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WEDNESDAY, 15 APRIL 2009

HARARE



The Zimbabwe dollar is officially dead.

The embattled country's national currency is no longer in use, Economic Planning minister Elton Mangoma said at the weekend. It will remain out of circulation for at least a year while the country moves to boost its industrial production three-fold.

"There is nothing to support the value of the Zimbabwean dollar," Mangoma said.

The government approved the use of multiple foreign currencies in January to curb runaway inflation that had decimated the value of the Zimbabwe dollar to junk status.

Dollarisation has reversed hyperinflation, with the consumer price index or inflation falling by 3 percent for two months in a row, according to the Central Statistical Office.

Mangoma made the declaration hardly a month after Finance minister Tendai Biti projected the imminent death of the Zimbabwe dollar.

"The death of the Zimbabwe dollar is a reality we have to live with. Since October 2008 our national currency has become moribund," Biti said while presenting a revised 2009 budget in Parliament.

Professor Steve Hanke, a senior fellow of the Cato Institute in Washington, said in a commentary: "Ashes are all that is left of the Zimbabwe dollar - a remnant of paper money."

Until last weekend, Zimbabwe's paper money remnant circulated alongside foreign currencies, but its real value was tiny, its use had become limited, and its value against the US dollar had been eroded dramatically.

Finally, the government has bowed to economic reality and scrapped the Zimbabwe dollar altogether.

Economists say legalising the process of "dollarisation" - the replacement of local currency with the US dollar - was the master stroke by the new administration.

The switchover to foreign currency helped the country considerably, allowing stores to reopen and restock their shelves.

However, the country will need a lot of support to recover from the crisis brought on by the decades of misgovernance by a corrupt elite.

The government is seeking US\$8 billion but a skeptical international community that has the capacity to bankroll Zimbabwe's reconstruction is insisting it will not provide support until there is evidence that Mugabe and Zanu (PF) are committed to genuinely sharing power with new Prime Minister Morgan Tsvangirai, leader of the MDC.

At Zimbabwe's peak hyperinflation in December, it failed to break Hungary's world record for hyperinflation, which it set at 195 million percent a day in 1946. However Zimbabwe easily beat Yugoslavia's 1994 hyperinflation mark of 313 million percent a month to secure second place in the record books.

The power-sharing government led by Prime Minister Tsvangirai has prioritised rebuilding the devastated Zimbabwe economy since taking office in February.

Mangoma said the government had decided the Zimbabwe dollar should only be brought back only when industrial output returns to about 60 percent of capacity from the current average of 20 percent.

Critics accuse Reserve Bank of Zimbabwe governor Gideon Gono of vandalising the local currency through profligate printing of money, a charge the central bank chief staunchly denies insisting he was working under instructions. Gono told parliamentarians two weeks ago: "you cannot shoot the messenger."

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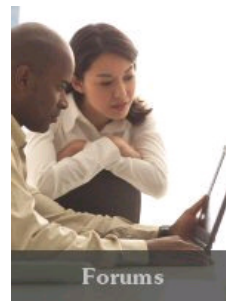
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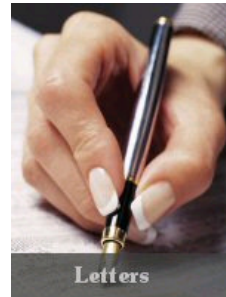
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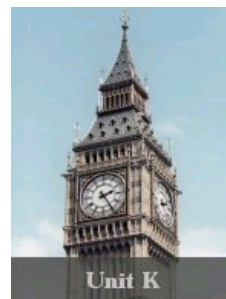
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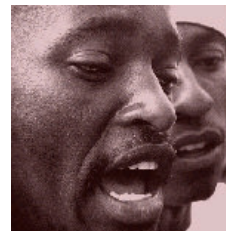
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