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Murerwa Presents Budget to Salvage Economy

Harare — Zimbabwe's Finance Minister Herbert Murerwa walks the tightrope on Thursday when he unveils the national budget of a food-hungry country groaning under record inflation and a ruined economy.

Murerwa has the unenviable task of trying to stem 1,070.2 percent inflation and a free-falling currency in an economy which has shrunk by a third. He also has to tackle ballooning unemployment and poverty.

"This time last year they (the government) said inflation would go down, but what we now see is that prices are on average ten times higher ... if not 20 times," economist John Robertson said.

"Murerwa should also prepare for a bad agricultural season given the shortages of inputs such as fertiliser and fuel. These shortages will have to be factored into the budget as subsidies," Robertson said.

Zimbabwe, once a model economy in southern Africa and a regional breadbasket, has been in a tailspin for seven years after launching controversial land reforms which led to a huge slide in agricultural output.

The often forcible seizure of white-owned farms which were then doled out to landless blacks often without any skills, tools or experience has been fingered by critics as a major cause of Zimbabwe's present woes.

Murerwa in July announced a $3.23-billion supplementary budget—at the then prevailing official exchange rate—to last until the end of the year after record inflation of 1 200 percent wreaked further havoc.

Central bank governor Gideon Gono has blamed runaway inflation partly on a high money supply growth fuelled by the free printing of currency to service longstanding debts owed to the International Monetary Fund which had threatened to expel Zimbabwe for its arrears.

The finance minister in July had pledged to allocate ZW$5 trillion (about R142-million) to revive ailing manufacturing firms and ZW$500 billion to develop local products to cut down on the import bill but they have not yielded any great results.

ZW$1 trillion from the supplementary budget was meant for a housing construction and small enterprises programme following a demolitions campaign last year of urban shacks which left hundreds of thousands homeless and was harshly condemned by the United Nations and the opposition.

Calisto Jokonya, president of the Confederation of Zimbabwe Industries, said that Murerwa had to now "come up with policies that are going to encourage investment climate which is not looking good and tackle the floating exchange rate."

He also said the state should remove price controls on a slew of essential goods in chronically short supply ranging from fuel to bread.

Prosper Chitambira, an economist with Zimbabwe Congress of Trade Unions, said Murerwa should significantly raise social spending to provide succour to the common man.

"The same generosity accorded to the defence and security ministries has not been extended to social service ministries such as social welfare, education and health," Chitambira said.

The 2006 budget accorded ZW$5.2 trillion—or 12 percent of the total budget—for health while defence spending was pegged at ZW$4.3 trillion.

That budget had a deficit of ZW$13.9 trillion or 4,6 percent of gross domestic product, according to Murerwa.

Chiwoniso Chuma, a jobless mother of three, had a clear pre-Christmas message for the finance minister.

"None of the hospitals in Harare have any drugs, there are no text books at the schools. Let's hope that he makes the income tax band wider so that we'll have something during the holidays."