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## 2018 foreign currency shortages

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The **2018 foreign currency shortages** resulted in an increase in prices of basic commodities, medication and fuel [Zimbabwe Fuel Shortage Crisis \(2018\)](#). The government of Zimbabwe adopted measures to control the shortages by pegging the [Zimbabwe Bond Notes](#) and the United States of American dollar as 1 as to 1 and introducing a maximum sentence of 10 years for forex dealers.

The 1 as to 1 scale proved to be theoretical as the street value of the Bond Note against the Us dollar diminished as witnessed by the fact that money changers rated the bond against the Us dollar. The rates soared up to \$1 Usd as to \$3.50 Bond note by December of 2018.

Some sectors started charging their products in Us Dollars and used the parallel system to rate if a person wanted to buy using the bond note. The [Zimbabwe Revenue Authority](#) (Zimra) demanded that companies who received payment in foreign currency for any goods or services should pay tax on those transactions in the same currency.<sup>[1]</sup>

It was reported that Companies like [National Foods Holdings Limited](#) faced closure because of the shortages in foreign currency.<sup>[2]</sup>

### Background

In October of 2018, it was reported that The [Reserve Bank of Zimbabwe](#) conceded that the bond notes, which were initially pegged at the same value as the dollar were not equal to the Us dollar. This was after it directed banks to open separate accounts for local and foreign currencies in a fresh attempt to solve the country's cash crisis.

### Parallel Markets

The parallel market cost of the US dollar to bond notes rose to 200 percent in December of 2018 from about 130 percent in June of the same year, while the electronic transfer rate on platforms such as Zipit, RTGS and mobile money transfers soared to 234 percent (US\$100 fetched \$300 bond notes or \$340 in electronic transfers).

### [Mthuli Ncube's alleged admission](#)



It was alleged that Mthuli Ncube admitted that the country's surrogate bond note was not equal to the United States dollar, contradicting earlier government pronouncements on the currency.<sup>[3]</sup>

However Ncube said that the bond and the Us dollar had the same value and should be pegged 1 as to 1 . Ncube said that he wanted to maintain the pegged rate of exchange of 1:1 in order to protect people's savings.<sup>[4]</sup>

### ***THE NEED FOR ECONOMIC AND CURRENCY REFORMS***

*Further to the various measures that Government is putting in to accelerate economic reforms that are necessary to right-sizing the economy, it is critical to restate Government's great commitment to reducing fiscal imbalances which are the root cause of the many challenges the economy is facing.*

*The challenges include cash shortages and the proliferation of foreign exchange parallel market rates which have a negative effect on prices. These challenges require that Government position the economy on a strong footing by implementing reforms that include cutting on government expenditure, working towards import parity pricing system, increasing efficiency on government delivery systems and fast-tracking the State Owned Enterprises reforms, among a host of reforms.*

*These reforms shall be accompanied by a strong and sustainable currency reform system which will follow after the execution of the above reforms. This is necessary to ensure that any currency reform programme that the Government would put in place is effective and that it has minimum disruption to the business.*

*Accordingly and in view of the need for an orderly currency reform programme that will be followed when the economic fundamentals are right to do, the country shall continue to use the multi-currency system which was put in place by Government in 2009. This system entails that foreign exchange earners are not prejudiced of their regulatory foreign exchange receipts and that those who do not earn foreign exchange have access to foreign exchange through the banking system as is per the current policy of foreign exchange management system. In parallel, the Reserve Bank shall continue to maintain adequate resources for the import of essential commodities.*

*Over and above the Nostro Deposit Protection Guarantee from Afreximbank, we are also reinforcing Nostro foreign currency accounts with a statutory instrument to guarantee that these are private deposits, and neither the Reserve Bank nor government has any access to them. Government recognise concerns surrounding RTGS deposits, and we commit to preserve the value of these balances on the current rate of exchange of 1 to 1, in order to protect people's savings.*

***Hon. Prof. Mthuli Ncube Minister of Finance anti Economic Development***

10 October 2018

## Maximum sentence for Forex dealers

The law prescribed a maximum 10-year jail sentence for illegal foreign currency dealers. In November of 2018, it was reported that forex dealers had disappeared from the streets where they used to plight their trade.<sup>[5]</sup>

## Duty in Forex

In his 2019 budget presentation on the 22nd of November 2018, Finance Minister Mthuli Ncube put forward that from the 23rd of November 2018, ZIMRA Customs authorities would be instructed to charge duty in foreign currency for imports of certain items which included cars.

## ZANU PF urging people not to buy money from Forex dealers

[ZANU-PF](#) told its members to desist from buying money from money changers to make them disappear. The party blamed the illegal money dealers for causing the economic challenges in 2018.

## Effects of the Shortages

- Teachers demanded their salaries in Us Dollars
- Doctors went on strike demanding their salaries in USD.
- Fuel Shortages
- Closure of companies
- Acute shortage of drugs
- Civil servants clashing with government

## Doctors strike

The strike came as the doctors bemoaned medicine shortages, the fuel crisis and the demand to be paid their salaries in US dollars. The strike led to some major hospitals ([Mpilo Hospital](#)) closing some departments

In a letter to the Health Services Board (HSB) the Zimbabwe Hospital Doctors Association (ZHDA) called for a nationwide strike to commence on December 1 2018. The letter read in part.

*It is regrettable therefore to note that as a result of failure on the part of the Ministry to urgently attend to these challenges, doctors are now finding it impossible to continue discharging their services in hospitals.*

*Of particular importance are the recently experienced acute shortage of fuel and an increase in*

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*transport costs which has overwhelmed and incapacitated healthcare personnel to urgently attend to their duties.*

The Doctors denied [Obadiah Moyo](#)'s statements which had it that the strike had been called off. Moyo went on to state that the government had no capacity to pay the doctors in Us dollars. The Doctors vowed to continue with the strike till their demands were met.

## Closure of companies

National Foods Limited, manufacturers and marketers of food products in Zimbabwe and SADC warned that it was shutting down, on Wednesday 5th of December 2018. In a letter addressed to its customers, the company warned that it is closing operations because of serious foreign currency shortages.<sup>[6]</sup>

In a letter issued out to customers, National foods said the reason for closure was the shortage of foreign currency in the country and as a consequence national foods was failing to consequences in settle debts with it's foreign wheat suppliers.

## Acute Shortage of Medicines

Zimbabwe's pharmaceutical sector, which relied largely on imports to meet local demand for medicine, resorted to drug rationing as stocks fell to unsustainable levels due to protracted delays in obtaining foreign currency from the [Reserve Bank of Zimbabwe](#) (RBZ) to pay foreign suppliers.<sup>[7]</sup>

## Civil servants complaints

Civil servants said that they could no longer afford to go to work because of the inflation and the 2% tax (on electronic transactions). They also said they could no longer afford to come to work.

A meeting between the government and civil servants in the capital Harare in December ended prematurely after the latter walked out of the meeting in protest. Civil servants were surprised by the government's stance that it had nothing new to offer them.<sup>[5]</sup>

## About Pindula

Pindula is a place to find information about local things on the internet. We do it a lot like Wikipedia, except everything is hyper-local. We started work on Pindula because we needed something like it. There's so little useful information about local things online and we're working to change that

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## References

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