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Investigating the Impact of Dollarization on Economic Growth: A Case of Zimbabwe

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This study examined the effects of dollarization on business in Zimbabwe focusing on economic indicators such as inflation rate, GDP, employment and ease of doing business during the period 2009-2015. Zimbabwe experienced a very difficult economic phase characterised by hyperinflation, negative economic growth, unavailability of basic commodities and negative economic growth rates during the period 1998-2008. In 2009 the country adopted a multi-currency system whereby the Zimbabwean dollar was in circulation alongside various other currencies, with the United States Dollar and the South African Rand being the dominant ones. There has been general speculation that Zimbabwe's economic problems are due to dollarization. Through analysing data from interviews and secondary sources, the research established that dollarization brought about stability in the economy, arrested inflation, and caused a marginal increase in GDP. However, the response of the employment rate was independent of the dollarization and may be attributed to other factors such as Economic Structural Adjustment Programme (ESAP) in 1992, the global economic crisis in 2008 and the absence of reliable data.

Keywords: Dollarization, Commodities, Multi-Currency System

JEL Classification: F31, F33, E40

1. Introduction

Developing countries are constantly seeking ways to emancipate themselves from recurring low growth and insufficient economic performance (Cheru, 2016). Zimbabwe is among developing economies whose economic fortunes have remained subdued. In 2009 Zimbabwe, in a bid to save the nation from hyperinflation, abandoned her local currency and adopted a multi-currency system which has become formally known as dollarization (Sikwila, 2013). Dollarization helped Zimbabwe arrest hyperinflation, among other benefits (Mutengezanwa Mauchi, Nyanike, Matanga and Gopo, 2012). However, dollarization has also brought about challenges in the economy that include stunted growth, de-industrialisation and liquidity challenges among others (Chigome, 2015). This study investigates the impact of dollarization on economic growth, with a focus on Harare where most business head offices are found. According to Mengesha and Holmes (2013) studies conducted on dollarization have focused on Latin American and Asian economies. However, this study will focus on dollarization in Zimbabwe.

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1.1. Research Context

As a result of macroeconomic pressures in Zimbabwe (Kararach et al., 2010), the multi-currency regime was adopted using currencies which include the South African Rand, Botswana Pula, British Pound and United States Dollar. By January 2014 the multi-currency basket was widened to include the Chinese Yuan, Indian Rupee, Japanese Yen and Australian dollar. However, the United States Dollar has been the most dominant and widely accepted currency in the country (RBZ, 2015). The use of the United States dollar increased by 21% from 2009 to 2015, whilst the uptake of the South African Rand decreased sharply by 19% during the same period. This study investigates the impact of dollarization on the economy in general, using businesses operating in Harare, as the case study. The study was motivated by the need to understand how dollarization affects economic activity in a country given that the effectiveness of the Monetary Policy is curtailed.

1.2. Research Problem

There has been general speculation that Zimbabwe's economic problems are due to dollarization which has brought about challenges evidenced in, for example, monetary policy and fiscal constraints, unemployment, as many lost their formal jobs, acute balance-of-payments and external debt issues. Theoretically, dollarization arrests high inflation (Edwards and Magendzo, 2003) and brings stability to an economy (Kararach *et al.*, 2010). However, the growth experienced during the first four years following dollarization could not be sustained. There is not much empirical literature that has been done to fully understand the extent to which dollarization has affected growth in Zimbabwe.

1.3. Research Questions

The following research questions were the basis of this study:

- How has dollarization affected major economic indicators?
- What are the effects of relying on dollarization in Zimbabwe's ease of doing business and its impact on economic growth
- What recommendations can be made in order to promote economic growth?
- What policy options would you propose to address the challenges brought about by dollarization?

1.4 Significance of the Study

The findings of this study would determine the impact that dollarization has had on economic growth and proffer recommendations on how sustainable economic growth can be achieved. The study would assist the researcher in uncovering critical areas that would promote economic growth under the multi-currency system. One of the ways to measure how well a country is doing is by measuring economic output by looking at economic indicators such economic growth, economic stability and the strength of its currency (Sabade, 2014). It is important for any nation to have a currency that its citizens and the world at large have confidence in. This study aims to fill the gap in literature on how dollarization has affected economic growth from the period 2009 to 2015. The study would promote further studies on how Zimbabwe may address issues pertaining to economic growth in a dollarised economy. The study aims to benefit many stakeholders, particularly the Government as it considers possible fiscal reforms; the Reserve Bank of Zimbabwe, through examining how to address the limitations that dollarization imposes on monetary policies and finally, businesses as they prepare budgets for their companies and also as they try to lure foreign investors.

2. Literature Review

Dollarization implies the official adoption of foreign currency as legal tender or as the basis of a currency board (Hanson, 2002). There are three main types of dollarization namely; unofficial dollarization, official partial dollarization and official full dollarization (Nkomazana and Niyimbanira, 2014). These concepts are discussed in turn. Unofficial dollarization is the use of foreign currency on selected transactions although it may not be legal tender. This is a situation which arises because of lack of confidence in the national currency (Fabris, Vukajlović-Grba Radunović and Janković, 2004). Other countries that have partial dollarization include Argentina, Cuba, Bolivia, Vietnam, Turkey and Peru. According to Rossini and Quispe (2015) partial dollarization may threaten the financial stability of a country. In their study of Peru they noted the negative balance sheet effect created by firms when the local currency depreciated significantly whilst liabilities are in foreign currency and revenues are in the local currency. They argue that this scenario negatively impacts on credit delinquency ratios of commercial banks and economic activity.

2.1. Effects of Dollarization

Aphra Behn, a 17th century dramatist, maintains that “money speaks in a language all nations understand.” Although, according to Mohr et al. (2009), there is still no generally accepted theory about how money influences economic activity but modern economists, such as King (2016) accept that the influence of money on the economy is not entirely neutral. However, this view is not in tandem with early economists such as Hayek (1952) who employed the term “neutral money” to explain that money does not actively influence the determination of real variables. According to Anderson (2016) dollarization reduces inflation, eliminates inflationary expectations and brings about price stability. The number of non-performing loans (NPLs) also increased during this time. Zimbabwe is among the highest defaulters compared to other developing countries a situation which may be attributed to macroeconomic conditions. NPLs lead to stagnation of economic resources and threaten macroeconomic stability (RBZ, 2015). Banks are an integral part of the financial system and play a fundamental role in the global economy and therefore NPLs affect the whole economy of a country (Mileris, 2014). Dollarization has some positive and negative effect on the economy of a country, as is evidenced by the literature review. Policymakers must, therefore, critically look at the impact that it has on a country. The effects of dollarization may change from time to time, as has been the case for Zimbabwe where inflation was arrested but policies need to be put in place to promote economic growth.

2.2. Research Design and Methodology

Saunders, Lewis and Thornhill (2012) argue that the research design is the general plan of how research questions will be answered and it gives the objectives, specifies the sources from where and how data will be collected and analysed. Further, Greener (2008) posits that research design helps in selection of a strategy and also guides the choice of research method. This study focused on the views and opinions of people from both the formal and informal sectors. According to Kothari (2004) research design is the conceptual structure whereby research is conducted.

2.3. Research Methodology

Rajasekar, Philominathan and Chinnathambi (2013) describe research methodology as a science that systematically finds a way of solving a problem by describing, explaining and predicting phenomena. According to Saunders *et al.* (2012) research, depending on the purpose for which it is needed, can be classified as exploratory, descriptive or explanatory. The exploratory study is carried out by way of in-depth or semi-structured interviews where the researcher wishes to understand the context and an inductive approach is adopted. The descriptive study is used where structured interviews are carried out in order to find a general pattern as a deductive approach to test theory. The explanatory study uses semi-structured and structured interviews in order to comprehend the relationship between variables (Saunders *et al.*, 2012). This study employed the exploratory method by way of interviews. The exploratory approach was used because of its suitability for small-scale research through using qualitative data (Denscombe, 2010).

2.4. Qualitative Study

A qualitative research strategy relies on a collection of qualitative data that is non-numeric (the converse of quantitative research) using data collection techniques such as an interview (Saunders *et al.*, 2012). Qualitative analysis has several advantages, one of them being the data’s in-depth study of fairly specific areas (Denscombe, 2010). It accommodates ambiguity and contradictions thereby demonstrating that it makes allowances for social reality. The qualitative method was preferred as it allows for the prospect of alternative explanations. The study is a qualitative case study research as it is a detailed account and analysis of how dollarization has impacted on economic growth in Zimbabwe. In order to be able to investigate, explore and capture the views and opinions of respondents a qualitative approach was used.

2.5. Research Philosophy

Research philosophy is a belief about a how a research collects, analyses and uses data on a phenomenon (Holden and Lynch, 2004). There are several research approaches ranging from epistemology, which looks at what is known to be true, and doxology, which looks at what is believed to be true. This study took an interpretivism approach where the researcher appreciated the differences between the participants.

2.6. Target Population

The population size of Zimbabwe is 15.7 million people (Zimstats, 2016). The target population was chosen from individuals whom the researcher strongly believed had relevant practical experiences that the

study can base its conclusions on. This study focused on Harare, the capital city of Zimbabwe, where most business head offices are situated. The study targeted the formal and informal sectors, with participants from vendors, mobile money agents, money lenders, retailers, business executives, investors (represented by banks), importers (represented by car sales), exporters (represented by manufacturers) and public sector employees, all of which play a crucial role in the GDP of the country and thus the information provided is envisaged to give an indication of how dollarization has affected them. The study focused on participants aged between 25 – 65 years because they were perceived to have an understanding of the concept and were likely to be more actively involved in business. The other factors that were considered in the selection of participants were that amongst them were academics and policymakers.

2.7. Sampling Strategy

According to Cooper and Schindler (2004) there are two types of sampling techniques, namely probability sampling technique and non-probability techniques. The probability sampling is based on statistical theory of normal distribution of events by using a representative sample (Denscombe, 2010). This study focused on non-probability sampling. Non-probability sampling is used when a researcher does not wish to use a sample based on pure chance mainly because the researcher does not have enough information about the population to draw inferences from probability sampling and also that it would not be practical to have sufficient examples in the study (Denscombe, 2010).

2.8. Selection Criteria

This study uses judgmental sampling whereby part of a sample was taken subjectively based on the researcher's judgement of how suitable the individual was. Saunders *et al.* (2012) advise that this type of sampling is often used when dealing with very small samples, for example in case studies for cases that are particularly informative. Judgmental sampling was used in the study. The research on the formal sector was purposive whilst that on the informal sector was random. It is important to note the down side of purposive sampling which includes the fact that it is subjective and prone to researcher bias. In this study bias was minimised as the judgement was based on clear and theoretical criteria.

2.9. Data Collection

According to Denscombe (2010) in qualitative research the data analysis usually takes place during data collection. In this study in-depth interviews with participants were used so as to be able to draw out the participant(s) point of views on the impact of dollarization on economic growth. The major sources of data used in this study are primary and secondary sources. The study posed 'open' questions that allow respondents to answer in their own words as opposed to giving structured responses and thus the researcher adopted an interpretivism paradigm to come up with the results of the research.

2.10. Personal Interviews

Personal interviews are a source of primary research that can be either structured or semi-structured, enabling the researcher to frame the questions in a way that guides the respondent to answer the questions in a way that is helpful to the study (Bryman and Bell, 2015). During this study the respondents were able to respond immediately in a personal interview. However, personal interviews are prone to interviewer bias due to poor questioning. This study ensured that the questions asked were open-minded and thus prompted the respondents to think and reflect as they gave their opinions and feelings about the impact of dollarization. Interviews were conducted at scheduled times at places that were convenient for the respondents. During the interviews the respondents were given full control on how they responded.

2.11. Pilot Study

A pilot test was conducted on two respondents so as to check on the quality of the questions for the interviews and to test their reliability for the successful conclusion of the study. During the pilot study feedback received from the Supervisor and MANCOSA Internal Reviewer was considered by the researcher. The researcher analysed the data obtained from the pilot study without the assistance of computer software as the data collected could easily be managed. In the pilot study the respondents were able to readily understand the questions. The questions were directly related to the impact of dollarization on economic growth. However, two of the questions had to be adjusted as they were essentially asking the same issue and appeared to be leading the respondent's response. In the pilot study half of the respondents interviewed responded to all the questions with ease.

2.12. Validity and Reliability

According to Saunders *et al.* (2012, p.413) validity refers to the extent that the researcher is able to access the participant's knowledge and experience and is able to make correct inferences from the language used by the participant. The researcher actively adhered to professional and ethical principles and ensured that all interviewees were held after explaining that the research was for academic purposes and all information gathered would be maintained as confidential. The researcher ensured validity of the study by avoiding systematic error bias, whereby participants would be from the same sector, and thus not being representative of different sectors of the economy. The researcher also avoided bias in the method of data collection as the research did not target a certain type of people but rather selected participants which some knowledge on the subject matter. The credibility and conformity of the research findings is supported by literature review which echoes the views of the respondents.

2.13. Limitations of Qualitative Research

The limitations of qualitative research include the fact that it is time consuming and expensive to collect and analyse the data. This research is reliant on a small number of participants and thus may not be taken seriously by academic researchers or policy makers. Some participants were reluctant to give honest responses to questions asked during the interviews.

2.14. Elimination of Bias

The downside of purposive sampling is that it is subjective and prone to researcher bias as the researcher already knows something about the people or event they select for the study (Denscombe, 2010, p.33). The researcher minimised bias in this study by having a clearly defined target group and avoiding leading questions and wording bias. A preliminary research with open-ended questions that provided a perspective of a number of people was also done.

2.15. Ethical Considerations

This study discusses ethical issues and takes note of the research constraints. According to Saunders *et al.* (2012, p.191) research ethics are an essential part of research design. This study was conducted after the researcher communicated the purpose of the study to the respondents and participants voluntarily agreed to participate. The researcher made the participants aware of the objectives of the research and the significance of their responses. The participants were made aware of how valuable their contribution was for the study to be a success. The researcher then sought permission from participants in order to conduct the interviews. This was done by way of a letter to all participants in which it was stated that all information given by them would be strictly confidential and that their anonymity was guaranteed. The researcher took particular care to ensure protection the privacy of participants by keeping written copies of the interviews in a safe place. In designing the research questions the researcher took care to ensure that questions which may be viewed as politically sensitive were avoided. The researcher made every effort in the research design to ensure that participants were not subjected to the risk of embarrassment (by asking questions beyond their depth), pain (by asking questions that would invoke sad emotion), harm (whereby their responses would have unfavourable consequences for them professionally or otherwise) or any other material disadvantage.

3. Results

Responses for the telephone interviews were sought from the following; banks, retailers, manufacturers, car sales and the public sector. The respondents were drawn from different sectors of the economy. The highest response rate was from car sales (representing importers) at 100% followed by responses from banks at 67%. The lowest response rate was from manufacturers (representing exporters), retailers and the public sector who were all at 50%. The telephone interviews comprised of open-ended questions. Of the eleven interviews held three were with banks, two with retailers, two with manufacturers, two with importers and two with employees from the public sector. Of the public sector employees the one who responded to the telephone interviews showed an in-depth understanding of the subject which necessitated the need for a one-on-one interview. The total response rate was 64% which is deemed fair as it is above 50% of the total telephone interviews conducted. The number of interviews that had been scheduled were ten but only eight were conducted as the remaining two interviewees were unavailable at the scheduled times. However, the response rate was 80% which is deemed reasonable for this study. The interviews explored the information that was necessary to draw conclusions regarding the effects of the multi-currency system on the Zimbabwean

economy. It was clear from the interviewees that the multi-currency system was aimed at ending hyperinflation and stabilising the economy. Respondents felt that dollarization has not ended all the economic problems faced by Zimbabwe.

3.1. Impact of Dollarization on Inflation Rate

Of the participants in the interview, most felt that dollarization had arrested hyperinflation. According to Zimstats (2008) Zimbabwe's economic climate was characterised by hyperinflation prior to the multi-currency system with year on year inflation reaching 231,000,000% in 2008. According to Zimstats (2015) Zimbabwe has maintained a single digit figure since 2009. The inflation rate continued to fall with speculation that it will remain in the negative. During an interview a business executive mentioned that prior to the adoption of the multicurrency system, *"Zimbabwe underwent a very rough economic patch and inflation rate skyrocketed. The Central Bank responded by effecting some monetary policy adjustments, which included the devaluation of the Zimbabwean dollar. They printed more money and re-denominated the local currency."* Other results from the research undertaken showed that businesses were adversely affected during that phase. Importers needed foreign currency to import products into the country, manufacturers could not afford to produce for the whole country and banks recorded very subdued deposits. As a result basic commodities and products disappeared from the shelves.

3.2. Impact of Dollarization on Gross Domestic Product (GDP)

An economist from the public sector, during an interview, stated that the hyperinflationary period saw *"Zimbabwe's GDP decreasing from almost US\$6 billion in 2003 to below US\$4.5 billion in 2008."* There was negative economic growth during the period which was worsened by the depreciation of the Zimbabwean dollar. There is an inverse relationship between inflation rate and GDP (Fischer, 2016). Thus, when the inflation rate continues to rise GDP falls, affecting the economy in several ways.

3.3. Impact of Dollarization on Unemployment Rate

It is important to note that data on Zimbabwe's unemployment rate is not readily available and inconsistent depending on the source. Most people interviewed by the researcher believed that under dollarization unemployment is high in the country. According to Zimstats data estimates the unemployment rate stands between 10 and 11%. A manager at Pick n Pay stated that *"after dollarization, the informal sector grew because the indigenous people opened up SMEs since they could now trade in US Dollars."* However, it must be noted that there is no evidence to suggest that the growth in the informal sector was as a result of the adoption multi-currency system alone.

3.4. Effects of Dollarization on Formal Sector in Zimbabwe

Zimbabwe was bedevilled with many challenges prior to the adoption of the multi-currency system. These challenges included hyperinflation, shortage of basic commodities, distressed industries, subdued production and a lack of consumer confidence. From the interviews conducted it was clear that the respondents focused mainly on the following issues; hyperinflation, economic stability, budgetary discipline, monetary stability, corporate governance and money supply. The study established that 88% of the respondents stated that the multi-currency system restored economic stability. The importers and retailers confirmed that dollarization had helped improve their sales, with an importer stating that, *"the US Dollar has made life easier for us to bring in brand new and second-hand vehicles without having problems of sourcing the funds. I think it has brought some economic stability."* However, a banker noted that *"depositors are intermittent, with people withdrawing money as often as they deposited it."* Generally, the respondents confirmed that the economy stabilised and both intra-national and international trade improved. Further, 12% of the respondents expressed that the multi-currency system did not bring about economic stability as a result of some uncertainties surrounding the multi-currency system, stating that *"How can we say the economy is stable with the liquidity problems that we are facing? Look at the unemployment rate; there are no jobs because industry is not functioning as should."* One respondent stated that *"dollarization resulted in downsizing of many local industries and factories because it became expensive to use the United States Dollar, hence economic growth started to rise at a decreasing rate."* There was also lack of clarity on when or if the country will re-adopt its own currency and this appears to have eroded confidence in the business community. In addition, 68% of the respondents felt that budgetary discipline improved with the adoption of the multi-currency system. The respondents who noted that there had been a significant increase in monetary stability and credibility were 75%. Unlike the Zimbabwean dollar, the United States dollar is widely recognised as an embodiment of

monetary value and stability. However, 15% of the respondents stated that the stability of the United States dollar was subdued by its unavailability. The remaining 10% of respondents cited that major currencies, including the United States dollar had been shaken by the 2007/8 world economic crisis and therefore “nothing is certain” with any currency. The respondents who felt that the adoption of the multi-currency system caused an improvement in corporate governance were 60%. The respondents believed that the country had made strides towards improving corporate governance and preventing corruption by putting in place structures such as the Anti-Corruption Commission. The findings showed that respondents who acknowledged that the multi-currency system improved money supply were 52%, whilst 45% of the respondents were of the opinion that it had worsened it as they had no control over the currencies being used in the country. One respondent cited that as “*Zimbabwe is a net importer, the country is losing the currencies faster than it is able to recover them.*” An employee from a banking institution felt that “*the central bank has no power in the control and circulation of money in the economy since the RBZ had been incapacitated to play its monetary policy role.*” The respondents that were unsure about how money supply had been affected by dollarization were 3% who were of this opinion because they felt that large amounts of money had been externalised and therefore it was difficult to have an accurate position on the matter. Most respondents noted the benefits brought by the multi-currency system. Some noted the significant reduction in inflation which they viewed as a positive sign, particularly considering that Zimbabwe was coming from a hyperinflationary era. Many hailed the economic and monetary stability which gave them confidence that they could compete on the global markets without losing out on the exchange rate. A business executive responded that “*dollarization brought about improved budgeting discipline,*” and she added that “*the benefits of dollarization outweighed the costs.*”

3.5. Effects of Dollarization on the Informal Sector in Zimbabwe

As in the formal sector, all the respondents in the informal sector noted that the multi-currency system played an important role in arresting inflation and bringing about normalcy in the prices of goods and services, a situation which was in contrast to the unpredictable prices experienced during the hyperinflation period. Similar to the formal businesses, the informal businesses proffered mixed responses pertaining to the effects of the multi-currency system on budgetary discipline. Of the respondents 60% noted a positive change in the budgeting discipline following the introduction of the basket of currencies in circulation in the country.

4. Recommendations and Conclusions

Findings from the study reveal that the effects of erratic money supply have been felt in all sectors across the economy. There was ambivalence expressed by participants from both the informal and formal businesses albeit they agreed that there had been a reduction in inflation and there was economic stability. However, the positive effects of the multi-currency system were perceived as marginal as it did not change the lives of many people. Overall, however, research findings have shown that the positives derived from dollarization far outweigh the negatives. It is clear that with some mechanisms put in place, such as having enough sources of liquidity through, for example, export incentives and inward investments, as well as robust exchange control measures then the full benefits of dollarization may be realised. Although dollarization managed to improve the business environment in the country, issues such as money shortages are real and they need to be addressed for the economy to, not only stabilise, but grow as well.

4.1. Recommendations

The discussion on results obtained from this study has indicated that a multi-currency system managed to bring positive changes in as far as hyperinflation and stability is concerned. In light of the findings confirmed in this study, the following policy recommendations are submitted to maximise benefits and reduce constraints in the economy:

The Government needs to encourage use of the other currencies in the multi-currency regime so as to reduce the burden on the United States dollar, which is currently the main currency in use in the country. The RBZ statistics suggest that when the multi-currency system was introduced in 2009, the use of the South African Rand and the United States dollar were at par. However, this is no longer the case because people are attracted to the dollar and dissuaded from using other currencies.

Given the historic, economic and trade ties between Zimbabwe and South Africa, the Government may consider adopting the Rand as the official currency as this would, in addition to easing cash shortages, improve trade between the two countries. However, it is important to note that whilst using the Rand, the RBZ would still not have full control of the level of money supply, thus making it difficult for implementation of

meaningful monetary policy. Use of the Rand would be a restoration of a foreign currency system albeit with a country whose economy has strong ties with Zimbabwe, thus making it easier for Zimbabwe to relate to it. It is, however, important to note that the Rand's performance against the United States Dollar has generally been on the decline.

Given that the Government, under the multi-currency system, has limited ways through which revenue may be collected, the Government is advised to increase efficiency and transparency in revenue collection areas such as Zimbabwe Revenue Authority (ZIMRA), as suggested by a respondent. There is, therefore, need for public financial management and parastatal reforms so as to ensure that there are no leakages.

As a result of not having monetary policy or exchange rate policy products are expensive. The findings from the study reveal that there is need to find measures to do an internal devaluation, through for example, salary cuts, reduction of prices of certain products, reduction of certain taxes on products such as gold and diamond deliveries. Of note is the reduction in bank charges which was advocated for by the RBZ in order to persuade deposit banking which would in turn create funds for the banks' onward lending. However, closer supervision may be necessary to ensure compliance.

A dollarized economy has social, economic and political consequences and therefore requires public support so as to reduce the risk of lack of confidence in the banking system and deposit flights as people resort to other means of saving outside the banking system. It is necessary for policymakers to educate the public on economic facets that propel the country forward and the role that the public play in the economic growth.

Whilst there are plans to mobilize resources from sources such as diaspora remittances, exports, foreign investments and international sources there is need for an aggressive resource mobilisation programme aimed at clearing arrears to ensure that the funds are availed.

The Central Bank and Government have introduced measures to alleviate cash shortages in the economy. Among the measures is the introduction of the bond coins currently in circulation and bond notes backed by a \$200million loan facility at Africa Imports and Exports Bank (Afreximbank) which are expected in circulation before the end of 2016. The bond notes will be valued at par with the United States dollar. However, the public has viewed this move with suspicion, seeing the move as an attempt to smuggle back the now demonetised Zimbabwean dollar via the back door. Memories of the hyperinflation period have remained fresh and thus have eroded confidence in the Zimbabwe dollar. The Government has also introduced a Statutory Instrument (SI 64) which restricts importation of certain products in order to protect local industry and also reduce the flight of the United States dollar. However, this move has already faced resistance with some people protesting against it. The Finance and Economic Development Minister, Hon. P. A. Chinamasa, has articulated that it would be ill-advised to bring back the Zimbabwe dollar now as the country was not yet prepared for the move. The multi-currency system is here to stay. Currently the country's real sector activities remain uncompetitive, whilst the balance of payments situation remains acute, a situation that is not conducive to re-introduce the Zimbabwean dollar. The Government is committed to restoring confidence as well as stimulating the economy through ensuring policy consistency and predictability. Further study is required to measure the impact of dollarization on economic growth in light of the bond coins already in circulation and bond notes which are expected in the country. There would be need to assess and determine how these impact on monetary policy, for example.

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