Acta Universitatis Danubius
ŒCONOMICA

Currency Regime Transitions in Zimbabwe: Charting a Path Through Dollarization, De-dollarization, and Mono-currency Reform

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Abstract: This paper examines Zimbabwe's protracted monetary challenges by analyzing four currency regime trajectories: dollarization, de-dollarization, re-dollarization, and Mono-currency reform. It seeks to extract empirically grounded lessons from international experiences to inform Zimbabwe's pursuit of a stable, credible, and context-sensitive currency regime. Building on the author's prior publications and professional experience in Zimbabwe's financial sector, along with an extensive body of comparative literature, this study situates Zimbabwe's currency transitions within global debates on monetary sovereignty, inflation control, and institutional credibility in emerging and post-crisis economies. The paper adopts a qualitative, comparative methodology, synthesizing evidence from Latin America, Eastern Europe, and Sub-Saharan Africa. It examines the sequencing of reforms, the role of institutional capacity, and the macroeconomic outcomes associated with various currency regime transitions. The analysis finds that successful transitions are underpinned by institutional credibility, fiscal–monetary coherence, and carefully sequenced reforms, often reinforced by external anchors. Countries with genuinely autonomous central banks, transparent policy frameworks, and sustained fiscal commitments undertaken in good faith tended to achieve more durable monetary stability. By contrast, premature de-dollarization in the absence of foundational reforms contributed to policy reversals and renewed currency instability. The study offers actionable insights for policymakers, central banks, and international financial institutions engaged in sovereign lending and monetary design. It also contributes to academic debates on the institutional and policy conditions required for credible currency regime management in structurally constrained economies. By presenting a structured synthesis of currency regime transitions, the paper advances the literature on monetary reform and provides evidence-based guidance for managing complex currency choices and restoring monetary credibility in Zimbabwe and comparable contexts.

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Keywords: Currency Reform; Monetary Policy; Policy Credibility; Institutional Economics; Exchange Rate Stability

JEL Classification: E42; E52; F33; O55

1. Introduction

Dollarization involves adopting a foreign currency, typically the US dollar, in place of a domestic currency (Chahine, Ponsot & Rizkallah, 2025). This can take the form of official, or full, dollarization, where the foreign currency becomes legal tender, as in Ecuador and El Salvador, or unofficial, or partial, dollarization, where the foreign currency circulates alongside the domestic currency, especially for savings, pricing, and large transactions (Hanke & Schuler, 1999; Sachs & Larraín, 1999). Closely related concepts include *de-dollarization*, the policy-driven process of re-establishing domestic currency use, and *re-dollarization*, the return to foreign currency reliance following failed de-dollarization attempts (Vidal et al., 2022; JP Morgan, 2023).These transitions often occur cyclically, shaped by tensions between monetary sovereignty, macroeconomic credibility, public trust, and institutional capacity (Jameson, 2001; Levy-Yeyati, 2021). In the absence of a coherent and credible policy framework, countries may become trapped in recurring cycles of dollarization, de-dollarization, and re-dollarization.

While extensive research has examined dollarization in Latin America and Eastern Europe, relatively limited attention has been devoted to currency regime transitions in economies marked by perceived institutional fragility and sustained macroeconomic volatility (Rennhack & Nozaki, 2006; Mecagni et al., 2015). Zimbabwe's monetary trajectory over the past two decades presents a compelling and underexamined case of currency regime experimentation. Following the collapse of the Zimbabwean dollar in 2008, amid one of the most prolonged episodes of hyperinflation in modern history (Hanke & Kwok, 2009), the country has alternated through successive phases of dollarization, de-dollarization, re-dollarization, and various iterations of Mono-currency regimes. Each phase has been shaped by a complex interplay of persistent fiscal deficits, inflationary pressures, financial disintermediation, and a loss of public trust in monetary authorities, which has exacerbated informal financial practices, including the widespread phenomenon of "pillow banking" (Makochekanwa, 2016; Chishamba, 2017).

The adoption of the US dollar in 2009 temporarily restored macroeconomic stability, imposed fiscal discipline, and partially revived banking sector confidence (Kramarenko et al., 2010; Chishamba, 2010). However, underlying structural vulnerabilities, including low productivity, limited export diversification, insufficient foreign exchange reserves, a large informal sector, narrow tax base and a rigid monetary policy stance, soon exposed the limits of dollarization in the absence of complementary institutional reforms (IMF, 2020). Efforts to reintroduce a domestic currency began in 2016 with the issuance of bond notes and Real Time Gross Settlement (RTGS) dollar, culminating in the formal return of the Zimbabwean dollar (ZWL) in 2019 (RBZ, 2019). Nevertheless, persistent inflation, sustained exchange rate misalignment, and policy inconsistency quickly undermined these reforms, resulting in widespread rejection of the ZWL, renewed informal dollarization, and a de facto return to multi-currency use (RBZ, 2022; Imam, 2022).

This paper critically examines Zimbabwe's decade-long currency regime crossroads by assessing the compelling drivers, outcomes, and limitations of four principal monetary strategies: dollarization, de-dollarization, re-dollarization, and Mono-currency reform. Drawing on monetary theory, policy analysis, the author's lived experience and cross-country comparative experiences, the study explores whether a viable pathway towards monetary sovereignty and macroeconomic stability exists within Zimbabwe's prevailing structural and institutional context. The analysis sheds light on the policy trade-offs in contexts where domestic monetary credibility is severely eroded and where external anchoring mechanisms such as dollarization appear necessary but remain constrained. More broadly, the paper contributes to global debates on optimal currency regime choices in environments where macroeconomic instability and institutional fragility undermine the credibility of national currencies and the effectiveness of monetary policy.

2. Problem Statement

Zimbabwe's monetary regime has been characterized by frequent currency transitional shifts, policy reversals, an unsustainable foreign debt burden, comparatively limited financial support from multilateral institutions and persistently low public confidence in formal financial institutions. Despite repeated transitions between dollarization, de-dollarization, and re-dollarization, no strategy has confidently restored durable monetary credibility or sustained macroeconomic stability. These repeated currency regime oscillations are not merely technical recalibrations but could possibly reflect deeper structural deficiencies including institutional fragility, chronic inflation, limited foreign reserves, and inconsistent macro-policy execution (Makochekanwa, 2009; Mpofu, 2015; IMF, 2022).

The economic consequences of prolonged, unresolved currency regime indecisions extend well beyond symbolic debates over monetary sovereignty. Over the years, recurrent devaluations and erosion of public trust in the domestic currency have intensified the informalization of the economy, with a growing share of transactions occurring outside formal banking channels (RBZ, 2022; Imam, 2022). This has weakened financial intermediation, constrained banks' capacity to mobilize long-term savings, and hindered the provision of credit to productive sectors (Chishamba, 2025). Despite the frequent currency regime experiments, exchange rate misalignment, and the absence of a credible monetary anchor continue to impede financial markets development, savings mobilization, capital formation, and thereby impacting inclusive economic growth (AfDB, 2023; World Bank, 2025).

Foreign direct investment is adversely affected, as investors often face repatriation risks and persistent currency uncertainty. The complexities of consistent financial reporting in a hyperinflationary, multi-currency, and tightly managed exchange rate environment have further challenged consistency in corporate reporting disclosures, raising concerns among auditing firms (Daka, 2023). The exit of two major international auditing firms in recent years underscores the growing difficulty of applying global templates relating to international financial reporting standards under unstable currency and changing monetary conditions. Locally, some listed companies have faced challenges complying with Mono-currency reporting requirements and regulatory directives, as well as the cost of reconciling economic rationale with accounting standards to determine the appropriate reporting and transacting currency (ICAZ, 2023). In some cases, the currency dilemma has triggered regulatory disagreements and significant tax penalties arising from the nuances, ambiguities and blurry boundaries in interpretation of both transacting and reporting currencies. Notably, a reactive rather than strategic policy orientation has often prioritized currency enforcement, policy patches, and subjective penalties over the sequenced reforms required to achieve a stable currency regime.

At the core of Zimbabwe's monetary crossroads lies the apparent absence of a clear, credible, and "good faith" commitment to a sustainable and coherent currency regime framework. Such a framework is essential to anchor inflation expectations, rebuild public trust in the domestic currency, manage over USD 20 billion in debt overhang, and ultimately support inclusive economic development. Efforts to stabilize the monetary regime are further constrained by persistent foreign currency arrears, which force policymakers to balance inflation-controlling monetary policies with necessary fiscal adjustments to restore macroeconomic credibility (IMF, 2020). While debates still continue between advocates of sustained dollarization and those favouring sovereign currency restoration, there is lack of consensus on how to effectively structure reforms that can deliver both macroeconomic stability and monetary autonomy.

Although Zimbabwe's monetary history is well documented, few studies have systematically assessed the comparative viability of alternative currency regimes under the country's current structural and institutional conditions. These challenges have been compounded by several exogenous shocks, entrenched persistent inflation, and policy reversals. Despite monetary tightening since mid-2020, the economy remains vulnerable to parallel market exchange rate distortions and financial fragility (IMF, 2022). These conditions underscore the urgency of building credible institutions and adopting rules-based monetary frameworks that can support sustained de-dollarization and monetary resilience.

Given the broader relevance of unstable monetary regimes in emerging markets, Zimbabwe's experience offers valuable insights into the relationship between institutional credibility, currency regime design, and macroeconomic stability. This study addresses a critical policy question: which currency regime offers Zimbabwe a viable path to long-term monetary stability, financial-sector deepening, and policy credibility, without undermining institutional autonomy or economic functionality? To answer this, the paper evaluates the economic rationale, institutional risks, and policy trade-offs associated with Zimbabwe's currency regime options, drawing on theoretical insights and comparative evidence from similarly situated economies.

3. Literature Review

3.1. Monetary Sovereignty in Developing Economies

3.1.1. Theoretical Frameworks on Currency Regimes

Academic discourse on currency regimes in developing economies emphasizes the complex trade-offs between monetary stability, policy autonomy, and national sovereignty (Vargas & Sanchez, 2023). While Modern Monetary Theory (MMT) offers important insights on the role of sovereign currency issuance, its assumptions often do not hold in some developing economies constrained by external debt, import dependence, governance deficits, and weak monetary credibility. Bonizzi, Kaltenbrunner and Michell (2019) argue that monetary sovereignty in the Global South exists on a spectrum, and that MMT's policy prescriptions are limited by the structural constraints of a hierarchical international financial system. A recurring theme is that dollarization, particularly within fragile economies, often emerges as a crisis-driven response to hyperinflation, institutional failure, and macroeconomic disorder. Dornbusch and Edwards (1991) conceptualize dollarization as a last-resort mechanism to restore monetary order where domestic currency credibility has collapsed. While dollarization may offer immediate relief through price stability and inflation control, it entails a structural loss of monetary sovereignty, including diminished capacity to adjust interest rates or influence exchange rate dynamics.

Alesina and Barro (2002) extend this argument, suggesting that the external anchoring provided by a stable foreign currency can impose monetary discipline on governments with poor inflation management records. However, they caution that dollarized economies remain highly vulnerable to external shocks, given their inability to tailor monetary policy responses to local conditions as and when this is rationally required. This vulnerability is compounded in economies with narrow export bases, weak institutions, and high dependence on volatile external inflows or inconsistent foreign aid. Debates over currency substitution remain unresolved, with some scholars advocating for incentives to hold domestic currency, while others argue for full dollarization as a pragmatic solution (Calvo & Végh, 1992). However, full dollarization can constrain monetary sovereignty by eliminating the central bank's role as lender of last resort, thus inevitably weakening the domestic banking system. Moreover, in certain instances, the presence of currency substitution complicates inflation stabilization strategies by intensifying the trade-offs between immediate and delayed recessions under different policy frameworks.

Reinhart, Rogoff and Savastano (2003) introduce the concept of "fear of floating," noting that even nominally flexible exchange rate regimes tend to exhibit rigidity in highly dollarized economies (Calvo & Reinhart, 2002). This phenomenon reflects a deep-seated lack of trust in domestic monetary frameworks, particularly in countries with legacies of policy inconsistency and inflationary shocks. This structural vulnerability is further clarified by what Eichengreen and Hausmann (1999) describe as the 'original sin', referring to the structural inability of many developing countries to borrow externally in their own currency. As a result, even floating regimes become quasi-fixed in practice or functionally rigid, as policymakers fear that exchange rate fluctuations will exacerbate balance sheet mismatches, debt service burdens, and capital flight. For economies like Zimbabwe, this adds another layer of constraint to already complex currency regime transitions and limits the effectiveness of conventional monetary tools. Thus, transitions between currency regimes are not merely technical exercises but are fundamentally institutional processes shaped by public confidence, policy coherence, governance quality, and macroeconomic credibility. Notably, in fragile monetary contexts, institutional reform is a necessary precondition for any sustainable currency regime transition, and that technical fixes without broader governance improvements tend to be temporary at best (IMF, 2023, Chen et al., 2025).

3.1.2. Comparative Experiences

Empirical experiences from Latin America and Africa reinforce the preceding theoretical insights. Ecuador and El Salvador formally adopted the US dollar to manage hyperinflation and restore macroeconomic discipline. In both cases, dollarization was sustained by relatively strong institutions and broad political consensus (Quispe-Agnoli & Whisler, 2006). However, de-dollarization attempts in countries like Argentina highlight the risks of premature transitions, inconsistent policy frameworks, and insufficient institutional capacity (IMF, 2020). In this context, successful currency transitions depend on the credibility of technical sequencing, sustained macroeconomic stability, commitment to consistent policies and "good faith" efforts in restoration of public trust. In most cases, efforts to reassert domestic currency usage in these contexts have largely faltered due to inflationary pressures, weak monetary policy frameworks, and underdeveloped financial infrastructures (Kokenyne, Ley & Veyrune, 2010). These cases underscore that monetary sovereignty, in practice, is contingent on a combination of inflation control, credible policymaking, and robust institutional foundations. World Bank (2023) analysis also suggest that financial market depth and institutional strength are pivotal in determining whether de-dollarization efforts are sustainable in the medium to long term.

3.1.3. Zimbabwe's Position Within the Debate

Even dollarized regimes with macroeconomic discipline often remain fragile in the absence of institutional safeguards. Cachanosky et al. (2023) demonstrate that legal ambiguities and lack of public buy-in can leave dollarized economies vulnerable to reversal, even when macroeconomic performance appears stable. Their findings suggest that constitutional safeguards and public opinion serve as critical bulwarks against impulsive or populist reversal, which reinforce the broader conclusion that structural and legal anchors are essential complements to macroeconomic reform.

In Sub-Saharan Africa, dollarization remains a persistent phenomenon, with trends exceeding 30% for both loans and deposits, reflecting deeper macroeconomic vulnerabilities and limited monetary credibility (Mecagni et al., 2015). In Africa, countries such as Angola and Mozambique have experienced partial dollarization, particularly in savings, pricing, and large-value transactions. Ghana, though less dollarized overall, has exhibited sector-specific dollarization in areas such as real estate and foreign-denominated deposits. These comparative insights set the stage for understanding Zimbabwe's experience within the broader challenges of dollarization. Zimbabwe's experience closely mirrors the preceding comparative regional dynamics, where efforts to reverse currency substitution continue to face structural and institutional headwinds. In 2009, Zimbabwe's adoption of the US dollar restored nominal stability, curtailed inflation, and briefly revived public confidence, offering what many perceived as a last-resort solution to persistent currency turmoil. However, the underlying structural weaknesses of the economy, including a narrow export base, limited foreign exchange inflows, and a large informal sector, soon exposed the limitations of dollarization (Makochekanwa, 2009; Kramarenko et al., 2010).

Moreover, the absence of institutional trust and concerns on policy consistency undermined the durability of the dollarization regime. Without the ability to issue its own currency or adjust monetary policy, Zimbabwe became increasingly vulnerable to external shocks such as commodity price fluctuations, significant sovereign debt, limited budgetary support and volatility in remittance inflows. Liquidity shortages, fiscal imbalances, and growing macroeconomic pressures led the authorities to initiate a de-dollarization strategy, beginning with the introduction of bond notes in 2016 and subsequently the Zimbabwean dollar in 2019 (RBZ, 2019). However, transitional de-dollarization lacked the critical prerequisites and sequencing, resulting in a resurgence of inflation, renewed cycles of exchange rate volatility, and continued widespread currency substitution thus undermining policy objectives.

By 2023, the Zimbabwean economy had largely reverted to a de facto multi-currency regime for the third cycle, with the US dollar regaining prominence in domestic transactions. Zimbabwe's experience vividly illustrates the 'impossible trinity' or monetary trilemma, which posits that monetary sovereignty, exchange rate stability, and full capital mobility cannot be simultaneously achieved without deep institutional reform (Fleming, 1962; Mundell, 1963). The country's recurring oscillations between dollarization and de-dollarization are not simply technical or economic failures; they reflect a broader crisis of structural credibility in monetary governance and currency regimes. Notably, sustainable monetary regime transitions require more than nominal changes; they demand profound structural, institutional, and trust-building reforms implemented in good faith.

3.2. Rethinking the Process of De-dollarization

De-dollarization, the shift from reliance on foreign currencies back to a domestic unit of account, has emerged as a critical policy challenge in post-crisis economies. Though framed as a necessary step towards reclaiming monetary sovereignty and policy autonomy, de-dollarization is frequently fraught with technical, institutional, and inevitable political complexities. In fragile macroeconomic environments, the risks associated with poorly timed or inadequately sequenced de-dollarization often outweigh its intended benefits, resulting in renewed currency instability, inflation resurgence, and further erosion of public trust in domestic currencies (Frenkel & Rapetti, 2012; Levy-Yeyati, 2021).

The ongoing push for de-dollarization among BRICS nations reflects a broader aspiration to reshape global financial hierarchies and reduce dependency on U.S.-dominated monetary systems. Arnold (2024) suggests that this strategic, global realignment not only advances financial sovereignty in the Global South but also opens pathways for alternative economic paradigms that prioritize collective agency over hegemonic control. For countries like Zimbabwe, engagement with such emerging blocs could offer a long-term framework for escaping the vulnerabilities of dollar dependence, though only if domestic institutional reforms are concurrently pursued. Saliya (2024) underscores how the entrenched dominance of the U.S. dollar constrains monetary policy autonomy in emerging markets, framing de-dollarization as both a financial necessity and a geopolitical strategy. However, the translation of these global de-dollarization efforts into national contexts like Zimbabwe hinges on the credibility of local institutions, and macroeconomic discipline. Recent shifts, such as Bolivia's partial currency pivot towards the renminbi and BRICS-led currency diversification, reflect growing momentum towards challenging dollar hegemony. While full disengagement remains improbable, partial de-dollarization and regional currency blocs may offer Zimbabwe plausible pathways for reducing external vulnerabilities, especially if aligned with credible institutional reform.

3.2.1. Challenges and Complexities in De-dollarization

At its core, de-dollarization is driven by the need to restore control over national monetary policy and reduce economic dependence on external forces such as U.S. interest rate cycles, export competitiveness, exchange rate volatility, and foreign currency liquidity constraints (Frenkel & Rapetti, 2012). However, successful de-dollarization requires more than policy declarations. It calls for a multidimensional approach encompassing macroeconomic stabilization, sustained inflation control, financial sector resilience, institutional credibility, and the restoration of public confidence in monetary authorities (Kokenyne, Ley & Veyrune, 2010).

A critical insight from the literature is that de-dollarization is as much a psychological process as it is an economic one. Households, firms, and financial institutions must be persuaded that transacting and saving in the local currency will preserve value over time, a belief easily undermined by historical episodes of hyperinflation, currency collapse, or policy inconsistency or lack of good faith commitments. As such, de-dollarization efforts must be carefully sequenced, underpinned by genuinely supportive fiscal policies, transparent monetary frameworks, and demonstrable central bank independence (Galindo & Leiderman, 2005; Chahine, Ponsot & Rizkallah, 2025). In this context, premature de-dollarization without these supporting conditions risks deepening rather than resolving macroeconomic vulnerabilities.

3.2.2. Successes and Failures: Comparative Insights

Levy-Yeyati (2021) presents a useful taxonomy of de-dollarization strategies: macroeconomic stabilization, market-based disincentives for dollar use, and regulatory restrictions on foreign currency transactions. Drawing on diverse Latin American cases, their study underscores that successful de-dollarization often depends on a coordinated mix of these approaches tailored to specific institutional and political contexts. These insights are highly relevant for Zimbabwe, where previous efforts have largely failed to restore sustained currency transition due to the absence of credible macroeconomic anchors and public trust in the domestic currency.

Comparative international experiences highlight that de-dollarization outcomes are closely tied to institutional strength and policy coherence. Countries such as Poland successfully reduced dollarization by strengthening domestic policy frameworks, entrenching robust inflation-targeting regimes, maintaining fiscal discipline, liberalizing capital markets, and enhancing central bank credibility (Galindo & Leiderman, 2005). In these cases, de-dollarization emerged as a gradual, endogenous process, supported by macroeconomic stability and financial sector deepening. In contrast, attempts in Argentina and Turkey illustrate the pitfalls of premature or incoherent de-dollarization (Daseking et al., 2005). In both cases, inconsistent policy frameworks, fiscal slippages, and inflationary pressures led to recurrent crises and re-dollarization (Frenkel & Rapetti, 2012). These failures underscore the vulnerability of de-dollarization to credibility shocks and the necessity for enduring policy commitment across electoral cycles and political transitions. Ecuador's experience is particularly instructive. Following official dollarization in 2000, Ecuador sought to regain monetary flexibility through the reintroduction of domestic instruments (Beckerman & Solimano, 2002). However, these efforts proved unsuccessful due to weak institutional frameworks, persistent public mistrust in monetary authorities, and the absence of a viable macroeconomic alternative to the dollar regime (IMF, 2020). This case illustrates that once monetary credibility is lost, restoring it becomes a long-term endeavour that cannot rely solely on technical adjustments (Chahine, Ponsot & Rizkallah, 2025).

Collectively, these experiences demonstrate that successful de-dollarization hinges on a credible and transparent commitment to macroeconomic stability, careful sequencing of institutional reforms to bolster central bank independence, and consistent signaling to both markets and the public.

3.2.3. Zimbabwe's De-dollarization Efforts

Zimbabwe's de-dollarization process that was initiated in 2016 with the introduction of bond notes and resulting in the reintroduction of the Zimbabwean dollar (ZWL) in 2019, epitomizes the formidable structural challenges of attempting monetary reform without sustainable macroeconomic and institutional foundations as well as a robust legal framework. Though officially presented as a strategy to restore monetary sovereignty and ease cash shortages, currency reform was undermined by persistent fiscal imbalances, policy inconsistency, perceived weak institutions, and deep-seated public skepticism (RBZ, 2019; IMF, 2019). Inflation surged almost immediately following the ZWL's reintroduction, driven by rapid monetary expansion, exchange rate instability, and lack of policy credibility (AfDB, 2023). This led to a sharp erosion in real incomes and purchasing power, reinforcing public preference for the U.S. dollar, thus sustaining a bifurcated pricing system and widening divergence between official and parallel exchange rates. From 2016-2023, widespread informal market activity further entrenched dual currency dynamics.

Critically, Zimbabwe's de-dollarization lacked coordinated efforts to restore institutional trust or establish credible monetary policy instruments. For example, the monetary authorities' historical quasi-fiscal activities, such as directed lending and interventionist exchange rate policies, undermined perceptions of independence and contributed to the failure of de-dollarization (Muñoz, 2007; Chishamba, 2025). By 2020, Zimbabwe had effectively reverted to a de facto multi-currency regime, with the U.S. dollar once again dominating financial and commercial activity (RBZ, 2022; World Bank, 2025). In this context, the authorities' de-dollarization efforts failed to achieve its objectives, resulting in loss of savings and erosion of trust.

Evidence from Latin America shows that a combination of exchange rate appreciation, development of local currency capital markets, and prudential regulation, such as differentiated reserve requirements, were instrumental in reducing credit and deposit dollarization (Garcia-Escribano & Sosa, 2011). Taken together, and from a multi-pronged policy strategy perspective, the preceding insights reinforce a critical conclusion: de-dollarization cannot be fully legislated into existence. Rather, it must be earned through prior restoration of macroeconomic fundamentals, credible and independent monetary institutions, and a deliberate, transparent, and carefully sequenced macro-reform process capable of anchoring public expectations, outcomes that cannot be achieved through decree alone.

3.3. Re-dollarization: The Return to the US Dollar

In the aftermath of failed currency reforms, countries that previously attempted de-dollarization often find themselves compelled to revert to the US dollar or another foreign currency. In this context, re-dollarization is not merely a policy reversal but reflects deeper structural and institutional challenges. It signals a breakdown in the credibility of the domestic currency, typically occurring after hyperinflationary pressures become unanchored and expectations of currency stability deteriorate beyond repair.

3.3.1. The Causes and Implications of Re-dollarization

Theoretical and empirical literature links re-dollarization to the collapse of effective monetary governance. When domestic inflation spirals out of control and exchange rates become highly volatile, confidence in the local currency erodes (Levy-Yeyati, 2021). In such environments, re-dollarization becomes almost practically inevitable as economic agents rationally shift to foreign currencies as a means of preserving value amidst policy unpredictability and monetary dysfunction. In this context, re-dollarization often emerges when monetary sovereignty has been irreparably compromised, rendering declarative policy measures insufficient to restore trust in a currency (Reinhart, Rogoff & Savastano, 2003). Therefore, the shift to foreign currency becomes a defensive response and a necessary value-preserving measure when the domestic currency no longer fulfils its fundamental roles as a medium of exchange, store of value, or unit of account. The literature consistently identifies several triggers for re-dollarization, such as policy failures, inflationary shocks, and institutional weaknesses (Mecagni et al., 2015). In this context, severe currency depreciation and the erosion of central bank credibility often prompt households and firms to adopt foreign currencies. Such behavioural outcomes are not merely as a microeconomic response to protect savings, but as part of a broader systemic transformation that constrains the effectiveness of national monetary policy.

Moreover, re-dollarization can create a self-reinforcing dynamic. In this context, as more actors transact in foreign currency, demand for the local currency shrinks further, exacerbating currency depreciation pressures and narrowing the policy tools available to the central bank (Chen et al., 2025; Arrieta Vidal et al., 2022). When credibility is lost, efforts to restore the local currency without rebuilding public trust are likely to prove futile. While the adoption of a stable foreign currency may initially moderate inflation and restore transactional efficiency, it imposes significant long-term costs by eroding seigniorage revenue, weakening monetary policy autonomy, and heightening fiscal vulnerabilities, particularly in economies with limited foreign exchange reserves.

3.3.2. Zimbabwe's Re-dollarization Experience

Zimbabwe's re-dollarization trajectory was impacted by persistent structural vulnerabilities, weak institutional foundations, and a history of policy reversals. Fiscal expansion, monetary financing, and inconsistent exchange rate management severely undermined the credibility of de-dollarization efforts. More critically, the absence of credible macroeconomic stabilization measures rendered the de-dollarization process untenable, making the return to the US dollar almost inevitable (Imam, 2022). Following the introduction of bond notes in 2016 and the reintroduction of the ZWL in 2019, the local currency rapidly depreciated, inflation soared into triple digits, and foreign currency parallel market premiums reemerged fueling an arbitrage economy (RBZ, 2020). Businesses increasingly priced goods and services in foreign currencies to preserve value, irrespective of official policy, which attracted punitive penalties and, at times, authorities micromanaging day-to-day banking operations through various legislative statutory instruments or directives. By late 2019, despite the authorities' formal commitment to a mono-currency regime, market dynamics rapidly enforced a de facto re-dollarization. According to the RBZ, over 75% of transactions in 2021 were conducted in US dollars, reflecting the collapse of public confidence in the ZWL (RBZ, 2022).

The resumption of US dollar usage delivered a mixture of short-term relief and longer-term structural constraints for Zimbabwe (IMF, 2022). On one hand, it moderated inflation and improved transactional efficiency in an economy grappling with acute cash shortages. On the other hand, it reintroduced dependency on external monetary dynamics, constrained domestic liquidity management, and eliminated seigniorage revenue, thereby reducing the government's ability to adjust macroeconomic policies independently. Saliya (2024) offers a critical assessment of the systemic vulnerabilities confronting developing and emerging economies entrenched in dollar-dominated financial systems. The scholar underscores how dollar reliance can erode monetary sovereignty, heighten exposure to external shocks, and limit the effectiveness of domestic policy instruments, challenges that closely mirror Zimbabwe's re-dollarization trajectory.

Zimbabwe's diminished currency autonomy thus reflects not only structural fragilities but also the broader global constraints faced by developing and emerging countries. Bonizzi, Kaltenbrunner and Michell (2019) contend that monetary sovereignty is not binary but exists along a spectrum. In this context, for economies like Zimbabwe that are heavily dependent on foreign currency to stabilize trade and manage capital flows, external constraints such as exchange rate volatility and the need for hard currency reserves significantly narrow the policy space available under a sovereign currency regime. Their critique of Modern Monetary Theory highlights how, within a hierarchical international monetary system, the pursuit of independent monetary governance is consistently undermined, especially in the absence of public confidence in the domestic currency. This dynamic illustrates the broader consequences of constrained monetary sovereignty and reinforces concerns about the structural erosion of macroeconomic autonomy under dollarized regimes.

3.3.3. Impact on Investment and Financial Markets

Beyond short-term macroeconomic stabilization, re-dollarization fundamentally reshapes financial systems and investor behaviour. While the return to a stable currency can initially enhance price stability and facilitate trade, persistent currency instability undermines confidence, reduces liquidity, complicates monetary planning, and discourages long-term financial intermediation (IMF, 2022). Empirical evidence shows that re-dollarized economies often exhibit shallow financial systems, limited access to local currency credit, and persistent asset-liability mismatches within the banking sector (Levy-Yeyati, 2021, Chishamba, 2025). These dynamics are particularly pronounced in structurally constrained economies, where institutions lack the capacity to anchor expectations and build long-term policy credibility.

Financial dollarization also imposes significant constraints on monetary policy and amplifies systemic risk. Drawing on evidence from Central and Eastern Europe, Levy-Yeyati (2006) shows that dollarized financial systems tend to experience unstable money demand, greater vulnerability to banking crises following exchange rate shocks, and more volatile economic growth, without commensurate gains in financial depth. These dynamics reinforce the case for a deliberate and credible de-dollarization strategy, particularly in contexts like Zimbabwe, where currency mismatches and monetary governance fragilities exacerbate financial sector vulnerabilities (Levy-Yeyati, 2021; IMF, 2022).

In dual-currency environments, firms often face complex financial planning decisions, with policy ambiguity and exchange rate risk acting as strong deterrents to long-term capital commitments. These uncertainties inhibit financial sector deepening and restrict capital flows, especially in sectors reliant on currency predictability and sustained external financing (IMF, 2022). In Zimbabwe, such conditions have contributed to subdued capital market activity, weigh down investor confidence, and reduced foreign direct investment, despite temporary gains in price stability (AllAfrica, 2024; The Zimbabwe Independent, 2025). For instance, the Victoria Falls Stock Exchange (VFEX) was launched to attract foreign currency-denominated listings and offshore capital, yet the platform has consistently struggled with thin trading volumes and subdued investor participation (The Zimbabwe Independent, 2021). This underperformance reflects persistent concerns about inconsistent policy signals regarding currency regimes transitions, short-termism approach on exchange control measures, and repatriation risks (Business Times, 2021; Chakanyuka, 2023). Similarly, the Zimbabwe Stock Exchange (ZSE) has experienced recurring low liquidity tied to historically fragile currency transitions. Despite exchange control incentives for listing on VFEX, several firms that migrated from the ZSE to the VFEX in search of liquidity or stability encountered comparable structural obstacles and institutional hurdles, underscoring systemic market weaknesses that transcend the currency regime. The underscores the importance of a stable and sustainable currency regime transitional policy.

The absence of a well-developed bond market further hampers long-term capital formation, underscoring the structural outcomes that re-dollarization alone is insufficient to address. With a scarcity of stable, long-term investment instruments and monetary ambiguity, capital markets will remain underutilized. Meanwhile, the banking sector is also impacted by currency mismatches, constrained liquidity to fund long term assets, and rising USD non-performing loans (AfDB, 2023; IMF, 2022; Chishamba, 2025). Foreign investors often become cautious in the face of managed exchange rate, currency repatriation barriers, and unclear policy direction on the long-term currency regime. Thus, although re-dollarization has temporarily mitigated inflationary pressures, Zimbabwe remains structurally exposed to currency instability in the absence of broader structurally sequenced currency transitions.

3.4. The Role of Effective Monetary Policy and Institutional Credibility

A central debate in emerging-market macroeconomics concerns whether countries with a history of macroeconomic instability can meaningfully restore and sustain monetary sovereignty through robust domestic institutions, or anchoring to stable foreign currencies, whether through dollarization, currency boards, or regional monetary unions, may appear a more pragmatic long-term path to stability (Calvo & Mishkin, 2003; Eichengreen, 2008). In contexts of institutional fragility, transitions between dollarization, de-dollarization, and re-dollarization are frequently disrupted by reactive monetary policy, limited central bank autonomy, and persistent fiscal dominance (Cukierman, Webb & Neyapti, 1992; IMF, 2019). These challenges are often magnified in post-crisis economic contexts, where public trust in domestic currencies is deeply eroded and can only be rebuilt through consistent credibility, transparent policymaking, and sustained institutional reform (Reinhart, Rogoff & Savastano, 2003; IMF, 2019).

Empirical studies suggest that de-dollarization is most effective when supported by credible inflation-targeting frameworks, external anchors, reduced fiscal dominance, and institutional mechanisms that reinforce monetary discipline (Levy-Yeyati, 2006; Calvo & Mishkin, 2003). Technical policy fixes alone are insufficient without corresponding institutional development. A comparative analysis of countries that have transitioned between currency regimes yields five critical lessons for Zimbabwe: the importance of central bank independence, the need for fiscal-monetary coordination, the conditional utility of external anchors, and the role of regional monetary unions. Each of these themes is examined in turn.

3.4.1. Central-Bank Independence and Credibility

Extensive empirical literature links central bank independence to effective inflation control, policy consistency, and exchange rate stability (Alesina & Summers, 1993; Cukierman, 1992). Independent monetary authorities are better positioned to anchor expectations and preserve policy credibility, particularly in volatile or post-crisis macroeconomic environments (Eijffinger & de Haan, 1996; Mishkin, 2004). In some countries, the persistent erosion of trust in the domestic currency, driven by repeated episodes of hyperinflation, reactive currency policies, and legacy quasi-fiscal activities (such as directed lending or deficit financing via the central bank), has undermined monetary discipline, weakened both *de jure* and *de facto* central bank autonomy, and contributed to chronic credibility deficits (IMF, 2019; World Bank, 2025). In this context, the public's reluctance to hold or transact in domestic currency is not merely behavioural but a rational response grounded in lived experiences of repeated historical currency failures and devaluations.

Bordo and Siklos (2015), in their historical and empirical analysis of eleven countries, demonstrate that central bank credibility is neither static nor automatically conferred by macroeconomic design. Rather, it evolves over time, shaped fundamentally by institutional quality and policy execution. Their findings highlight that credibility is most susceptible to erosion not necessarily during large economic shocks per se, but when such shocks are perceived as consequences of policy missteps, which is evident in abrupt currency regime changes and policy reversals. Moreover, their analysis underscores the critical role of governance quality and institutional resilience in buffering credibility during systemic crises, such as hyperinflation, sovereign defaults, and exchange rate collapses. This reinforces a core argument of this paper: monetary credibility stems primarily from institutional performance rather than technical policy frameworks or declarative policies alone. In countries where central banks operate within genuinely predictable, rules-based systems and are insulated from short-term political pressures, as seen in Poland or Peru, credibility has often recovered and persisted despite adverse conditions.

Episodes of hyperinflation and abrupt currency reforms, including the collapse of earlier versions of the Zimbabwean dollar, have entrenched the perception that the domestic currency is not a reliable store of value or unit of account (Reinhart, Rogoff & Savastano, 2003; Kairiza, 2009). In monetary economics, credibility is path-dependent and difficult to restore once lost. Therefore, consistent and constitutionally, rules-based policy frameworks are essential to rebuilding it over time (Levy-Yeyati & Sturzenegger, 2001; Bernanke, 2010). Without sustained institutional reforms, particularly those that improve transparency, accountability, and operational autonomy, the public is unlikely to embrace the domestic currency as a store of value or reliable medium of exchange for large transactions.

The success of inflation-targeting regimes in emerging markets is similarly depended on credibility and independence, rather than formal adoption alone (Mishkin, 2004). Furthermore, evidence suggests that transactional de-dollarization is more effectively achieved through positive incentive mechanisms, such as enhancing the utility, convenience, and financial attractiveness of the local currency, rather than imposed through coercive or punitive taxation of foreign currency use (IMF, 2020; Vidal, Ocampo & Cárdenas, 2022). This perspective supports the broader insight that credibility, not compulsion, drives voluntary shifts in currency preferences.

3.4.2. Fiscal-Monetary Coordination

Effective currency regime reform is unlikely to succeed without disciplined fiscal-monetary coordination. One of the key challenges in many post-crisis, fragile economies, is fiscal dominance, a situation where monetary policy is subordinated to the financing needs of the government (Sargent & Wallace, 1981; Blanchard & Johnson, 2012). Under such conditions, central banks are often compelled to monetize deficits through direct lending or quasi-fiscal operations, which fuels inflationary pressures and undermines monetary credibility (Céspedes, Chang & Velasco, 2014; IMF, 2021).

Historically, chronic fiscal imbalances, financed through a legacy of central bank overdrafts and unbacked money creation, have triggered episodes of inflation volatility, acute currency depreciation, and repeated currency failures (Mpofu, 2015; IMF, 2021). These dynamics have not only derailed de-dollarization efforts but also entrenched public skepticism about the sustainability of a domestic currency. To reverse this trajectory, Zimbabwe must institutionalize a rules-based fiscal framework that constrains ad hoc deficit monetization, remove regulatory arbitrage incentives and strengthen budgetary transparency. This must be accompanied by a clear separation between fiscal and monetary authorities to prevent mandate overlap and reduce institutional interference in operations (Cukierman, 1992).

Countries that implement fiscal rules, such as deficit or debt ceilings or primary budget targets, create more predictable environments in which central banks can act autonomously and build credibility (Debrun & Kumar, 2007; Escolano, 2010). In the absence of fiscal-monetary coordination and commitment mechanisms, efforts to restore monetary sovereignty will face persistent skepticism from both domestic savers and international markets. As a result, dollarization pressures are likely to re-emerge during periods of fiscal slippage or uncertainty. Effective de-dollarization and currency stabilization, therefore, require not only sound monetary policy, but also credible and disciplined fiscal governance.

3.4.3. Monetary Sovereignty vs. External Anchors

Zimbabwe faces a fundamental long-term currency question: Can it credibly restore monetary sovereignty through internal reforms, or is an external anchor necessary until institutional maturity is achieved? Re-establishing an independent national currency following a monetary collapse is often a complex process that requires well-coordinated institutional and macroeconomic reforms. The key debate for Zimbabwe is whether it can achieve genuine monetary sovereignty or must rely on external anchors, such as the US dollar or regional currency pegs, as a more viable option. According to optimum currency area theory, small, open economies may benefit from adopting external currency anchors if they lack the preconditions for effective autonomous monetary policy (Frankel & Rose, 1998; Mongelli, 2002).

Zimbabwe's history of alternating currency regimes reflects underlying institutional structural deficits. In the absence of credible inflation management and exchange rate stabilization mechanisms, households and firms tend to rationally revert to more stable foreign currencies. Similar patterns are evident across other dollarized economies (Eichengreen, 2008; IMF, 2023). Therefore, achieving monetary sovereignty requires rebuilding institutional capacity, including legal safeguards for central bank independence, fiscal transparency, well-sequenced reforms that build institutional capacity step by step, and mechanisms to ensure policy consistency and accountability (Cukierman, 1992; Eijffinger & Karataş, 2023). Empirical evidence shows that countries regaining monetary sovereignty succeed by committing to credible, judiciously transparent, and disciplined policy frameworks that reduce inflation volatility and enhance monetary credibility (Reinhart, Rogoff & Savastano, 2003). Furthermore, before considering regional currency arrangements as external anchors, Zimbabwe must achieve convergence in inflation, fiscal balance, and productivity levels. Without such alignment, anchors through shared monetary frameworks may create imbalances, macroeconomic divergence and instability (Ögren, 2023). Ultimately, this paper argues that monetary sovereignty is a function of institutional strength and credibility.

3.4.4. The Potential Role of a Regional Monetary Union

A regional monetary union may offer Zimbabwe long-term benefits such as enhanced policy credibility, lower transaction costs, and greater exchange rate stability (Kenen, 1969; Frankel & Rose, 1998). These benefits arise from shared monetary discipline and integrated markets, but they involve significant trade-offs, including the loss of independent monetary policy instruments and seigniorage revenue. For Zimbabwe, joining a regional union would require extensive institutional reforms, harmonization of fiscal frameworks, convergence of macroeconomic fundamentals, and the restoration of central bank autonomy. In the absence of these reforms, monetary integration risks outsourcing monetary discipline without addressing the underlying governance and fiscal vulnerabilities (IMF, 2023; Corden, 2003).

Historical experience from both mature and nascent monetary unions demonstrates that the credibility of monetary unions significantly depends on the strength of its weakest member (Glick & Rose, 2016; Bayoumi & Eichengreen, 1993). In this regard, a regional monetary union could provide Zimbabwe with a credible external anchor, but its success depends on meeting the same institutional prerequisites that support a sovereign currency. These include transparent currency governance, disciplined fiscal policy, currency credibility, and sustained public trust (Kenen, 1969; Eijffinger & Masciandaro, 2011; Arvai, 2021).

In addition, differences in economic cycles and vulnerability to asymmetric shocks require robust macro adjustments and risk-sharing mechanisms, which are often politically complex and difficult to implement (Corden, 2003; Glick & Rose, 2020). Behavioral economic research also highlights that the stability of currency unions hinges on the degree of economic integration among member states (Bertasiute, Massaro & Weber, 2020). The preceding scholars' multi-country New Keynesian model demonstrates that, in the absence of sufficient integration, monetary policy activism may fail to stabilize economic dynamics and can even exacerbate macroeconomic instability. This insight complements the institutional requirements by emphasizing how weak economic linkages and divergent expectations among members can diminish the effectiveness of a shared monetary policy. It reinforces the argument that Zimbabwe's engagement with a regional monetary union must extend beyond institutional convergence to encompass deeper structural and economic integration.

Without these fundamental prerequisites, structural monetary vulnerabilities may persist, even within a regional framework. In such a scenario, common monetary interventions may struggle to achieve equilibrium or credibility. Regional integration should therefore be pursued gradually and in parallel with domestic reforms that enhance institutional resilience and macroeconomic flexibility. In this context, the primary objective must be to establish the institutional foundations necessary for a viable unified currency: credibility, transparency, and macroeconomic alignment. Experiences from West Africa highlight how asymmetrical shocks, weak convergence, and institutional heterogeneity can undermine the credibility of monetary unions. Ultimately, the success of any regional monetary union rests on more than policy harmonization; it requires a convergence of expectations, credible institutions, and a shared commitment to collective stability.

3.5. Comparative Experiences with Currency Regime Transitions

While the literature on dollarization emphasizes its potential to stabilize inflation, reduce macroeconomic volatility, and anchor fiscal and monetary discipline, empirical outcomes have been mixed and highly context dependent. Tutiven-Desintonio (2025) used econometric techniques such as volatility analysis, business cycle dating, and synthetic control methods, to evaluate the macroeconomic and fiscal performance of three officially dollarized Latin American economies namely, Ecuador, El Salvador, and Panama. The findings reveal that, although dollarization contributed significantly to inflation stabilization, it did not yield consistent improvements in other key macroeconomic indicators, such as GDP growth, fiscal balance, or output volatility, whether compared across pre- and post-dollarization periods or relative to similar non-dollarized countries. Table 1 synthesizes selected cases of currency regime transitions, highlighting key lessons relevant to Zimbabwe.

Table 1. Comparative Cases of Currency Regime Transitions and Lessons for Zimbabwe

Country (Period)	Regime Path	Description	Lesson for Zimbabwe
Peru (1990s–2020s)	Gradual De-dollarization	Gradual macro and regulatory reforms reduced foreign exchange deposits and credit reliance	Central bank credibility and consistent incentives support durable transitions
Vietnam (1990s–2020s)	Partial De-dollarization	Regulatory disincentives, VND pricing mandates, and monetary policy tools reduced formal USD use, though informal dollarization persists	Targeted and consistent measures can curb dollarization even under partial liberalization
Angola (1990s–2010s)	Partial De-dollarization	Post-crisis stabilization, FX lending controls, and kwanza pricing mandates curbed bank sector dollarization	Commodity-driven economies can restore domestic currency use through buffers, regulation, and credibility gains

Kazakhstan (2015–2020s)	De-dollarization	FX deposit reduction driven by post-oil shock reforms, including reserve requirements and real interest rates	Incentive-based regulation and macro prudence support currency transition
Uzbekistan (2017–present)	Gradual De-dollarization	FX liberalization, exchange rate unification, and banking reforms increased soum use, though informal dollar preference remains	Liberalization and transparency can build trust and enable monetary transition
Ecuador (2000–present)	Dollarization	Adopted USD after banking collapse and hyperinflation; sacrificed monetary sovereignty for stability	Full dollarization can restore stability but limits policy flexibility and seigniorage
El Salvador (2001–present)	Dollarization	Replaced colón with USD to curb inflation attract, maintains fixed monetary regime	Provides nominal stability but constrains independent monetary policy
Panama (1904–present)	Dollarization	Long-standing use of USD with no central bank; fiscal rules and openness sustain stability	Stability is achievable without monetary tools, but requires strong fiscal institutions
Argentina (2001–2020s)	Re-dollarization	Currency crises, inflation, and failed convertibility led to repeated unofficial dollarization	Weak institutions and credibility deficits hinder sustainable reform and fuel recurring FX substitution

Compiled by author.

While the countries included in Table 1 have gone through varying degrees of dollarization, de-dollarization, or re-dollarization, it is also informative to consider contrast cases where post-crisis monetary reform occurred without significant currency substitution pressures. Notably, Poland and the Czech Republic, though not dollarized, successfully rebuilt confidence in their national currencies through credible institutional anchors such as EU accession, inflation-targeting regimes, and strong central banking institutions. These cases highlight that institutional credibility and macroeconomic coherence can restore monetary stability even in the absence of widespread dollarization. Drawing from this diverse set of country experiences, the comparative framework underscores how institutional strength, policy credibility, and external anchors shape the outcomes of currency regime transitions, whether through regional integration, commodity buffers, or fiscal rules. For Zimbabwe, the evidence suggests that genuinely well-sequenced reforms, credible policy commitments, and supportive institutional frameworks are essential to rebuilding trust in the domestic currency and sustaining monetary stability.

4. Methods

This study employed a mixed qualitative approach integrating the author's practical experience working within Zimbabwe's banking sector combined with qualitative comparative analysis and a structured literature review to examine the phases of dollarization, de-dollarization, re-dollarization, and Mono-currency reforms. The primary objective was to identify recurring patterns, institutional challenges, and actionable policy lessons relevant to Zimbabwe's ongoing currency regime transition. The literature review was conducted on sources published between 1990 and 2025, a period capturing key global and regional monetary reforms, structural adjustments, and currency crises. The paper drew on peer-reviewed journal articles, reports from international financial institutions (such as the IMF, World Bank, and central banks), and authoritative policy papers. Emphasis was placed on studies providing empirical evidence and theoretical insights into currency regime transitions and monetary theory in emerging and developing economies, with particular attention to Latin America, Eastern Europe, and Sub-Saharan Africa due to their macroeconomic and institutional parallels with Zimbabwe, especially in inflation control, exchange rate stabilization, and institutional capacity constraints.

Comparative case selection followed purposive sampling principles (Patton, 2002), targeting countries that underwent significant currency regime transitions such as dollarization, de-dollarization, or re-dollarization. Cases were chosen based on their relevance for economic stabilization, inflation management, and central bank credibility, with a focus on studies featuring robust qualitative or quantitative documentation of currency regime transition processes and outcomes. To minimize selection bias, all sources underwent critical evaluation using established criteria for reliability, validity, and coherence, supplemented by cross-referencing across multiple data sources.

The analysis employed a thematic comparative framework (Thomas & Harden, 2008), organized around four core dimensions. The study assessed monetary policy effectiveness, with particular attention to how monetary regimes managed inflation, currency credibility, and exchange rate stability during transitions. Institutional credibility was analyzed through indicators such as central bank independence, fiscal-monetary coordination, and governance reform. The role of external anchors and vulnerability to external shocks was examined, especially in relation to dollarization and regional monetary arrangements. Transition outcomes and the lessons derived were synthesized to classify country cases as successful, partially successful, or unsuccessful. Thematic synthesis was conducted using a narrative comparative approach, integrating qualitative data into analytically coherent narratives that highlight recurring patterns, causal linkages, and contextual variations. This approach is consistent with established standards in qualitative policy research, ensuring that the findings are both methodologically rigorous and practically implementable (Booth, Sutton & Papaioannou, 2016; Popay et al., 2006).

5. Findings

This study demonstrates that the dynamics of dollarization, de-dollarization, re-dollarization, and Mono-currency reforms reveal five critical insights directly relevant to Zimbabwe's complex currency transition challenge.

First, successful currency regime transitions hinge on strategic alignment across fiscal, monetary, and institutional domains, transcending mere macroeconomic policy soundness. Countries like Poland and the Czech Republic achieved stabilization through disciplined fiscal management, credible inflation control, and the development of robust monetary frameworks. External technical and financial support frequently served as a critical catalyst, reinforcing domestic reform efforts during vulnerable early phases (Calvo & Vegh, 1999; IMF, 2021). Zimbabwe's strategy towards durable monetary stability must similarly integrate multi-domain coherence rather than isolated short-term policy fixes.

Second, strengthened institutional capacity and credibility, especially central bank independence and transparency, emerges as a fundamental pillar for successful de-dollarization and monetary reform. Countries that secured lasting transitions adopted inflation-targeting regimes under strong legal protections that guaranteed central bank autonomy. Credibility is not incidental but results from consistent communication and disciplined execution, both of which anchor public trust and stabilize expectations (Eijffinger & de Haan, 1996). Once established, institutional trust proves to be a more durable than technical reforms alone.

Third, while external anchors such as dollarization or regional monetary unions can deliver short-term nominal stability, these come at the steep cost of relinquishing domestic monetary autonomy. Ecuador and El Salvador's dollarization policies stabilized inflation and exchange rates but forfeited critical policy flexibility. Similarly, regional monetary unions offer exchange rate stability but impose policy harmonization requirements and reliance on anchor economies (Frankel & Rose, 1998; IMF, 2023). These experiences affirm that external anchors are temporary stabilizers that cannot substitute for deep institutional reform and domestic policy consistency.

Fourth, gradual de-dollarization is possible but inherently uneven and often fragile. The experiences of Peru and Paraguay show that deliberate, sequenced reforms strategies, including developing credible local currency instruments, enhanced financial supervision, consistent exchange control guidelines, and targeted prudential policies, can progressively reduce dollarization over time. However, the success of such monetary and currency reforms depends crucially on sustained macroeconomic stability, policy commitment, and resilience to external shocks and political stability (Galindo & Leiderman, 2005; Reinhart, Rogoff & Savastano, 2003). De-dollarization must be understood as a complex, non-linear process vulnerable to reversal if implemented without deep institutional credible roots.

Fifth, the persistence and recurrence of re-dollarization, underscores the formidable challenge of restoring confidence in domestic currencies once monetary credibility is severely compromised. Failed de-dollarization attempts often reflect deeper structural weaknesses, such as abrupt policy reversals, fiscal indiscipline, governance deficits, and erosion of institutional legitimacy, which drive economic agents' rational retreat to foreign currency usage as a self-insurance mechanism (Reinhart & Rogoff, 2004; Levy-Yeyati, Sturzenegger & Reggio, 2010). Even partial de-dollarization efforts, including in Peru, illustrate how fragile progress can be reversed without sustained institutional and macroeconomic stability. This requires deep, authentic root-cause analysis before jumping to another currency strategy.

The insights from Latin America highlight that the durability of dollarization depends not only on sound macroeconomic logic but also on institutional design and sustained public trust. Cachanosky, Ocampo & Salter (2023) argue that retaining a central bank post-dollarization paradoxically introduces structural vulnerabilities and institutional loopholes by enabling policymakers to reintroduce local currency regimes without sufficient institutional scrutiny. Their findings emphasize that public opinion on domestic currency, rather than legal frameworks alone, offers the most robust defense against impulsive reversals or populist pressures to reintroduce unstable currency regimes. Even when structural reforms stall, dollarization generally enhances economic credibility and outperforms the counterfactual scenario of persistent inflation under discretionary regimes. This underscores that lasting monetary credibility requires institutional insulation from short-term populist pressures, sustained public trust, and constitutional safeguards that limit arbitrary currency regime shifts. For Zimbabwe, any move toward partial or full dollarization, must therefore be anchored by robust legal and institutional reforms designed to lock in commitments and shield monetary frameworks from cyclical reversals.

Collectively, these findings demonstrate that currency regime transitions are complex institutional transformations extending well beyond technical policy adjustments. They demand holistic institutional reform, coherent macroeconomic management, and the restoration of public trust. For Zimbabwe, future currency strategies must prioritize rebuilding credibility, anchoring inflation expectations, and reinforcing fiscal discipline. Strategic international partnerships, including potential BRICS membership, may bolster financial cooperation and enhance policy credibility, but such gains depend fundamentally on credible, sustained domestic reforms. The comparative evidence is unequivocal: restoring monetary sovereignty requires sequenced, long-term policy commitments with no shortcuts.

6. Discussions and Conclusion

Zimbabwe's ongoing currency regime transitions epitomize the structural challenges confronting many emerging and post-crisis economies (IMF, 2019; World Bank, 2020). The central insight emerging from this study is that institutional credibility, not policy design in isolation, is the decisive factor in determining the sustainability of currency regime transitional reforms. Achieving durable currency stability requires more than technocratic policy patches; it depends on embedding central bank independence, fiscal discipline, and credible inflation-targeting frameworks within a resilient institutional structure (Eijffinger & de Haan, 1996; IMF, 2019). Globally, some of the repeated failures of de-dollarization efforts often underscore how institutional fragility can systematically undermines efforts to restore monetary sovereignty (Reinhart & Rogoff, 2004).

While regional monetary unions may offer benefits such as enhanced policy credibility, reduced transaction costs, and nominal exchange rate stability, they are neither panaceas nor substitutes for comprehensive institutional reform. As experience shows, exchange rate stability via regional arrangements often entails the loss of independent monetary tools (IMF, 2023). For Zimbabwe, any currency proposal to engage with frameworks such as BRICS or other blocs to deepen regional currency integration would require significant institutional strengthening, fiscal transparency, and macroeconomic convergence with partner states. In the absence of these prerequisites, monetary integration could exacerbate the existing currency vulnerabilities rather than resolve them.

Peru's experience highlights that gradual, credibility-enhancing de-dollarization, anchored in macroeconomic consistency and the development of domestic financial markets, is more viable than abrupt currency regime changes. De-dollarization attempts can be weakened by insufficient institutional support and weak macroeconomic coordination, reinforcing the public's rational preference for stable foreign currencies (Mpofu, 2015). These divergent experiences affirm that strategic timing, sequencing, and institutional anchoring are critical to the credibility and durability of monetary transitions.

In conclusion, Zimbabwe's path towards a credible and sustainable currency regime must begin with phased, strategically sequenced reforms that are grounded in strong institutions and supported by broad-based public confidence. Whether the goal is domestic monetary sovereignty, partial dollarization, or regional monetary integration, institutional credibility remains the necessary foundation. This includes not only central bank operational independence, but also effective fiscal-monetary coordination, clear legal safeguards, and transparent, rules-based communication. Institutional rebuilding should thus be prioritized as the primary prerequisite for any viable currency regime, not a secondary objective. Ultimately, the long-term viability of any currency depends on its ability to fulfil the core functions of money, serving as a store of value, unit of account, and medium of exchange, under conditions of institutional legitimacy and public trust. The comparative evidence is unambiguous: monetary regimes are only as stable as the institutions that sustain them. Building institutional credibility, done in good faith is not one policy priority among many, it is the indispensable condition for any future monetary strategy.

7. Further Research

Future research on Zimbabwe's currency regime could meaningfully explore the role of emerging financial technologies, particularly central bank digital currencies (CBDCs), in strengthening monetary control, enhancing transparency, and improving transactional efficiency. As more countries pilot or implement CBDCs, comparative studies can assess how these innovations influence public trust in domestic currencies, bolster central bank credibility, and mitigate informal dollarization. These questions are especially timely as Zimbabwe evaluates the deployment of digital monetary instruments to modernize its financial system and restore monetary sovereignty.

In addition, comparative case studies of Zimbabwe's regional peers, can provide a strong ground for examining institutional reform trajectories, sequencing of policies, and macroeconomic trade-offs in environments characterized by similar structural constraints. Future inquiries would benefit from mixed methods approaches that integrate econometric modeling with institutional diagnostics to capture both the quantitative and qualitative dimensions of monetary reform. Furthermore, incorporating insights from behavioural economics can deepen the understanding of how psychological, social, and political factors shape currency preferences. The persistence of dollarization and public resistance to de-dollarization may not only reflect rational economic calculations but also collective memory, historical trauma arising from currency collapses, and institutional trust deficits. Research employing surveys, experimental methods, and longitudinal designs could illuminate how lived experiences in post-crisis contexts influence everyday transactional behaviors, currency adoption and the broader monetary culture.

Lastly, extended research on regional monetary unions can yield critical insights into their institutional prerequisites, convergence dynamics, and the conditions necessary for their long-term sustainability. This is particularly relevant as Zimbabwe considers closer economic ties with emerging blocs such as BRICS. Understanding the political economy, fiscal-monetary coordination mechanisms, and credibility requirements of such arrangements will be crucial to designing viable partnerships. Together, these research avenues offer a roadmap for advancing the empirical and theoretical understanding of Zimbabwe's currency regime transitions. These insights can help inform the design of more adaptive, credible, and context-sensitive monetary reform strategies suited to the demands of a modern, post-crisis economy.

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