local authorities are meeting the needs of communities.
- There is a need for policy coherence between decentralisation objectives and the performance management framework. Strengthening local autonomy while maintaining accountability will be essential to ensuring that performance contracts contribute to meaningful improvements.

In conclusion, performance contracts have introduced useful reforms in planning, reporting, and administrative discipline within local authorities. However, their full potential has yet to be realised. Bridging the gap between performance on paper and performance in practice will require a stronger focus on accountability, citizen engagement, financing, and measurable outcomes. As these contracts continue to evolve, their success should ultimately be judged not by the number of targets met, but by the extent to which they improve the everyday lives of citizens.

The Implications of paying domestic suppliers in Local currency to citizens



Bloomberg

The Government has announced a policy to pay all domestic suppliers exclusively in Zimbabwe Gold (ZiG). The Ministry of Finance and Economic Development Zimbabwe confirmed on Friday, 13 March 2026, that this measure will be accompanied by the introduction of a National Standard Price List (NSPL) for all goods and services supplied to the State.

The NSPL will serve as a pricing benchmark, with all supplies standardized within a $\pm 10\%$ margin of the listed prices. It will be reviewed quarterly to align with prevailing market conditions. While this approach is expected to enhance transparency, accountability, and fairness in public procurement, the mandatory requirement to pay suppliers in local currency raises significant concerns.

This policy effectively creates structured demand for ZiG by enforcing its use in government transactions. For businesses that depend heavily on government contracts, it implies that revenues and consequently wages will increasingly be denominated in local currency.

While ZIMCodd acknowledges that larger suppliers may have greater capacity to manage currency risks, it raises particular concern for ordinary employees, who are more vulnerable to exchange rate volatility and inflation when their incomes are paid in local currency.



Possible Effects on Citizens

- Small businesses risk being pushed out of government procurement opportunities, as many do not have access to foreign currency through the formal Willing Buyer Willing Seller (WBWS) platform. Instead, they rely on the parallel market, where exchange rates are significantly higher. This raises their cost of production compared to larger firms that can access forex at the interbank rate, creating an uneven playing field.
- General Employees of companies supplying government will be paid in Zimbabwe Gold (ZiG), while many essential expenses such as rent, fuel, and government documents like passport are still denominated in US dollars. This mismatch exposes workers to exchange rate losses and reduced real incomes.
- The increased demand for ZiG will be largely policy induced rather than driven by market confidence, raising concerns about sustainability and long-term effectiveness. Maintaining such demand may become costly and difficult for the government over time.
- Suppliers unable to access forex at the official interbank rate will turn to the parallel market, contributing to exchange rate volatility. This undermines key assumptions underpinning monetary policy and weakens overall policy credibility.

Expanding the use of local currency through structured demand without adequate backing of market forces may increase money supply, leading to inflationary pressures and threatening macroeconomic stability, with the greatest impact felt by low-income households.

Inconsistency in the use of local currency by Government

While the Government has moved to pay domestic suppliers in Zimbabwe Gold (ZiG), it continues to require foreign currency payments for a range of essential public services, highlighting a policy inconsistency. Key government services that largely demand payment in foreign currency include passports, emergency travel documents and fuel among other things

This creates a contradiction. On one hand, the Government is attempting to induce demand for ZiG by paying suppliers in local currency; on the other hand, it continues to anchor critical services and commodities in foreign currency, reinforcing dollarization in the economy. Such inconsistencies weaken public confidence in the local currency and place pressure on citizens and businesses, who must earn in ZiG but pay for essential services in foreign currency.

Recommendations

- Promote strong policy alignment across fiscal, monetary, and regulatory frameworks to ensure the consistent, credible, and economy-wide use of the local currency.
- Introduce a structured dual-currency payment system, similar to the tobacco sector, where a defined proportion of transactions is settled in local currency and the remainder in foreign currency to support stability and confidence.
- Mandate that payments for essential public services and documents, such as passports, be made primarily in local currency to strengthen its demand and circulation within the formal economy.



Opportunities

UNAIDS Internship

[https://erecruit.unaids.org/public/hrd-cl-vac-view.asp?
o_c=1000&jobinfo_uid_c=39722&vaclng=en](https://erecruit.unaids.org/public/hrd-cl-vac-view.asp?o_c=1000&jobinfo_uid_c=39722&vaclng=en)

National AIDS Council is recruiting for new job positions and graduate trainee – March 2026

https://applynow.co.zw/2026/03/11/national-aids-council-2/#google_vignette

UNOPS Programme Management Associate

[https://careers.unops.org/careersmarketplace/JobDetail/Project-Management-Office-
PMO-Specialist/2509](https://careers.unops.org/careersmarketplace/JobDetail/Project-Management-Office-PMO-Specialist/2509)

Albert Einstein Fellowship 2027

<https://www.einsteinforum.de/fellowship/>



Celebrating Women's Month



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