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Magic Bullet or Curse? Implications of Dollarization on Schools in Masvingo Province, Zimbabwe

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Abstract:

Studies on dollarization have sought to understand its implications on trade, economic policy, economic stability, the banking and financial sector, service delivery among others while surprisingly negating education. This paper explores the ramifications of dollarization on education in general and schools in particular. This research was carried out in one purposively selected district in Masvingo province, Zimbabwe. Data was generated from twenty semi-structured interviews as well as 100 questionnaires in a mixed method research approach. The findings of the study revealed that dollarization positively impacted on infrastructure, furniture, teacher motivation and on learning in schools. However, it also emerged from the study that on the negative side dollarization correlates with the increase in the cases of financial misappropriation and corruption in schools.

Keywords: Dollarization, schools, infrastructural development, teacher motivation, Masvingo, Zimbabwe.

1. Introduction

Dollarization around the world in general and with specific reference to Zimbabwe has been subjected to academic attention over the past decade. A multiplicity of perspectives has resultantly emerged in literature unlocking aspects of dollarization. Among these perspectives, scholars have studied implications of dollarization on trade (Ross, 2000); on the banking and financial sector (Berg and Borensztein, 2000; Honohan and Shi, 2003; Chagonda, 2010); on economic policy credibility (Agnoli, 2002; Kramarenko et al, 2010) as well as service delivery by local government authorities (Gukurume, 2011). Mutengezanwa et al (2012) lists Panama (1904), Argentina (1991), El Salvador (2001), Ecuador (2000), Brazil and Mexico (in the 1990s) among countries that have dollarized and the respective years they dollarized. Thus, it can be revealed from the onset that Zimbabwe's adoption of the dollarization dispensation has precedence as shown by various countries that have traversed this route as cited above. Official dollarization in Zimbabwe was adopted in early 2009 while the hyperinflationary period between 1997-2008 witnessed unofficial dollarization in various sectors of the economy. Unofficial dollarization entailed the quote of goods and services in foreign currencies for example the South African Rand and United States of America Dollar (US \$) during the period prior to 2009. The background to Zimbabwe's dollarization was marked by skyrocketing inflation which led to high unemployment, 'artificial' shortages of products, increasing average prices among others. Despite this background there is an apparent dearth in literature pertaining to implications of dollarization on education in general and schools in particular. Scholars have confined their analysis of dollarization to the economy and analysis has largely been informed by economic theory. Thus, this paper seeks to assess the ramifications of the adoption of dollarization on schools in Zimbabwe.

2. Dollarization and the Teaching Sector

Catao and Terrones (2016:04) aver, "Dollarization has been a buzzword for weak macroeconomic fundamentals in many emerging market economies (EMEs) over the past 40 years." Dollarization initially started as basic "currency substitution". Dollarization can simply be viewed as the use of a foreign currency for domestic transactions. Bogetic cited in Mutengezanwa et al (2012:02) states, "dollarization is the broad use of a foreign currency as the means of exchange for formal or informal transactions". Arellano and Heathcote (2009:02) aver, "dollarizing means abandoning domestic monetary policy as an instrument for responding to aggregate shocks". Hence, guided by these definitions Zimbabwe can be said to have dollarized officially in February 2009 through the adoption of basket of currencies (Makochekanwa, 2009b)(Chagonda, 2010a). Despite the country's adoption of a basket of currencies which include the Botswana Pula, British Pound, Euro, South African Rand and United States of America Dollar among others, is still regarded as dollarization by scholars and economists (Makochekanwa, 2009b; Kramarenko, Engstrom, & Verdier, 2010; Mecagni et al., 2015). The government instead of putting faith in one currency opted to use multiple currencies. Mwase and Kumah (2015:05)

aver, “dollarization usually takes various forms, including transacting, storing financial assets/ liabilities and / indexing prices in foreign currency-usually in dollars”. The Zimbabwean scenario entailed all these aspects of dollarization rolled into one.

The period before the Government of Zimbabwe officially accepted a multicurrency driven economy, which later led to the suspension of the Zimbabwean dollar (Z\$) in April 2009 (Gukurume, 2010; Makochekanwa, 2016), saw the general populace was affected both positively and negatively. The teaching sector, one of the largest pool of employed civil servants was not immune to the effects of this period. According to the Government of Zimbabwe cited in (Chagonda, 2010), Zimbabwe employed a socialist ideology during the first decade after its independence in 1980 to redress the imbalances that had been left by the former colonial masters. This boosted the enrolments of both primary and secondary schools by 79% and 841% respectively. At independence, inflation was pegged at 11.8% and the biggest denomination note was Z\$20. According to Chagonda (2010) the end of 2008 marked the zenith of a very hyper-inflationary period, with inflation pegged at 231 million percent and the highest dollar note released into the market being 100 trillion Z\$. Chagonda, (2010b) affirms that, “the strides that were made in the education sector in the first two decades of independence were however undone during the period of the Zimbabwean crisis (2000-2008), as a mass exodus of teachers left the profession because of the poor remuneration that the teachers, and the rest of the civil service were getting”.

Makochekanwa (2009a) avers that non-affordability of essential materials, non-availability of the local currency and long queues are some of the hardships that bedevilled members to the teaching sector to the extent that some of them either migrated to neighbouring countries in search for greener pastures (Chagonda, 2010a). Some also became informal traders during the 2008 yearlong industrial action to avert from the effects of the collapsing economy before dollarization. Makochekanwa (2009b) notes that some of the key drivers of dollarization are hyper-inflation, macroeconomic imbalances, currency depreciation, high interest and transaction rates; whilst the disadvantages are an unwritten forfeiture of the monetary authority, loss of seigniorage revenue (as the dollarization terminates the revenue generated from printing money) and loss of the nation’s emblem (as the nation will be using another country’s currency). Mecagni et al., (2015) believe that from the year 2000, Sub Saharan African “countries experienced more persistent dollarization while the rest of the world saw a declining trend in dollarization on average”. According to Chagonda (2010a), “in line with dollarization, the Government of National Unity of 2009 decided to pay every civil servant an allowance of US\$ 100, regardless of one’s post or educational qualifications. This move by the government resulted in sectors that were ‘dead’ like the teaching and nursing profession to be resuscitated because teachers who had not been teaching for the greater part of 2008 went back to work.”

3. Research Methodology

The research took a mixed method approach. One purposively selected district in Masvingo province was used for the study. Data was generated from twenty (20) semi-structured interviews with school heads as well as 100 questionnaires were administered to school heads in the selected district. A total of 93 questionnaires were returned to the researcher and only 90 could be utilised for analysis purposes by the researcher.

4. Findings and Discussion

Data collected from this study revealed that there are both positive and negative implications of the adoption of dollarization on schools in Zimbabwe. Fig 1 below shows the main themes that emerged from this research.

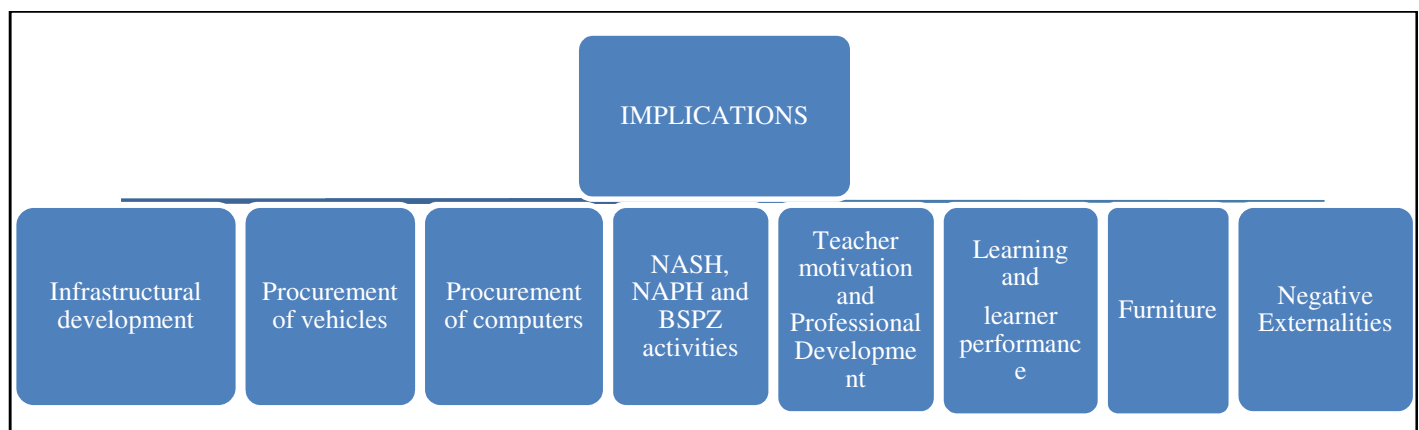


Figure 1: Implications of dollarization

4.1. Infrastructural Development

The majority of respondents (100 %) who completed questionnaires in this study revealed that there has been great infrastructural development in schools in Masvingo province since the country adopted dollarization. This was concurred by participants in the semi-structured interviews. One school head in the semi-structured interviews stated; “The US\$ has been pivotal in infrastructural development in schools. New classroom blocks have been constructed while old ones have been given a facelift”. In addition, another participant remarked; “Most schools took advantage of the US dollar dispensation to initiate infrastructural development programmes. Even satellite schools have managed to construct classroom blocks”. Thus, findings from this research revealed that schools benefited from dollarization as aptly exposed by the participants that there was infrastructural development in schools. Hence, it can be argued

from this study that benefits of dollarization are not confined to the financial sector (Honohan and Shi, 2003) or trade (Ross, 2000) but are also accrued by schools through infrastructural development (Moyo, 2013).

4.2. Procurement of Vehicles

The study further revealed that schools are managing to procure school cars and buses. Ninety (90 %) of the respondents in the study revealed that they have either procured a vehicle or were in the process of procuring one. Participants in the interviews attributed the procurement of vehicles to the adoption of dollarization by the country. One school head stated; "Prior to dollarization only boarding schools and government high schools in town had vehicles. Most of these vehicles were donations. However, due to dollarization even rural schools were buying buses". While another school head added; "During sports competitions just a few schools are still hiring private transporters because most schools now own cars and buses". Hence, it can be argued from this research that the dollarization period coincided with school procurement of cars and buses in Masvingo province. Therefore, empirical evidence suggests that dollarization has facilitated the procurement of cars and buses by schools. However, it was also noted from the study that some vehicles purchased by schools are beyond their capacity to maintain without draining their school coffers. For instance, some of the school heads proudly revealed that they were driving latest Ford Rangers, Toyota Hilux, Mitsubishi 4 x 4s. These are apparently executive vehicles being driven by cabinet ministers, company directors in Zimbabwe among others which are famed for being expensive to maintain. Hence, the researcher's argument that maintaining these state-of-the-art vehicles diverts resources from the core business of ensuring that learning and teaching is enhanced in schools. There is a genuine need for schools to have vehicles but do they have to be expensive to maintain executive cars as in the case of the 4 x 4s the school heads are purchasing.

4.3. Computers and textbooks

Another theme that emerged from this study was on computers and textbooks. The study revealed that there was a remarkable improvement in both the quantity and quality of computers and textbooks in schools due to the dollarization adopted by the country in 2009. Eighty percent (80 %) of the respondents in the questionnaires revealed that their respective schools now have computers. In addition, one participant stated; "At my school we have managed to construct a well-equipped computer lab. The lab has twenty-five computers which are connected to the internet". Hence, due to the benefits brought about by the country's adoption of dollarization, schools in Masvingo province have managed to join the digital age. Computers prior to the adoption of dollarization can be argued to have been a pipe dream for most schools especially for rural schools. However, the digital age in Zimbabwean schools can be deemed to have been largely a beneficiary of dollarization. Moreover, due to dollarization schools can now import computers and computer accessories from South Africa, Dubai and China among other countries. Prior to dollarization prices of computers were beyond the reach of most schools in the country due to prohibitive exchange rates compounded by an ailing Zimbabwean dollar.

The presidential educational commission of enquiry led by Dr. Nziramasanga (1999:243) reports that, "there is a tendency to introduce new subject areas without the requisite textbooks, equipment and expertise". Another participant revealed that, "For the first time in twenty-five years, my school has managed to procure sunrise textbooks, an achievement that the School Development Committee (SDC) could not achieve for years. I want this dollar to stay, because I think it can improve my pass rates". This study has established that there has been an improvement in the quantity and quality of textbooks found in Masvingo Province schools.

4.4. Resuscitation of NASH, NAPH and BSPZ activities

It also emerged from the study that adoption of dollarization led to the resuscitation of the National Association of Secondary School Heads (NASH), National Association of Primary School Heads (NAPH) and the Better Schools Programme of Zimbabwe (BSPZ) activities in Masvingo province. NASH, NAPH and BSPZ are platforms that enable synergies among schools in Zimbabwe in areas of professional development of school heads and teachers in order to improve classroom teaching and learning. One secondary school head revealed; "After the introduction of dollarization there was a significant increase in staff development workshops funded by NASH. Subject panel meetings are being regularly conducted". The stability brought about by the adoption of the US \$ can be reasoned to be responsible for the resuscitation of these collaborations in schools. Another participant acknowledged; "NASH, NAPH and BSPZ activities had been dormant for years, only to be revived by the US \$". Therefore, it can be argued from this study that staff development and extra-curricular activities coordinated by NASH, NAPH and BSPZ were resuscitated due to dollarization. Resultantly, in this regard dollarization can be reasoned to have been a panacea for teacher challenges as these were addressed through staff development workshops coordinated by NASH, NAPH and BSPZ. In addition, participants also revealed that there was an increase in the number of school heads in the province who attended NASH and NAPH national conferences. NASH and NAPH national conferences are instrumental in influencing policies that are implemented in schools as school heads have audience with the Minister of Primary and Secondary Education. Thus, dollarization can be viewed as a facilitator for staff development in schools.

4.5. Teacher Motivation and Professional Development

The implications of dollarization have also been extended to teacher motivation according to this research. The majority of respondents (85 %) indicated that the teacher motivation had been improved by dollarization. One participant in the semi-structured interviews remarked; "The US dollar improved teacher motivation. Staff turnover has also declined since 2009". The plight of teachers in Zimbabwe and the high staff turnover before dollarization is adequately covered by Murisa (2010). The education sector in Zimbabwe haemorrhaged as qualified and experienced teachers left the country in droves for greener pastures during the economic crisis which was only ameliorated by the adoption of dollarization. The economic stability that was ushered in by the adoption of the US dollar led to an improved teacher motivation and staff turnover was greatly reduced. Thus, it can be concluded from this research

that dollarization improved teacher morale in schools in Zimbabwe. A stable currency permitted teachers to invest in fixed assets as well as their education. Banks could now accept teachers' long-term investment plans as rates of return could be confidently predicted, by granting them loans (Masunda, 2014). After the yearlong industrial action by teachers that ushered them into the dollarization era, parents in some areas resorted to giving teachers in their community schools incentives to motivate them. These incentives were however banned by the Minister of primary and secondary schools in 2014.

The introduction of the US dollar, accorded some teachers a chance to improve their educational qualifications at local Higher and Tertiary institutions like Universities. One headmaster was ecstatic about this and she revealed that; "For years I wanted to study for a master's degree but could not because the fees were just too high for my earnings. When the dollar came, my income became stable and I enrolled for the degree, and right now I have also enrolled for a PhD. The hope that this US dollar brought into my career is what's keeping me going to work".

4.6. Furniture

In addition, according to this research the dollarization period was also credited for improvement in furniture in schools. It was unanimous among respondents (100 %) that schools were able to improve their learner-desk ratio. This was also concurred by participants in the semi-structured interviews. One school head revealed; "Every term my school is allocating funds towards procurement of desks, tables and chairs. As you can observe here in my office the furniture is new and comfortable as compared to the old furniture that I used to have before the US \$". Thus, this study established that dollarization permitted schools in Masvingo province to invest in furniture. The comfort that was revealed by the heads who participated in this study was also extended to learners as a reduced learner-desk ratio translates into an improved and comfortable learning environment. The improvement can also be related to the resuscitation of the furniture industry in Zimbabwe which was brought about by the adoption of dollarization. Resultantly, due to this resuscitation there was increased competition which led to competitive prices and payment conditions being offered to schools and in turn improved furniture situation in schools.

4.7. Learning and Learner Performance

The study revealed that the ultimate beneficiary of the country's adoption of dollarization was the learner. It emerged from the interviewees that all the positive ramifications of the dollarization dispensation accrue to learning and learner performance. The study as has already been noted above, revealed that dollarization resulted in infrastructural development, procurement of school cars, school buses, computers, textbooks, furniture, improved teacher motivation as well as resuscitation of NASH, NAPH and BSPZ activities. All these benefits can be reasoned and linked to an enhancement of learning in schools. A motivated teacher supported by good infrastructure and equipped with the latest developments in their subject area is effective in the teaching of learners. Thus, the dollarization dispensation can be argued to have positively enhanced learning and learner performance in Masvingo province. This finding is buttressed by improved pass rates in the province as aptly revealed by Masvingo province topping the Ordinary Level results charts in 2016. Therefore, the learner can be concluded to have been the ultimate beneficiary of dollarization to a larger extent.

4.8. Negative Externalities

Dollarization did not yield positive results as negative externalities were also revealed by this study. The major challenge that was attributed to dollarization by the participants in this study was an increase in the cases of corruption and financial misappropriation in schools. A participant in the semi-structured interviews remarked, "A number of our colleagues have fallen victim to the US dollar. School heads are failing to resist the US dollar temptation". While another school head said, "Every week we read in papers about school heads being arrested because of misappropriation of school fees". The participants were unanimous that the US dollar dispensation has led to an increase in cases of financial misappropriation in schools. A review of newspaper headlines can also be used to support the findings of this research. Examples of headlines include "Government suspends 20 school heads" (The Herald, 05 February, 2017); "School heads suspended" (The Chronicle, 28 October, 2015) and "Parents demonstrate for school head's resignation" (The Newsday, 14 July, 2015). However, this does not suggest in any way that prior to dollarization there were no cases of financial misappropriation by heads but the paper strives to argue that there was an increase due to dollarization. This study argues that there was an exacerbation of cases of misappropriation of funds as the US \$'s buying power was found to be irresistible. Furthermore, it was also noted from this study that due to the irresistibility of the US \$, tender and procurement procedures were flouted by school heads.

It was also noted from the study that the Government has challenges paying teachers on-time in the hard currency (US\$). A rural primary school head confessed that; "Although our salaries are said to be the lowest in the SADC region, we are happy that they are paid in the US dollar and not happy at the same time that they are sometimes delayed". The Newsday of 22 July 2016 reports on one such salary payment delay. Hence, it can be summed up from these findings that dollarization did not bring positives only it also brought about negative externalities as revealed by an increase in cases of financial misappropriation in schools in Zimbabwe.

5. Conclusion

A number of positives resulted from the adoption of the US dollar in Zimbabwe according to findings from this study. This research widens the perspectives on the implications of dollarization as previous studies were confined to the economy, trade, economic policy, banking and financial sectors of the economy. Moreover, dollarization as a phenomenon was a preserve of economists however this paper adds another perspective offered from outside the economics field. Findings from this study revealed that dollarization positively impacted schools in Masvingo province through enhanced infrastructural development, procurement of

furniture, computers and school buses, resuscitation of NASH, NAPH and BSPZ activities as well as teacher motivation. While on the other hand, dollarization was blamed for the increase in cases of financial misappropriation in schools. The study recommends that more research should be pursued on the implications of dollarization on other social services such as health as well as higher and tertiary education; and that the research be conducted in other provinces and districts do that the findings are more pronounced.

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