

## **Central Bank Chief Rides Monetary Storm**

**Author:** [Joseph Sithole](#)

Allegations that cash provided by Zimbabwe's monetary authority was illegally converted into foreign currency.

Zimbabwe's powerful Central Bank governor Gideon Gono has had a bumpy start to the new year. Just as he tried to assert control over the circulation of money, which he claims is being subverted by speculators in high places, allegations emerged that his own institution had been complicit in shady foreign currency trading.

As a two-month-long crisis peaked around Christmas, Gono, who is chairman of the Reserve Bank of Zimbabwe, announced that the current highest denomination of paper money, 200,000 Zimbabwean dollars, ZWD - worth only about 10 US cents on the parallel market - was to cease being legal tender on December 31.

Gono's plan was designed to cut the feet from under what he called "cash barons" who he said were accumulating vast amounts of the money.

He has announced the issue of notes in higher denominations of 250,000, 500,000 and 750,000 ZWD.

The existing and proposed money looks like conventional banknotes but in fact takes the form of bearer cheques, which the Central Bank has introduced as an emergency measure in recent years as the face value of the Zimbabwean dollar continues to plummet at alarming rates in the hyperinflationary environment.

On New Year's Eve, just as the 200,000 ZWD cheques were about to go out of use, Gono executed a complete policy reverse, saying the notes would after all remain legal tender until an unspecified date in the future. His explanation was that not enough of the higher-denomination cheques had been printed to meet the need for money nationwide.

In any case, he said, there was no point in reducing trillions of dollars' worth of existing bearer cheques to "manure" at a time when the nation was still facing a serious cash crunch.

When he launched the new-issue cheques, Gono said he had been given the authority to print money as and when he deemed it necessary.

His critics have in the past accused him of fuelling inflation by printing money at will and failing to keep track of it properly. One of the reasons that Gono gave for withdrawing the 200,000 ZWD notes was that, out of 67 trillion ZWD released onto the market, only two trillion could be accounted for in the banking system.

As well as the "cash barons" he blames for stockpiling the missing bearer cheques, Gono has accused government officials and senior members of the ruling ZANU-PF party of hoarding foreign currency, of which Zimbabwe is in chronically short supply.

Now the targets of his attacks are fighting back, accusing the Central Bank of complicity in illicit foreign currency purchases.

Last week, a Harare woman called Dorothy Mutekede was arrested for black-market currency trading when she was found in possession of ten billion ZWD in the newly-printed bearer cheques just as they were being released to the banks. She alleged that a senior figure in the Reserve Bank (not Gono) was the source of the cash, and was fined and released.

Her claims came as a huge embarrassment for the Central Bank governor, who has pitched himself as a champion against corruption in the financial sector.

The incident happened as a court in Harare heard that the Central Bank funneled money to a company that did not hold the foreign-currency equivalent it claimed to have.

In court, a man called Joseph Manjoro pleaded guilty to raising foreign currency on the black market on behalf of Flatwater Investments, to enable it to pay for farm machinery bought in South Africa. In mitigation, the defendant said the Zimbabwean currency he used in the illegal transaction formed part of seven trillion ZWD the company had received from the Reserve Bank.

During the court proceedings, prosecutor Tawanda Zvekare said the Reserve Bank supplied the money in ZWD to Flatwater without ensuring that the firm had adequate liquidity held in US dollars.

According to Zvekare, the central bank “literally splashed cash to Flatwater without verifying if they were very good business partners”.

The prosecutor called for links between the Reserve Bank and Flatwater to be investigated further.

Gono has challenged those making such accusations to substantiate the claims.

Meanwhile, he is continuing with his own offensive, promising to name the corrupt officials he accuses of currency speculation when he appears before parliament’s budget and finance committee next week.

Joseph Sithole is the pseudonym of a Harare-based journalist.

**Location:** Africa

**Topic:** Zimbabwe

**Focus:** Zimbabwe Crisis Reports

---

**Source URL:** <https://iwpr.net/global-voices/central-bank-chief-rides-monetary-storm>