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Impact of Zimbabwe's Currency Crisis on Youth Employment: Case of Youth's in the Informal Sector

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Abstract: Zimbabwe has been experiencing a currency crisis before the adoption of the US dollar as legal tender, the Zimbabwe dollar had lost its value and the economy was experiencing hyperinflation. In February 2009, the economy was officially dollarized, however a basket of currencies such as the Pula, Rand, Euro, British Pound could also be used together with the US dollar. The economy was stabilized, and inflation was curbed. After dollarization, the Zimbabwe government had options to either remain dollarize the economy, join a Common Monetary Area or re-introduce the Zimbabwe dollar. This would be to achieve long-term economic stabilization and growth. It also required discipline of the part of the reserve bank, however the country went into a further crisis and was faced with liquidity challenges even after introducing the bond notes. The use of the US dollar made imports cheaper than products locally produced whilst exports also decreased as raw materials became expensive to export using the US dollar as compared to countries using their own currencies. This study was carried out reviewing articles and literature on the topic and interviewing some youth in the informal sector. The findings showed that after dollarization some economic stability was achieved however it was short lived as the country was faced with liquidity challenges. Businesses collapsed and unemployment increased. The country's employable youth could not find formal job opportunities in the formal sector such as banks, private companies and other corporate entities and resorted to finding economic opportunities in the informal sector. However, the informal sector was also faced with challenges as it became difficult to trade amid the liquidity challenges the economy was facing. Macro-economic challenges birthed the parallel money market, and foreign currency trade increased with youths being the foreign currency dealers. The government may need to seriously consider engaging the diaspora to unlock investment capital to resuscitate industries and create an enabling environment for already existing local businesses to create employment. Constancy in policy implementation may also be necessary to gain confidence of lenders as well as the citizens. As a result the much desired economic stability and growth may be achieved with youth as key economic players.

Keywords: Currency Crisis, Monetary Policy, Youth, Employment, Parallel Market, Dollarization

Introduction

The Zimbabwean economy experienced hyper-inflation especially from the year 2000 and businesses were closing as they ceased to be going concerns, operating costs were more than the revenues they were receiving, and the value of the local currency was usually eroded overnight. In a bid to address the gross macro-economic challenges faced by the country's economy, the government, in 2009, introduced a basket of currencies to the economy as a measure to stabilize the high inflation rates that were being experienced in the economy. The value of the Zimbabwe dollar was estimated to have lost value by 99% (Hanke 2003). When transacting, the Pula, British Pound, Euro, South African Rand became legal tender, however the US dollar remained the most preferred medium of exchange when trading. Developing countries are constantly finding ways to improve economic performance as well as grow their economies (Cheru, 2016). Zimbabwe is no exception, as the economy was experiencing hyperinflation and no growth there was a need to come up with strategies to trigger an economic turnaround. The local currency in 2009 was totally abandoned and the government adopted a multi-currency system and the economy was formally dollarized (Sikwila, 2013). One of the benefits that came with dollarization was reduced inflation (Mutengezanwa Mauchi, Nyanike, Matanga and Gopo, 2012). According to (Chigome, 2015), in as much as the major economic challenge of hyperinflation was addressed by dollarization, it also brought a new dynamic of economic challenges such as slow economic growth, de-industrialisation as well as liquidity crisis. Post dollarization, the government made quite a few policy interventions to address the currency crisis the country was now facing in as much as there was economic stability immediately after dollarization. The unforeseen challenges of dollarization had begun to affect the economy and significantly affected young people as they are a significant demographic of the country. Reports by the ILO (2012), IMF(2013) estimate that Zimbabwe's unemployment rate was between 70-95% by 2008.The lack of economic opportunities coupled with the currency crisis in which Zimbabwe found itself in post dollarization led to the youth finding ways to survive in the informal sector. For that reason, this paper seeks to investigate the impact of Zimbabwe's currency crisis on youth in the informal sector unpacking the policy interventions made by the government, the economic stabilization options that the government of Zimbabwe could have explored and the implications of a multi-currency regime on youth in the informal sector.

After dollarizing the economy and achieving stability as far as inflation was concerned, Zimbabwe's government still faced challenges on deciding which currency to adopt. The agricultural sector as well as manufacturing industry had been immensely affected by hyperinflation and the country experienced foreign currency shortages. The government had no solutions to economic problems facing the country and resorted to printing more money and this worsened the economic situation. After dollarization, three possible options were up for consideration for Zimbabwe and these were, dollarization, joining the Common Monetary Area and retaining the Zimbabwe dollar. The option of retaining the Zimbabwe dollar is further broken down into three possible administrative processes which include, having a currency board, free banking as well as the Reserve Bank of Zimbabwe's participation (Makochekanwa ,2009). The suggested currency options were not new to Zimbabwe as the country, in 1892 to 1940, had a banking system that was a combination of free banking, dollarization and a monetary area (Hanke, 2008). Additionally, there was a profit-sharing arrangement for seignoirage with South Africa and their coins were legal tender in Zimbabwe (Mlambo and Ndlela 2006). The country operated a currency board system from 1940-1956, before shifting to central bank system under the Central African Federation (CFA), which consisted of the Northern Rhodesia (now Zambia), Nyasaland (now Malawi) and Southern Rhodesia (now Zimbabwe), (Makochekanwa,2009). The above systems have been implemented before and had shown records of success in ensuring low inflation rates as well as a stable currency, both these conditions allow for economic growth to be experienced.

The option of dollarization of the economy, formally, entails that the country makes a foreign currency (currencies) full legal tender and reducing its own currency, if any, to a subsidiary role and being issued only in coins having small value (Makochekanwa,2009). This means that there will be no risk of domestic currency, no currency risk, and therefore, no risk of currency crisis (Bogetic, 2000). Full dollarization also means that it will be permanent or almost permanent for the economy, (Borensztein and Berg 2000). As compared to having a currency board, full dollarization will be relatively more difficult to reverse than doing away with or modifying a currency board (Makochekanwa ,2009). The advantages of dollarization may include ensuring low inflation rates as seen in Zimbabwe after February 2009 when the multi-currency regime was legally adopted. Again, dollarization would result in reduced administrative expenses as the government will not incur the cost of maintaining an infrastructure dedicated solely to the production and management of a separate national currency. Dollarization would also lead to the establishment of a sound financial sector providing the firm basis for the recreation of a more favorable financial sector. In this case dollarization would go beyond the mere adoption of a foreign currency but will also mean financial integration with the anchor country and this will force domestic financial institutions to improve their efficiency and the quality of their services (Makochekanwa 2009).

Lower interest rates can be one of the benefits that come with dollarization as it could bring significant reduction of interest rates for local borrowers. Amongst other advantages, dollarization potentially can establish stable relationships with other currencies whose reputation is already well recognized and secure, thus lowering the level and volatility of domestic, real, and nominal interest rates. Zimbabwe, as compared to South Africa, had much higher interest rates and this limited economic growth. On the other hand, dollarization came with possible threats, economically and politically. Cohen (2000) argues that the more critical disadvantages of dollarization are political, not economic. Forfeiture of autonomous monetary authority would be experienced with dollarization and this implies that the country will have no autonomy with the monetary policy, since the dollarizing country will no longer exercise unilateral control over its own money supply or exchange rate (Makochekanwa 2009). However, Zimbabwe by 2008, had already lost its monetary autonomy as the informal sector had already started trading with the US dollar.

Another disadvantage of dollarization is that the country forfeits seignoirage revenue, the government was used to printing money for economic survival. Printing money resulted in interest income that the central bank would earn by issuing non-interest bearing money to purchase interest bearing assets (Burdekin, 2008).Hence dollarization left the government with no capacity to create money as well as create inflation tax (Meyer, 2000). Official dollarization also required the central bank to withdraw the local currency from circulation and replace it with US dollars or the anchor currency. To get those US dollars, the central bank would have to sell some of its assets, normally interest-bearing, US dollar denominated assets. The result is that the central bank's interest income declines. In other words, seigniorage can thus be considered as an alternative source of revenue for the state beyond what can be raised via taxation or by borrowing from financial markets at home or abroad (Makochekanwa 2009). Also, the central bank, through dollarization would lead to loss of its ability to be lender of last resort which is a significant role any central would like to remain with. Additionally, the central bank gives up its capability of discounting freely in times of financial crisis. Domestic banks would be more exposed to potential liquidity risks; however in the case of Zimbabwe chances may not be that high.

Dollarization of the economy would have political costs as currencies are national symbols which differentiate one country from the next. According to Cohen (2000), the ability of money to symbolize the uniqueness of national identity comes in two forms; first since the government or its central bank issues its preserved currency notes, money plays the role of reminding citizens on daily basis of their loyalty, connectedness and oneness with the country (Makochekanwa 2009). Second, the fact that it is pervasively used on daily transactions, a currency highlights the fact that everyone is part of the same social entity (Makochekanwa 2009). Hence these are some of the critical political issues governments may have to weigh until they decide on dollarizing the economy.

Common Monetary Area

The second option for Zimbabwe would be to join the Common Monetary Area, (CMA), which has the following countries, South Africa, Lesotho, Namibia, and Swaziland. Zimbabwe would adopt the South African rand as the legal tender, whilst also trading with the Zimbabwe dollar at an exchange rate of one is to one. The Common Monetary Area (CMA) refers to a monetary arrangement between several countries that share a common currency or have their currencies pegged to a common currency. This option would bring about a few benefits to Zimbabwe's economy such as reduced inflation rates as well as administrative expenses (Makochokanwa 2009). If Zimbabwe opted to join the CMA, stability, and credibility would follow to support the country's currency. By aligning with a stable and widely accepted currency, such as the South African rand, Zimbabwe could potentially benefit from increased confidence in its monetary system (Mlambo, 2010). Further, being part of a common monetary area can simplify trade and economic transactions between member countries. It eliminates the need for currency conversions and reduces exchange rate risks, making cross-border trade and investment easier, (Brixen and Steinkamp, 2007). Zimbabwe's economy is highly reliant on cross border trade and being part of a CMA would simplify cross border trade. Additionally, interest rates would be reduced and chances for stimulation of domestic long term capital markets are increased. Financial fragility will be minimised as well.

On the other hand, joining the CMA would have been an option for Zimbabwe but other members of the CMA may not have accepted Zimbabwe. This may be because of Zimbabwe's political and economic exposure that would likely dilute the gains of the CMA as they have already established themselves and their economies. Again, joining the CMA would also result in loss of monetary policy autonomy (Mlambo, 2017), as the CMA countries are adopting monetary policies in alignment with the South African government. In that case, Zimbabwe would in some way forfeit monetary policy autonomy to South Africa, as a result, the South African government would assume responsibility on some of Zimbabwe's administrative shortfalls. Further seignorage revenue would be lost and coming up with a revenue sharing model would then be problematic between the two countries as one has a more functional economy as compared to the other. It is also important to note that joining a common monetary area is a complex decision that involves careful consideration of various economic, political, and social factors. Each country's circumstances and objectives need to be thoroughly evaluated before making such a decision Zimbabwe being no exception.

Reintroduction of the Zimbabwean dollar

This was the third option for the Zimbabwe government instead of joining the Common Monetary Area or using the US dollar. In as much as this might have been a better option for the government, there was a huge loss of credibility when it comes to the local currency in the sight of most citizens. A sound management system, if in place, to ensure that the currency would not return to the same problems would have made the reintroduction of the Zimbabwe dollar much more successful. Having a currency board arrangement was one of the conditions for reintroducing the Zimbabwe dollar. A currency board arrangement is a monetary system where the board issues domestic notes and coins that are fully backed by sufficient holdings of a foreign reserve currency, thus making the domestic currency convertible on demand into a foreign anchor currency at a fixed exchange rate (Makochokanwa 2009). The foreign currency reserve levels are normally set by law and are equal to 100 percent, or slightly higher, of the country's monetary liabilities (notes, coins, and if permitted deposits) (Hanke, 2002).

Thus, under this system, the currency board would not actively determine the monetary base, but rather the referred fixed exchange rate and the required 100 percent holdings of foreign currency to back domestic currency convertibility preclude the board from changing (increasing or decreasing) the monetary base at its own discretion (Makochokanwa 2009). The main responsibility of the currency board therefore is to convert the domestic currency it issues into the anchor foreign currency at a fixed exchange rate. As such, the amount of domestic currency circulating in the market is a function of the invisible hand that is the forces of demand and supply for the domestic currency. Although this system outlaws independent monetary policy, it however permits earned seigniorage revenue gained through investing the foreign reserve holding in interest-bearing paper, like U.S.A treasury bills.

Burdekin (2008) argues that this system permits small economies reap the benefits of seigniorage without necessarily compromising the discipline afforded by being linked to the opted foreign currency anchor. The currency board would be required to be propagators of economic stability, especially in the case where the central bank has totally failed to discharge its mandate of being a pillar of economic viability and prosperity through its monetary policies (Makochekanwa 2009). Since Zimbabwe's central bank was one the reasons the country's economy collapsed, having a currency board may have been a chance to manage the Zimbabwe dollar adequately. As stated by Hanke (2002), that all currency boards have performed considerably well as compared to central banks, it becomes important for countries to consider adoption of such systems when faced with a currency crisis.

Introduction of bond notes and Zimbabwe RTGS dollar

Due to increased imports and less exports, Zimbabwe began to experience liquidity challenges and banks were not issuing US dollars. Bond notes were introduced to be used for local trading and there were supposed to be a mitigation measure for liquidity challenges being faced by the country. This resulted in loss of confidence by the citizens and businesses could not operate as they could not access foreign currency from the banks to import raw materials. The US dollar was now being traded on the parallel market and the premium made it impossible for businesses to operate.

Introduction of the bond notes became problematic as they were viewed as useless since they could not be used to settle international transactions and this, disqualified them as a medium of exchange. The central bank to avoid panic by the citizens, promised a full and perfect 1:1 ration convertibility between the US$ and the bond note, when in fact the two did not have the same value. Operationally, when converting the bond note into a US dollar, there were inefficiencies which resulted in discounting of the value of the bond note. Further the bond note failed to qualify as a store of value as it is founded on a non-existent notion of value, essentially it is a liability backed by another liability. By design, the note is self-depreciating in that it is backed by foreign debt. This is because the government obtained a loan from Afrexim Bank to support the bond notes. However, for as long as the Afrexim Bank facility is open, the debt underlying the notes accrues interest, and the longer interest continues to accumulate, the weaker the value of the bond notes, and the higher the amount that must be repaid in future. To add on, the Zimbabwe economy has no industry that can have production to sustain the bond notes and theoretically the reserve bank is printing money and equating its value to the US dollar. The effects of the bond notes have been negative rather than their intended use of addressing liquidity challenges the economy was facing. The youth continue to suffer the negative impact of this currency crisis and those in the informal sector resort to cash transactions to keep their businesses afloat. Further, the government introduced the RTGs dollar which is a local currency that can be used to trade. This has not made any positive change to the crisis the country is facing, but rather has fuelled the parallel market at the RTGs is viewed to be of no value.

Youth unemployment

When it comes to youth unemployment in Zimbabwe, a report by the Confederation of Zimbabwe Industries (CZI) Report (2013), the Industry Capacity Utilization which was over 90% in the 1990s had fallen to as low as 10% by 2008. There was a slight improvement in the post dollarization era as the rate rose to 57.2% and then it dropped to 39.6% between 2012 and 2013. This made CZI concerned that the situation could continue to deteriorate if government did not take prudent macro-economic measures to lure foreign direct investment to resuscitate industry. The situation continued to make it difficult for youths to find jobs.

A report by National Social Security Authority (NSSA) issued in July 2013, showed that 711 companies in Harare closed, rendering 8 336 individuals jobless. Another report by the Confederation of Zimbabwe Industries issued in 2015, states that many companies were downsizing and retrenching tens of thousands of their employees. Major companies that had retrenched in 2014 included such big companies as the platinum miners Zimplats and Unki which retrenched 4000, Bindura Nickel, Spar supermarkets, Dairibord, Cairns, Olivine Industries and PG Industries. Subsequently, four companies contracted by Zimplats in Unki also retrenched workers citing non-payment of wages by Zimplats and this was due to the liquidity crisis the country was facing.

Further, it is important to note that hundreds of companies closed shop in Zimbabwe claiming the liquidity crisis had affected their operations. The construction industry was operating at less than 40% production countrywide. 330 companies in Harare in the retail and other business services category closed. Administration-related businesses also suffered a huge knock with 59 companies closing. All this buttresses the existence of high unemployment rate in Zimbabwe and the biggest casualty would be the youths who had the ability to work but could not find opportunities to work.

The findings of the Zimstat-USAID Central Business Register Inquiry Report (2014) also painted a gloomy picture of the capacity of the economy to generate more jobs to absorb the ever-increasing numbers of the unemployed youths. Findings of the Report showed that 59% of economic activity involved wholesale and retail trade including the sale of second-hand motor vehicles most of which are imported; only 11% of the operators were in the manufacturing industry; 9.2% were in educational services; 5% in other social services; 4.7% in accommodation and food services; Mining and quarrying made up 0.2% of the establishments; 30% of the businesses had an annual turnover of less than US$5,000; only 3% percent of businesses had an annual turnover of above US$1m; 82% of the business had less than four employees per establishment as at December 2012 and 60% of establishments were sole proprietorships and 19% private limited companies. Such statistics point to a weak business community of a country faced with high numbers of youth ready to start work but cannot find work opportunities, a situation which calls for redress.

The government of Zimbabwe through the National Youth Policy in 2013, made a statement with regards to employment stating that decent employment and participation in agricultural, mining, industrial, commercial, and service sectors provide sustenance and sustainable livelihoods to the majority of the youths. However, most informal sector activities such as street vending, touting, illegal gold panning were not considered as decent employment as such they must not be counted as a form of employment despite their prevalence. They were also considered an indicator of the options available for youth, because of unemployment.

Luebker (2008) states that people who get into the informal sector would have chosen between starvation and survival, and the common adage that necessity knows no law applies. A joint study carried out by the Government of Zimbabwe and the UN Country Team (2010) noted that there are no clear policy guidelines to regulate the informal sector in Zimbabwe. Studies by Luebker (2008) found out that with its hustles, lack of pension constant harassment of vendors by the municipal police. To add on, liquidity crisis the country faced made it more difficult for the youth in the informal sector. Youth have the desire to work in formal employment as some of those operating in the informal sector as evidenced by those who have formal education.

Dollarization of the economy also brought about a different dynamic for youths in the informal sector. The economy was experiencing increased imports of finished goods as opposed to the export of raw materials to obtain foreign currency. This resulted in local products being much more expensive that imports making the consumers favour the latter. Youth in the informal sector were further impacted negatively. Agro based business were one of the most affected as local production was replaced by imports (Bhebhe et al 2015). The economy as a result became weak and did not experience economic growth hence shrinking its capacity to sufficiently create jobs for the youth.

Urban youth unemployment was further exacerbated by rural-urban migration, (Bhebhe et al 2015). Generally, rural migrants believe that more jobs and social opportunities are available in urban areas, but once in the cities they find themselves without a job and with limited social networks that can support their livelihoods. Trapped and discouraged by bleak job prospects they look for economic opportunities in the informal sector and this also fuelled the rise of the parallel market as it had more lucrative opportunities for youth.

Theoretical framework

The currency crisis of Zimbabwe can be explained from a theoretical perspective using Gresham's Law. Gresham's law is an economic principle that states, bad money drives out good money (Hanke and Kwok 2009). It suggests that when two forms of money with different intrinsic values are in circulation, people tend to hoard or spend the money with higher intrinsic value and use the money with lower intrinsic value for transactions. The law is named after Sir Thomas Gresham, an English financier and merchant who observed this phenomenon during the 16th century (Weber,2014). Gresham noticed that when debased or inferior coins were introduced into circulation alongside higher-quality coins, people would hoard the higher-quality coins and use the debased coins for transactions (White, 2015).The underlying reason behind Gresham's law is that individuals prefer to hold onto money that has higher purchasing power or value, while spending or circulating money that has lower purchasing power or value. This behavior is driven by the desire to preserve wealth and avoid losses, (Weber, 2014). It is important to note that both currencies are considered acceptable as a medium of exchange and are available for use simultaneously. Subsequently, people will prefer to transact using bad money and hold on to good money as it has potential to be worth more than its face value. Gresham's law has been observed in various historical contexts and can be applied to both metallic and fiat currencies, (White,2015). It highlights the importance of maintaining the quality and integrity of a currency to ensure its acceptance and stability in the economy. It’s worth noting that Gresham's law is a simplified economic principle and may not always hold true in every situation. Factors such as legal tender laws, government regulations, and social norms can influence the circulation and acceptance of different forms of money.

To some extent, Gresham’s law applies across global currency markets and international trade since legal tender laws almost by definition only apply to domestic currencies, (Bordo and Jonung, 2013). In global markets, strong currencies, such as the U.S. dollar or the euro, which hold relatively more stable value over time, good money, tend to circulate as international media of exchange and are used as international pricing references for globally traded commodities. Weaker, less stable currencies, bad money, of less developed nations tend to circulate very little or not at all outside the boundaries and jurisdiction of their respective issuers to enforce their use as legal tender, (Cavalcanti and Erosa, 2012). With international competition in currencies, and no single global legal tender, good money circulates, and bad money is kept out of general circulation by the operation of the market. To some extent, Gresham’s law applies across global currency markets and international trade since legal tender laws almost by definition only apply to domestic currencies. In global markets, strong currencies, such as the U.S. dollar or the euro, which hold relatively more stable value over time, good money, tend to circulate as international media of exchange and are used as international pricing references for globally traded commodities.

In the case of Zimbabwe, people tend to favour more stable foreign currencies, such as the US dollar in Zimbabwe (Hanke and Kwok 2009). The Zimbabwe dollar was used together with the US dollar, but people abandoned the use of the local currency, and this led to the government to recognise de facto and eventually de jure dollarization of the economy. Due to the chaos of an economic crisis with a currency that was getting worthless, the government was unable to effectively enforce its legal tender laws. Hence a more stable currency drove out a hyper inflated currency out of circulation (Makochekanwa, 2009).

Applying Gresham's law, we can see that the introduction of foreign currencies with higher intrinsic value, stability, and wider acceptance led to the hoarding and preference of these currencies over the Zimbabwean dollar. People tended to hold onto US dollars and other foreign currencies as a store of value, while using the Zimbabwean dollar for day-to-day transactions (Hanke and Kwok 2009). This behavior can be attributed to the perception that the Zimbabwean dollar, due to hyperinflation and economic instability, had lower intrinsic value and was prone to rapid depreciation. Individuals preferred to preserve their wealth by holding onto foreign currencies that were more stable and had higher purchasing power. As a result, the Zimbabwean dollar became less desirable and gradually lost its acceptance and circulation in the economy. Gresham's law manifested itself as people chose to use foreign currencies over the Zimbabwean dollar for transactions, leading to a situation where "bad money" (Zimbabwean dollar) drove out "good money" (foreign currencies).

It's important to note that this application of Gresham's law to the Zimbabwean economic situation is a simplified analysis and does not capture all the complexities and factors at play during that period. However, it provides a framework to understand the preference for foreign currencies and the decline of the Zimbabwean dollar during that time. Some countries that have experienced the Gresham’s law include India’s rupee due to inflation resulted in a lack of confidence in the currency (Kraft, 2019), people preferred to hold onto foreign currencies, such as the US dollar or British pound, and used the rupee for everyday transactions. Argentina has faced multiple currency crises throughout its history. In the late 20th century, during periods of hyperinflation, the Argentine peso lost its value rapidly (Kraft, 2019). As a result, people preferred to hold onto stable foreign currencies, such as the US dollar, and used the peso for transactions.

Data and Methods

A desktop study was conducted, and data was gathered from newspaper articles as well as other publications. A few semi-structured interviews were conducted with youth in the informal sector to find out how the currency crisis had impacted them. Snow balling was used to recruited participants in the study. Data gathered during the study was qualitative was analysed using themes that emerged from the findings.

Results

The currency crisis in Zimbabwe has made accessing cash difficult and somewhat impossible for some youth in the informal sector. Again, exchange rate fluctuations make it difficult for them to price their products. The US dollar through an instrument issued by government ceased to be legal currency in February 2009. Some youth in the informal sector sell fruits and vegetables and these are imported from South Africa. They pay for their products in foreign currency at Mbare Musika where delivery trucks offload imported produce. This has made it even more difficult for youth in the informal sector as they do not have bank accounts for them to have point of sale machines to transact with their customers who largely earn RTGs dollars or bond notes. Youth vendors were interviewed to ask how they were sustaining their businesses with the ongoing currency crisis in

Zimbabwe. Again, the use of mobile money makes it more difficult to trade as they will have to buy cash, either local bond notes or the illegal US dollar from the parallel market.

The first one's response was as follows:

"Ini ndinotengesa madomasi and ma fruits kuma Avenues. Kune market iri nani nekuti vanhu vanenge vachienda kuzvipatara kunoona varwere saka ndinobva ndavatengesera ma fruits ekuenda nawo. Ndakauya ku Harare 2008, zvinhu pazvakaoma ndiri kumusha so ndakaona kuti zvaiva nani kutsvaga basa kuHarare. Handina kudzidza ndakagumira chikoro panzira saka mabasa emuma company handikwanise kumawana, redu iri rekutengesa mu street ndiro riri nyore. Nyaya yemari yatinetsawo sema vendor nekuti pataishandisa ma US dollar zvinhu zvaifamba zvakanaka asi pakazonzi ma bond , eco cash kudini zvakabva zvatiomera. Ini handina chitupa saka zvinotonetsa kuti ndivhure eco cash yacho pamusoro pazvo inodhura vakawanda vari kuchema nayo. Inobata mari yakawanda pakuburitsa mari. Zvinhu pazvaiva nani vanhu vaikwanisa kungoburitsa mari dzavo pasina dambudiko asi mazuva ano cash iri kunetsa saka eco cash inowomesa hupenyu hwedu va vendor. Ku Mbare kwatino hodha kunodiwa cash chete saka ini ndotengesa necash ma bond ndonohodha nayo kumbare. Zvitorine profit kutengesa necash mabond haubatirwe mari sekunge washandisa eco cash.''

I sell tomatoes and fruits in the Avenues [an area just outside the CBD in Harare], there is a better market as people will be visiting their relatives in hospitals so I sell them fruits to take with them when visiting relatives. I came to Harare in 2008 when the economy had collapsed whilst I was in the rural areas, and it was better to look for a job in Harare. I am not educated, I did not complete my education as a result it is difficult for me to get formal jobs so I resorted to selling in the streets as it is easier. The currency issues facing the economy have also affected us as vendors because when we transacted using the US dollar business was booming but when they [government] encouraged people to use the bond notes as well as mobile money it became difficult to trade. I do not have a national ID card hence for me to open a mobile money account was difficult also mobile money transactions are expensive as many of people are complaining about it. When wanting to cash out money from your mobile money wallet ,the charges are too high. It was much better transacting with the US dollar as people would just pay with cash for their transactions, using eco cash has made life difficult for vendors. At Mbare Musika where we get our fruits at wholesale, they want cash so i have resorted to selling my fruits with cash and I will use the bond notes when trading at Mbare. It is much profitable to use cash when trading than using mobile money.

The second interviewee ia female vendor:

Ini ndogara na sisi vangu kuMabvuku murume wavo akafa apa havashandi saka ndakaoona zviri nani kuti ndiite zvekutengesa mustreet mutown ndibatsirane navo kuchengeta vana. Mutown makanakira kuti mune vanhu vane mari saka unokwanisa kutotengesa zvinhu ne price yakanaka pane kutengesera kuma raini plus inini ndatova nema customers angu. Ndinowaridza zvinhu mu street pasi ma kamu, ma brush, ma hat nezvimwewo zvakanosangana sangana. Ma customer angu akawanda havachawani cash nekuda kukwekuti ma bank haasisina mari. Izvi zvinonetsa pa business redu iri manje nekuti ndinenge ndichida kunohodha kuma China and kunodiwa cash. Saka vamwe vanoda kubhadhara ne eco cash but ndinoti vaise nema charges kuti ndizonotenge mari kuvakomana kuna 4th street uko. Pataishandisa ma US zvaiva nyore kuchengeta mari muphone nekuti waingoita cash out asi ikozvino zvava kunetsa nekuti value yemari inopera nenguva diki. Patinochinja mari kuvakomana vanotengesa mari zvine njodzi dzimwe nguva nekuti ini ndakabirwa mari yese yebusiness ndaichinja kuita ma US ndichiburitsa mu eco cash. Asi haa ikozvino ndangwara handifambe nema US akawanda.Asi haa dai zvaibvira tangodzokera kuma US nekuti business raifamba zvakanaka ma customer angotenga pasina kana dambudziko.

"I live with my sister in Mabvuku her husband died and she is not employed so I resorted to selling in the streets in town so that I can help with taking care of her family. Selling in town is much better as the clients have money and you can sell your product at a good price and also I now have a good customer base. Most of my customers do not have access to cash so they are now using eco cash when paying for their products I ask them to add more money to the selling price so that I can hedge for eco cash charges. This is difficult for our line of business as our wholesalers are Chinese shops and they require cash. I then go to 4th street to buy cash from currency dealers. When we used the US dollar it was ok to have money in a mobile money wallet because you would easily cash out but now it's difficult because the money is quickly losing value. When I go to buy foreign currency from the dealers there are challenges because at one point my foreign currency was stolen, and this was working capital I had for my business. But now I'm much wiser I do not travel with a lot of cash. I wish we could go back to transacting with US dollar as business was smooth sailing my customers would buy without challenges."

Some have resorted to cash transactions with clients as well as using the illegal US dollar so that they can remain in business. Some of the youths have diversified their businesses, they sale accessories such as car cell phone chargers as well as cell phone covers whilst also "changing money". Change money, a term that is referred to people who trade foreign currency illegally on the parallel market. Since government's intervention on the currency crisis has not yielded results, it has fuelled the black market and some of the youth in the informal sector are the drivers of illegal foreign currency trading. When asked who supports their operations and if they do not fear being arrested the following were responses given by two money changers:

“Isu tinotodawo kuenda kuma basa and have formal jobs, kutaura kuno ndakapedza diploma pa Harare Polly [Harare Polytechinical College] but hakuna mabasa saka kuti ndirarame I have to be on the streets hustling coz I need to support my family at the end of the day. Vabereki vakatiendesa kuchikoro kuti tiite hupenyu huri nani but look at the economy, mari haisi kubatika zvekumhanya mitemo inochinja every day.Saka unotoona kuti kuchinja mari kuri nani coz I get money every day although I know it’s risky coz police sometimes inoita ma raids saka you have to be prepared kurara kuma cells or kutonyora. Ndoo kurarama kwacho”

We also would like to have formal jobs as I have a diploma with Harare Polytechnical College but there are no jobs so for me to survive I have to be on the streets hustling because I need to support my family at the end of the day .Our parents sent us to school so that we could have better lives but look at the economy it’s difficult to make a living money does not come by easily so I resorted to being a money change because I get money every day although I know it’s risky because the police sometimes conducts raids so one has to be prepared to be detained over night or bribe the police. That is how we survive.

Another money changer interviewed had the following to say:

‘‘Ini I change mari inotyisa in a day, vanhu vari kungotenga mari pa black market because ma bond haatenge ndoo chokwadi and ma bond haasi kubatsira economy. I am happy to be making money hangu everyday but ndinorwadziwa nema raramire ari kuita vamwe vezera rangu. Ini ndakaita lucky coz blaz vangu vane ma connections so ndiko kwatinopiwa mari then to tengesa pa black market. It’s a risky business sometimes we operate tiri mu mota coz police at times inenge ichiuya kuzotisunga. Government inoramba ichiti vanhu vashandise ma bond nema rtgs but hazvishande nekuti mari dzacho hadzina value so you find vanhu vachiuya kuzotenga mari kwatiri. It’s a good business ndiri kurarama hangu but ndinongotya kuti zvinogona kuchinja futi any day nekuti government ino chinja ma goal post panyaya dzemari idzi.’’

I change huge amounts of foreign currency in a day as people are buying foreign currency on the black market because the bond notes have no value that’s the truth and they are not helping the economy. I am happy to be making money every day, but I am concerned with the living conditions of my peers. I was lucky because my brother has connections that’s where we get money and sell on the black market. It is a risky business sometimes we operate from our cars as the police conducts raids wanting to arrest us. The government insists on people using the bond notes and rtgs transfers for transacting but it does not work because the currencies do not have value so that is why people resort to buying foreign currency from us. It is a good business because I am surviving but we are afraid it can change any day because the government keeps changing goals posts when it comes to currency issues.

Discussion and Conclusion

Policy inconsistency by the government has led to the currency crisis in Zimbabwe as the government is still trying to figure out which currency would be best to use. The US dollar stabilised the economy but left negative implications such as de-industrialisation as some companies had to close because costs of production increased. Zimbabwe’s government may have prioritized retaining autonomy of their monetary policy at the expense of ensuring sustainable economic growth. Having an independent currency management board may have been a better option as opposed to joining the CMA, given the burden Zimbabwe’s economy would bring to the CMA countries. The currency management board would have ensured fiscal prudence on the part of government and dissuade government from printing money to fund its expenditure, but rather use foreign currency earnings and taxes in a manner that ensured sustainability.

The implementation of RTGs dollar as well as issuing of bond notes has further fueled the currency crisis Zimbabwe was facing. To begin with, the bond notes were introduced to deal with liquidity crisis and were supposed to be used locally for a certain period. The time frame has lapsed, and they are still in circulation. Additionally, the government may be lacking political will to decisively deal with the parallel market where the US dollar is being traded.

On the other hand, the negative impact of a dollarized economy has led to high youth unemployment leaving the informal sector as the next best alternative as companies are retrenching their employees. Youth in the informal sector are being affected by the currency crisis and are forced to buy the now illegal US dollar so that they can stock up their wares; also, some have resorted to dealing in foreign currency on the parallel market to survive.

Recommendations

The government of Zimbabwe may need to seriously consider curbing corruption to ensure that the parallel market trade is completely banned, as some have access to the US dollar from financial institutions and have a network of people, they work with to trade the US dollars on the parallel market at a premium. Again, it may be important for the government to show policy consistency which can give confidence to potential foreign lenders as well as get the support of the diaspora The ease of doing business may need to be carefully examined and introduce policies that motivate private capital and stimulate job creation in the country. This will ensure descent work for young people in Zimbabwe.

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