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## Foreign Direct Investors Shun Zimbabwe To Spark A Liquidity Crisis in The Country (2013- 2014)

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# Foreign Direct Investors Shun Zimbabwe To Spark A Liquidity Crisis in The Country (2013-2014)

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## I. INTRODUCTION

In December 2012, the Global Fund had distributed US\$ 50 billion in foreign direct investment to Africa. Of this amount, US\$ 10.9 was distributed to the four SADC countries of Mozambique, South Africa, Zambia and Zimbabwe as in Table 1 below:

**Table 1 :** Distribution of foreign direct investment of US\$ 10.9 billion to Mozambique, South Africa, Zambia and Zimbabwe in December 2012.

Country	Fdi in Us\$ Billion	Ranking	Percentage
Mozambique	5	1	46
South Africa	4.5	2	41
Zambia	1	3	9
Zimbabwe	0.4	4	4
	10.9		100

Source: Ruzane (2014)

Table 1 above highlights the unattractiveness of Zimbabwe to foreign direct investors. In the race for foreign direct investment (fdi) in the region Zimbabwe was a distant fourth to confirm her unattractiveness to foreign investors. Put differently of the US\$ 100 brought to the four SADC countries for investment Mozambique and South Africa walk away with US\$ 46 and US\$ 41 respectively while Zambia takes home a modest US\$ 9. For Zimbabwe the sad story is that she takes home a paltry US\$ 4 in the much needed fdi to set up one pertinent question: Why is Zimbabwe once touted as the 'Switzerland' of Africa at independence from Britain in 1980 being shunned by foreign direct investors to

become a basket case in a SADC<sup>1</sup> region of modest economic growth?

Unlike Mozambique, South Africa and Zambia, Zimbabwe has a concoction of unattractive policies which are an anathema to the foreign investor to give Zimbabwe a reputation of risk. The chaotic land grabs of 2000 in which +/- 6 000 white commercial farmers were forcibly dispossessed of their farms for redistribution to landless blacks is one among such unattractive policies in Zimbabwe. The excuse proffered then was to correct the land imbalances which were heavily skewed in favour of the minority whites in Zimbabwe then. The move while applauded by supporters of ZANU PF, was widely condemned not only in Zimbabwe but regionally and internationally for the xenophobia against the white man who was not a foreigner but born and bred in Zimbabwe. Another controversial policy which earned Zimbabwe reputational risk was the Indigenization and Economic Empowerment policy of 2007 which stipulated that any foreigner who brought his money for investment in Zimbabwe must be prepared to give up 51% of his investment to indigenous locals. But economic and political analysts and pundits say that the policy is a self serving political gimmick designed to prop up the political elite in ZANU PF<sup>2</sup> and not the ordinary person walking the street (Murombo 2014).

The Author has merely scratched the surface on unattractive policies crafted and implemented as a panacea for the revival of the Zimbabwe economy now in a more than a decade of meltdown Electoral shenanigans, gross human rights violations, constant rebuke of the West are chief among such unattractive policies that have reputational risk to impede the much

<sup>1</sup> The Southern African Development Community (SADC) mission is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation, integration, good governance and durable peace and security in the region, so that the region emerges as a competitive and effective player in international relations and the world economy (SADC Secretariat 2014).

<sup>2</sup> ZANU PF is an acronym for Zimbabwe African National Union – Patriotic Front, formed from the ashes of the ZANU led by Ndabaningi Sithole in 1977 ZANU PF led by His Excellence President Mugabe was the first ever first ruling party in post colonial Zimbabwe and continues to date.

needed foreign direct investment coming to the financially hamstrung Zimbabwe.

Having set the ignition as above the Author will now descend upon the Zimbabwean market with a mission to sound out the various stakeholders about what they think about the liquidity crisis/crunch buffeting the Zimbabwe economy left, right and centre. The best approach to achieve this is to carry out a relevant literature review as below which is on its way coming to you.

## II. THE RELEVANT LITERATURE REVIEW

In carrying out the relevant literature review the objective is to ascertain if the said liquidity crisis or crunch do in fact exist and who are the stakeholders who vouch for its existence or it is just a myth designed by the opposition political parties or other forces opposed to ZANU PF to tarnish the image of the ruling party since independence from Britain in 1980. In carrying out the relevant literature review that will do full justice to the topic under investigation the Author has lined up a bunch of journalistic professionals from the Zimbabwean media made up of various daily and weekly newspapers. And without much ado the Author will call upon Nyakazeya from The Financial Gazette, a weekly newspaper to give us his contribution on the subject matter under discussion in this Paper.

### a) *Liquidity crunch to worsen – OK Zimbabwe (Nyakazeya 2013)*

Zimbabwe liquidity crunch will worsen in the short term and business activity is not expected to improve as consumer spending will remain constrained, OK Zimbabwe, the country's largest supermarket by revenue and outlets, said in early December 2013. OK Zimbabwe's chief executive officer (CEO), Willard Zireva had said that despite the gloomy outlook the company would focus on market share growth and efficient use of existing capacity as the sector was likely to become highly competitive. The company would continue in its efforts to achieve positive results and target a greater share of customer spend. The liquidity crisis in the country had been worsening with some delinquent banks failing to meet customer's daily cash demands. Some three banks were even failing to honour customers' requests for cash on demand. There was a very deep concern over the current financial crisis and there were risks of reversing economic gains made since the then comatose economy was formerly dollarized in February 2009 a date which marked the onset of the government of national unity (GNU) for Zimbabwe.

"We should brace ourselves for tough times ahead as the liquidity crisis is worsening. That is a reality and spending patterns are reflecting that .... The Honourable Minister of Finance, Patrick Chinamasa has

been sending the right signal when he said there was no money on the market", said a concerned Zireva.

Zireva said that even if Zimbabwe was to get a "favourable report" from the International Monetary Fund (IMF) and World Bank (WB), inflow should be expected as late as April or May 2014 (Nyakazeya 2013).

Zireva continued with his mourning as below:

"A not favourable report – we all know what that means".

In the circumstances OK Zimbabwe had achieved limited growth in revenue of US\$ 243.6 million, a 5.4% increase in the six months to September 30, 2013 as the liquidity situation ate into consumer disposable incomes. Earnings were flat in an environment characterized by low inflation then at 0.86%, the lowest in Africa at the end of September 2013, and lower estimated gross domestic product growth".

"The group profit after tax was steady at US\$ 4.8 million while earnings per share were down to 0.43 cents from 0.47 cents after the shares in issue increased after the conversion of the US\$ 5 million loan from Investec", continued Zireva in his obituary on the worsening liquidity crisis in Zimbabwe.

The group had declared a dividend of 0.2c which was unchanged from the previous year. During the period under review, the group's outlets had increased to 54 from 53 last year while the number of staff was at 3920. OK Zimbabwe said it was planning to open new stores in Mabvuku and Hwange. They were also planning to refurbish the Waterfalls and Bindura branches. The group said about 15 000 people had registered for its Kawena South Africa project which allow cross boarder purchases of goods electronically from the two neighbouring countries. The ambitious project was targeting an estimated two million people.

"10 000 people have registered for the project in South Africa and 5 000 in Zimbabwe and we are looking forward to grow the numbers", said Zireva.

Total assets at US\$ 122.2 million were 17% higher than the same period last year (Nyazeya 2013). Two journalistic personalities from the renowned weekly Zimbabwe Independent newspaper had warned about the downward trend in Zimbabwe stoking deflation fears. Let us hear more about what they say vis-à-vis this other dimension of the subject matter under discussion in this Paper.

### b) *Downward trend stokes deflation fears (Kuwaza and Mangundhla 2014)*

Zimbabwe's inflation rate continued in a downward trend raising deflation fears but economists see January consumer price index rising driven by an increase in import duty and wage increments. Fears rose after Zimbabwe's inflation maintained a downward trajectory with economic commentators fearing possible deflation. Latest Zimbabwe national statistics agency

figures show annual inflation shed 0.21% to end the month of December 2013 at 0.33% while month-month shed 0.17 points from 0.09% in November 2013 to close the month of December 2013 at 0.08%. Zimstats had said food and non-alcoholic beverages inflation stood – 2.20% year – on – year whilst non-food inflation stood at 1.61%. Economist Eric Bloch had allayed deflation fears.

"I don't think we will see deflation occur", he said.

Bloch sees inflation closing the year at 2%. He said prolonged deflation would have a very negative impact on the economy although a brief period of deflation could be beneficial. Analysts had warned deflation could act as an encumbrance for local manufacturers' further hurting an industry which was already suffering from a myriad of macroeconomic challenges that had seen average capacity utilization plunge to 39.6% in 2013 from 44.7% in 2012. Deflation is a decline in prices caused by a reduction in the supply of money or credit and a decrease in government, personal or investment spending (Kuwaza and Mangundhla 2014).

Generally, deflation has the effect of throwing people out of employment given the lower level of demand in the economy, which can lead to economic depression. Zimbabwe's situation had been worsened by the fact that unlike other central banks, which tend to stop severe deflation, along with high inflation in an attempt to keep the excessive drop in prices to a minimum through various monetary policies depending on the banks objectives, the Southern African country is crippled on that front. For example, the Central Bank cannot carry out simple interventions expected when signs of a recession appear such as coming up with a stimulus plan to kick start the economy. The US Federal Reserve and other Central banks tend to intervene through quantitative easing an economic euphemism for printing money and bond and treasury bill issues. This type of monetary policy intervention increases the money supply and typically raise the risk of inflation. Bloch said while the 26% salary increment awarded to civil servants would be a drain on an already squeezed fiscus, the move would benefit the economy as it will improve revenue inflows. The salary increments will to an extent also see a marginal rise in consumer spending as disposable incomes rise. Zimbabwean companies have to survive in an environment where prices remain generally low while operating costs may be higher, Economist Global Capital (Ecometer) head of research Takunda Mugaga said in an interview yesterday.

"It means the rate at which prices increase is in the negative yet the costs of production remain high", Mugaga said.

In its 2014 economic outlook report, Economist said, Zimbabwe's annual inflation in January 2013 was at 2.5% and continued to trend

downward, reaching 0.54% in November 2014. The Research firm said room for deflation in 2014 was quite remote with energy inflation and food inflation seen as the possible drivers of inflation.

"However the last quarter of 2014 might see a slight rise in inflationary pressures which will see inflation closing the year at 1.3%. The government can only follow the inflation trends with no fiscal or monetary policy measures to influence it in the short to medium view". Mugaga said (Kuwaza and Mangundhla 2014).

Economist John Robertson said reduction in inflation was being caused by "fierce competition" between retail traders as well as the weakening of the South African Rand to the United States dollar. He however pointed out that the inflation slowdown would be brief. Robertson said the recent increase in import duty and wage increments would break the trend and will see a slight increase in inflation from this month (January 2014) onwards. The prospects of deflation raise fears that this could increase the massive job losses and retrenchments that have wreaked havoc on the economy. A July 2013 National Social Security Authority (NASSA) Harare regional employer closures and registrations report for the period July 2011 to July 2013 shows 711 companies in Harare had closed down rendering 8 336 individuals jobless. In addition many companies are downsizing and have retrenched tens of thousands of their employees condemning them to a gloomy future. More and more companies are being liquidated, while others are being placed under the care of judicial managers as the economic problems besetting the country mount. Major companies that have retrenched include platinum mines, Zimplats and Unki, Binudra Nickel, Spar Supermarkets, Dairyboard, Cairns, Olivine industries and PG Industries. According to the NSSA report, 330 companies in Harare in the retail and other business services category closed while administration –related businesses also suffered a huge knock with 59 companies closing, with the construction and banking industry losing 42 and 32 companies respectively (Kuwaza and Mangundhla 2014).

In a move that sounded very refreshing in terms of peace of mind to any sane person with Zimbabwe at heart was the good news filtering through in the festive season in particular on 20 December 2013 that the financially hamstrung government was at long last reported taking measures to tackle the liquidity crunch then besetting the economy then in a more than a decade of economic meltdown. Coming to you sooner than later is this sumptuous story.

*c) Government moves to tackle liquidity crunch (Mafirakureva and Tahungai 2013)*

Five days before Christmas of 2013 the government moved in to tackle the liquidity crunch currently gripping the Zimbabwean economy after unveiling a US\$ 100 million interbank market backed by



the African Export Import Bank. Presenting a US\$ 4.1 billion 2014 budget in Parliament Honourable Minister Patrick Chinamasa said the absence of an interbank market meant that surplus positions at some banking institutions remained unavailable to deal with shortages at others thereby resulting in periodic gridlocks in Real Time Gross Settlements. The liquidity crunch was worsened culminating in long winding queues at mostly indigenous owned banks. The current situation, Honourable Chinamasa said, was one of the desperation, where each bank was left to fend for itself due to the absence of a formal interbank market.

"This situation is disastrous for the soundness of the banking system", said Honourable Chinamasa. "In view of the above I propose to introduce a US\$ 100 million Interbank Programme supported by an international bank, the African Export and Import Bank, as a guarantor effect from 01 April 2014".

He said the Interbank market was a necessary first step or first resort to build confidence within and amongst the local financial institutions. Honourable Chinamasa also said government would take over the Reserve Bank of Zimbabwe's debt of US\$ 1.35 billion (Mafirakureva and Tahungai 2013).

Honourable Minister of Finance, Patrick Chinamasa went on to say:

"The second stage is to raise an amount US\$ 150 200 million to capitalize the Reserve Bank of Zimbabwe in order for it to provide liquidity support to the financial sector as we proceed to ensure that it effectively plays its lender of last resort role and rediscount market instruments when the need rises", the Honourable Minister added.

Bankers Association of Zimbabwe (BAZ) president George Guvamatanga said enforcement of the interbank market was critically going forward.

"Already interbank market was in existence but not everyone was participating. But now the story should be enforcement of measures which will make the interbank market more efficient and will allow everyone to participate", Guvamatanga said. "Any market requires an interbank market and any such measure will certainly improve the liquidity crisis".

Economist John Robertson said it was too early to predict what effect the development would have.

"We need to see that disappearance of unsuitable banks for the market to regain confidence and for the banks to be able to lend each other", he said. "The Minister has also mentioned the ration of the lender of last resort and when this happens then the banks will be able to deal with each other". (Mafirakureva and Tahungai 2014).

The opposition MDC-T<sup>3</sup> led by Morgan Tsvangirai also joined the fray to make its contribution

known by the cashless Zimbabweans. And below is its article on the issue which is under debate in this Paper.

#### *d) MDC-T warns of tough times ahead (Mbanje 2014)*

According to Honourable Paurina Mpariwa shadow Minister for labour in the opposition MDC-T party, ZANU PF had failed to manage the economy then in its 14<sup>th</sup> year of a meltdown and the masses should start stocking up as trouble lay ahead. Honourable Mpariwa told journalists that the ruling ZANU PF party had failed to turn around the comatose economy which was no in doldrums for want of a better world. She said Zimbabweans should brace for tough time ahead.

"The general public should be very worried and should start stocking up because there is big trouble ahead and we need to be prepared for the worst", said Honourable Mpariwa.

Flanked by the national organization secretary, Nelson Chamisa and party spokesman Douglas Mwonzvora, the Honourable Shadow Minister had said that the financially hamstrung government had let down the civil servants. She berated threats made by Honorable Minister of Labour Nicholas Goche who had warned civil servants against conducting an illegal strike.

"The MDC-T notes with serious concern the unwarranted threats made by Goche against civil servants who intend to engage in an industrial action over their pay and welfare disputes", she said.

Honourable Mpariwa said the constitution clearly specified that every employee had a right to participate in collective job action, including the right to strike, withdraw their labour and take other similar collective action.

"Instead making unconstitutional threats to the already suffering government workers Goche should implement and honour his party's promises made during the 2013 elections. ZANU PF should stop paying lip service to the clear rights of civil servants to receive increased and backdated salaries", she said.

Chamisa said, his party was totally against the 2014 budget and would not be party to it.

"We do not subscribe to such a budget which has nothing to offer to the general populace. During the inclusive government civil servants got their salaries on time and bonuses too", he said.

The MDC-T also reiterated its calls for fresh elections to resolve the current economic situation.

"Until fresh elections are held and a proper government is in place, things will remain as they are and foreign direct investment will continue to shy away from the country", said Mwonzvora. (Mbanje 2014).

<sup>3</sup> MDC is an acronym for Movement for Democratic Change (Zimbabwe) which is a political party and currently the main opposition

party in the House of Assembly of Zimbabwe. The original MDC was formed from various civic society groups such as Zimbabwe Congress of Trade Union (ZCTU), Zimbabwe National Association of Students (ZINASU) among others

On hostile policies which scare away foreign direct investors Mpariwa said the country under the guidance of the clueless ZANU PF had failed to attract investors due to its “**acerbic and hostile policies**”.

“It is worrying that many companies are slipping into liquidation, voluntary or judicial management, throwing thousands out of job markets because ZANU PF has killed both the formal and informal sectors of the economy”, she said (Mhuka 2013).

Over 300 companies have been liquidated in recent months while 149 companies had filed for liquidation at the High Court and over 300 workers are being retrenched on a weekly basis.

“The MDC-T believes that labour is the cornerstone of sustainable national development. It is possible to attain the goal of poverty alleviation through the creation of decent jobs that provide dignity and opportunities for Zimbabweans”, said a concerned Mpariwa (Mbanje 2014).

The liquidity crunch which has adversely affected both the public and private sectors, companies in the private sector have for a good reason failed to pay the ZIMRA Tax bills to attract Tax raids from ZIMRA on behalf of government which is also cashless because of the liquidity which is sparing nobody on the market. What are the people’s reactions to these barbaric ZIMRA raids. For more on this story see the paragraph below.

*e) ZIMRA approach bad for business (Gama 2014)*

Zimbabwe’s economic meltdown does not require a scatergun approach to the myriad of problems being currently experienced in Zimbabwe. Sadly, there appears no one among the ruling elite with a clue as to the serious ramifications of such an approach. The view is strongly backed by the approach taken by the Zimbabwe Revenue Authority (ZIMRA) whose clampdown on the so called errant taxpayers has left many companies bleeding. It is true that the government of his Excellence President Mugabe is broke but people do not expect it to use a scatergun approach to collect revenue especially when ZIMRA appears to ignore the basic rights of those involved. ZIMRA has billed companies astronomical invoices for tax defaults in some case ranging between US\$ 3 million and US\$46 million. And the tax Authority are using “pay now and we talk later” language which has seen companies driven into liquidation (Gama 2014).

How does Gersham Pasi the ZIMRA Chief explain the sudden upsurge in tax defaults? Where was ZIMRA when the tax arrears were accumulating? No one is explaining this because the truth of the matter is that ZIMRA has nowhere to turn to as the revenue continues to dwindle. The hard pressed government is turning the other side as companies are being driven into liquidation. Instead of creating an environment that boosts production, His Excellence President Mugabe’s government continues to pile pressure on Pasi and

ZIMRA who in turn drive their tax dagger at the heart of productive but shaky companies. The fiscal space is getting smaller each month and the sooner His Excellence President Mugabe and his colleagues in government realize this the better. You can not keep milking a bleeding cow! It is quite evident that each month government struggles to pay civil servants and could soon be forced to stagger salaries. Recent warnings by the International Monetary Fund and the World Bank should not be taken lightly. Zimbabwe has less than two weeks import cover and worse could happen. This is why something must give in, the centre can no longer hold. The planned extension to the informal sector by ZIMRA in its blitz will not help the situation. This will instead bring more suffering and closures of small business enterprises. At worst the proprietors of these business entities will conceal their revenue while at the same time turning their backs on the already struggling banks. A run on the bank deposits would return Zimbabwe to the pre-2008 environment. So people ask; Is this what ZIMRA wants in its effort to increase dwindling revenue? (Mbanje 2014).

Despite this appeal to Honourable Chinamasa, the Finance Minister to stop this move against a sector which is already bleeding he came out blazing his guns in support of ZIMRA moves when he said that ZIMRA will not stop the raids because ZIMRA’s mandate is to collect revenue. (Staff Reporter 2014).

On government failure to pay civil servants on time the government should blame nobody but itself for it having that kind of a problem. “*aya mazvokuda mavanga enyora*” (meaning suffering pain from self inflicted wounds). During the 31 July 213 electioneering ZANU PF hired ZANU PF thugs to campaign for them by way of killing, maiming and raping in return for employment. Today the statistics on the government payroll are shocking. Out of the 230 000 civil servants 75 000 are ghost workers (Staff Reporter 2014).

Even ZANU PF itself went for two months without paying its workers because of the liquidity crunch. For more on the story see below.

*f) Liquidity crunch bites ZANU PF workers go for two months without pay (Kunambura 2014)*

The ruling ZANU PF party which is under extreme pressure to resolve a complex national crisis that is being fueled by a serious liquidity situation is under extreme pressure to resolve a complex national crisis, that is being fueled by a serious liquidity situation is itself neck deep in these financial woes that speaks volumes about its capacity to deliver on its election promises while the revolutionary party went into 2013 elections sitting on a huge war chest that saw it splashing big on all terrain 4 x 4 vehicles, expensive campaign regalia and advertising material, that season of plenty is gone. She is running thin on resources

which might affect its preparations for the ZANU PF elective congress due in December 2014. The party's politburo was expected to receive a report on the congress preparations, amid indications that the corporate sector will once gain be called upon to support ZANU PF fund raising efforts. That beside the point, the party had other pressing issues which are sticking out like a sore thumb. For example the party had not paid its workers countrywide for the last two months and there was a possibility that it could be dragged before the courts for breaching labour regulations (Kunambura 2014).

The workers were now surviving on the goodwill of well wishers as the appalling economic situation is sweeping across all sectors sinks its teeth deep into the revolutionary party. ZANU PF revenue comes in the form of donations, membership fees and subscriptions. The party being the dominant player in Zimbabwe also got the lion's share of the funding made available through the Political Parties Finance Act. But due to the liquid conditions prevailing locally, Treasury had been unable to release the funds to the eligible beneficiaries. Its rivals MDC-T also revealed last week that the labour backed party was still owed close to US\$ 5 million. Another source of funding for the party is through dividends from a cluster of companies in which ZANU PF party was invested. Unfortunately most of ZANU PF's investments are hemorrhaging out of the difficult economic situation and have been unable for a long time, to remit dividends to their shareholders. At some point companies owned by ZANU PF were the subject of an internal instigation after it was felt that management and other corporate ills should have been contributing to their poor performance. With revenue sources thinning the revolutionary party then owed its workers US\$ 190 000 in outstanding salaries. When contacted by telephone to explain the situation and give finer details on the matter ZANU PF secretary for administration Dydmas Mutasa, declined to comment saying that he no longer talked to the media.

"Why are you still bothering me? I have said it before that I do not speak to the press anymore. Get in touch with the party spokesman, Rugare Gumbo, he will tell you what you want", charged Mutasa.

Gumbo however, referred the issue back to Mutasa. Workers at the ZANU PF headquarters were tight lipped this week as they feared victimization as they spoke to the press. They however confirmed they last received their salaries in April 2014.

"It is true that we have not been paid for two months now but I cannot talk to you further than that. As workers we are under strict orders not to talk to the media. Please do not mention that you spoke to me", one employee said. "It is true that the party employee have gone for two months without receiving their salaries. The party is failing to raise the money to pay them and they are now restless", said a party member

who preferred to remain anonymous for security reasons (Kunambura 2014).

He said the situation was affecting employees at the party's different offices dotted around the country, but was more devastating at the national headquarters in Harare due to the bigger staff complement.

"I do not see the situation improving in the near future. It will take time before things go back to normal", the member said.

For example Zimbabwe's debt is now estimated at US\$ 10 billion twice the size of its Gross Domestic Product. Unemployment remains unsustainably at more than 80% spawned by company closures and the country's inability to expand its production base to absorb the many school leavers. ZANU PF had been brandishing its economic blueprint, ZimAsset as the manual that offers solution to many of the country's problems. Where the ruling party has struggled is to get US\$ 27 billion to put ZimAsset into action. But while the party faces problems internally and nationally there are accusations that those in the corridors of power have been insulated from the crisis. Ironically, politburo members reportedly got huge sitting allowances whenever the party's highest decision making meets to deliberate on party issues. According to the ZANU PF constitution the Politburo meets at least once per month but they have been sitting more frequently over the last few months as preparations for the crunch elective congress set for December 2014 gathers momentum (Kunambura 2014).

ZIMRA had made its intention to the suffering masses that the parastatal wants to investigate the rich. The ZIMRA suggestions sounds a noble idea as it encourage tax compliance with the country's tax laws by all its citizens rich or poor. Let us find out more on this noble idea as expounded below.

#### *g) ZIMRA Move welcome but ..... (Gama 2014)*

Zimbabwe revenue Authority's (ZIMRA) intention to investigate the filthy rich is a noble idea which should be supported by every patriot in the cash ravaged country because it encourages tax compliance. However, it is our understanding that more needs to be done by government to increase its tax base in a sustainable way by creating a conducive environment that allows business and entrepreneurs to thrive. At the moment companies are shutting down at an alarming rate, power cuts are becoming excessive by the day and water woes are now part and parcel of our lives – with no respite in sight. The ZANU PF led government on the other hand ensnared in denial and is clueless on how to turn around the fortunes of the country's economy now in its 14<sup>th</sup> year of meltdown. As long as policy inconsistencies are prevalent and controversial policies such as the Indigenization and Economic Empowerment Act remain in our statutes in their current form, it would be hard if not impossible, for us to attract foreign direct

investment – a critical component for economic revival. We have said it before and we will continue to sing from the same hymn book, that the indigenization policy must be amended quickly and this should be put in black and white (Gama 2014).

The controversial law is not helping anyone let alone the financially hamstrung ZANU PF government who crafted it, but only the politically well connected elites at the expense of the majority of Zimbabweans who continue to wallow in abject poverty. A cursory look at our regional peers as aforementioned in Table 1 clearly reveals that all our neighbours' economies are growing remarkably while Zimbabwe will be extremely lucky to register a 3.3% gross domestic product growth rate this year. Our main problem at the moment is lack of political will and economic policy deficiency. We have a government that is clueless and continues to celebrate winning elections many months after the disputed event. This goes on to show that we have leaders that clearly have no idea how to put food on our tables. If ZANU PF had brilliant ideas to grow our economies – as they wanted the electorate to believe through their ZimAsset blueprint – then by now we should have begun to see the results. On the contrary our lives are now worse off than they were before the 31 July 2013 disputed poll. Out of the 2.2 million jobs promised by ZANU PF there is no evidence of jobs being created. Drugs are not available in hospitals and clinics, our education system continues to disintegrate unabated, social services delivery systems have irretrievably broken down and youth unemployment has skyrocketed to shocking levels. With the current crop of leadership, it seems fair to conclude that “our future as a nation is doomed unless there is divine intervention – hence the short prayer: *Mwari nevadzimu venyika ino tibatsire* (meaning God and the Ancestral spirits please help us).

The short and relevant literature review on foreign direct investors shunning Zimbabwe because of our acerbic and unattractive policies has been carried out as above to spark a liquidity crisis has been systematically done. The one and only research finding confirmed by the short and relevant literature review was that the liquidity crisis in Zimbabwe which has intensified and worsened by a degree or two since the disputed 31 July 2013 poll is indeed not a myth created to tarnish the good image of the ZANU PF party but a true story as per the evidence dished out by the short and relevant literature review. Up next are the Summary, Conclusion and Recommendations to wrap up the fascinating discourse in this Paper but before Conclusion and recommendations it is Summary first.

### III. SUMMARY

The introduction of this Paper was dominated by Table 1 which compared Zimbabwe to its regional peers namely, Mozambique, South Africa and Zambia.

The Table 1 above clearly showed that in the race for fdi in the SADC region Zimbabwe was not only a distant 4<sup>th</sup> to win a wooden spoon as its prize money but to leave the Author a Zimbabwean, with a broken heart. The regional peers of Mozambique, South Africa and Zambia walked away with gold and silver and bronze respectively, a result that consigned Zimbabwe to a regional basket case despite it being touted the “Switzerland” of Africa at Independence from Britain in 1980.

The discourse opens on a sour note with the OK Zimbabwe, the biggest Supermarket in Zimbabwe by outlets and revenue, predicting that the liquidity crunch which had negatively affected its current financial statements was likely to worsen in the short to medium term. The opening statement printed a gloomy picture for Zimbabwe compared with its regional peers.

Up next was an equally distressing statement which said the downward trend as measured on the Zimbabwean economy was stocking deflation fears, a step towards economic recession. What is most painful is that while Zimbabwe is cited in political, diplomatic and economic turmoil, its regional peers are enjoying economic prosperity by an improved inflow of fdi compared with Zimbabwe. To alleviate bank closures by mostly indigenous banks, the government had moved in to address the problem by establishing an interbank market guaranteed by the Reserve Bank of Zimbabwe.

To alleviate bank closures by mostly indigenous banks, the government had moved in to address the problem by establishing an interbank of market guaranteed by the Reserve Bank of Zimbabwe. And to start with an initial capital injection of US\$ 100 million dollars had been pumped into this market by the government.

And to confirm the existence of the liquidity crisis in the country the opposition MDC warns of tough times ahead. According to the opposition party ZANU PF had failed to manage the economy. Unattractive policies such as the chaotic land reform programme of 2000 and the controversial Indigenization and Economic Empowerment of 2007 among others, were cited as impediments to foreign investors shunning Zimbabwe in preference to its regional peers such as Mozambique and South Africa, among others.

In order to improve the inflows into government coffers which were on the dwindle, ZIMRA adopts a scatter-gun approach to errant taxpayers which left many companies bleeding to torch a public outrage calling on ZIMRA to stop the tax raids which were said to be bad for business. But the Honourable finance Minister Patrick Chinamasa vowed to continue with the tax raids because the cashless government was in need of revenue from the errant taxpayers among them, companies which were not only left bleeding but most of them on the point of filling for liquidation.



The liquidity crisis is reported to also bite ZANU PF party who were failing to pay its workers countrywide in *mazvokuda maanga enyora* (meaning suffering pain from a self inflicted wound). ZANU PF are responsible for authoring unattractive policies shunned by investors coming to do business in Zimbabwe. And the liquidity crisis spawned by the said unattractive policies is coming back to haunt the same party responsible for authoring the said unattractive or acerbic policies.

And finally ZIMRA is back again in the public domain with a noble suggestion to investigate the rich to improve tax compliance. But given the power cuts of the perennially bungling Zimbabwe Electricity Supply Authority which were reported on the increase and so was water and sanitation services, from the equally bungling Harare City Council the move was not welcomed by the restive public then suffering from a shortage of cash to spent on goods and services to stoke fears of deflation, the first step towards economic recession experienced in the pre-2008 era which culminated in the formation of the government of national unity to bring sanity to an economic situation ravaged by hyperinflation then measured at 6.5 sextillion % mid-november 2008. Reports of more companies shutting down are quite disturbing given that more people would be rendered jobless in an economy where unemployment rate at 80% does not compare favourably with same from its regional peers (Rusvingo 2008:2). With the summary conveniently out of the way up next is the Conclusion.

#### IV. CONCLUSION

Kenkel (1984:342) defines a hypothesis as:

“A statement about the value or set of values that a parameter or group of parameters can take”.

According to Kenkel (1984:343)

“The purpose of testing is to choose between two conflicting hypothesis about the value of a population parameter. The two conflicting hypotheses are referred to as the Null Hypotheses and the Alternative Hypothesis denoted  $H_0$ . These two hypotheses are mutually exclusive so that when one is true the other is false”.

For the study in this Paper titled: Foreign investors shun Zimbabwe to spark a liquidity crisis in the country (2013-14) the Null ( $H_0$ ) and Alternative ( $H_1$ ) hypothesis in respect of this investigation shall be:

$H_0$

Foreign investors do not shun Zimbabwe to spark a liquidity crisis in the country (2013-14)

$H_1$

Foreign investors shun Zimbabwe to speak a liquidity crisis in the country (2013 – 14).

Given the overwhelming evidence given in the Paper in support of the Alternative hypothesis ( $H_1$ ) the Conclusion is to “accept” the Alternative hypothesis as

above and “reject” the Null Hypothesis ( $H_0$ ). With the conclusion conveniently out of the way up next are the Recommendations.

#### V. RECOMMENDATIONS

In any study or investigation of a problem Recommendations are usually measures designed for risks or problems identified during the study or investigation of how and why a certain problem exists. Given the above explanation it can be said without any reasonable doubt that compared with its regional peers such as Mozambique, South Africa and Zambia, to name just a few, acerbic and unattractive policies crafted by Zimbabwe are an impediment to foreign investors flocking to Zimbabwe to do business (Mambo 2013) (Tigere 2014).

Chief among the unattractive policies which are a dog's breakfast are the chaotic land reform programme of 2000 whose mission was to compulsorily acquire +/- 6 000 white owned commercial farms . Why? According to His Excellence President Mugabe to correct the colonial land ownership which was heavily skewed in favour of the minority whites at the expense of the majority blacks. While the idea was noble it was wrong in the sense that the whites were left with nothing to create a situation of the 'haves' and the 'have nots'. Secondly the move was xenophobic against the whites to attract a lot of criticism from the West. Another major criticism against the chaotic land reform programme of 2000 was that the land given to the black farmers was not put to productive use for hunger and starvation to stalk the country since the year 2000 to date (Maravanyika 2013) (Pasi 2013) (Zororo 2014) (Mhunga 2014).

Another such acerbic and hostile policy sunned by foreign investors is the xenophobic Indigenisation and economic Empowerment policy of 2007 which is another dog's breakfast. Any foreign investor coming to invest in Zimbabwe automatically cedes 51% of the shares to indigenous blacks. Imagine a foreign investor bearing all the troubles and risks to bring his investment to Zimbabwe only to be told that he/she is to be a minority shareholder. What is so special about Zimbabwe to have such a hostile law when regional peers like South Africa and Mozambique, to name just a few, do not have that kind of acerbic law on their statutes. All these hostile laws must go now (Mambo 2013).

All said and done the Author's worry is, given all these troubles coming the way of Zimbabwe, she needs divine intervention. Therefore, a short prayer will do to put his mind to rest. *Mwari nevaDzimu venyika ino tibatsirei*. Amen. (meaning God and all the country's Ancestral spirits please help us now and for many years to come. Amen).

## VI. KEY ASSUMPTIONS

In presenting this Paper the Author would, right from the outset, wish to reassure the beloved Reader that all the facts and figures contained therein are stated as they are without fear, favour or prejudice.

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