A STUDY ON STRATEGIES TO BOOST FOREIGN DIRECT INVESTMENT (FDI) INFLOWS FOR IMPROVING ECONOMIC GROWTH: A CASE OF ZIMBABWE

By

Edson Basera

THESIS

Submitted to

KDI School of Public Policy and Management

In partial fulfillment of the requirements

for the degree of

MASTER OF PUBLIC MANAGEMENT

2016

A STUDY ON STRATEGIES TO BOOST FOREIGN DIRECT INVESTMENT (FDI) INFLOWS FOR IMPROVING ECONOMIC GROWTH: A CASE OF ZIMBABWE

By

Edson Basera

THESIS

Submitted to

KDI School of Public Policy and Management

In partial fulfillment of the requirements

for the degree of

MASTER OF PUBLIC MANAGEMENT

2016

Professor Anthony R. Michell

A STUDY ON STRATEGIES TO BOOST FOREIGN DIRECT INVESTMENT (FDI) INFLOWS FOR IMPROVING ECONOMIC GROWTH: A CASE OF ZIMBABWE

By

Edson Basera

THESIS

Submitted to KDI School of Public Policy and Management

In partial fulfillment of the requirements

for the degree of MASTER OF PUBLIC

MANAGEMENT Committee in

Charge:

Professor Anthony R. Michell, Supervisor: A.R.Michell

Professor Lee Junesoo: Junesoo Lee

Professor Lee Seung-Joo: S J Lee

Approval as of April, 2016

ABSTRACT

A STUDY ON STRATEGIES TO BOOST FOREIGN DIRECT INVESTMENT (FDI) INFLOWS FOR IMPROVING ECONOMIC GROWTH: A CASE OF ZIMBABWE

By

Edson Basera

As nations of the world have gradually opened their borders for trade and investment, FDI is increasingly becoming an impeccable engine for economic growth and development for developed, emerging market economies as well as developing countries such as Zimbabwe. In light of this fast paced global economy which has become a borderless society, a nation's comparative advantage is no longer only confined to God given natural resources, but also to knowledge advantage. Today's dynamic world calls for strategic agility, implying that there is need for a competitive, nimble and agile IPA team to beat competition. More importantly, FDI is vital to the host country since it brings technological and managerial know-how to the recipient country. Furthermore, it brings fresh capital and liquidity into the host economy. The issue of liquidity is of fundamental importance in dollarized economies such as Zimbabwe whose economy thrives on a basket of multiple currencies dominated by the US dollar. The fresh capital is used to increase economic production and create employment for the host populace as well as generating revenue for government. In addition, FDI capital also "crowds in" domestic investors through creating forward and backward linkages in the host economy. However, the flow of FDI across borders happens in a global FDI market characterized by "cut throat" competition, in which nations fiercely compete amongst one another for FDI capital. To assess

Strategies to boost FDI inflows for Zimbabwe

Zimbabwe's performance in attracting FDI for her economic development, this research has benchmarked Zimbabwe's performance against that of its neighbors Zambia and Mozambique, against that of two global FDI attracting success stories – South Korea in Asia and Ireland in Europe as well as against the world average performance for the twenty five (25) year period 1990 – 2014. Regression analysis of FDI inflows data for the twenty five (25) year period 1990 – 2014 and individual country policy analysis revealed that Zimbabwe, Zambia, Mozambique, South Korea and Ireland attract approximately 3%, 20%, 40%, 136% and 300% of mean world FDI inflows, respectively. Individual country policy analysis and primary data also revealed the following as factors impeding FDI capital inflows to Zimbabwe – economic sanctions, macro-economic policy inconsistency, unfavorable ease of doing business and economic freedom indicators as well as lack of robust FDI marketing and promotion policies. In light of the above findings, this research proffers recommendations that the government of Zimbabwe can adopt to attract adequate FDI capital for its economic development.

ACKNOWLEDGEMENTS

Firstly, the researcher would like to thank his primary research supervisor, Professor Anthony R. Michell for his unwavering advice, support and guidance in the production of this thesis project. Secondly, his heart-felt gratitude also goes to his secondary supervisor – Professor Lee Junesoo also for his research advice, as well as to Professor Lisa Lim and Professor Hun Joo (David) Park for their guidance on the structure of this research.

Finally but not least, the author would like to thank the following foreign direct invested companies – DuPont Pioneer, Seed Co, British Oxygen Company – Linde Group, Duration Gold and Turkmine (Falcon Gold); and FDI related government departments – Ministry of Finance and Economic Development, Ministry of Macro–Economic Planning and Investment Promotion and Zimbabwe Investment Authority in Zimbabwe, all of them, for providing primary data that has enabled this research to see light of day.

Table of Contents

LIST OF TABLES

LIST OF FIGURES

KEY TO SYMBOLS AND ABBREVIATIONS

(X – AV.X) – Yearly Mean World FDI inflow less Average World FDI inflow for the Period

(Y – AV.Y) – Yearly Country FDI inflow less Average Country FDI inflow for the Period

BBC – British Broadcasting Corporation

BIPPA – Bilateral Investment Promotion and Protection Agreement

BOC – British Oxygen Company

BOP – Balance of Payments

CIA – Central Intelligence Agency

CNN – Cable News Network

COMESA – Common Market for Eastern and Southern Africa

CPI – Centro de Promocao de Investmentos (Investment Promotion Centre of Mozambique)

ECB – European Central Bank

EMA – Environment Management Agency

ESAP – Economic Structural Adjustment Programme

EU – European Union

FDI – Foreign Direct Investment

FTA – Free Trade Agreement

GDP – Gross Domestic Product

GNU – Government of National Unity

HDI – Human Development Index

ICAZ – Institute of Chartered Accountants of Zimbabwe

ICF – International Classification of Functioning, Disability and Health

IDA – Industrial Development Authority of Ireland

IDA – Irish Development Agency

IMF – International Monetary Fund

IPA – Investment Promotion Agency

KDI – Korea Development Institute

MDC – Movement for Democratic Change

MIGA – Multilateral Investment Guarantee Agency

MMDP – Movement for Multi-Party Democracy

MNE – Multi-national Enterprises

MOF – Ministry of Finance and Economic Development

MOMEPIP – Ministry of Macro-Economic Planning and Investment Promotion

NEPAD – New Partnership for African Development

NGOs – Non Governmental Organizations

ODA – Official Development Assistance

OECD – Organization for Economic Cooperation and Development

PF – Patriotic Front

PPPs – Public Private Partnerships

R Squared (R^2) – Coefficient of Determination

RBZ – Reserve Bank of Zimbabwe

RENAMO – National Resistance of Mozambique

SADC – Southern African Development Community

SASOL – South African Gas Distribution Company

SEED CO – The African Seed Company in Zimbabwe

STD – Standard Deviation

UK – United Kingdom

UNCTAD – United Nations Conference on Trade and Development

US – United States

USD – United States Dollar

VS – Versus

WDI – World Development Indicators

ZANU (PF) – Zimbabwe African National Union (Patriotic Front)

ZCCM – Zambia Consolidated Copper Mines

ZDA – Zambia Development Agency

ZIA – Zimbabwe Investment Authority

ZIDERA – Zimbabwe Democracy and Economic Recovery Act

ZIMD – Zimbabwean Dollar

ZISCO – Zimbabwe Iron and Steel Company

SECTION ONE (1): INTRODUCTION

1.1 Background to the study

Zimbabwe gained its independence from British rule in 1980. It inherited a command economy with a strongest Zimbabwe dollar that was at par with the British Pound. The implication of the command economy was that the business environment was highly regulated from 1980 to 1990, and as a result, there was low economic growth rate of less than 5% and very little Foreign Direct Investments (FDI) inflows. The global economy has been gradually changing from command economy to a liberalized one as many nations opened up their borders to tap capital and trade to enhance economic growth. From 1991 to 1995, the Zimbabwe government adopted the Economic Structural Adjustment Program (ESAP). This was a reform process advocated by the Bretton Woods Institutions – IMF and World Bank. The liberalization phase entails, inter-alia - the loosening of exchange controls, the establishment of the Zimbabwe Investment Centre (ZIC) to attract FDI, the relaxation of controls on foreign exchange repatriation proceeds and the removal of trade barriers among other measures. The end result was that FDI inflows rose from less than $100 million in 1991 to above $400 million in 1998. However, despite this remarkable improvement in FDI inflows, in 1999, the government abandoned the financial liberalization policy in favor of a more controlled one.

In 2000, the government embarked on a controversial land reform program which culminated in country being placed under economic sanctions through the so-called Zimbabwe Democracy and Economic Recovery Act (ZIDERA), which was instituted by the United States of America and United Kingdom. The land reform program was carried out to address land imbalances between the whites and the blacks. One of the conditions of the above Act required

the Government of Zimbabwe to first reverse the land reform program before any Balance of Payment (BOP) support can be extended to her.[1]

As a result of the sanctions and the subsequently high sovereign risks associated with them, the economy experienced massive declines in Gross Domestic Product (GDP) and FDI inflows. Between 2003 and 2008, the Reserve Bank of Zimbabwe instituted exchange control rate measures to raise foreign currency for the government. It mainly used the carrot and stick approach whereby companies that promptly repatriated foreign currency into the country were rewarded, and those that took long to repatriate export proceeds into the country were heavily penalized. This period was characterized by rampant foreign exchange shortages because of low exports and a dwindling industrial production output. Resultantly, the Zimbabwe Dollar became very expensive relative to the major currencies such as the Euro, the British Pound and the US dollar. In 2008 the inflation rate reached a monthly maximum level of 231 million percent in July. The hyper-inflation led to the adoption of the multiple currency economy after collapse of the Zimbabwe Dollar.

The multiple currency system was adopted in 2009, with the US dollar dominating the currency basket used. This reduced inflation to a single digit band. In the same year, economic confidence was also restored by the formation of a Government of National Unity (GNU) – a power sharing government between the ruling Zimbabwe African National Union (Patriotic Front) (ZANU-PF) and the opposition Movement for Democratic Change (MDC) formations. Industry capacity utilization improved from less than 10% in 2008, to above 40% in 2015. However, because the Central Bank does not have full control of the monetary policy, the country continues to face liquidity challenges, high unemployment and a limited fiscal space. On

[1] Section 4c of Zimbabwe Democracy and Economic Recovery Act (ZIDERA) of 2001, retrieved from https://www.govtrack.us/congress/bills/107/s494, consulted on 15 September 2015

the other hand, FDI inflows have gathered an upward momentum; however, the amount being received remains heavily inadequate to cover the existing financial gap for Zimbabwe's economic development.

1.2 Statement of the problem

The World Bank (2013) defines FDI as net inflows to acquire a lasting management interest (10% or more of voting stock) in a company operating in a national economy rather than that of an investor. Esther and Ayadi (2011) have investigated the effects of inward FDI on Nigeria's economic growth. Their study found that FDI has a beneficial impact on economic growth. Similarly, Moyo (2013) explained that there is a strong positive correlation between FDI and Gross Domestic Product (GDP) in Zimbabwe. He found that a 1% increase in FDI would increase GDP by 26%.

Despite the above positive correlation between FDI and economic growth, FDI inflows into Zimbabwe are low compared to neighboring countries such as Zambia and Mozambique. IMF (2014) stated that between 1980 and 2014, Zimbabwe's FDI amounted to only US$1.7 billion. In the same period, Zambia and Mozambique received $7.7 billion and $15.8 billion respectively. Similarly, the Reserve Bank of Zimbabwe (RBZ) in July 2014 stated that out of the total of US$25.2 billion received between the three countries since 1980, Zimbabwe only took 7% due to country risk. The RBZ further stated that this situation has a negative effect on market liquidity, employment, production and export performance. The low FDI trends place Zimbabwe as the least investment place of choices in the Southern African Development Community (SADC) region, despite the country being the hub of abundant mineral deposits and home to the Victoria Falls – one of the Seven Wonders of the World. In light of the above, this clearly shows that in today's fast paced global economy; a nation's comparative advantage is no longer

confined to God given natural resources but to knowledge advantage. Even though FDI inflows have increased from approximately $100 million received in 2008 to approximately $400 million in 2014, the inflows are still insufficient to adequately finance the country's developmental aspirations. The FDI inflows have remain depressed and are far less than the optimum levels required to support economic development. The general consensus shared among the citizens of Zimbabwe is that the depressed FDI inflows continue to negatively contribute to the apparently unrelenting liquidity crunch, high unemployment rate and a generally retarded economic activity which has knock-on effects on incomes, aggregate demand and declining prices. It is against the above background that the government must craft a comprehensive FDI marketing and promotion package that lures sufficient FDI to support economic growth and development.

1.3 Objectives of the study

The objectives of this study are to: 1) analyze the global FDI mega trends and deduce their effect on competition amongst the investment destinations of the world, 2) identify the causes of low FDI inflows to Zimbabwe, 3) identify the competitive edge which makes Zambia and Mozambique more attractive to FDI capital than Zimbabwe is, 4) analyze and compare Zimbabwe's ease of doing business and economic freedom indicators against those of Zambia, Mozambique, Ireland and South Korea and, 5) Analyze and recommend strategies for boosting FDI inflows to Zimbabwe.

1.4 Research questions

This thesis project is premised upon three fundamental questions which are: i) Despite being endowed with abundant mineral resources, Zimbabwe is lacking sufficient inward FDI. What factors are hindering the flow of FDI into Zimbabwe? ii) What strategies are being used by

neighboring countries such as Zambia and Mozambique to attract more foreign direct investors than those attracted by Zimbabwe? iii) What best practices can Zimbabwe learn, particularly from better performing nations and investment destinations, with regards to attracting ample FDI?

1.5 The research gap

Existing literature on Zimbabwe have dealt with factors impeding FDI inflows into Zimbabwe such as violation of property rights, country risk, controlled economy, economic sanctions as well as indigenization policy inconsistency. However, the author of this research is tempted to feel perched among the pioneers of research of this kind through narrowing the gap on FDI promotion. The FDI promotion package comprises the process of attracting as well as retaining investors. The promotion package is directly related to fostering reinvestment related culture, robust FDI marketing and after-care services.

1.6 Significance of the study

An analysis of the current Zimbabwean economic environment shows that resources in the productive sectors of the economy are employed below the optimal levels of capacity utilization leading to unemployment, limited fiscal space for government to carry out capital development projects and generally depressed economic activity. The situation was worsened by the abandonment of the Zimbabwe Dollar and the adoption of foreign currencies as the sole legal tender under the Multiple Currency System. Under the Multiple Currency System, the foreign exchange serves two purposes of being the means of payment for both domestic trade and foreign trade transactions. However, firstly, because Zimbabwe is a net importer and secondly, because of low FDI inflows, the available foreign currency is not adequate to fulfill the dual role hence the country not only continues to experience liquidity crisis but also “crowds out” local

development. Against this background, the research paper will prioritize FDI promotion and retention so as to attract and retain more FDI to improve liquidity in the economy and ultimately leading to employment creation and rapid economic growth and development.

1.7 Ethics, scope and outline of the study

Permission to investigate the causes of low FDI into Zimbabwe will be sought from relevant authorities in the targeted organizations. Furthermore, this researcher will not involve any research respondents before they voluntarily give their consent. With regards to research depth, the research will be held in Zimbabwe which is a landlocked country bordering Mozambique to the East, Botswana to the West, Zambia to the North and South Africa to the South. The study will be limited to a sample size of five countries comprising Zimbabwe, Zambia, Mozambique, South Korea and Ireland. In addition, the study shall utilize two cluster sampling techniques comprising the first cluster made of key informants from government departments responsible for FDI administration such as Ministry of Finance, Ministry of Macro-Economic Planning and Investment Promotion as well as Zimbabwe Investment Authority. The key informants will also be drawn from the second cluster of Foreign Direct Invested Companies situated in Harare and Bulawayo, in Zimbabwe. The author will only analyze FDI inflows and not outflows. In addition, the study will be confined to the assessment of inward FDI performances of the aforesaid countries over the twenty five (25) year period from 1990 to 2014. In addition to the above, the rest of this research paper will be outlined in sections as follows: ii) the literature review, iii) data and methodology, iv) quantitative data findings and analysis (results), v) discussion and synthesis of findings, and vi) recommendations and conclusion.

SECTION TWO (2): LITERATURE REVIEW

2.1 Introduction

This section commences by giving a synopsis of the global FDI picture and evaluating the theoretical underpinnings of FDI. Theoretical evaluation of FDI is done through linking and delinking FDI to development. More so, the literature review is based on two hypotheses: 1) In comparison to its neighbors Zambia and Mozambique; Zimbabwe has failed to attract sufficient FDI to support economic growth. 2) Ireland and South Korea as control case studies have managed to attract above world average FDI to support economic development. Thus, FDI attraction best practices will be learned from Ireland and South Korea. Strategies will also be recommended after an analysis of the performance of the neighboring countries, Zambia and Mozambique.

2.2 FDI from a Global Perspective

An analysis of the global FDI picture shows that 80% of the FDI inflows go to the top 20 countries that are more attractive to foreign direct investment. These top twenty (20) countries comprise ten (10) developed countries and ten (10) developing and transitional economies. This implies that the remaining one hundred and eighty nine (189) countries share 20% of FDI capital stock. This scenario depicts a global “cut throat” competition among investment destinations to attract FDI inflows. To further highlight the above stiff competition for FDI attracting, the Millennium Cities Initiative (2009) stated that up to mid-1990s there were few Investment Promotion Agencies (IPAs) but currently there exists more than 10 000 IPAs competing against each other for investors. Thus, IPAs now exist at national, subnational and city levels. According to Michell (2015) to make competition more intense, Global Supply Chain is emerging, financial

flows are replacing manufacturing flows and the current electronic commerce mode is creating an invisible hand. In this case, all companies both large and small are adapting to this rapidly changing operating environment.[2] In light of the above ever changing and competitive global environment, the major strategic goal of any national investment destination is to push itself into the top twenty (20) FDI receiving countries. This is achievable through embracing FDI promotion strategies into the national investment culture.

To make matters worse, the 2008 Global Financial Crises have created more competition. UNCTAD highlighted that FDI to developed countries contracted by 44% in 2009 due to the financial crisis. In the same period, FDI to developing and transitional countries contracted by only 24%. UNCTAD further highlighted that this shows sign of hope for developing and transitional economies. In light of the above FDI mega trends, three (3) developing and transitional economies namely China, Hong Kong – China and Russia have ranked among the six largest FDI recipients in the world (*I bid*). The financial crisis has also affected global FDI outflows which fell by 43% to $1.01 trillion in 2009. This has been caused by falling profits in parent companies, mounting financial pressures and rechanneled dividends and loans from foreign affiliates to Transnational Corporation headquarters (*I bid*). The fact that the global economy has been trapped in a vicious circle of financial crises for the last six (6) years was and still is a major concern for any investment destination in this world. The period 2015 and forward means that the global economy is approaching the post crisis normal. However, the US Federal Reserve has adopted the quantitative easing strategy and the Bernanke crisis whereby interest rates will rise again in the US is imminent. The interest rate increase manifesting itself in

[2] Professor Anthony Michell is the Instructor of FDI Marketing and Promotion as well as Change Management at the KDI School of Public Policy and Management in Seoul and Sejong Metropolitan Cities, South Korea

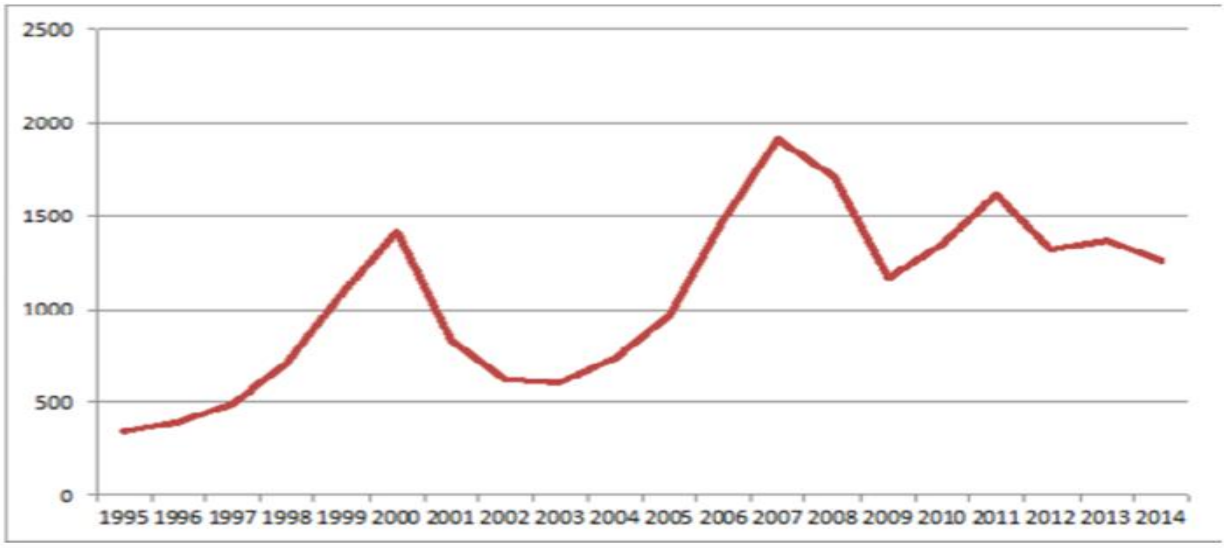
"The Yellen Hike"[3] is likely to trigger the capital flowing uphill scenario, a situation whereby capital will be moving from the developing world to the United States being enticed by interest rate hikes. The imminent Bernanke crisis is further likely to lead to capital flight and as such developing nations such as Zimbabwe must create an *operating environment that ring-fences the harnessed FDI capital and foster a culture of continuous reinvestment*. This means that there is need for an interest rate policy which incentivizes depositors. The lending rates must also be conducive to enhance saving and investment. This would break the vicious circle of poverty trap where there is low saving, low income, low investment and low productivity which are a disincentive in the eyes of the investors.

The figure 1 below shows the trend in FDI inflows from 1995 to 2014. The major milestones in explaining the global FDI inflows trend are as follows,

- FDI inflows rose from less than US$ 500 billion in 1995 to $1.3 trillion in 2014.
- In 2007 it reached a peak of $1.9 trillion and dropped to $1.2 trillion due to the global financial crisis
- The shrinkage in FDI inflows reflects capital scarcity against many competing investment destinations of the world
- In 2013, FDI inflows were $1.4 trillion and dropped to $1.3 trillion in 2014. This scenario reflects that the global economy is not yet out of the woods. The situation is being further worsened by the Eurozone crisis and the declining in commodity prices in the international markets.

[3] Janet Louisine Yellen is the current US Federal Reserve Chair who replaced Chairman Ben Bernanke whose four year term ended in January 2014. She is the first US female to be appointed Fed Reserve Chair and her term will end in January 2018

Figure 1: Global FDI inflows, 1995 – 2014 (Billions of US dollars)



Source: UNCTAD, 2014 op.cit...p2 for 1995 – 2006, and Investment Trends Monitor, 2015. op.cit...p1 for 2007 - 2014

A further glance at the global economy shows that many nation states are drifting from trade regulation mode to liberalization mode. Gwartney, Lawson and Hall (2014) stated that the average global economic freedom index for 101 countries has increased from 5.32 in 1980 to 6.84 in 2012. Gwartney, Lawson and Hall further highlighted that Singapore and Hong Kong were among the top rated countries. In the similar vein, Zimbabwe was one of the 10 lowest rated countries. A comparative analysis of highly economic free rated countries and lowly economic free rated nations have shown that there is a strong positive correlation between economic freedom and economic growth. For example, countries with an upper quartile freedom index such as Hong Kong and Singapore among others have an average per capita income of $40 000 and life expectancy of 79.5 years. Those in the low quartile index have an average per capita income of $6 253 and life expectancy of 63.5 years (*I bid*). They further highlighted that economic freedom index assesses the extent to which policies and institutions of the world support free market economy. The economic freedom index involves: personal choice, voluntary and mutual exchange, freedom of market entry and competition, value for personal and property

security. The above improvement in economic freedom index reflects the transition from command economy to free market economy as nations of the world have become a borderless society and opened up to capital and trade.

2.3 Theoretical Framework

This subsection gives an evaluation of the theoretical underpinning of FDI capital inflows through linking and delinking FDI to Development as shown below.

2.3.1 Linking Development Theory to FDI

FDI capital is praised as one of the main sources to increase a host country's real income, argued Ajayi (2006). He further emphasized that FDI capital adds into the limited domestic savings to build capital. In such a scenario, FDI stimulates investment and the total investment in to the recipient countries. Carkovic and Levine (2000) supported the above argument by demonstrating that FDI produces positive externalities in the form of technology transfer by way of diminishing idea gaps between developing and developed world. This is accomplished through new knowledge and investments in physical infrastructure like roads and factories. Another important spill-off of FDI to host country and indigenous firms are the introduction of adopting international operating procedures, resulting in the improvement in economic performance, efficiency and competitiveness (Sauvant et al. 2009).

Factor conditions obtaining in the host countries determine the contribution of FDI to economic growth and development. To support the development theory, Carkovic and Levine (2002), Lumbila (2005), Trevino and Upadhaya (2003) stated that the initial country conditions allow the country to exploit FDI spill overs. Firstly, Trevino and Upadhaya emphasized that FDI works in open economies. Alfaro et al (2003) however emphasized that the development of

robust financial system is important so that FDI will be absorbed for the benefit of economic growth. Similarly, Boreinstein et al. (1998) stated that the growth effect of FDI is determined by absorption capacity. This absorption capacity depends on educational levels and development of financial markets. Gwenhamo (2009) has also come up with the Institutional Economics Framework. The framework states that rules and regulations which value property rights enhance economic growth, of which these conditions reduce transaction costs and uncertainty because the same is more likely to result in political stability and create investor confidence. This framework builds into the FDI-institution link theory which borrows from analysis of impact of institutions in economic development. The FDI-institutions link theory has been built by scholars such as Bennassy-Querre - et al (2007) who also commented that institutions affect FDI. The influence is on productivity prospects, investment related transaction costs and uncertainty. It can thus be argued that factor conditions such as free market economy, advanced financial markets and respect for property rights assure that FDI will benefit the host economy.

2.3.2 Dependency Theory and FDI

Despite the fact that FDI contributes to economic growth and development, subscribers to the dependency theory argued that depending on FDI reduces economic growth and leads to income inequalities. For example, Bornschier and Dunn (1985) illustrated that FDI predominantly leads to predominantly industrialized structure base. The scenario implies increased monopolization of local industries. This can lead to what Ajayi (2006) referred to as enclave economy in which the local investors are crowded out by foreign investors.

UNCTAD (2007) argued that limited competition, distorted regulatory and incentive framework causes FDI to have a negative effect on economic growth and development. Tandon

(2002) also highlighted that multinational companies which are a vehicle for FDI in to the country are profit oriented as opposed to development focused, thus causing income inequality. In light of the above submissions, it can be argued that FDI dependency can lead to economic stagnation, unemployment and wide income inequality gaps. It is against this background that this paper maintains that in order to fully benefit from FDI proceeds, governments must craft investment policies that value economic empowerment and resource distribution. Government should use the graduation approach to implement such a policy as the timing and sequencing of such endeavors matter.

To counter the arguments of dependency theorists, UNCTAD recommended that FDI must be attracted into diversified and value added products. It further asserted that FDI must target more dynamic products and sectors with high income elasticity of demand. UNCTAD's argument further highlighted that developing countries, Zimbabwe included, depend on semi-processed products whose prices are subject to changes in the global markets. Pursuant to UNCTAD's argument, it is imperative that FDI promotion policy must integrate Global Value Chain gains to have great benefit to host economy.

2.4 Some Successful Global Cases on FDI Attraction

From a global perspective, some countries have done well in FDI reforms. For example, South Korea, one of the four Asian tigers and Ireland, the European Celtic Tiger,

2.4.1 The Ireland Case on FDI

Ireland has been nicknamed the crouching Celtic tiger by economists because of its successful policy reforms especially in the realm of FDI attracting. Ireland pursued export

oriented growth that attracted inward FDI. Murphy and Ruane (2004) highlighted that targeted industries mainly included high technology sectors such as electronics, computer software, bio technology and health care. This FDI policy managed to create jobs for the Irish people. Begley, Delaney and Orgoman (2005) stated that because of Irish government's commitment, by 2004, 1000 corporations employing 129 000 staff were established. They further mentioned that this was reinforced by the Irish Development Agency (IDA)'s consistent pro-business regulatory environment. In 2004, annual revenue from foreign investors was $69 billion of which $65 billion was from exports (I bid).

To sum up the success story of Ireland's FDI attraction, Barry (2006) stated that

- EU membership, high western European standards and macro-economic stability
- low corporate tax of 10% as well as the experience and skills of IDA
- Superb telecoms infrastructure
- Education system was oriented towards science and engineering to meet the demands of the targeted MNEs.

The above factors coupled with English speaking staff have seen Ireland managing to attract inward FDI from source markets such as US, UK, Germany, Japan and others.

2.4.2 The South Korean Case on FDI

Prior to 1980 South Korean government prioritized Official Development Assistance (ODA) at the expense of FDI. It was inward looking (Chung 2007). Chung further stated that FDI was prohibited in banking, hotels, insurance services and real estate to protect monopoly interest of local firms. South Korea during the 19th century was export oriented and only attracted investment accordingly. To support the above, Bang, Thomsen and Nicolas (2013)

reported that during 1973 to 1978, the Korean government introduced its first five year plan, of which FDI was prioritized towards export oriented projects. They further explained that all sectors except for public utilities, public transport and health care were open to FDI; this was done with the aim of boosting production. In 1984, foreign investors were now allowed to remit 100% of their proceeds to their home countries. Bang et al further observed that the change in FDI policy had positively affected FDI inflows in South Korea. For example, FDI was $8 billion between 1962 and 1990. However, between 1991 and 1997 it rose to $17 billion. Seong Ju (2008) stated that the five year plan commencing 1993 aimed to attract more FDI. Further to that, the entrance of South Korea into OECD saw a rise in FDI as fifty seven (57) industries were opened to FDI. From the above discussion, it was evident that South Korea employed a gradual approach to FDI liberalization. Resultantly, the South Korean economy benefited progressively.

The Asian crisis that took place between 1997 and 1998 was the turning point for South Korea FDI policy. Bang et al together with Seong Ju highlighted that the crisis opened South Korea's eyes to the necessity of foreign hands. Bang et al (p.18) stated that "Korea's traditional strong policy bias against FDI and in favor of short term foreign borrowing made it vulnerable to exchange rate and foreign debt roll-over it suffered in late 1997." Deducing from the above quotation, the implication is that foreign exchange was scarce and the most viable alternative course of action was boosting attraction of FDI inflows.

Bang et al together with Cheong Ju agreed that FDI policy was meant to increase FDI. They both agreed that these measures included revision of the Act on Foreign Investment and Foreign Capital promotion. Capital account and exchange rate policy were liberalized. The liberalization included allowing foreign investors to invest in foreign exchange denominated deposits with maturities less than one year. Incentives included three (3) to seven (7) year tax

holidays and granting free economic zone status for major port cities such as Incheon, Busan and Jinhae. To provide after-care services for FDI, the office of the ombudsman was introduced to solve the grievances of the foreign investors (Invest Korea).[4] The above strategies have seen South Korea being able to attract more foreign investors to spur her economic growth.

The new FDI policy in response to the Asian crisis was a milestone in FDI attraction. Bang et al stated that when the crisis began in 1998 only ten (10) business sectors were opened but at the end of 1998 only thirteen (13) out of one thousand one hundred and forty eighty (1148) sectors remained closed to FDI. To illustrate the impact of FDI policy, FDI Magazine (2003) stated that cumulatively, between 1962 and 1997, FDI stock was $24.6 billion. However, between 1998 and 2002 it rose to $85.8 billion.[5] To further explain the upward trend in FDI, United Nations Conference on Trade and Development [UNCTAD] (2011) stated that South Korea's FDI stock increased from $1.13 billion in 1980 to $127.05 billion in 2010. Bang et al (2013.p.1) stated that, "Based on OECD FDI Regulatory Restrictiveness Index, Korea was the biggest reformer of its policies towards FDI between 1997 and 2010 among a sample of forty (40) developed and emerging countries." In this regard, South Korea's FDI Regulatory Restrictiveness Index shifted from 0.532 in 1997 to 0.143 in 2010.[6] This reform process made Korea a development model in Asia and beyond.

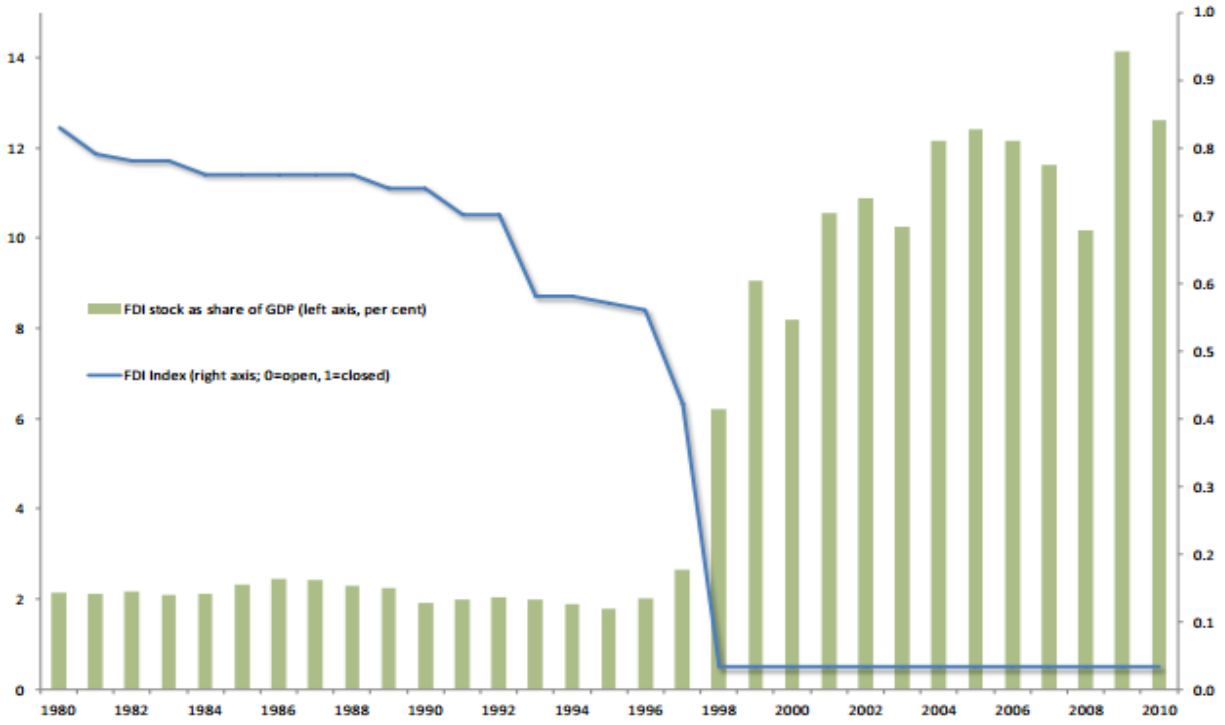
The Figure 2 below shows the effect of Korean Reforms on FDI. As can be seen on the graph in Figure 2, FDI stock as percentage of GDP rose from less than 4% in 1997 to above 12% in 2010. This was as result of the following points;

- Liberalization of FDI inflows in the 1990s had a remarkable effect on FDI inflows

[4] Invest Korea Plaza website, https://www.ikp.or.kr.
[5] FDI Magazine, February 2003, Open invitation South Korea
[6] Scoring FDI Regulatory Restrictiveness Index from https://www.oecd.org/investments/index

- FDI stock as percentage of GDP increased fourfold between 1996 and 1999 mainly due to cross border mergers and acquisitions
- The post 1998 Asian crisis saw Korea being open to more FDI as being measured by its FDI index being closer to zero reflecting that the economy was more open to FDI capital.

Figure 2: FDI liberalization and its impact on the FDI inward stock as a share of GDP



Source: Government of Korea and OECD.

2.5 Southern Africa Comparative FDI Success Stories: Zambia and Mozambique

IMF (2014) stated that cumulatively, from 1980 to 2013, Zimbabwe's FDI was only $1.7 billion. However, in the same period, Zambia and Mozambique despite being in the same region received $7.7 billion and $15.8 billion respectively. This scenario shows that Zambia and Mozambique though below average annual world FDI inflows are doing comparatively better than Zimbabwe.

Strategies to boost FDI inflows for Zimbabwe

Zambia took advantage of liberalization of trade and investment. Banda (2013) stated that liberalization of the economy led to increase in FDI inflows between 2002 and 2012 in Zambia. The increase in investments has been driven by access to key products on preferential terms. UNCTAD (2006) emphasized that liberalization had a positive impact on FDI inflows in the 1990s. FDI inflows increased significantly reaching $334 million in 2004. This was attributable to high donor and investor confidence.

Privatization led to increase in FDI inflows for Zambia. NEPAD-OECD (2011) stated that privatization saw Zambia's GDP growth rate averaging 4.8% between 1999 and 2009. Similarly, in explaining the role of privatization, UNCTAD (2006) pointed out that the 1994 to 2001 privatization program and boom in copper prices led to increase in FDI. This explains that Zambian took advantage of mega projects in the mining sector to increase its FDI inflows.

Favorable business climate in terms of political stability also led to increase in FDI. UNCTAD (2006) highlighted that good governance and political stability are essential in attracting FDI. UNCTAD (2006) further stated that the rise in foreign exchange inflows strengthened Zambian currency – Kwacha and brought inflation to 17% in 2005. This stability reinforced Zambia's impetus to attract more investors.

This initiative taken by Zambia resulted in an improvement in Human Development Index (HDI) and ease of doing business ranking which led to attraction of more FDI.OECD stated that under HDI primary enrollment improved from 65% in 1997 to 95% in 2007. UNCTAD (2006) further explained that under the ease of doing business framework, the business registration process was reduced from twenty one (21) days to three (3) days.

Resultantly, the ease of doing business ranking improved from ninety (90) in 2009 to seventy six (76) in 2010.

In the case of Mozambique, FDI was also high. Political stability explains surge in FDI inflows for Mozambique. Basu and Srinivanan (2002) together with UNCTAD (2013) emphasized that political stability was a result of the 1992 peace agreement which ended a civil war in Mozambique. UNCTAD (2013) explained that political stability caused GDP to average 8.5% between 1995 and 1999. Furthermore, inflation which was averaging 75% in the 1980s was reduced to single digit band. It can thus be argued that political stability laid a foundation for macro-economic stability which in turn boosted investor confidence.

Market liberalization led to improvement in FDI inflows. UNCTAD (2012) explained that open market policy in Mozambique gave impetus to FDI which increased from $427 million in 2007 to $5.2 billion in 2012. More so, GDP per capita increased from $132 in 1999 to $428 in 2009.

Competitive labor force and reliable and affordable sources of energy make Mozambique a favorable FDI destination. According to Basu and Srinivasan, access to natural gas, solar energy and hydro-electricity at competitive price was critical to Mozambique's FDI increase. In addition to labor and energy, Basu and Srinivasan further explained that infrastructure development in telecommunication, road network and port facilities laid a firm foundation for FDI increase.

Privatization also increased Mozambique's FDI inflows. More than one thousand two hundred (1200) large and small companies were privatized to Mozambique entrepreneurs. However, 50% of equity capital for privatization came from Portugal, South Africa and United

Kingdom.[7] As a result of privatization, FDI increased from annual average of $21 million between 1987 and 1994 to $153 million between 1995 and 2000. African Development Bank (2011) showed that emerging market economies such as China, India and South Africa are Mozambique's major FDI source markets.

2.6 Zimbabwe FDI Scenario

Existing literature on FDI in Zimbabwe mainly focuses on violation of property rights. Violation is manifesting itself in unending land reform. Domination of command economy as opposed to liberalized one. The indigenization and economic empowerment policy and the above factors have caused low FDI inflows into Zimbabwe. Literature has also cited sanctions as the cause of economic downfall and low FDI inflows into the country.

Command economy hampered FDI inflows into Zimbabwe. Gwenhamo (2009) argued that the independent government established a command economy in 1980. The system involved business regulations, price controls and labor market restrictions. In addition, there were long investment procedures. There was 30% local ownership in enterprises. Foreign investor proceeds repatriation was restricted to at most 50%. These resulted to low FDI inflows into Zimbabwe.

In 1990, the government adopted the economic liberalization program under the supervision of IMF and World Bank. These reforms included, 1) allowing foreign investors to repatriate one 100% of their proceeds, 2) tax incentives were offered to encourage foreign capital investments and technology transfer and 3) Zimbabwe Investment Centre was established to promote FDI. According to Gwenhamo, by 1998 the privatization and liberalization wave

[7] SADC Finance and Investment Co-coordinating Unit (FISCU), 1998

attracted capital from South Africa. Therefore, FDI inflows increased from approximately $50 million per annum between1990 and 1997 to $444 million in 1998.

Instead of focusing on liberalization reforms, the government embarked on 2000 land reform program which violated property rights. In response to the fast track land reform program, the United States and European Union placed Zimbabwe under sanctions.[8] The major countries supporting the sanctions were US, UK, Australia, Canada and the European Union bloc. According to Chingono (2009) the western countries imposed the sanctions as smart or targeted sanctions to end ZANU PF's alleged misrule. In this regard, loans and grants were suspended for Zimbabwe. Robertson (2008) stated that inflation skyrocketed as exchange rate was USD 1 to ZIMD 6 Million although official rate was ZIMD 23 000 to USD 1.[9] Chingono further highlighted that as result of economic sanctions, Zimbabwe failed to reschedule its loan payment. It is however evident that ZIDERA affected the ordinary Zimbabweans who could not cope up with the increase in cost terms of basic goods and services. Furthermore, the hyper-inflation has eroded investor confidence as it created a toxic business operating environment. Furthermore, EU also imposed the restrictive measures such as the ban on exports on beef and tobacco to EU markets. EU further suspended funds to Zimbabwe and used the civil society to fund development in Zimbabwe[10], a move which ZANU (PF) government regarded as a threat to sovereignty and territorial integrity as most of the NGOs were alleged to be supporters of opposition Movement for Democratic Change. In light of the above submission on sanctions, Richardson (2006) highlighted that FDI declined from $444 million in 1998 to less than $100 million up to 2008. Gwenhamo also stated that political instability and decline in macro-

[8] 2001 Zimbabwe Democracy and Economic Recovery Act (section 4c), no balance of payment support unless there is reversal of the land reform program

[9] Robertson Economic Information Services, 2008

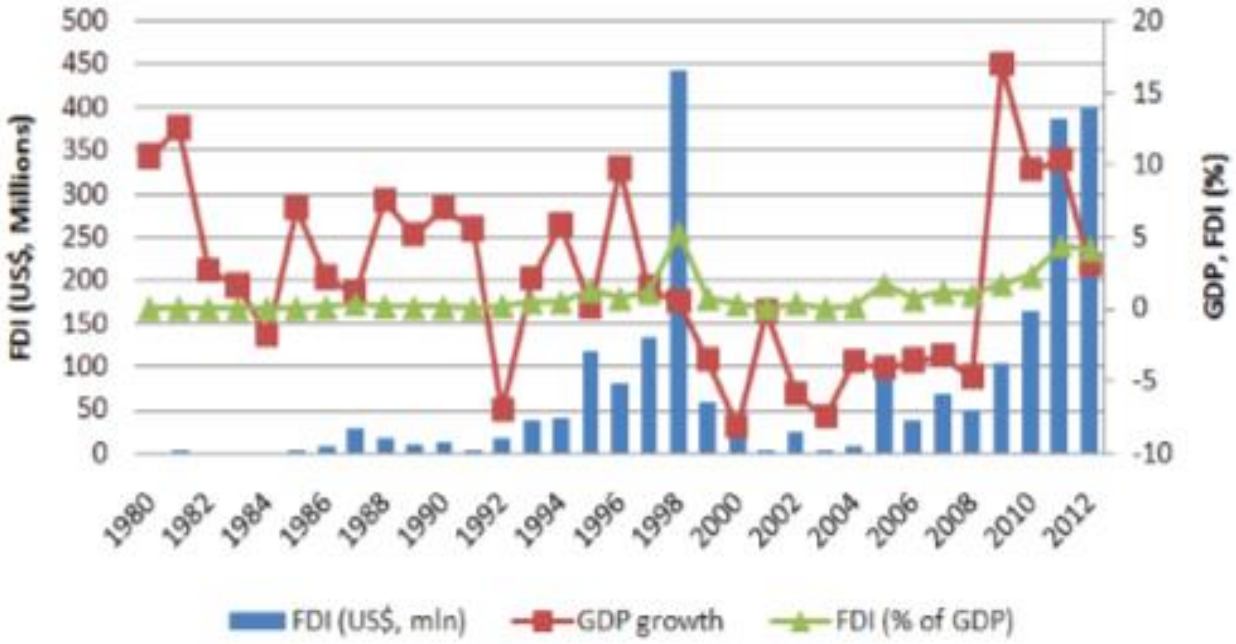
[10] EU policy document on Zimbabwe sanctions, they are not sanctions per se but "economic restrictive measures"

economic indicators caused the waning of investor confidence. Resultantly, inflation wiped out the Zimbabwe dollar. A critical analysis of sanctions and FDI flows shows that there is a negative correlation between economic sanctions and FDI growth. An analysis of economically sanctioned countries using UNCTAD (2015) shows that sanctioned economies are experiencing negative growth in FDI inflows. Examples of the countries include North Korea, South Sudan, Cuba, and Iran among others. It is the perspective of the author that in order for Zimbabwe and other sanctioned economies to attract sufficient FDI, there is need for robust policy on national image restoration and re-engagement. This must be partnered alongside a vigorous FDI marketing and promotion policy drive. However, it is pertinent to note that the ability for Zimbabwe to attract sufficient FDI say in five years' time is partly US sanction shadow dependent.

In 2008, Zimbabwe moved from Zimbabwe dollar to multiple currency regime dominated by the US$. Furthermore, the government of national unity was formed between the ruling ZANU (PF) party and the opposition Movement for Democratic Change formations. The reforms brought hope into economy. According to UNCTAD (2015), FDI increased to $105 million in 2009, $165 million in 2010, $387 million in 2011, $400 million in 2012 and $410 million in 2013. According to Tony Hawkins (2013), the average FDI inflow is 15% of GDP and it is still low. Zimbabwe needs to invest 33% and above to register meaningful development.[11] The FDI inflows trend is below regional counterparts of Zambia, Mozambique and South Africa.

[11] Professor Tony Hawkins, Graduate School of Business, University of Zimbabwe, addressing Institute of Chartered Accountants of Zimbabwe (ICAZ) meeting, November 2013

Figure 3: GDP and FDI trends for Zimbabwe (1980 – 2012)



Source: Compilation from UNCTAD and WDI's data bases.

From **Figure 3** above the critical milestones on FDI policy can be identified as follows,

- 1980 – 1990, the government had a command and inward looking economy
- 1991 – 1998, transition from command economy to liberalized and private-owned economy geared towards FDI mobilization hence the peak of $444.3 million in 1998.
- 1999 – 2008, return to command economy: the government's fast track land reform program, imposition of sanctions on Zimbabwe, government controlled exchange rate, low foreign exchange due to low production in export sector and highest inflation rate in the world
- 2008 – 2015, the government introduced the multiple currency regime, political unity between ruling party and opposition formations, FDI on an upward trend but not sufficient enough to support economic development in a dollarized economy.

A synthesis of the above literature shows that given a global world characterized by stiff competition for FDI attracting, Zimbabwe is failing to attract more FDI to support economic growth. The existing literature mainly focuses on violation of property rights under the fast tracked land reform program. More so, there is lack of clarity on indigenization policy which discourages investment. It also shows that there is need to shift from command economy to liberalized one. More importantly, there is need for a nimble and agile IPA team with the capability to interface and attract FDI using 21St century techniques. Drawing from the above review, Ireland and South Korea as control case studies have been able to attract more FDI to support economic development. This was mainly through FDI promotion, facilitation, support and after-care services. For Zambia and Mozambique, privatization, liberalization, political stability, infrastructure development and mineral endowments have contributed to attracting FDI for their economies. Also important is the need to appreciate why Mozambique has attracted more FDI compared to Zambia and Zimbabwe. In the eyes of the investors, it is strategically positioned on the world map. One of its advantages is the "uncola" position.[12] Geographically, it is intelligently positioned since it has the Beira corridor en-route to the Indian Ocean which makes trade and investment easy. Positioning is critical in FDI attraction because the investor will recognize the nation's brand in his/her mind. It will then affect the attitude of the potential investor in a positive way. The investor will then be confident enough to select the country as an investment destination of choice. In light of the above discussion, the existing Zimbabwe literature has not tackled FDI promotion. The promotion package is directly related to foster re-investment culture, marketing and after care services. Thus, lessons to fill and narrow the gap

[12] "Uncola" position is defined as the ability of a company to strategically relate itself to the market leader so as to be an alternative choice. For example, 7 Up was No. 3 behind Coke and Pepsi but due to its "uncola", it was an alternative choice. Retrieved from https://www.quick-mba.com/marketing/ries-tout/positioning/, consulted on 14 October 2015

will be drawn from successful Ireland and South Korean experiences among others. In addition, strategies of Zambia and Mozambique will also be considered. From the author's point of view, *the land reform program is still ongoing and it must be brought to conclusion so as not to cause confusion and erosion of market confidence.*

In the following section, the researcher will present data and methodology in which he will be specifying the type of the research, detailing the research procedure and scope, research claim, research techniques and justification of the techniques as well as ethical considerations.

SECTION THREE (3): DATA AND METHODOLOGY

3.1 Introduction

This study used both quantitative and qualitative methods in collecting and analyzing data. As a result, reliance was placed on secondary data such as literatures and statistical available information in order to answer the following research questions in section 3.2. In addition, primary data was also used to get professional opinion on FDI promotion via unstructured interviews.

3.2 Research Questions

1. Despite being endowed with abundant mineral resources, Zimbabwe is lacking sufficient inward FDI. What problems are affecting FDI inflows to Zimbabwe?
2. Despite being in the same region with Zambia and Mozambique, these two countries have done better in attracting FDI. What strategies have they used?
3. What best practices can Zimbabwe learn from other countries that have done well in FDI attraction such as Ireland and South Korea?

3.3 Justification of Research Hypotheses

To have a conclusion to base my research decision on, UNCTAD World Investment Annexure (2015)'s FDI inflows data from 1990 to 2014 was used. This period will sum up to twenty five (25) years. The annual FDI inflows for each country case were compared to the average annual world FDI inflows for the period under review to analyze the effects of FDI Promotion reforms. In this case, the number of countries in the world (n) is 209 and this was used to calculate the average annual world FDI inflows. The panel data analysis includes

assessing data from Zimbabwe, Zambia and Mozambique for regional comparison and Ireland and South Korea for international comparison. In this case, an annual FDI inflow for each country (Y axis) is the dependent variable whereas World mean (X axis) is the independent variable.

The parameters of regression equations were the basis of justifying whether Zimbabwe attracts sufficient FDI inflows to support its economic development or not. This analytical framework was used to clarify the hypotheses of the study.

3.4 Variables under measurement and discussion and the rationale

i) FDI inflows for the five case studies, Zimbabwe, Zambia, Mozambique, Ireland and South Korea were discussed. The period under review is 1990 to 2014. After finding the FDI inflows, the mean FDI inflows for the above cases were calculated. The author regressed each country against the world average mainly to find the regression equations. Pursuant to the above, scatter diagrams were drawn, whereon the respective regression equations of trend lines and the R squared (R^2) were calculated. R squared is very important as it is measuring the variability in each country's FDI figures that can be attributed to variations on the world average. The policy implications are that the lower the R squared, the greater the likelihood that FDI inflows are being explained by other factors which the government can have great control over. Examples of this control include influencing key determinants such as the ease of doing business index (One Stop Shop for Investors), increasing incentives among others. Thus, there is greater potential to increase annual FDI inflows through proper FDI promotion policy direction.

ii) Ease of doing business variables – the lower the number, the more FDI the country can attract. The variables under analysis include: a) starting a business b) enforcing contracts c) trading across borders d) paying taxes e) getting credit

iii) Economic Freedom indicators include: a) open markets b) regulatory efficiency c) rule of law

iv) Human Development and absorption capacity, marketing, FDI care and after-care services.

3.5 Ethical Considerations and Data collection techniques

In this research study the author triangulated through using primary data collection techniques such as unstructured interviews using face to face and telephone. In this regard, some ethical conduct was observed. In addition to above, Desk top research (secondary data) was also used.

The following data collection techniques were used:

i) Primary source of data: cluster sampling which comprises two clusters made up of relevant FDI departments such as Ministry of Finance, Ministry of Macro - Economic Planning and Investment Promotion and Zimbabwe Investment Authority; and Foreign Direct Invested Companies – Duration Gold and Turkmine (Falcon Gold) in the mining sector, British Oxygen Company (Linde Group) in the manufacturing sector, DuPont Pioneer Zimbabwe and Seed Co in the Scientific Research and Development sector and Pioneer Transport Zimbabwe in the transport sector. Interviews were used to extract information from targeted key informants from each cluster.

Prior to the commencement of the research exercise, permission to investigate the causes of low FDI into Zimbabwe was sought from relevant authorities in the targeted organizations. Furthermore, this researcher agreed not to involve any research respondents before they voluntarily gave their consent. Finally, after compiling the research report, a copy of the same will be donated to the authorities of the responsible organization from which targeted key informants were drawn.

ii) Secondary sources of data such as UNCTAD World Investment Reports, World Bank ease of doing business reports and Heritage Foundation Economic Freedom index reports were used. In addition, data from investment Promotion web sites for Zimbabwe, Zambia, Ireland and South Korea were used.

3.6 Justification of primary data collection technique

Unstructured interview is an internal guided conversation. Its advantages are: degree of flexibility as questions are open ended, emphasis on qualitative depth and it increases data validity level since the researcher probed further for clarity on important points. However, the approach consumed a lot of time since the researcher had to identify the secondary literatures and blend it with findings from primary data, synthesizing and discussing whilst matching it in thematic areas which are the key FDI determinants under synthesis and discussion of findings in section v. This was partnered alongside with the researcher's own work experience.

In the following section, the researcher will present and analyze quantitative data collected from UNCTAD FDI inflows for the 25 year period (1990 – 2014). Individual country policy analysis will be done through individual country FDI inflows Trend analysis. The scatter plot and regression analysis will also be used to ascertain whether Zimbabwe attracts sufficient FDI to warrant meaningful economic growth and development or not.

SECTION FOUR (4): QUANTITATIVE DATA FINDINGS AND ANALYSIS (RESULTS)

4.1 FD1 Capital Inflow Analysis by Country – Trend Analysis

Data on Annual FDI inflows (US$ million) for Zimbabwe, Zambia, Mozambique, Ireland, South Korea and the world for the period 1990 to 2014, *was used to clarify the hypotheses* of the study.

Table 1: Annual FDI inflows for Zimbabwe, Zambia, Mozambique, Ireland and South Korea (1990 to 2014)

YEAR	FDI inflows in million United States Dollars (USD)					
	Zimbabwe	Zambia	Mozambique	Ireland	South Korea	World Mean
1990	12.20	202.80	9.20	621.90	1,045.60	980.36
1991	2.10	34.30	22.50	1,361.70	1,455.20	737.50
1992	19.00	45.00	25.30	1,458.20	1,001.60	779.94
1993	38.00	314.40	32.00	1,077.90	832.30	1,053.33
1994	41.00	40.00	35.00	857.00	1,136.60	1,219.65
1995	117.70	97.00	45.00	1,442.90	2,487.10	1,634.15
1996	80.90	117.10	72.50	2,617.50	2,782.60	1,859.99
1997	135.10	217.00	64.40	2,028.80	3,301.10	2,302.54
1998	444.30	238.00	234.90	8,862.20	5,989.20	3,312.61
1999	59.00	86.00	381.70	18,210.60	10,726.30	5,149.82
2000	23.20	121.70	139.30	25,779.40	11,509.40	6,522.56
2001	3.80	145.00	255.50	9,650.90	6,522.30	3,273.07
2002	25.90	298.40	347.60	29,323.80	5,475.10	2,829.60

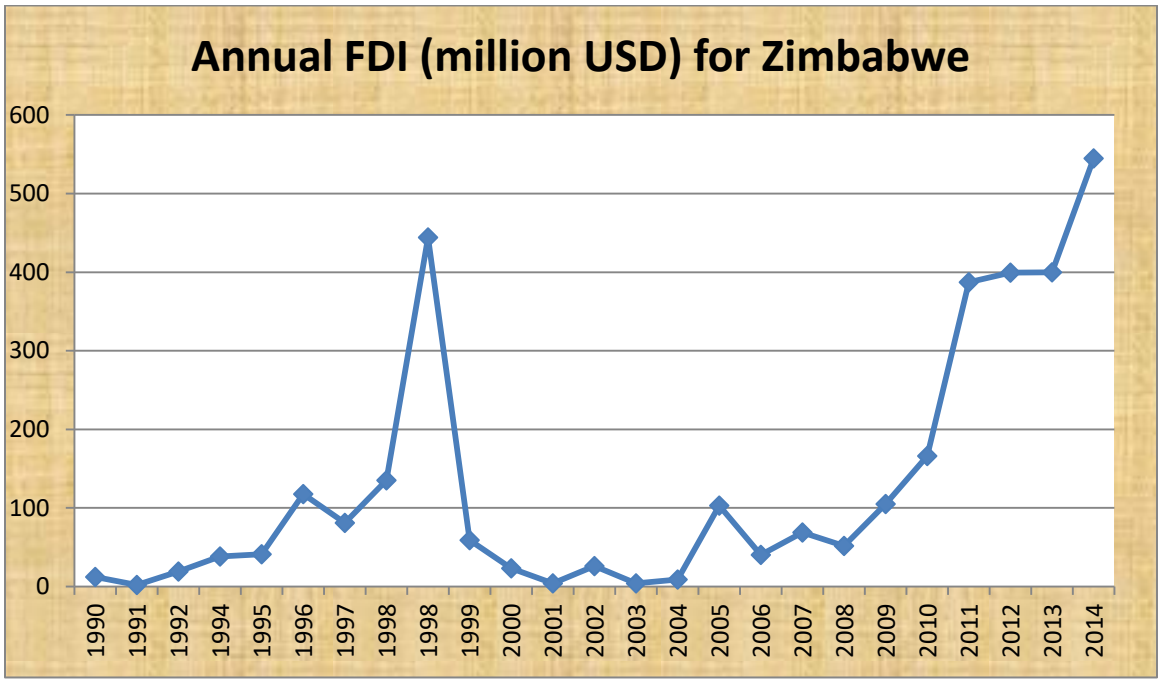
YEAR	FDI inflows in million United States Dollars (USD)					
	Zimbabwe	**Zambia**	**Mozambique**	**Ireland**	**South Korea**	**World Mean**
2003	3.80	346.60	336.70	22,781.30	7,070.00	2,641.11
2004	8.70	364.00	475.50	(10,607.60)	13,294.40	3,266.74
2005	102.80	356.90	107.90	(31,689.30)	13,643.20	4,437.51
2006	40.00	615.80	112.60	(5,542.30)	9,161.90	6,665.96
2007	68.90	1,238.70	398.70	24,707.20	8,826.90	8,955.35
2008	51.60	938.80	591.60	(16,452.90)	11,187.50	7,127.36
2009	105.00	425.60	898.30	25,715.30	9,021.90	5,676.71
2010	165.90	633.90	1,017.90	42,804.10	9,497.40	6,354.56
2011	387.00	1,110.00	3,558.50	23,544.70	9,773.00	7,482.05
2012	399.50	2,433.40	5,629.40	45,206.60	9,495.90	6,712.38
2013	400.00	1,809.80	6,175.10	37,033.30	12,766.60	7,020.25
2014	544.80	2,483.80	4,901.80	7,697.70	9,898.50	5,876.85
Mean	**131.21**	**588.56**	**1,034.76**	**10,739.64**	**7,116.06**	**4,154.88**
Variance	**25,535.99**	**483,996.41**	**3,315,266.65**	**329,333,756.92**	**17,563,825.76**	**6,142,370.60**
STD	**159.80**	**695.70**	**1,820.79**	**18,147.56**	**4,190.92**	**2,478.38**

Source: UNCTAD FDI/TNC data base/ Annex Tables, other variables such as mean annual inflows, variance and standard deviation (STD) are based on the author's calculations.

4.1.1 Zimbabwe – Trend Analysis

Using statistical data from UNCTAD, a trend analysis was made on the 1990 – 2014 FDI inflows to Zimbabwe (see Figure 4 below for illustration).

Figure 4: Annual FDI inflows (million USD) for Zimbabwe from 1990 to 2014



Source: Author using UNCTAD statistics

From Figure 4 above, it can be learnt that;

- The economic liberalization era of the 1990s had positive impact on FDI inflows. During this period, the government implemented the Economic Structural Adjustment Program (ESAP). Among the milestones was the creation of a One Stop Investment Shop – the Zimbabwe Investment Centre (ZIC).
- The restrictive policies that followed, partnered with the ZIDERA sanctions, were not FDI friendly. The restrictions include the controlled exchange rate which resulted in the

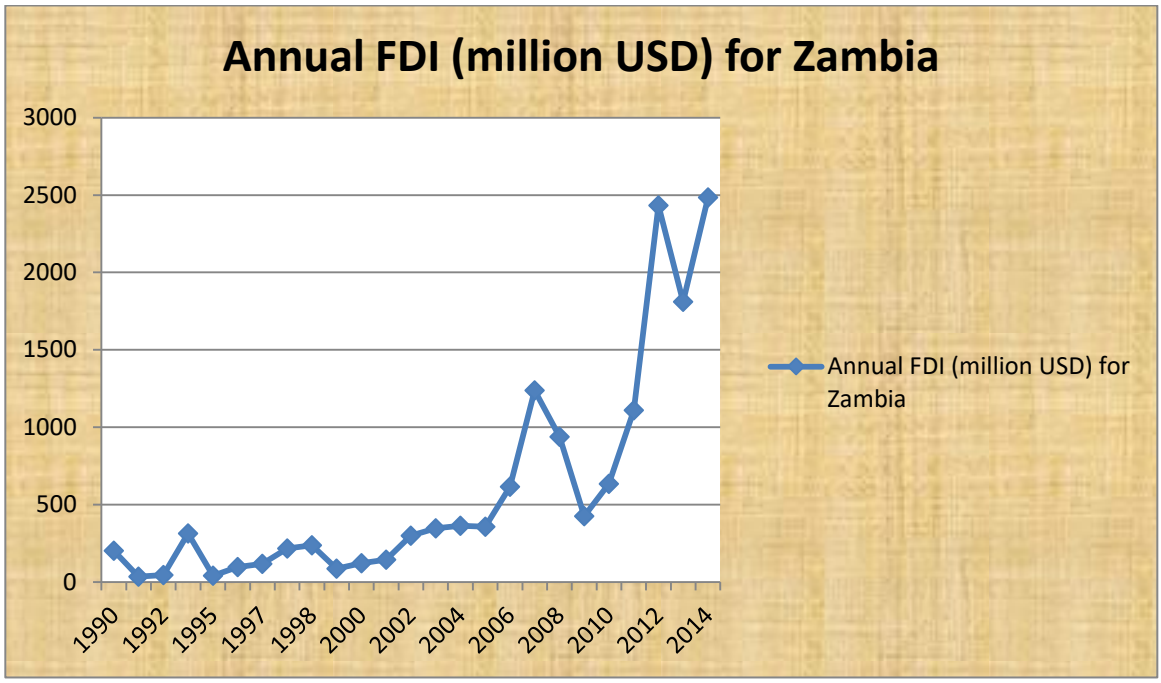
depreciation of the Zimbabwe dollar. This explains why FDI inflows were stagnantly low between 2000 and 2008.

- From 2008 to date, FDI is slowly increasing because the government had realized the need for attracting FDI as foreign exchange usage was replacing the domestic currency – the Zimbabwe dollar. The adoption of the multiple currency system had very positive impact to FDI inflows because it eliminated exchange rate risk and brought stability in the economy. To give further impetus to macro-economic stability, the Zimbabwe government adopted the Government of National Unity. This brought political conflict to an end and created renewed sense of restoration in the economy as well as boosting of market confidence. According to ZIA (2013), investment projects worth USD 686 million were approved in 2013 and more than 95% of them were in the mining, construction, manufacturing and services sectors. The other sectors of transport, tourism and agriculture constituted the remaining 5% of the approvals. The low investment in agriculture, transport and tourism can be attributed to failure to observe property rights especially for land, poor road and rail networks as well as poor country image. The major FDI source markets in 2013 were China, United Kingdom, Russia, Curacao (Carribean Island) and Israel.

4.1.2 Zambia – Trend Analysis

Using statistical data from UNCTAD, a trend analysis was made on the 1990 – 2014 FDI inflows for Zambia (see Figure 5 below for illustration).

Figure 5: Annual FDI inflows for Zambia from 1990 to 2014



Source: Author using UNCTAD statistics

From Figure 5 above, it can be leant that:

- From 1990 to 2006, FDI was increasing slowly. This is because 1996 to 2006 was the reform period. Reform include liberalization and privatization.
- In 1992, Frederick Chiluba's Movement for Multi-Party Democracy (MMPD) came into power. It moved from command economy to free market economy. In this case, liberalization and privatization began.

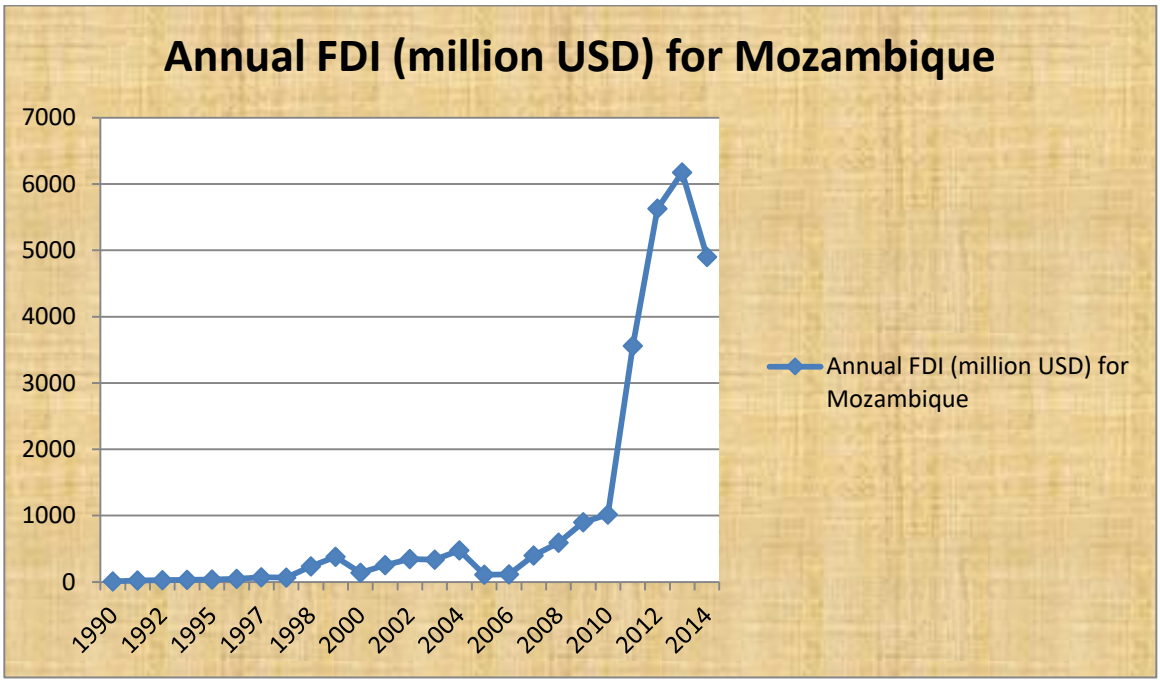
Strategies to boost FDI inflows for Zimbabwe

- In 1997, the Zambia Consolidated Copper Mine (ZCCM) was unbundled through privatization of the mines. The privatization drive resulted in the increase in FDI inflows.
- Between 2002 and 2009, there was copper price boom in the global markets. The boom spanned up to 2010.
- In 2008, FDI inflows were declining due to the passing on of the Zambian President, Levy Mwanawasa. Patriotic Front which was led by Michael Sata was against privatization. This created a risk environment in the eyes of the investors. The situation was further worsened by the 2008 global financial crisis.
- In 2011 there was a change of government. The Patriotic Front (PF) government was campaigning against foreign businesses especially Chinese firms, castigating them for exploiting workers. This explains why FDI declined as investors were skeptical. However, soon after he was sworn in to power as Zambian President, Michael Sata invited the Chinese ambassador to the state house and *assured them that their investments are safe*. This guesture restored confidence and FDI went on an upward trend.

4.1.3 Mozambique – Trend Analysis

Using statistical data from UNCTAD, a trend analysis was made on the 1990 – 2014 FDI inflows for Mozambique (see Figure 6 for illustration below).

Figure 6: Annual FDI inflows for Mozambique for the period 1990 to 2014



Source: Author using UNCTAD statistsics

Deducing from Figure 6 above, a historical analysis was made. According to Ross in IMF (2014), the major determinants to the FDI inflows trend are as follows:

- The 1992 peace accord which ended a civil war in Mozambique brought stability in the economy. This was also witnessed by a shift from command economy to liberalization and privatization
- Massive infrastructure development especially after the civil war. There was the construction of Cahora Bassa Dam in Mozambique, the first mega project to be

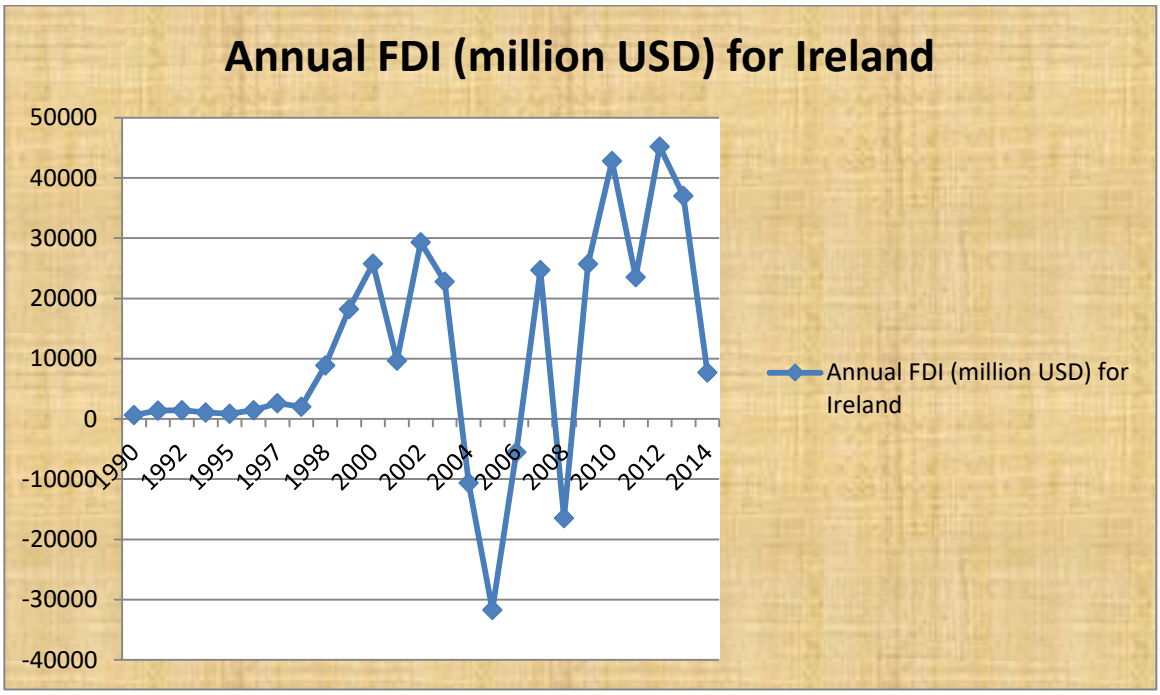
constructed after the civil war. This was followed by the construction of Mozal aluminium smelter between 1998 and 2003. In this case, FDI averaged between $400 million and $500 million per year. In addition, foreign investors are attracted by tax incentives and low electricity prices.

- Other mega projects include South African Gas Distribution Company (SASOL) and Kenmare established in 2004 specializing in natural gas exploration. Other foreign invested companies include Vale and Rio Tinto established in 2007 with capacity to produce 70 million tonnes of coal per year. There is also Anadarko and Eni natural gas exploration projects with the potential to produce 20 million tonnes per year.
- Despite the global financial crisis of 2008, FDI was on an upward trend and the boost was made by mega projects in natural gas and coal exploration. The African Development Bank (2012) stated that *2011 is the turning point for Mozambican economy* as more and more coal is discovered. According to Ross, coal deposits in Mozambique are over 32 billion tonnes. In the outlook period, coal exploration will make Mozambique the leading global exporter of coal in the world. In the graph in Fig 6, the Mozambican FDI inflows trend easily approximate the world FDI down ward trend. Another factor that the author has observed is the renewal of The Mozambican National Resistance (RENAMO) insurgency in 2013 which created risk in the eyes of the investors. However, going forward FDI in Mozambique is expected to increase as more and more mega projects are being established. The government must be able to contain RENAMO insurgency to create a peaceful environment conducive for investment.

4.1.4 Ireland – Trend Analysis

Using statistical data from UNCTAD, a trend analysis was made on the 1990 – 2014 FDI inflows to Ireland (see Figure 7 below for illustration).

Figure 7: Annual FDI inflows for Ireland for the period from 1990 to 2014



Source: Author using UNCTAD statistics

From Figure 7 above, it can be deduced that;

- The period 1995 to 2007 is called the Celtic Tiger period. This explains why FDI was increasing. The rate at which Ireland was developing equated that of the East Asian tigers. There was high increase in FDI inflows, low corporate tax rate of 12.5%, better economic management, good labour relations practices. In this case, growth rate was

averaging 5 – 6%.[13] To further explain the importance of low corporate tax of 12.5% in atracting FDI, the PA Consulting Group (2013) stated that the 12.5% corporate tax for Ireland is almost half of the United Kingdom's 24%. It is lower than many EU economies such as France, Germany, Spain and the Nertherlands. This gives Ireland a competitive edge over other investment destination rivals.

- The capital outflows of 2004, 2005 and 2006 might have been caused by the collapse of the domestic property market and construction industry. The asset bubble led to lack of confidence with the banking and financial services sector. This led to FDI capital outflows[14]
- According to the US Department of State (2013), in 2008, the negative down ward trend was caused by the global financial crisis. It further stated that the down ward trend in 2011 and 2014 is explained by Ireland's ongoing economic and financial restructuring (IMF/ECB/EU) program in the country which is caused by the Eurozone financial crisis. However, the US Department of State highlighted that the increase in FDI inflows are explained by: political stability, pro-business government policies, transparent judicial system, pulling power of existing companies operating successfully (clustering effect), respect for property rights as well as a strong FDI marketing and promotion drive. According to the US Department of State, there are four (4) government agencies responsible for promoting foreign investment. These include: i).Industrial Development Authority of Ireland (IDA) – responsible for promoting and facilitating all FDI in Ireland except for Shanon Free Zone, ii). Enterprise Ireland – responsible for promoting

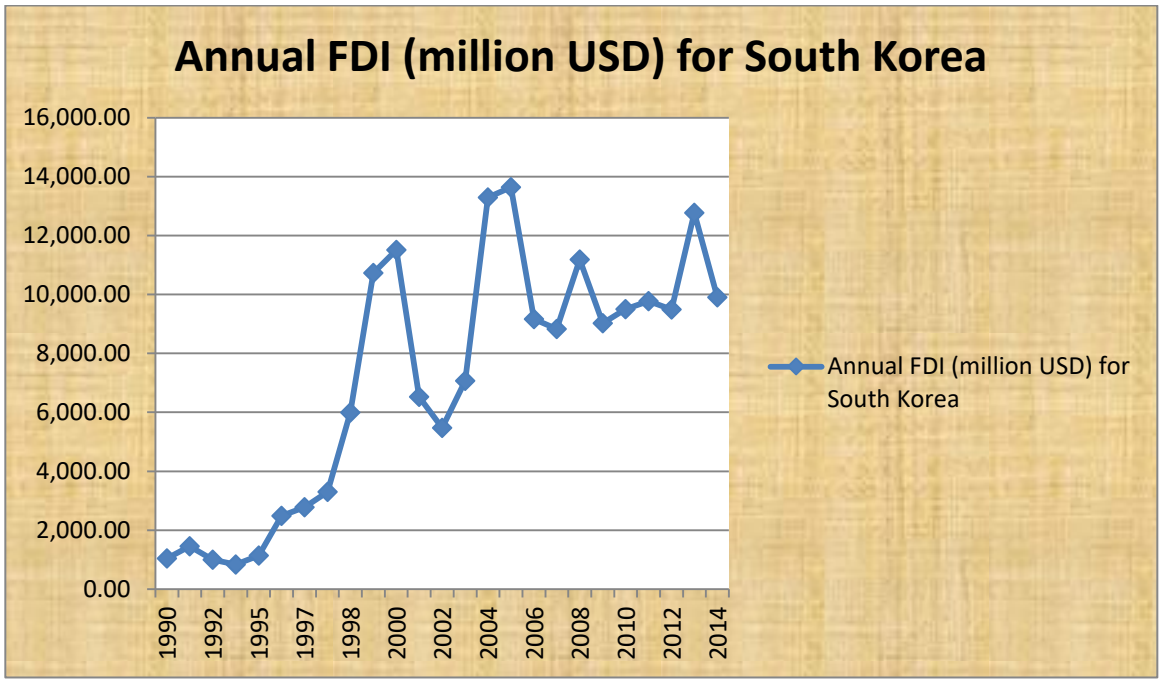
[13] The explanation is drawn from Economic History of the Republic of Ireland, retrieved from: https://en.wikipedia.org/wiki/Economic-history-of-the-republic-of-Ireland, consulted on 10 October 2015
[14] From CIA World Fact Book, explaining milestones in the economic history of Ireland, retrieved from https://www.cia.gov/library/publications/the-world-fact-book, consulted on 10 October 2015

joint ventures and strategic alliances between foreign investors and indigenous companies. iii). Shanon Free Zone – responsible for promoting FDI in Shanon Free Zone and iv). Udaras – responsible for working with IDA to promote investment in areas where Irish is the dominant language. However, it is important to note that proximity to other FDI source markets such as the EU as well as good international relations with other countries should not be underestimated in explaining Ireland's FDI success story in Figure 7 above.

4.1.5 South Korea – Trend Analysis

Using statistical data from UNCTAD, a trend analysis was made over the 1990 – 2014 FDI inflows to South Korea (see Figure 8 below for illustration).

Figure 8: Annual FDI inflows for South Korea for the period 1990 to 2014



Source: Author using UNCTAD statistics

Strategies to boost FDI inflows for Zimbabwe

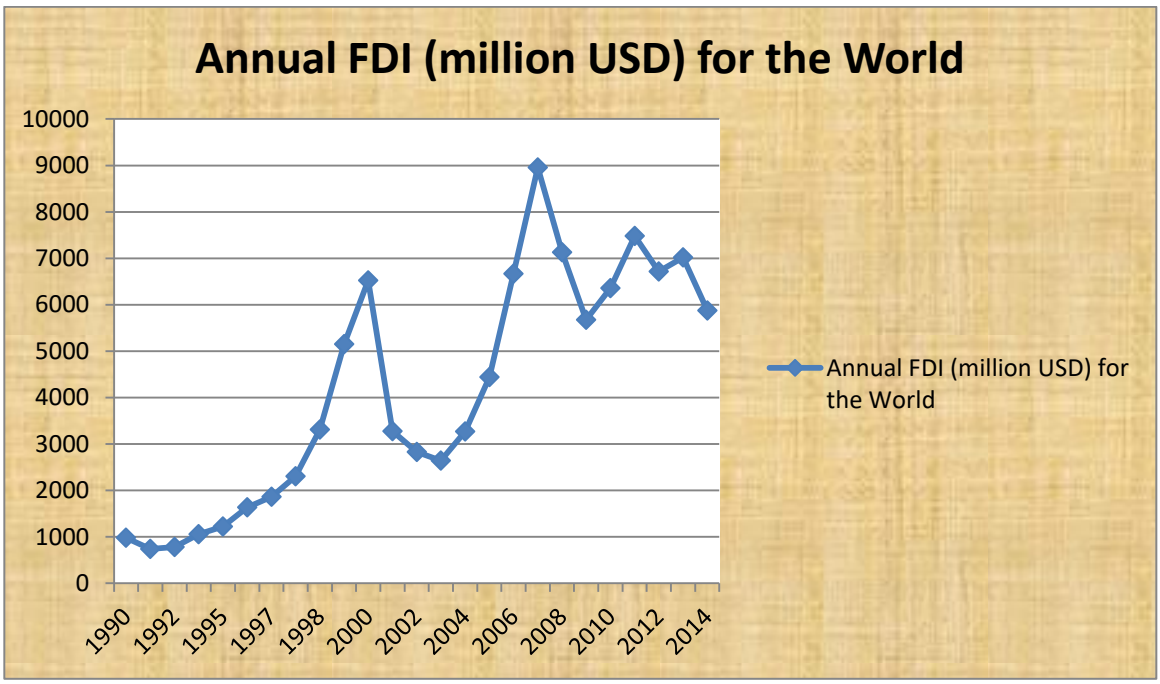
From Figure 8 above, it can be deduced that;

- The 1993 to 1997 Five Year Plan were meant to attract more FDI capital.It is worth pertinent to note that the entrance of Korea into OECD was a milestone in FDI attraction, hence FDI inflows was on an upward trend
- However, the 1997 to 1998 Asian financial crisis opened South Korea's eyes for further reforms to boost FDI inflows. In 1999, incentives to attract FDI inflows were introduced and these include: liberalization of the exchange controls, introduction of tax holidays, free economic zones among others. Another milestone include the establishment of Invest Korea a One Stop Shop for Investors. This was done to market Korea as a conducive investment destination for foreign investors. Another important achievement is the establishment of the Foreign Investment Ombudsman to solve grievances of investors and improve state-investor relations.
- The slowdown in FDI inflows particularly in 2000 and 2003 reflects the property market bubble that affected the global economy.
- Between 2007 and 2008, the global financial crisis affected the FDI inflows in South Korea. However, other country risk factors such as the tension between North and South Korea can also explain the downward trend. However, South Korea continues to attract above average world FDI capital due to sound FDI promotion policy.
- It is also evident that the strategic position of South Korea also counts. It is proximity to major FDI source markets such as Japan, China and other Asian giants. South Korea also enjoys cordial relations with major FDI source markets such as the United Kingdom and the United States of America among others.

4.1.6 World Average – Trend Analysis

Using statistical data from UNCTAD, a trend analysis was made over the 1990 – 2014 world FDI inflows (see Figure 9 below for illustration).

Figure 9: Annual FDI inflows for the world from 1990 to 2014



Source: Author using UNCTAD statistics

From Figure 9 above, it can be deduced that;

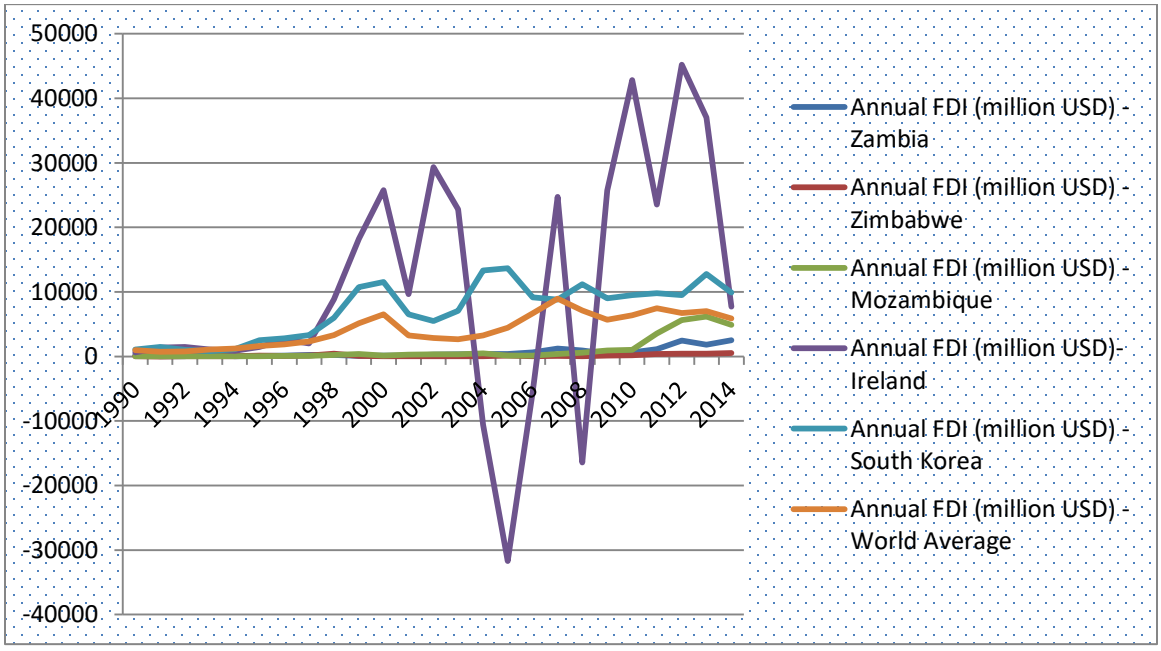
- World FDI has increased from less than $500 billion in 1990 to $1.9 trillion in 2006 mainly due to the fact that nation states have opened up their borders for capital. What is more critical is the fact that investment promotion agencies have been increasing reflecting the need for FDI capital as important instrument of economic growth
- However, in between 1998 and 2004, FDI was recording down ward trend because of the Asian financial crisis, the world property market bubble as well as the oil shocks.

- In 2007, world FDI decreased due to the global financial crisis. The crisis witnessed decline in profits of Transnational Corporations which are the vehicle for FDI capital.
- The decline from a peak in 2013 to a slow down in 2014 shows that the global economy is still recovering from the effects of world financial crisis. The situation is being worsened by the Eurozone financial crisis.

4.1.7 Comparison of FDI capital Trends for the five countries under study against the world average trend

Using statistical data from UNCTAD on FDI inflows data for the period 1990 – 2014, all the five countries were compared with the world (see Figure 10 below for illustration).

Figure 10: Annual FDI inflows for Zimbabwe, Zambia, Mozambique, Ireland and South Korea vs. the World Average



Source: Author using UNCTAD statistics

What can be deduced from the graph above in (Figure 10) for annual FDI figures for the five (5) countries in relation to the whole world?

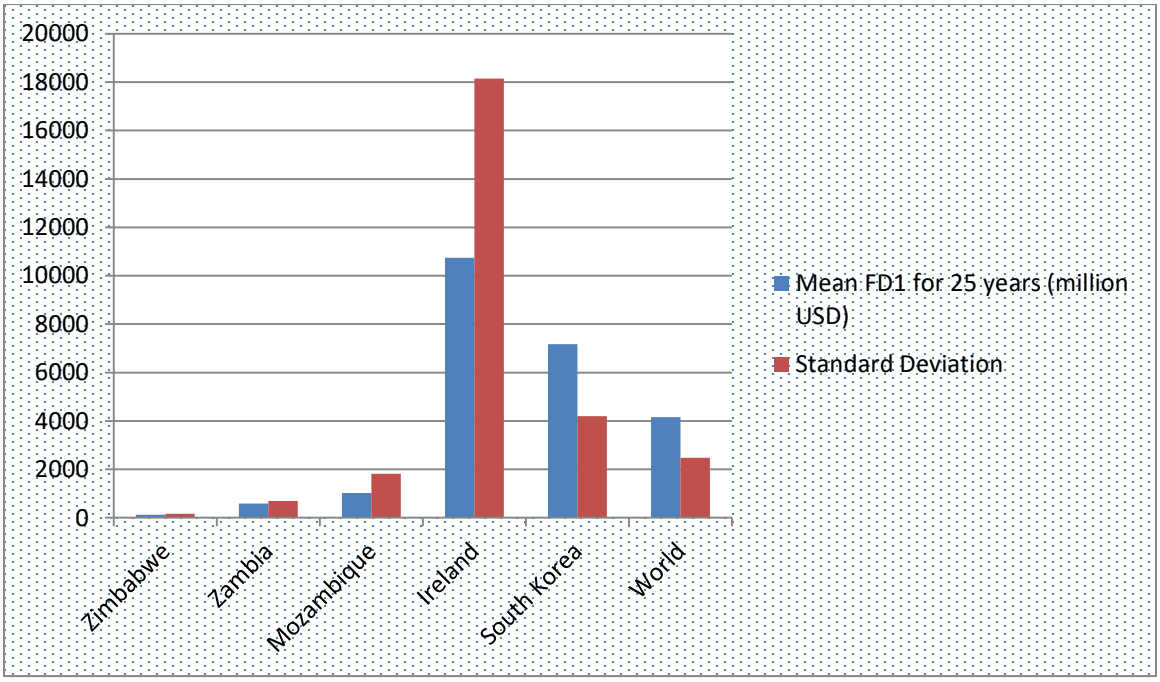
Strategies to boost FDI inflows for Zimbabwe

- For all the countries under analysis between 1990 and 1998, respective FDI inflows almost mirrored the world average.
- Variations began in 1999, where the averages for South Korea was always above the world average. The annual FDI for Ireland was fluctuating. However, for the greater part it was above the world average. This shows that the sound FDI policy reforms paid greater dividends as FDI inflows increased rapidly.
- On the other hand from 1998, figures for Zambia, Zimbabwe and Mozambique were always below the world average to a very large extent. However, Zambia and Mozambique have great potential as shown by their robust growth rate in FDI inflows owing to sound FDI policy reforms.

4.1.8 Comparison of mean FDI and Standard deviations for the five countries under study against world parameters

Using statistical data from UNCTAD FDI inflows from 1990 – 2014, the author calculated the means and standard devations for the five countries under investigation and they were compared with the world for country risk assessment on investment climate - see Figure 11 below for illustration.

Figure 11: Mean FDI inflows for 25 years for Zimbabwe, Zambia, Mozambique, Ireland and South Korea versus their respective standard deviations



Source: Author using UNCTAD statistics and his calculations

Mean versus standard deviations for FDI inflows behavior analysis

From Figure 11 above, it can be deduced that:

- Annual FDI figures for South Korea and Ireland are above the world average. However, STD for Ireland is greater than mean representing high degree of volatility and capital

outflows. The means for the world and South Korea are greater than the STDs representing less volatility and a rather stable FDI promotion policy for South Korea perhaps underpinned by macro-economic stability. The Korean FDI capital flow behavior approximates the world FDI capital trend line, a scenario which shows that Korea is an open economy in terms of trade and investment. This behavior confirms Dr In-Chul Kim's statement that Korea has signed free trade agreements (FTA) with major economic blocs such as the European Union, United States and China and Korea's FTA network covers 70 percent of the World GDP.[15] This analysis confirms **Fig 2** for Korea in the literature review section.

- Annual FDI figures for Zimbabwe, Zambia and Mozambique are below world average. More so, the STDs for the same countries are bigger than their means but the difference is not so much pronounced. Countries in such a predicament are likely to experience capital outflows. This reflects that they were and are still vulnerable to economic and political instability especially before the FDI policy reform period.
- However, Mozambique performed better than Zambia. Mozambique has a better advantage of its proximity to the Indian Ocean which makes investment and trade easy. In addition, its population of around 27 million and Free Trade Agreements serve as a customer base for the investors' products and services. The existence of FDI mega projects in natural gas and coal exploration further explains Mozambique's increasing FDI inflows trend. However, dedication and commitment to policy reforms by the political leaders count a lot in attracting and retaining FDI. It is also the author's emphasis that the white farmers who lost their land during the land reform program in

[15] Dr In-Chul Kim expressed the statement in the Invest Korea Express of May 2015 in an interview after being appointed the Foreign Investment Ombudsman of Korea

Zimbabwe in 2003 were accommodated into Mozambique and Zambia commercial farming business thereby boosting their FDI inflows.

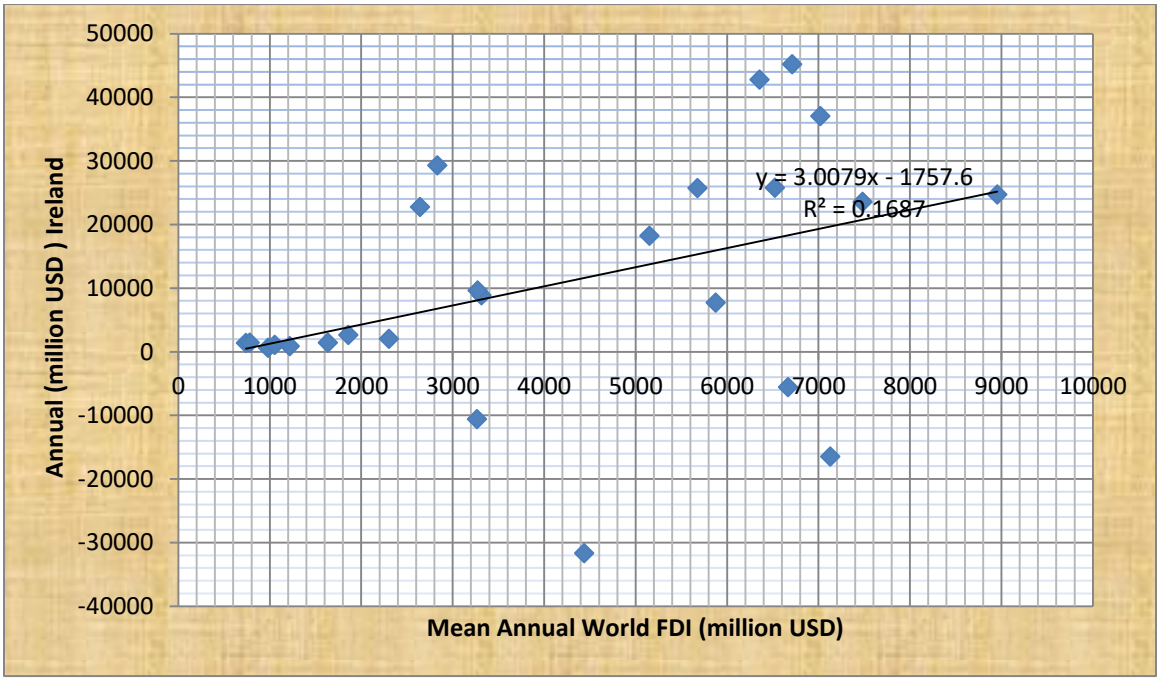
4.2 FD1 Capital Inflow Analysis by Country – Scatter Diagrams and Regression Analysis

This subsection highlights the FDI capital inflow analysis for the five (5) countries under study.

4.2.1 Ireland FDI inflows versus World Average inflows – Regression Analysis

Using statistical data from UNCTAD, a comparison between Ireland FDI inflows and the world was done. See Figure 12 below for illustration.

Figure 12: Scatter diagram and regression analysis for Ireland FDI inflows versus the World average inflows



Source: Author using UNCTAD statistics and his calculations

From Figure 12 above and *appendix 5* on page 87, statistical data can be interpreted as follows;

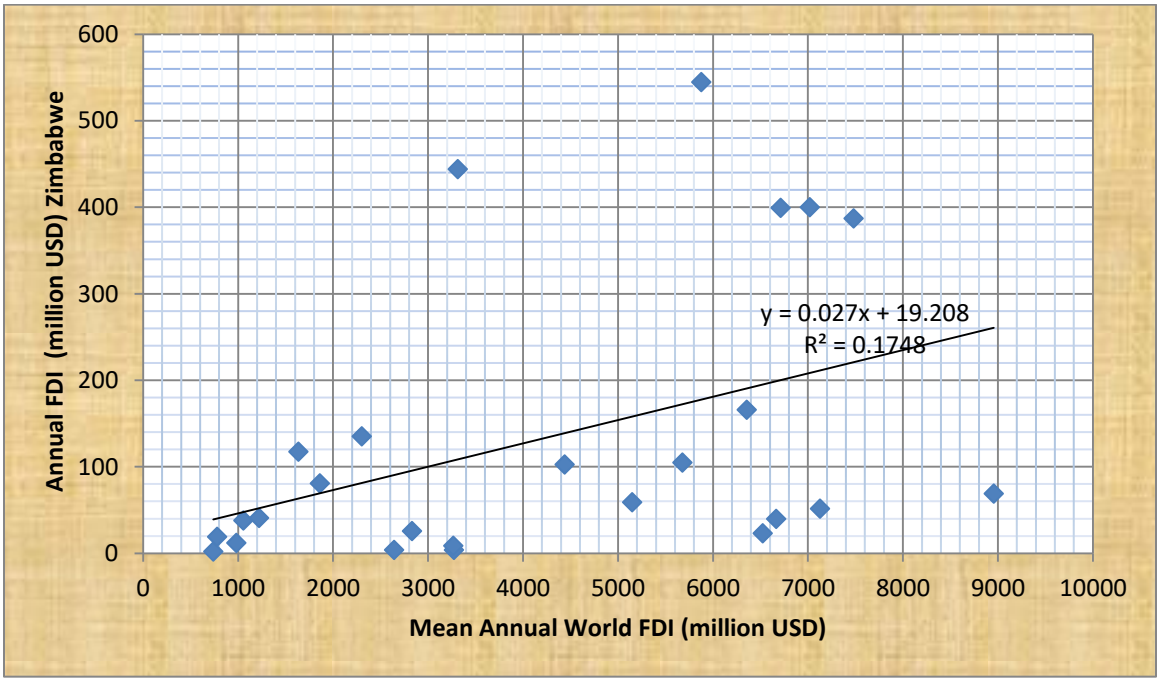
Beta x =3.00079 which means FDI inflows is 3 times the world average FDI inflows and for a dollar of world average FDI inflows Ireland gets at most $3.00.

R squared = 0.1687 it means that about 17% of the variations in FDI for Ireland is explained by variations in the average world FDI. It means 83% is explained by other factors, what are these factors? They include good ease of doing business indices, FDI on-line and off-line marketing, FDI targeting policy, macro-economic stability as well as a strong human resource base.

4.2.2 Zimbabwe FDI inflows versus World Average inflows – Regression Analysis (The FDI Promotion Policy Significance)

Using calculations from UNCTAD FDI inflows, Zimbabwe FDI inflows were regressed to the world average (see Figure 13 below for illustration).

Figure 13: Scatter diagram and regression analysis for Zimbabwe FDI inflows versus the World Average inflows



Source: Author using UNCTAD statistics and his calculations

From Figure 13 above and *appendix 2* on page 84, statistical data can be interpreted as follows;

Beta x = 0.027 which implies that for every dollar of average world FDI inflows, Zimbabwe approximately receives at least 3 cents as FDI inflows.

Correlation coefficient is 41.80% which means that there is a semi strong positive correlation between Zimbabwe and world FDI inflows.

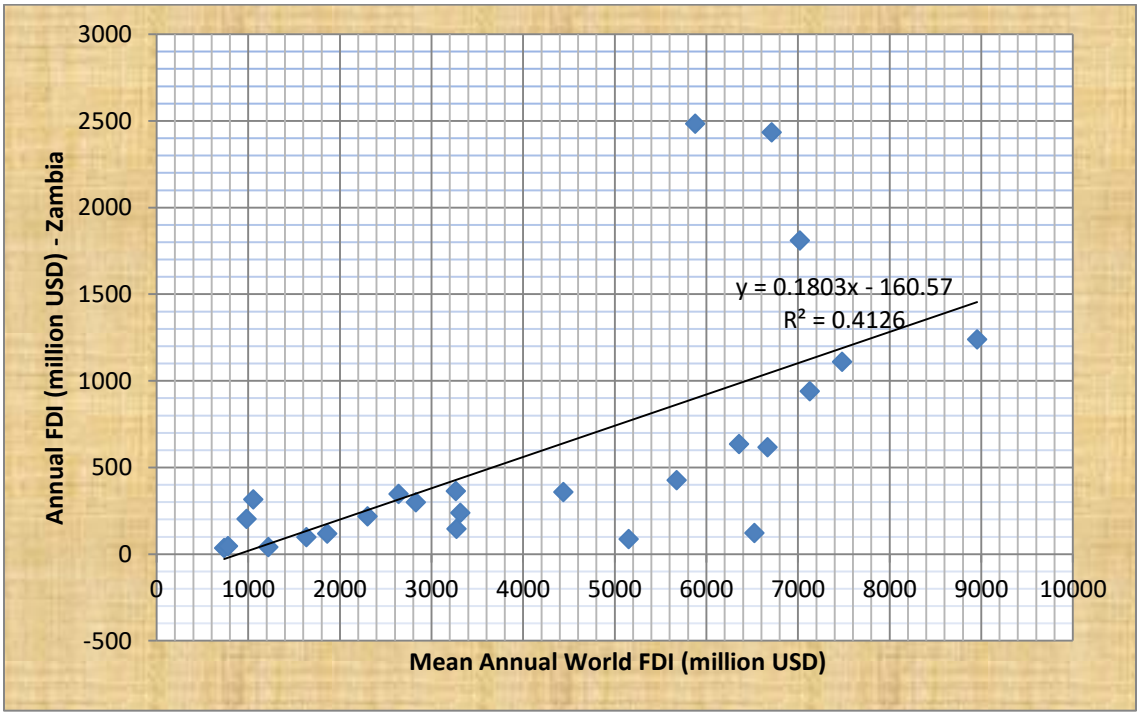
R squared is 0.1748 which implies that 17.48% of changes in Zimbabwe FDI inflows are accounted for by changes in world FDI which are influenced by global mega trends such as the global financial crisis among other trends.

About 82.52% of variations in FDI inflows figures are accounted for by other factors. These factors include; FDI promotion policies such as marketing, FDI incentives, One Stop Shop for Investors, Targeting specific sectors such as gold, diamond, coal exploration among others. The 17.48% implies that world variations in FDI figures for Zimbabwe are contributing to 17.48%. On a balance of probability, this leaves 83% to be attributable to other factors which are under Zimbabwe's control. To this extent, 83% of the factors are controllable unlike the fluctuations in the World Average which cannot be controlled by any country. It means that Zimbabwe has the greatest opportunity to manipulate its policies so that they become investor friendly and will be able to attract more FDI. In this regard, the trend for Zimbabwe is positive. What is required therefore is to craft good FDI promotion policies. Pursuant to this, receiving FDI capital of US$450 million in 2015 reflects an increase in FDI inflows. However, a figure of at least US$1.5 billion (approximately *0.3 times world average FDI inflows*) would be more useful towards the realization of Zimbabwe's developmental goals.

4.2.3 Zambia FDI inflows versus World Average inflows – Regression Analysis

Using statistical data from UNCTAD and the author's calculations, FDI inflows for Zambia were regressed to the world average. See Figure 14 below for illustration.

Figure 14: Scatter diagram and regression analysis for Zambia FDI inflows versus the World average inflows



Source: Author using UNCTAD statistics and his calculations

From Figure 14 above and *appendix 3* on page 85, statistical data can be interpreted as follows;

Beta x = 0.1803 which means that for every average world FDI inflows of a dollar, Zambia gets at most 18 cents as FDI inflows.

Correlation coefficient is 64.23% which means that there is a positive correlation between Zambia and World FDI.

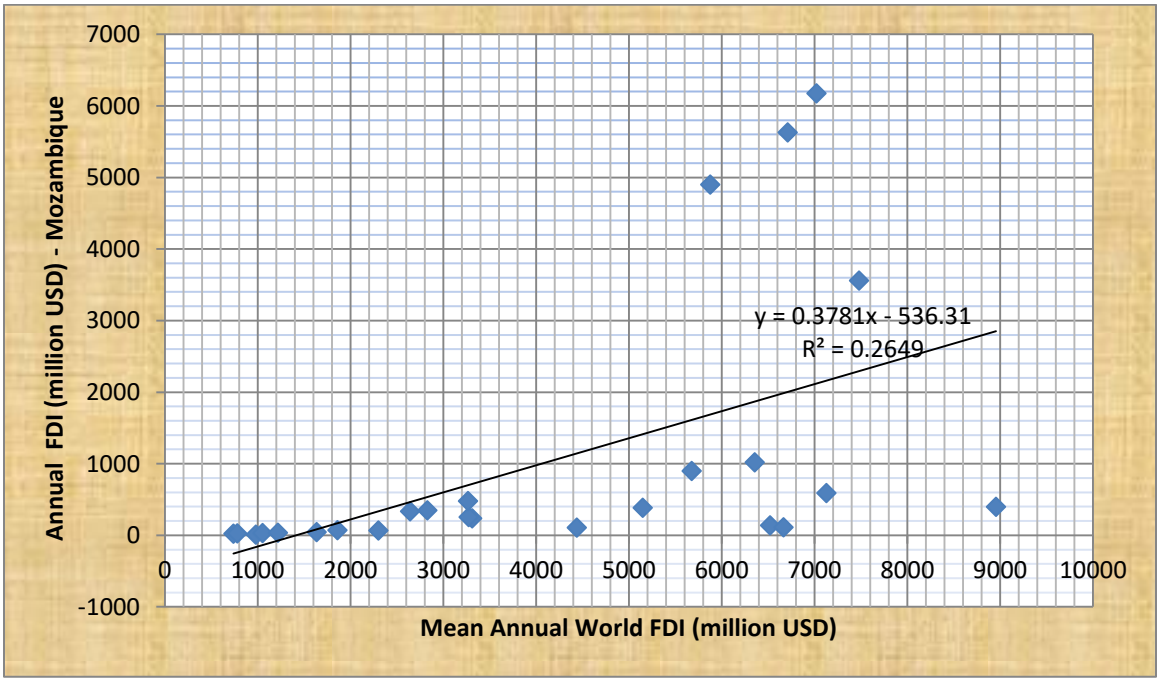
R squared is 0.4126. It means that 41.26% changes in FDI inflows are accounted for by changes in world FDI.

About 59% is accounted for by other factors which are ease of doing business index, liberalization, privatization, special economic zones, availability of resources such as copper and the boom in world price in the resources among others.

4.2.4 Mozambique FDI inflows versus World Average inflows – Regression Analysis

Using statistical data from UNCTAD and the author's calculations, FDI inflows for Mozambique were regressed to the world average (see Figure 15 below for illustration).

Figure 15: Scatter diagram and regression analysis for Mozambique FDI inflows versus the World Average inflows



Source: Author using UNCTAD statistics and his calculations

From Figure 15 above and *appendix 4* on page 86, statistical data can be interpreted as follows;

Beta x = 0.378 which means that for every average world FDI inflows of a dollar, Mozambique gets at most 38 cents as FDI capital. (0.38 times world FDI average)

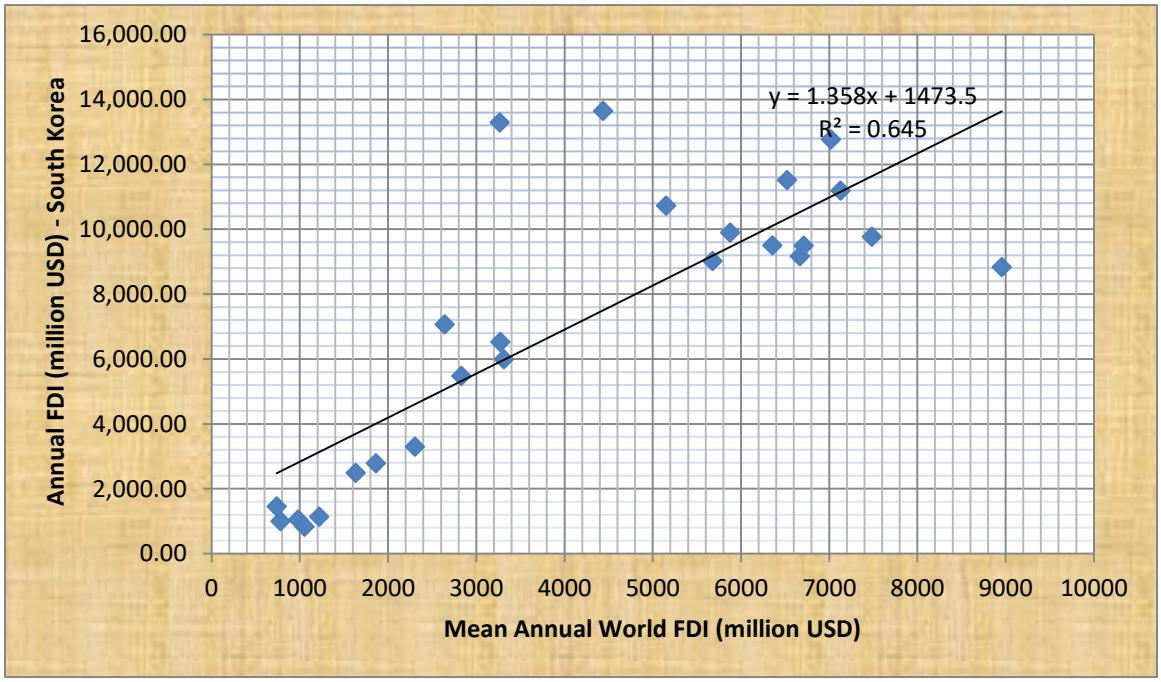
Correlation coefficient is 51.47% which means that there is a semi-positive correlation between Mozambique and World FDI.

R squared is 0.2649. It implies that 26.49% changes in FDI inflows are accounted for by changes in world FDI inflows. About 73.51% is accounted for by other factors. The factors include improvement in ease of doing business being given impetus by the Beira corridor, infrastructure development such as road network, railways, sea and airports, liberalization, privatization, peace and macro-economic stability, FDI marketing and promotion among other factors.

4.2.5 South Korea FDI inflows versus World Average inflows – Regression Analysis

Using statistical data from UNCTAD and the author's calculations, FDI inflows for South Korea were regressed to world average. See Figure 16 below for illustration.

Figure 16: Scatter diagram and regression analysis for South Korea FDI inflows versus the World Average inflows



Source: Author's calculations from UNCTAD statistics

From Figure 16 above and *appendix 6* on page 88, statistical data can be interpreted as follows;

Beta x = 1.358 which means that for every average world FDI inflows of a dollar, South Korea attracts at least 1.36 times the average world FDI inflows.

Correlation Coefficient is 80.3% which means there is perfect correlation between South Korea annual FDI and mean World FDI.

R squared is 0.645. It implies that 64.5% of changes in FDI inflows are accounted for by changes in world FDI, a scenario which shows that South Korea is a more open economy. 35.5% changes are accounted for by other internal factors.

4.3 Major Conclusions from UNCTAD FDI inflow Analysis for the 25 Year Period (1990 - 2014) – Clarifying the Hypotheses of the Study

Regression Analysis using the tools of scatter diagrams and regression equations have added value to this research. Having critically analyzed 1990 to 2014 FDI inflows for Zimbabwe in relation to Zambia, Mozambique, Ireland, South Korea and the world, the author's major findings are that, on a balance of probability:

i) Zimbabwe attracts only **0.027 times** the world average FDI inflows **(3 cents per every dollar of average world FDI inflows)** which means its *far below world average* in comparison to its regional counterparts Zambia and Mozambique, [3% of world average].

ii) For every dollar of average world FDI capital inflows, Zambia gets approximately **20 cents** whilst Mozambique gets **40 cents** (which means they are **0.2** and **0.4** times world average FDI inflows), [20% and 40% of world average respectively].

iii) For a dollar of world average FDI capital, South Korea gets **1.36** times **($1.36)** – [36% above world average] whilst Ireland the "Crouching Celtic Tiger" gets **3 times ($3.00)** – [200% above world average]**.** It means Ireland and South Korea use aggressive FDI promotion and marketing policies which enable them to attract more than the world average FDI inflows.

The above analysis has also demonstrated that Ireland and South Korea are models worth learning lessons from. However, despite being control case studies, what need to be

appreciated is that South Korea has an advantage of huge market basing on a population of around 50 million together with access to the sea, trading with major economies such as China and Japan. On the other hand, despite having a small population of less than 5 million, Ireland's market has been boosted by its entry into the European Union which facilitated access to Free Trade Agreements. Judging from the above data interpretation results, it is evident that Zimbabwe needs much work on FDI marketing, promotion and after-care services to increase its times ratio from at least **0.027 times** world average to (**at least 0.3 times** world average which translates to **$1.5 billion** annual FDI inflows) to enhance economic growth and development.

In the following section, the author will discuss and synthesize secondary and primary data gathered into thematic areas which are the summarized key determinants in the attraction of sufficient FDI inflows to improve economic growth and development. These key determinants include: Ease of Doing Business Indicators, Economic Freedom Indicators, FDI marketing strategy, FDI care services (Incentive structure), Human Development and Absorption Capacity as well as FDI after-care services.

SECTION FIVE (5): DISCUSSION AND SYNTHESIS OF FINDINGS

5.1 Introduction

An examination of the above results has shown that countries that have increased their FDI inflows have managed to embrace a comprehensible FDI promotion policy which covers the 7 P strategic frameworks to attract FDI. In this framework, the 7 Ps are place (mode of interfacing with investors both on line and off-line), price (cost of investment or doing business), people (skills and commitment of people important for boosting FDI inflows), product (set of incentives to attract investors), positioning (image of country in relation to other competitors), promotion (ways of attracting investors) and performance (solving investor grievances). FDI promotion and facilitation policy (7Ps) is refined to: improvement in ease of doing business, improvement in economic freedom indicators, marketing Zimbabwe as a safe FDI destination by using both online and off-line channels, FDI care services such as tax incentives and other incentives to attract investors. Promotion also touches on critical aspects such as Human resource base training and development to improve FDI absorption capacity. In addition, promotion also include prioritizing FDI after-care facilities that will improve state investor relations through making sure that grievances of investors are resolved in time in an amicable way that will not hinder investor operations.

To get a deeper insight on the research topic, the researcher has collected primary data concerning problems being faced by key stakeholders who deal with FDI administration and Foreign Directed Investment companies operating in Zimbabwe. For this primary data, please refer to *appendices 7 and 8* on pages 89 and 90. This primary data has been used throughout this section to confirm secondary data, highlight policy gaps and other general hindrances that impede the flow of FDI inflows into Zimbabwe.

5.2 Ease of Doing Business Indicators

Table 2: Comparison of Selected Ease of Doing Business Indicators for Zimbabwe, Zambia, Mozambique, Ireland and South Korea

Index	Index Components	Zimbabwe	Zambia	Mozambique	Ireland	South Korea
Starting a business	Time (days)	90	6.5	13	6	4
	Procedures (number)	9	5	9	4	3
Enforcing contracts	Time (days)	410	611	760	650	230
	Procedures (number)	38	35	30	21	32
Trading across borders	Documents to export (number)	7	7	7	2	3
	Time to export (days)	53	51	21	8	8
	Time to import (days	27	53	9	2	3
Paying taxes	Payments (frequency per year)	49	37	37	9	10
	Time (hours/year)	242	177	230	80	187
	Profit tax (%)	19.2	1.3	31.3	12.4	18.4
Getting Credit	Depth of credit information index (0-8)	3	7	5	7	8

Index	Index Components	Zimbabwe	Zambia	Mozambique	Ireland	South Korea
	Strength of legal right index (0-12)	5	7	1	7	5
Doing business (2014)		172	107	142	17	5
Doing business (2015)		171	111	127	13	5

Source: World Bank

Analysis of Table 2: Ease of Doing Business Reforms for the five (5) countries

Ireland and South Korea have a solid track record of constantly improving FDI strategy in terms of ease of doing business to yield the desired results. This perhaps explains why they have managed to attract above average world FDI inflows from 1990 to 2014.

Mozambique and Zambia have managed to attract FDI better than Zimbabwe because their doing business indicators are fairly good. The procedures and cost for starting a business are too high for Zimbabwe. For example, it costs USD 3,000 to obtain an investor's license in Zimbabwe whereas the same license can be obtained for USD 2 and USD 33 in Zambia and Mozambique respectively. This high cost coupled with high bureaucracy lead to investor fatigue. One Officer from Ministry of Macro-Economic Planning and Investment Promotion cited that time to export can also be lengthened by lack of real time system and the delay by custom officials who will want to be pushed after they have been given bribes. It can also be considered that high corporate tax may *militate against corporate savings and re-investment.* An officer with the Ministry of Finance and Economic development agreed with the World Bank that high tax are penal to the potential investors. He further suggested that there is need for tax holidays

and low corporate tax for heavy industries such as mining and manufacturing sectors which are capital intensive investment operations.

Credit is an essential instrument to expand a business. Officers from Ministry of Finance highlighted that banks are not offering long term capital to investors because of risk and liquidity crisis. Management at British Oxygen Corporation and Pioneer Transport Corporation which are foreign invested companies supported the issue of credit playing a crucial role in business operations. They highlighted that even though initial capital outlay comes from the foreign investor, in the long term they would need to borrow from the domestic financial market to expand their businesses and spearhead economic growth. An officer from DuPont Pioneer highlighted that whereas DuPont Pioneer branches in Zambia, Kenya, Ethiopia and South Africa were given operational grants to upgrade their breeding (research), production and marketing from USA the parent country for DuPont Pioneer, this is not the case for Zimbabwe. The respondent cited lack of clarity on indigenization policy. Resultantly, DuPont Pioneer Zimbabwe had to resort to overdraft facilities of 23% interest rate per month and this affected profitability and Return on Investment. The above respondents seem to concur with the World Bank's low rating for Credit in Zimbabwe as shown in table 3 above. The banks must therefore be able to offer long term capital to investors at affordable concessionary rates. The reason why Singapore is managing to attract more FDI inflows is that it has robust financial services sector that provides credit to investors and the international community at affordable rates.

Overall, the doing business index for Ireland and South Korea is excellent due to the efficient and effective One stop Investment shop for investors. It is important to note that Ireland has improved by 4 steps from 2014, while Mozambique has improved by 15 steps reflecting the

commitment to improve ease of doing business. Zimbabwe has managed to improve by only one step reflecting slowness to reform.

Another important factor which accounts for improvement in FDI inflows is embracing economic freedom environment. Economies with significant FDI inflows have opened up for trade and investment by improving economic freedom indicators as shown below:

5.3 Economic Freedom Indicators

Table 3: Economic Freedom Indicators (2015) for Zimbabwe, Zambia, Mozambique, Ireland and South Korea

Indicators	Zimbabwe	Zambia	Mozambique	Ireland	South Korea
Open Markets					
Investment Freedom	0.0	55	40	90	70
Regulatory Efficiency					
Labor freedom	23.7	46	37.9	76.2	51.1
Monetary Freedom	75.4	73.2	82	83.9	81.6
Rule of law					
Property Rights	10	30	30	85	75

Indicators	Zimbabwe	Zambia	Mozambique	Ireland	South Korea
Freedom from Corruption	21	38	30	72	55
2014 world rank	176	88	128	9	31
Overall score	35.5	60.4	55	76.2	71.2
2015 world rank	175	100	125	9	29
Overall score	37.6	58.7	54.8	76.6	71.5

Source: Heritage Economic Freedom Index Report.

Interpretation and Analysis of Economic Freedom Index Variables in Table 4 above

- **Investment Freedom index of 0** – this is mainly because of the cap on foreign investment that the government has put in place. For example, in the Indigenization and Economic Empowerment Act, the Zimbabwe government stated that foreign investors are supposed to cede 51% equity stake to indigenous Zimbabweans. The situation has been worsened by the fact that the government has been inconsistent in the interpretation of the indigenization and economic empowerment program. All respondents across all the clusters alleged that government ministers have not been speaking with one voice in the interpretation of the policy, thereby putting Zimbabwe in "a proceed with caution mode" in the eyes of potential investors as this has also resulted to waning of market confidence. This situation has created *political risk which pushes investors away*. The scores are slightly above 50% for Zambia and slightly above 50% for Mozambique whilst the FDI

models of Ireland and South Korea have high scores meaning they value and respect freedom of choice in investment.

- **Labor Freedom index of 23.7 –** Zimbabwe has tight labor laws which have made it difficult for companies to lay-off workers even during difficult operating conditions. Zambia and Mozambique are doing fairly well though interpretation of labor codes is still a problem. From the table 3 above, it is evident that Ireland has a high labor freedom index because of its value and respect for labor market flexibility. This point is emphasized by ICF/World Bank Ease of Doing Business (2013) which stated that both the UK and Ireland have a relatively flexible labor market which means it is easy to hire and fire workers. It will be easy for companies to contain costs to acceptable levels during difficult operating conditions.
- **Monetary Freedom index of 75.4 –** Zimbabwe has done relatively well. Monetary Freedom was boosted by the introduction of the stable multiple currency regime in 2009. In this regard, it is in the same wave-length with other models. Multiple currency regime has managed to remove exchange rate risk. However, it is the author's argument that even though the multiple currency system has brought freedom to the investors the Central Bank has lost control of money supply hence the economy is vulnerable to liquidity crisis.
- **Property Rights index of 10 –** Judging from the above, Zimbabwe has the lowest score of the five countries under investigation. All respondents from foreign invested companies and government departments touched on this issue of property rights playing a significant role in FDI attracting. In Zimbabwe property rights have been violated by the chaotic land reform program that took place in 2000. Even though the indigenous

Zimbabweans got land, the program affected commercial farming activities due to shortage of capital and skills in agriculture. Particularly officials from DuPont Pioneer and Seed Co stated that the land reform program did not only affect property rights but also *market size*. The market size depressed due to the land reform program. The period before land reform program had vibrant commercial farming which would demand 50 000 metric tonnes of maize seed to be put under maize farming production. After the land reform program, the market demand for maize seed was reduced to 20 000 metric tonnes indicating a *60% market size decline*. Officials from DuPont Pioneer also stated that ZIDERA sanctions affected the Research and Development side since Zimbabwe sanctions restricted Zimbabwe from breeding germ plasma – which is breeding material from USA. Though slightly above Zimbabwe, respect for property rights is still a problem for Zambia and Mozambique with score of thirty (30). The control cases of Ireland and South Korea value property rights much and therefore are able to build trust and confidence with foreign investors.

- **Freedom from Corruption index of 21 –** Zimbabwe has recorded the lowest score among the other four countries under investigation. Corruption is rampant in government. Corruption increases the costs of doing business. It therefore pushes foreign investors away. Civil servants demand bribes and kickbacks for services to be offered including awarding of operating licenses to investors. Respondents from ZIA and MMEPIP concurred with Heritage Foundation as they said corruption is rampant and it reduces Return on Investment. From the author's perspective, corruption is further increased by high human interaction with permit issuing officers which increases corruption as opposed to on-line licensing. Zambia and Mozambique though above Zimbabwe still

need to invest more in stamping out corruption. For Ireland, Corruption is minimal as evidenced by an efficient and independent judicial system that is able to fight corruption. In Ireland, both domestic and foreign investors are treated equally in terms of the law.

5.4 FDI marketing Strategy

Zimbabwe's marketing efforts have been negatively affected due to shortage of financial resources. The country is operating on a limited fiscal space and Zimbabwe Investment Authority (ZIA) has not been adequately funded. According to ZIA official, the situation has been worsened by the fact that Zimbabwe has been placed under sanctions for the past fourteen (14) years. This has created risk in eyes of potential investors.

Whilst Zimbabwe national brand image has been damaged by economic sanctions, Mozambique and Zambia took advantage of affiliations such as World Bank's Multilateral Investment Guarantee Agency (MIGA) in marketing their countries for attracting FDI capital. MIGA has been providing technical assistance to Investment Promotion Center of Mozambique (CPI). This technical assistance include: dissemination of information on investment opportunities and business environment through online services. It also covers training of organizations and institutions responsible for investment promotion as well as teaching them to identify and attract investment using concepts like targeting and on-line networking. Similarly, Zambia's Zambia Development Agency (ZDA) is also benefiting from MIGA. The major boost for MIGA is assurance of investors thereby reducing the country risk profile in the eyes of investors.

CPI and ZDA have also embraced a culture of building relations with the media to market their countries. In Zimbabwe, the private media has caused collateral damage to

Zimbabwe as it is portraying Zimbabwe as a country which is corrupt and does not respect the rule of law. Respondents also cited that international media such as BBC and CNN as opinion leaders have been portraying Zimbabwe as a country which violates property rights and there is need for image restoration through enforcement of property rights. In addition, CPI and ZDA regularly update their websites on the current macro-economic trends obtaining in the country to keep both current and potential investors apprised of the operating environment. This is not the case with ZIA. However, both CPI and ZDA have no other languages like Chinese, Spanish etc. on their websites. This is also similar to ZIA. An analysis into the websites of IPAs has indicated that the world is changing at a faster rate in terms of technology. For example, a visit on Ireland website will see an investor being greeted by a voice and the potential investors will be attracted by a lot of incentives that Ireland offers to investors. Every country yearning to increase its FDI market share must follow suit.[16]

To strengthen their marketing edge, some developed countries like Ireland have also managed to establish their investment promotion agencies in their major FDI source markets to maintain and increase their FDI market share. Whilst this is the case for other countries, ZIA office is understaffed and lack skills to market Zimbabwe as an investment destination. The million dollar question is given the "cut throat" competition among IPAs, *how can developing countries such as Zimbabwe strive to reach the top 20 FDI attracting global ranking?* ZIA must be able to locate itself in those top 20 countries such as the US, UK, China, Germany among other developed and emerging market economies to tap some investors to its benefit. This point was emphasized by an officer from the Ministry of Finance and Economic Development who

[16] The above analysis is based on the author's observation of ZIA website on, https://www.investzim.com, ZDA website on https://www.zda.org.zm, CPI website on https://www.cpi.co.mz and IDA website on https://www.idaireland.com, consulted on 14 October 2015.

said that Zimbabwe has adopted a look East Policy a scenario which implies that the country is only looking for foreign investors from the East like China. The officer emphasized that Zimbabwe must look to all directions to diversify and increase its FDI source markets.

ZIA website does not also show the strategic position of Zimbabwe on the world map. Limited connectivity with major FDI source markets in the airspace is another market challenge for Zimbabwe.

5.5 FDI Care Services – Incentive Structure

It is important to note that Zimbabwe has good incentives such as five (5) year tax holidays and duty free or less on imported goods of a capital nature. However, these incentives are common. The author interviewed respondents from Duration Gold, a mining company operating in Bubi District, the Western side of Bulawayo. A Mauritius based Clarity Capital Holding which owned 49% stake in Duration Gold pulled out citing lack of clarity on indigenization policy. Kazakhstan based investors also expressed interest in Duration Gold but pulled out citing lack of clarity in indigenization policy. More so, interviewed foreign invested companies especially in the mining sector expressed the view that cost of doing business is high being caused by multiple levies such as levies from Environmental Management Agency (EMA), local authorities as well as central government tax which reduces operational viability or Return on Investment. An Officer with the Ministry of Finance and Economic Development hinted on the need for policy co-ordination in levy reduction especially in extractive industries. Other developed countries have created a differentiation strategy on incentives to gain competitive edge against investment destination rivals. Other countries such as Ireland have gone as far as providing cheap loans and employment grants to investors. However, this may not be a viable

option for Zimbabwe due to limited fiscal space. In the similar vein, South Korea has good incentives to attract Foreign Investors. For example, there is the Korean Investor Incubation Centre. Foreign Investors who come to Korea will be given office accommodation for the first two years. There is rather rented convenient office space at competitive rate, with immediate access to all company related registration process such as;

- Citizen application, company registration and notarial lawyers
- Free Wi-Fi and meeting room facilities
- The rentals for the accommodation are 20% to 30% cheaper than the prevailing market rate
- Invest Korea will also provide investment consultancy up to a time when the investors are fully apprised of the Korean culture and business operating environment.

However, it can be argued that the above differentiation strategy in the incentive structure requires countries with great fiscal space like developed countries. The strategy requires investment in infrastructure.

5.6 Investor After care Services: Investor Retention Culture (Smooth Performance Environment)

The Zimbabwe government/investor relations: A snapshot survey: Telecommunications, Agriculture and Mining Sectors

1. Zimbabwe Government /Telecel Case

   In this case, the government threatened to withdraw the Telecel operating license over failure by Telecel Communications to cede its stake to indigenous investors. The Netherlands based Telecel Globe owns 60% stake in Telecel Zimbabwe which is in contravention to the Indigenization and Economic Empowerment Act. In addition, the government wanted Telecel to pay $137.5 million for an operating license and was given

a short deadline despite shortage of liquidity in the economy[17]. In this case, Telecel has sued the government over the case. The case is still before the court. This is increasing risk for potential investors who get bored by the lengthy process.

2. Zimbabwe Iron and Steel Company (ZISCO Steel)/Indian Essar Case.

   In this case, Indian Essar wanted to inject $750 million to revive ZISCO. In the arrangement government was to own 36%, the workers 10% whilst Essar would own 54%. Disputes over owning of mineral claims and the company's debt stalled the investment deal.[18] The issue was supposed to have been solved and the government would have attracted the $750 million capital to revive the steel maker. The steel maker has the potential to create 6000 jobs. It has also the potential to "crowd in" domestic investors through creating backward and forward linkages in the economy.

3. Rio Tinto/Zimbabwe Government Issue.

   Rio Tinto mining giant pulled out of Zimbabwe. The main sticky issue was that government planned to merge all diamond mining companies into one state owned corporation in which the government will have 50% stake. The move to move out of Zimbabwe was triggered by a dispute over an export levy on unrefined diamonds. As Rio Tinto get out of Zimbabwe, it got diamond exploration project from India.[19] This issue has been cited by one officer from the Ministry of Finance and Economic Development who hinted on policy inconsistency and remarked that "today we grant operating licenses to the investors, today we take them" It betrays the confidence and trust investors have on

[17] This is consulted from The Financial Gazette: Telecel scrambles to Save Operations, 2 April 2015, retrieved from https://www.fingaz.co.zw.

[18] Consulted from the Financial Gazette of August 6 2015, ZISCO workers petition government, retrieved from www.//fingaz.co.zw on 29 September 2015

[19] Consulted from Fin 24: Zimbabwe: Rio Tinto Zimbabwe Exists Zimbabwe As Plans To Merge Germ Firms Take Shape, retrieved from https://www.news24wire.com, on 28 September 2015

the government. The above scenario shows that the government has controlled too much the investment environment to an extent that there is regulatory overkill to the detriment of investment operations.

4. To further highlight the fact that foreign invested companies have grievances with the government in their business, respondents from foreign invested companies cited the government's inability to pay debt in time to companies as a challenge to both existing and potential foreign invested companies. An official from Seed Co mentioned that a foreign investor (French based Lima grain with 32% stake in Seed Co) wants to inject capital to the tune of USD 60 million into Scientific Research and Development in the Agriculture sector but (Lima grain) mentioned that government must first of all clear the debt it owes to the targeted company before the investor injects the capital.

The above scenario is a pointer to the effect that in Zimbabwe there is no adequate mechanism to look into the grievances between government and investors. Investors, both domestic and foreign have lodged complaints on treatment but the resolution process is lengthy and exhaustive. The Telecel/Zimbabwe government case shows a situation where it can take a lengthy process before investor government relations got resolved, this being deterrent to future investors. Other countries which have done well in solving grievances of investors have set a good record internationally in the eyes of investors and are attracting above average world FDI. A good case in point is the South Korean Foreign Ombudsman office. This office has managed to solve the grievances of investors in Korea to build investor confidence with the government. The World Bank has also recommended Russia to adopt the Ombudsman office to solve investor grievances in order to retain them. The Foreign Investment Ombudsman will act

as the vanguard and trustworthy partner of the foreign invested companies. *In this regard, grievance resolution is based on the hope that satisfied investors will reinvest more than new investors*. The experience that the expert doctors in the legal, taxation, environment among other areas gain will enable the office to be pro-active in advising the government on policy matters to even avoid complaints before they come. This explains why In-Chul Kim stated that the liberalization of cross-border investment in a world economy maximizes value to the international community. The foreign Investment Ombudsman is a catalyst of maximizing such value.[20] This will ensure that there is fairness in the rule of law.

5.7 Human Development and Absorption Capacity

From the above findings, it is evident that an educated workforce is critical to attract and retain FDI. Zimbabwe has been experiencing brain drain to steer economy forward. Other nations that have above average annual world FDI inflows have managed to train their IPA team in the field of FDI promotion and marketing. The example is South Korea. In the similar vein, Ireland educated its people in the field of science and engineering to cater for the target sectors of foreign investors. To gain further from FDI, Ireland designed an entrepreneurial policy which ensured that indigenous people employed by foreign investors would start their businesses later to increase economic production. The above human development must be partnered alongside a vibrant advanced financial market offering loans to potential investors at affordable rates as the case of Singapore among others. The next section will highlight recommendations and conclusion.

[20]Dr In-Chul Kim, the Foreign Investment Ombudsman of Invest Korea being quoted in the Invest Korea Express of May 2015, retrieved from https://www.investkorea.org.

SECTION SIX (6): RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

In order for the recommendations on FDI marketing, promotion and facilitation strategies to work, Zimbabwe FDI policy must prioritize sound institutional framework, good governance indicators as well as good socio-economic policies and legal frameworks,

6.2 Institutional Framework

This subsection highlights the priority areas of attention from institutional point of view which needs to be rectified to improve FDI capital inflows into Zimbabwe as follows:

6.2.1 One Stop Shop for Investors: Zimbabwe Investment Authority (ZIA) must ensure that One Stop Shop for Investors is functional as this will help to improve the ease of doing business for the country. One Stop Shop for investors will witness removal of regulatory bottlenecks to ensure that investors get information, services and assisted instantly. This can be improved through the launching of Government to Government – a one stop centre integration of information systems so that investors are served on time. In Zimbabwe, the current cost of investor license which stands at USD 3,000 is high in comparison to the charges by its regional counterparts. In light of the above, ZIA must reduce the cost of investor's license to levels charged by other countries in the region such as Zambia and Mozambique, both of which charge less than USD 40 for the same license.

6.2.2 Improvement in marketing capabilities: ZIA must also train its staff in marketing. Marketing in this ever changing global environment is becoming dynamic. The country marketing team must be well versed with targeting and networking strategies such as using LinkedIn etc. Guerilla marketing is also important. Competition alone does not count but rather the government must also cooperate with competitors. As a result of coo petition strategy, ZIA

must also arrange twinning strategy with regional sister investment promotion agencies such as Zambia Development Agency (ZDA). Government must also establish ZIA offices in major FDI source markets responsible for marketing the country. This means that in order to strive for entering the top 20 FDI attracting world rank, ZIA must locate itself in those top 20 countries such as Germany, USA, UK, China among others. Government must also capacitate embassies to be able to advertise Zimbabwe as the best investment choice. The government must network with MIGA which will provide research and development related to marketing of Zimbabwe as investment destination like the case of Mozambique and Zambia.

6.2.3 Strategically positioning Zimbabwe in the eyes of the rational investors: ZIA staff must be able to prepare Zimbabwe's "uncola" position[21] in the eyes of the rational investors. The intelligent positioning must show the position of Zimbabwe on the world map. Zimbabwe map must show areas or provinces where to invest, the comparative advantage or the items/fields to invest in, for example gold, diamond, coal, copper, tourism among others. Furthermore, the provinces or areas of investment must be connected with good road and air links and the time it takes from one area to the other must also be shown. This will convince the investor that Zimbabwean environment is conducive for investment.

6.2.4 Website Management in line with international best practices:

One of the most convincing strategies of enabling a country increase FDI capital is the use of dynamic investment promotion websites. In this regard, ZIA must also be able to update its website on a regular basis in terms of changes in macro-economic indicators. There is need for *a*

[21] "Uncola" is defined as the ability of a company to strategically relate itself to the market leader so as to be an alternative choice. For example, 7 Up was No. 3 behind Coke and Pepsi but due to its "uncola" it was an alternative choice. Retrieved from https://www.quick-mba.com/marketing/ries-tout/positioning/, consulted on 14 October 2015

more dynamic website design as the global world is changing rapidly in terms of technology. Animation is very important as it will make the country more appealing to the investors. The dynamic design must show culture and relaxing fun as in the case of Ireland at https://www.idaireland.com. Images must also be clear. In addition, the salient features of the website must include other foreign languages from major FDI source markets. *The Ombudsman office for solving grievances of investors must also be put on the investment web page. It might show what has happened and how it was resolved*. The web page must have a good font size and it must show that Zimbabwe is strategically positioned in the eyes of the investors, that is, link to the Beira corridor en-route to the Indian Ocean. It must also show link to the vast Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) markets. This will convince the potential investors that Zimbabwe has a huge market place from which they can buy and sell their goods and services.

6.2.5 Foreign investment Ombudsman Offices: Ombudsman offices need to be erected at ZIA premises to handle investors' problems or grievances such as debt payment, tax and legal issues. This does not only create a smooth operating environment for investors but also will greatly improve investors' convenience. The Ombudsman offices must appear on the ZIA website and showcase the grievances brought to the office and how they were successfully solved. This formalized grievances handling procedure will build confidence and trust for investors.

6.2.6 Visibility of ZIA in major cities and towns: ZIA must also embark on nationwide city and town branding paying particular attention to the locations' comparative advantages such as minerals, tourist attraction among others. This will increase country awareness to the investors. The cities and towns that must be targeted include: Harare, Bulawayo, Mutare, Gweru, Hwange, Victoria Falls, Gwanda, Chinhoyi and Marondera.

6.3 Governance Indicators

This subsection highlights priority areas from governance perspective which need attention to improve FDI capital inflows into Zimbabwe as follows:

6.3.1 Corruption: Corruption increases the cost of doing business and in the process it discourages investment. Zimbabwe has the lowest freedom from corruption rank of 21. The implication is that corruption remains the country's number one enemy whose containment requires total commitment from all stakeholders across the board. To create an environment possible for investment, the government must fight corruption through the Anti-corruption Commission and other relevant stakeholders. Corruption must be dealt with at all levels and must include the prosecution of known cases at low and high offices.

6.3.2 Property rights: In order for Zimbabwe to be considered as a viable investment destination, the country should ratify Bilateral Investment Promotion and Protection Agreements (BIPPAs) with Britain, European Union, USA, East Asian Tiger countries and other foreign direct investment source markets. This is also in line with diversification of FDI source markets to avoid relying on one major source such as China. The violation of property rights during the fast-track land reform program tainted the image of the country in the eyes of investors. In light of the above, BIPPAs would give investors assurance of the protection of their investment in Zimbabwe. The assurance must also further be reinforced by *declaring an end to the land reform program* and create a fund to compensate the victims of the land reform to recover their infrastructure development costs. In addition, it is important to note that the ability to improve FDI inflows in the next five year period and forward is partly US sanction shadow dependent and *the Zimbabwe government must continue to engage with EU and US towards the removal of economic sanctions as FDI capital is a coward which does not want to go where there is risk and a toxic business operating environment.*

6.4 Socio-Economic and legal policy framework

This subsection provides priority areas from socio-economic and legal point of view which need attention to improve FDI capital inflows for Zimbabwe as follows:

6.4.1 Interest rate policy: It is important to note that a country's interest rate policy if well managed can build market confidence in the economy. In countries such as Ireland and South Korea and Zimbabwe's neighboring countries, that is Zambia and Mozambique, the interest rate spread is at most 6%. If the gap between depositors' rate and the lending rate is minimized, this will create a culture of saving which will create capital and increase the propensity towards investment. This will create a situation whereby both domestic and foreign investors will have confidence with the banking sector. In the long term, the economy will grow and continue to attract and retain more FDI.

6.4.2 Building of flexible incentive structures: Rising costs for doing business has become a major concern particularly in the extractive industries. The government must revise levies of mining investors through building a flexible incentive structure. This incentive structure must reflect swings of mineral prices in the global markets. For example, the price of gold was approximately USD 2000 per ounce in 2011 and currently it is trading at approximately USD 1100 per ounce and this scenario affects Return on Investment for investors. In this regard, the government must revise the mining fees down wards. However, there is need to strike equity in the incentive structure to avoid conflict between foreign and domestic investors.

6.4.3 Indigenization and Economic Empowerment Act: The most deterrent factor of doing business in Zimbabwe is the Indigenization and economic empowerment act which has caused foreign companies to shut down. Furthermore, the companies that shut down relocated to other countries because the local percentage of equity ownership they required to cede was too much. In a world characterized by high competition amongst many investment destinations of the world,

in order to attract FDI capital, the government must ease the policy by revisiting the 51% - 49% ratio. This move will improve the investment climate of the country and increased production through injection of fresh capital to grow the economy. In addition, there is need to systemize policy consistency by making sure that responsible departments speak with one voice in policy pronouncements to build credibility in the eyes of investors.

6.4.4 Key enablers of doing business: The government must improve the key enablers of doing business such as electricity, water, roads, communication infrastructure among others. The government must provide grants to crucial projects such as electricity, water and other key enablers of doing business. The government should prioritize the Public Private Partnership (PPP) strategy since the project requires substantial amount of cash. This therefore implies that the government should formulate a clear legislative and regulatory framework for governing PPPs to attract investors. This will reduce cost of doing business in the country and access to markets which is a plus in the eyes of the investors. There is also need to reform ports of entry and exit since it takes many days and documents to import and export. Streamlining the process will improve trading across borders and therefore a plus in the eyes of investors. Improved import and export will have backward and forward linkages in the whole econom**y**.

6.5 CONCLUSION

The research concludes by highlighting major summary of findings and suggesting policy recommendations thereof as well as stating some limitations of this research and suggesting future areas of research.

6.5.1 Summary of Findings

Regression and trend analysis, analysis of economic freedom indicators and ease of doing business indices and country policy analysis for Zimbabwe, Zambia, Mozambique, South Korea and Ireland as well as primary data gathered to find out the reasons for low FDI inflows to Zimbabwe have produced the following findings:

- FDI flows respond rapidly to policy changes – In the case of Zimbabwe, favorable policies, for example, economic liberalization, GNU among other factors increased FDI inflows, whereas unfavorable policies retard the inflow of FDI.
- Countries with favorable ease of doing business indices and economic freedom indicators attract more FDI inflows than countries with unfavorable statistics in this regard.
- Zimbabwe attracts approximately 3% of mean world FDI inflows and is the lowest compared to approximately 20%, 40%, 136% and 300% for Zambia, Mozambique, South Korea and Ireland, respectively.
- Analysis of the global FDI market has revealed the existence of fierce competition for FDI capital. In addition to the above indicators, countries that attract the furthermost FDI inflows share the following characteristics or key determinants – predictable and consistent economic policies, aggressive FDI Marketing and Promotional policies and robust investor after- care services.

- Primary data from government departments and foreign direct invested companies in Zimbabwe highlighted the following as hindering the ability of local subsidiaries to receive adequate FDI inflows from parent countries: economic sanctions, the fast tracked land reform program, poor government investor relations, high cost of borrowing in Zimbabwe, depressed economic activity and hence a reduced market size, rampant corruption, high cost of doing business particularly in the mining industry, a restrictive indigenization policy, restrictive policy on FDI source markets, for instance, the Look East Policy as opposed to a multi-directional approach among other factors.

6.5.2 Policy Implication

In terms of policy implication, the recommendation for Zimbabwe is the need for national unity, political will and commitment at highest level to improve good governance and radical reforms of doing business. For the neighboring countries such as Mozambique and Zambia, peace, macro-economic stability, privatization as well as economic liberalization have managed to create an environment possible for trade and investment. However, it can be argued that foreign investors have not brought good to the indigenous people who remain marginalized. Zimbabwe must learn from the model of Ireland which made sure that the entrepreneurship policy was beneficial to the indigenous people through creating synergy between foreign invested companies and the potential indigenous investors. Furthermore, the Zimbabwe environment is characterized by investor complaints which are not solved in time and Zimbabwe must establish a proper mechanism for handling the grievances of the investors. This is based on the" investor friendly" motto that well-functioning investor environment will create a clustering effect which attract more investors in to the country. In an ever changing and FDI competition laden global economy, ZIA is

supposed to vigorously market Zimbabwe as a destination conducive for investment in the world. The marketing team must identify what each city has in terms of resources so as to put in to picture the various sectors for investment. For example, Mutare can be labeled as "**the City of Diamonds**" and Bulawayo 'the **Gold City**". This strategy is called city branding. The investor catching slogan must begin at the Harare International Airport where every person must be apprised of investment opportunities in the country.

6.5.3 Limitations of the research

In carrying out the research, the following limitations were encountered; Firstly, had financial resources permitted, the sample size of the primary data would have been increased to capture more information on problems which hinder Foreign Direct Investment inflows into Zimbabwe. Secondly, the sample size from which FDI trend and regression analysis were drawn had varying sizes of population ranging from as little as 5.5 million to as high as 52 million. Finally, the author had initially confined primary data gathering using unstructured interviews, however, there was a break in consistency of data collection technique as some respondents requested for questionnaires.

6.5.4 Future research

Future research may dwell on assessing the effects of city and town branding on FDI capital inflows in Zimbabwe and researching on reasons for the wide oscillations in FDI capital flows in countries such as Ireland. In the future, there is need to calculate FDI per-capita to put the countries in the sample construct on a level ground to measure the effectiveness of FDI policies. In addition, future research may also prioritize on examining the effects of economic sanctions on FDI capital flows for Zimbabwe and other countries under the same predicament.

7. REFERENCE PAGES

Glossary

Beta – a measure of the volatility of country FDI capital inflows in relation to changes in average world FDI capital inflows.

Coefficient of correlation (r) – measures the strength of relationship between (x) independent variable - the average World FDI capital inflows, and (y) dependent variable - the specific country FDI capital inflows.

Coefficient of determination (r^2) – it expresses how much of variability in the dependent variable (specific country FDI capital inflows) is expressed by variability in the independent variable (average world FDI capital inflow) over a period of time.

Co-variance – a measure of how much two random variables (average world FDI capital inflows and specific country FDI capital inflows) change together.

Ease of Doing Business Index – It includes a basket of indices which are used to assess how easily can foreign investors start and freely do a business in a country.

Economic Freedom Indicator – measures the extent to which an economy opens its borders for capital and trade in today's fast paced world economy.

Foreign Direct Investment (FDI) – 10% or more of stock in a company operating in the host country.

Labor market flexibility – the extent to which the country's labor laws are stretchy to ensure that companies are able to contain costs during difficult operating times.

Mean – average FDI capital inflows over a given period of time.

Standard Deviation – it is the square root of variance. It measures level of variability of yearly FDI inflows from the average FDI capital inflows.

Variance – it measures level of variability of yearly FDI capital inflows from the average capital inflows.

APPENDICES

Appendices

Appendix 1: FDI statistics from 1990 -2014 (USD million) for five countries under study

YEAR	Zimbabwe	Zambia	Mozambique	Ireland	South Korea	World Mean
1990	12.20	202.80	9.20	621.90	1,045.60	980.36
1991	2.10	34.30	22.50	1,361.70	1,455.20	737.50
1992	19.00	45.00	25.30	1,458.20	1,001.60	779.94
1993	38.00	314.40	32.00	1,077.90	832.30	1,053.33
1994	41.00	40.00	35.00	857.00	1,136.60	1,219.65
1995	117.70	97.00	45.00	1,442.90	2,487.10	1,634.15
1996	80.90	117.10	72.50	2,617.50	2,782.60	1,859.99
1997	135.10	217.00	64.40	2,028.80	3,301.10	2,302.54
1998	444.30	238.00	234.90	8,862.20	5,989.20	3,312.61
1999	59.00	86.00	381.70	18,210.60	10,726.30	5,149.82
2000	23.20	121.70	139.30	25,779.40	11,509.40	6,522.56
2001	3.80	145.00	255.50	9,650.90	6,522.30	3,273.07
2002	25.90	298.40	347.60	29,323.80	5,475.10	2,829.60
2003	3.80	346.60	336.70	22,781.30	7,070.00	2,641.11
2004	8.70	364.00	475.50	-10,607.60	13,294.40	3,266.74
2005	102.80	356.90	107.90	-31,689.30	13,643.20	4,437.51
2006	40.00	615.80	112.60	-5,542.30	9,161.90	6,665.96
2007	68.90	1,238.70	398.70	24,707.20	8,826.90	8,955.35
2008	51.60	938.80	591.60	-16,452.90	11,187.50	7,127.36
2009	105.00	425.60	898.30	25,715.30	9,021.90	5,676.71
2010	165.90	633.90	1,017.90	42,804.10	9,497.40	6,354.56
2011	387.00	1,110.00	3,558.50	23,544.70	9,773.00	7,482.05
2012	399.50	2,433.40	5,629.40	45,206.60	9,495.90	6,712.38
2013	400.00	1,809.80	6,175.10	37,033.30	12,766.60	7,020.25
2014	544.80	2,483.80	4,901.80	7,697.70	9,898.50	5,876.85

Source: Author using UNCTAD statistics

Appendix 2: Regression Analysis for Zimbabwe versus World average

YEAR	world(x)	Zim(y)	(x-av.x)	(x-av.x)^2	(y-av.y)	(y-av.y)^2	(x-av.x)(y-av.y)	x^2	y^2	xy
1990	980.36	12.20	-3,174.52	10,077,564.53	-119.01	14,162.90	377,793.04	961,105.73	148.84	11,960.39
1991	737.50	2.10	-3,417.38	11,678,472.39	-129.11	16,668.88	441,210.84	543,906.25	4.41	1,548.75
1992	779.94	19.00	-3,374.94	11,390,206.50	-112.21	12,590.64	378,695.04	608,306.40	361.00	14,818.86
1993	1,053.33	38.00	-3,101.55	9,619,600.00	-93.21	8,687.73	289,089.09	1,109,504.09	1,444.00	40,026.54
1994	1,219.65	41.00	-2,935.23	8,615,563.41	-90.21	8,137.48	264,781.05	1,487,546.12	1,681.00	50,005.65
1995	1,634.15	117.70	-2,520.73	6,354,069.65	-13.51	182.47	34,049.99	2,670,446.22	13,853.29	192,339.46
1996	1,859.99	80.90	-2,294.89	5,266,510.93	-50.31	2,530.89	115,451.23	3,459,562.80	6,544.81	150,473.19
1997	2,302.54	135.10	-1,852.34	3,431,156.07	3.89	15.15	-7,209.30	5,301,690.45	18,252.01	311,073.15
1998	3,312.61	444.30	-842.27	709,415.38	313.09	98,026.60	-263,707.37	10,973,385.01	197,402.49	1,471,792.62
1999	5,149.82	59.00	994.94	989,909.58	-72.21	5,214.00	-71,842.77	26,520,646.03	3,481.00	303,839.38
2000	6,522.56	23.20	2,367.68	5,605,918.05	-108.01	11,665.73	-255,728.60	42,543,788.95	538.24	151,323.39
2001	3,273.07	3.80	-881.81	777,585.35	-127.41	16,232.80	112,349.39	10,712,987.22	14.44	12,437.67
2002	2,829.60	25.90	-1,325.28	1,756,361.78	-105.31	11,089.77	139,562.38	8,006,636.16	670.81	73,286.64
2003	2,641.11	3.80	-1,513.77	2,291,493.56	-127.41	16,232.80	192,866.15	6,975,462.03	14.44	10,036.22
2004	3,266.74	8.70	-888.14	788,789.11	-122.51	15,008.21	108,804.01	10,671,590.23	75.69	28,420.64
2005	4,437.51	102.80	282.63	79,880.85	-28.41	807.01	-8,029.01	19,691,495.00	10,567.84	456,176.03
2006	6,665.96	40.00	2,511.08	6,305,532.81	-91.21	8,318.90	-229,030.77	44,435,022.72	1,600.00	266,638.40
2007	8,955.35	68.90	4,800.47	23,044,531.42	-62.31	3,882.29	-299,107.81	80,198,293.62	4,747.21	617,023.62
2008	7,127.36	51.60	2,972.48	8,835,649.24	-79.61	6,337.43	-236,633.35	50,799,260.57	2,662.56	367,771.78
2009	5,676.71	105.00	1,521.83	2,315,972.64	-26.21	686.86	-39,884.17	32,225,036.42	11,025.00	596,054.55
2010	6,354.56	165.90	2,199.68	4,838,600.90	34.69	1,203.53	76,311.37	40,380,432.79	27,522.81	1,054,221.50
2011	7,482.05	387.00	3,327.17	11,070,073.52	255.79	65,429.55	851,063.98	55,981,072.20	149,769.00	2,895,553.35
2012	6,712.38	399.50	2,557.50	6,540,816.48	268.29	71,980.60	686,157.33	45,056,045.26	159,600.25	2,681,595.81
2013	7,020.25	400.00	2,865.37	8,210,356.70	268.79	72,249.14	770,189.07	49,283,910.06	160,000.00	2,808,100.00
2014	5,876.85	544.80	1,721.97	2,965,187.57	413.59	171,058.34	712,193.84	34,537,365.92	296,807.04	3,201,707.88
Sum	103,871.95	3,280.20	0.00	6,142,368.74	-	25,535.99	165,575.79	23,405,379.93	42,751.53	710,729.02
Mean	4,154.88	131.21								
Variance				255,932.03		1,064.00				
Covariance							6,898.99			
b- slope							0.026956341			
a or y- intercept							19.20769206			
r^2 -coefficient of determination							0.174785379			
r - coefficient of correlation							0.418073414			
Affected by world variations	0.17478538									
by other factors	0.82521462									

Source: Author using UNCTAD statistics and own calculations

Appendix 3: Regression Analysis for Zambia versus World average

YEAR	world (x)	Zambia (y)	(x-av.x)	(x-av.x)^2	(y-av.y)	(y-av.y)^2	(x-av.x)(y-av.y)	x^2	y^2	xy
1990	980.36	202.80	-3,174.52	10,077,564.53	-385.76	148,810.78	1,224,602.06	961,105.73	41,127.84	198,817.01
1991	737.50	34.30	-3,417.38	11,678,472.39	-554.26	307,204.15	1,894,115.93	543,906.25	1,176.49	25,296.25
1992	779.94	45.00	-3,374.94	11,390,206.50	-543.56	295,457.47	1,834,481.30	608,306.40	2,025.00	35,097.30
1993	1,053.33	314.40	-3,101.55	9,619,600.00	-274.16	75,163.71	850,320.40	1,109,504.09	98,847.36	331,166.95
1994	1,219.65	40.00	-2,935.23	8,615,563.41	-548.56	300,918.07	1,610,148.67	1,487,546.12	1,600.00	48,786.00
1995	1,634.15	97.00	-2,520.73	6,354,069.65	-491.56	241,631.23	1,239,089.06	2,670,446.22	9,409.00	158,512.55
1996	1,859.99	117.10	-2,294.89	5,266,510.93	-471.46	222,274.53	1,081,947.90	3,459,562.80	13,712.41	217,804.83
1997	2,302.54	217.00	-1,852.34	3,431,156.07	-371.56	138,056.83	688,254.71	5,301,690.45	47,089.00	499,651.18
1998	3,312.61	238.00	-842.27	709,415.38	-350.56	122,892.31	295,265.47	10,973,385.01	56,644.00	788,401.18
1999	5,149.82	86.00	994.94	989,909.58	-502.56	252,566.55	-500,018.05	26,520,646.03	7,396.00	442,884.52
2000	6,522.56	121.70	2,367.68	5,605,918.05	-466.86	217,958.26	-1,105,376.02	42,543,788.95	14,810.89	793,795.55
2001	3,273.07	145.00	-881.81	777,585.35	-443.56	196,745.47	391,134.76	10,712,987.22	21,025.00	474,595.15
2002	2,829.60	298.40	-1,325.28	1,756,361.78	-290.16	84,192.83	384,542.66	8,006,636.16	89,042.56	844,352.64
2003	2,641.11	346.60	-1,513.77	2,291,493.56	-241.96	58,544.64	366,271.31	6,975,462.03	120,131.56	915,408.73
2004	3,266.74	364.00	-888.14	788,789.11	-224.56	50,427.19	199,440.27	10,671,590.23	132,496.00	1,189,093.36
2005	4,437.51	356.90	282.63	79,880.85	-231.66	53,666.36	-65,474.53	19,691,495.00	127,377.61	1,583,747.32
2006	6,665.96	615.80	2,511.08	6,305,532.81	27.24	742.02	68,401.87	44,435,022.72	379,209.64	4,104,898.17
2007	8,955.35	1,238.70	4,800.47	23,044,531.42	650.14	422,682.02	3,120,978.87	80,198,293.62	1,534,377.69	11,092,992.05
2008	7,127.36	938.80	2,972.48	8,835,649.24	350.24	122,668.06	1,041,082.10	50,799,260.57	881,345.44	6,691,165.57
2009	5,676.71	425.60	1,521.83	2,315,972.64	-162.96	26,555.96	-247,997.74	32,225,036.42	181,135.36	2,416,007.78
2010	6,354.56	633.90	2,199.68	4,838,600.90	45.34	2,055.72	99,733.58	40,380,432.79	401,829.21	4,028,155.58
2011	7,482.05	1,110.00	3,327.17	11,070,073.52	521.44	271,899.67	1,734,920.57	55,981,072.20	1,232,100.00	8,305,075.50
2012	6,712.38	2,433.40	2,557.50	6,540,816.48	1,844.84	3,403,434.63	4,718,181.99	45,056,045.26	5,921,435.56	16,333,905.49
2013	7,020.25	1,809.80	2,865.37	8,210,356.70	1,221.24	1,491,427.14	3,499,306.90	49,283,910.06	3,275,376.04	12,705,248.45
2014	5,876.85	2,483.80	1,721.97	2,965,187.57	1,895.24	3,591,934.66	3,263,550.21	34,537,365.92	6,169,262.44	14,596,920.03
Sum	103,871.95	14,714.00	0.00	6,142,368.74	-	483,996.41	1,107,476.17	23,405,379.93	830,399.28	3,552,871.17
Mean	4,154.88	588.56								
Variance				255,932.03		20,166.52				
Covariance							46,144.84			
b- slope							0.180301154			
a or y- intercept							-160.5692967			
r^2 -coefficient of determination							0.412563454			
r - coefficient of correlation							0.642311026			
affected by world variations	0.41256345									
By other factors	0.58743655									

Source: Author using UNCTAD statistics and own calculations

Appendix 4: Regression Analysis for Mozambique versus world average

YEAR	world(x)	Mozambique(y)	(x-av.x)	(x-av.x)^2	(y-av.y)	(y-av.y)^2	(x-av.x)(y-av.y)	x^2	y^2	xy
1990	980.36	9.20	-3,174.52	10,077,564.53	-1,025.56	1,051,765.11	3,255,645.98	961,105.73	84.64	9,019.31
1991	737.50	22.50	-3,417.38	11,678,472.39	-1,012.26	1,024,662.21	3,459,261.38	543,906.25	506.25	16,593.75
1992	779.94	25.30	-3,374.94	11,390,206.50	-1,009.46	1,019,001.42	3,406,851.41	608,306.40	640.09	19,732.48
1993	1,053.33	32.00	-3,101.55	9,619,600.00	-1,002.76	1,005,519.60	3,110,095.87	1,109,504.09	1,024.00	33,706.56
1994	1,219.65	35.00	-2,935.23	8,615,563.41	-999.76	999,512.06	2,934,511.80	1,487,546.12	1,225.00	42,687.75
1995	1,634.15	45.00	-2,520.73	6,354,069.65	-989.76	979,616.94	2,494,905.66	2,670,446.22	2,025.00	73,536.75
1996	1,859.99	72.50	-2,294.89	5,266,510.93	-962.26	925,936.61	2,208,269.75	3,459,562.80	5,256.25	134,849.28
1997	2,302.54	64.40	-1,852.34	3,431,156.07	-970.36	941,590.77	1,797,427.29	5,301,690.45	4,147.36	148,283.58
1998	3,312.61	234.90	-842.27	709,415.38	-799.86	639,769.62	673,693.11	10,973,385.01	55,178.01	778,132.09
1999	5,149.82	381.70	994.94	989,909.58	-653.06	426,482.14	-649,752.84	26,520,646.03	145,694.89	1,965,686.29
2000	6,522.56	139.30	2,367.68	5,605,918.05	-895.46	801,841.45	-2,120,155.05	42,543,788.95	19,404.49	908,592.61
2001	3,273.07	255.50	-881.81	777,585.35	-779.26	607,239.91	687,154.17	10,712,987.22	65,280.25	836,269.39
2002	2,829.60	347.60	-1,325.28	1,756,361.78	-687.16	472,183.37	910,672.73	8,006,636.16	120,825.76	983,568.96
2003	2,641.11	336.70	-1,513.77	2,291,493.56	-698.06	487,282.18	1,056,694.84	6,975,462.03	113,366.89	889,261.74
2004	3,266.74	475.50	-888.14	788,789.11	-559.26	312,767.27	496,696.51	10,671,590.23	226,100.25	1,553,334.87
2005	4,437.51	107.90	282.63	79,880.85	-926.86	859,062.04	-261,959.16	19,691,495.00	11,642.41	478,807.33
2006	6,665.96	112.60	2,511.08	6,305,532.81	-922.16	850,371.69	-2,315,609.33	44,435,022.72	12,678.76	750,587.10
2007	8,955.35	398.70	4,800.47	23,044,531.42	-636.06	404,567.24	-3,053,369.02	80,198,293.62	158,961.69	3,570,498.05
2008	7,127.36	591.60	2,972.48	8,835,649.24	-443.16	196,387.24	-1,317,273.23	50,799,260.57	349,990.56	4,216,546.18
2009	5,676.71	898.30	1,521.83	2,315,972.64	-136.46	18,620.24	-207,663.11	32,225,036.42	806,942.89	5,099,388.59
2010	6,354.56	1,017.90	2,199.68	4,838,600.90	-16.86	284.12	-37,077.84	40,380,432.79	1,036,120.41	6,468,306.62
2011	7,482.05	3,558.50	3,327.17	11,070,073.52	2,523.74	6,369,283.78	8,396,930.37	55,981,072.20	12,662,922.25	26,624,874.93
2012	6,712.38	5,629.40	2,557.50	6,540,816.48	4,594.64	21,110,753.49	11,750,811.22	45,056,045.26	31,690,144.36	37,786,671.97
2013	7,020.25	6,175.10	2,865.37	8,210,356.70	5,140.34	26,423,136.44	14,728,997.77	49,283,910.06	38,131,860.01	43,350,745.78
2014	5,876.85	4,901.80	1,721.97	2,965,187.57	3,867.04	14,954,029.30	6,658,941.49	34,537,365.92	24,027,643.24	28,807,143.33
Sum	103,871.95	25,868.90	0.00	6,142,368.74	-	3,315,266.65	2,322,588.07	23,405,379.93	4,385,986.63	6,621,873.01
Mean	4,154.88	1,034.76								
Variance				255,932.03		138,136.11				
Covariance							96,774.50			
b- slope							0.378125796			
a or y- intercept							-536.3105529			
r^2 - coefficient of determination							0.264904925			
r - coefficient of correlation							0.514689154			
affected by world variations	0.26490493									
By other factors	0.73509507									

Source: Author using UNCTAD statistics and own calculations

Appendix 5: Regression Analysis for Ireland versus world average

YEAR	world (x)	Ireland (y)	(x-av.x)	(x-av.x)^2	(y-av.y)	(y-av.y)^2	(x-av.x)(y-av.y)	x^2	y^2	xy
1990	980.36	621.90	-3,174.52	10,077,564.53	-10,117.74	102,368,581.77	32,118,935.05	961,105.73	386,759.61	609685.884
1991	737.50	1,361.70	-3,417.38	11,678,472.39	-9,377.94	87,945,683.62	32,047,952.17	543,906.25	1,854,226.89	1004253.75
1992	779.94	1,458.20	-3,374.94	11,390,206.50	-9,281.44	86,145,054.22	31,324,271.05	608,306.40	2,126,347.24	1137308.508
1993	1,053.33	1,077.90	-3,101.55	9,619,600.00	-9,661.74	93,349,142.53	29,966,337.97	1,109,504.09	1,161,868.41	1135384.407
1994	1,219.65	857.00	-2,935.23	8,615,563.41	-9,882.64	97,666,494.31	29,007,789.90	1,487,546.12	734,449.00	1045240.05
1995	1,634.15	1,442.90	-2,520.73	6,354,069.65	-9,296.74	86,429,300.25	23,434,542.74	2,670,446.22	2,081,960.41	2357915.035
1996	1,859.99	2,617.50	-2,294.89	5,266,510.93	-8,122.14	65,969,093.20	18,639,392.44	3,459,562.80	6,851,306.25	4868523.825
1997	2,302.54	2,028.80	-1,852.34	3,431,156.07	-8,710.84	75,878,663.82	16,135,412.53	5,301,690.45	4,116,029.44	4671393.152
1998	3,312.61	8,862.20	-842.27	709,415.38	-1,877.44	3,524,765.93	1,581,304.26	10,973,385.01	78,538,588.84	29357012.34
1999	5,149.82	18,210.60	994.94	989,909.58	7,470.96	55,815,303.09	7,433,175.86	26,520,646.03	331,625,952.36	93781312.09
2000	6,522.56	25,779.40	2,367.68	5,605,918.05	15,039.76	226,194,501.18	35,609,378.51	42,543,788.95	664,577,464.36	168147683.3
2001	3,273.07	9,650.90	-881.81	777,585.35	-1,088.74	1,185,346.08	960,056.11	10,712,987.22	93,139,870.81	31588071.26
2002	2,829.60	29,323.80	-1,325.28	1,756,361.78	18,584.16	345,371,151.58	-24,629,183.70	8,006,636.16	859,885,246.44	82974624.48
2003	2,641.11	22,781.30	-1,513.77	2,291,493.56	12,041.66	145,001,671.89	-18,228,285.63	6,975,462.03	518,987,629.69	60167919.24
2004	3,266.74	-10,607.60	-888.14	788,789.11	-21,347.24	455,704,484.84	18,959,291.49	10,671,590.23	112,521,177.76	-34652271.22
2005	4,437.51	-31,689.30	282.63	79,880.85	-42,428.94	1,800,214,610.09	-11,991,775.04	19,691,495.00	1,004,211,734.49	-140621585.6
2006	6,665.96	-5,542.30	2,511.08	6,305,532.81	-16,281.94	265,101,439.91	-40,885,276.41	44,435,022.72	30,717,089.29	-36944750.11
2007	8,955.35	24,707.20	4,800.47	23,044,531.42	13,967.56	195,092,844.09	67,050,899.89	80,198,293.62	610,445,731.84	221261623.5
2008	7,127.36	-16,452.90	2,972.48	8,835,649.24	-27,192.54	739,434,014.11	-80,829,323.79	50,799,260.57	270,697,918.41	-117265741.3
2009	5,676.71	25,715.30	1,521.83	2,315,972.64	14,975.66	224,270,512.24	22,790,444.70	32,225,036.42	661,276,654.09	145978300.7
2010	6,354.56	42,804.10	2,199.68	4,838,600.90	32,064.46	1,028,129,851.61	70,531,624.30	40,380,432.79	1,832,190,976.81	272001221.7
2011	7,482.05	23,544.70	3,327.17	11,070,073.52	12,805.06	163,969,664.04	42,604,650.40	55,981,072.20	554,352,898.09	176162622.6
2012	6,712.38	45,206.60	2,557.50	6,540,816.48	34,466.96	1,187,971,607.38	88,149,329.36	45,056,045.26	2,043,636,683.56	303443877.7
2013	7,020.25	37,033.30	2,865.37	8,210,356.70	26,293.66	691,356,766.54	75,341,128.60	49,283,910.06	1,371,465,308.89	259983024.3
2014	5,876.85	7,697.70	1,721.97	2,965,187.57	-3,041.94	9,253,374.63	-5,238,128.62	34,537,365.92	59,254,585.29	45238228.25
Sum	103,871.95	268,490.90	0.00	6,142,368.74	257,751.26	329,333,756.92	18,475,357.77	23,405,379.93	444,673,538.33	63097235.11
Mean	4,154.88	10,739.64								
Variance				255,932.03		13,722,239.87				
Covariance							769,806.57			
b- slope							3.007855529			
a or y- intercept							-1757.636765			
r^2 -coefficient of determination							0.168738266			
r - coefficient of correlation							0.410777635			
affected by world variations	0.16873827									
By other factors	0.83126173									

Source: Author using UNCTAD statistics and own calculations

Appendix 6: Regression Analysis for South Korea versus world average

YEAR	world	South Korea	(x-av.x)	(x-av.x)^2	(y-av.y)	(y-av.y)^2	(x-av.x)(y-av.y)	x^2	y^2	xy
1990	980.36	1,045.60	-3,174.52	10,077,564.53	-6,120.46	37,460,079.58	19,429,523.14	961,105.73	1,093,279.36	1025064.416
1991	737.50	1,455.20	-3,417.38	11,678,472.39	-5,710.86	32,613,967.63	19,516,180.99	543,906.25	2,117,607.04	1073210
1992	779.94	1,001.60	-3,374.94	11,390,206.50	-6,164.46	38,000,616.41	20,804,683.80	608,306.40	1,003,202.56	781187.904
1993	1,053.33	832.30	-3,101.55	9,619,600.00	-6,333.76	40,116,566.41	19,644,473.07	1,109,504.09	692,723.29	876686.559
1994	1,219.65	1,136.60	-2,935.23	8,615,563.41	-6,029.46	36,354,436.13	17,697,851.56	1,487,546.12	1,291,859.56	1386254.19
1995	1,634.15	2,487.10	-2,520.73	6,354,069.65	-4,678.96	21,892,704.11	11,794,395.57	2,670,446.22	6,185,666.41	4064294.465
1996	1,859.99	2,782.60	-2,294.89	5,266,510.93	-4,383.46	19,214,756.64	10,059,558.93	3,459,562.80	7,742,862.76	5175608.174
1997	2,302.54	3,301.10	-1,852.34	3,431,156.07	-3,864.96	14,937,946.72	7,159,219.69	5,301,690.45	10,897,261.21	7600914.794
1998	3,312.61	5,989.20	-842.27	709,415.38	-1,176.86	1,385,008.87	991,234.89	10,973,385.01	35,870,516.64	19839883.81
1999	5,149.82	10,726.30	994.94	989,909.58	3,560.24	12,675,280.38	3,542,228.33	26,520,646.03	115,053,511.69	55238514.27
2000	6,522.56	11,509.40	2,367.68	5,605,918.05	4,343.34	18,864,567.61	10,283,638.47	42,543,788.95	132,466,288.36	75070752.06
2001	3,273.07	6,522.30	-881.81	777,585.35	-643.76	414,432.09	567,676.25	10,712,987.22	42,540,397.29	21347944.46
2002	2,829.60	5,475.10	-1,325.28	1,756,361.78	-1,690.96	2,859,359.25	2,240,997.39	8,006,636.16	29,976,720.01	15492342.96
2003	2,641.11	7,070.00	-1,513.77	2,291,493.56	-96.06	9,228.29	145,418.61	6,975,462.03	49,984,900.00	18672647.7
2004	3,266.74	13,294.40	-888.14	788,789.11	6,128.34	37,556,502.13	-5,442,808.08	10,671,590.23	176,741,071.36	43429348.26
2005	4,437.51	13,643.20	282.63	79,880.85	6,477.14	41,953,290.76	1,830,645.90	19,691,495.00	186,136,906.24	60541836.43
2006	6,665.96	9,161.90	2,511.08	6,305,532.81	1,995.84	3,983,361.34	5,011,707.85	44,435,022.72	83,940,411.61	61072858.92
2007	8,955.35	8,826.90	4,800.47	23,044,531.42	1,660.84	2,758,376.22	7,972,796.71	80,198,293.62	77,914,163.61	79047978.92
2008	7,127.36	11,187.50	2,972.48	8,835,649.24	4,021.44	16,171,947.50	11,953,646.12	50,799,260.57	125,160,156.25	79737340
2009	5,676.71	9,021.90	1,521.83	2,315,972.64	1,855.84	3,444,127.26	2,824,270.61	32,225,036.42	81,394,679.61	51214709.95
2010	6,354.56	9,497.40	2,199.68	4,838,600.90	2,331.34	5,435,127.54	5,128,197.84	40,380,432.79	90,200,606.76	60351798.14
2011	7,482.05	9,773.00	3,327.17	11,070,073.52	2,606.94	6,796,115.31	8,673,724.46	55,981,072.20	95,511,529.00	73122074.65
2012	6,712.38	9,495.90	2,557.50	6,540,816.48	2,329.84	5,428,135.79	5,958,560.23	45,056,045.26	90,172,116.81	63740089.24
2013	7,020.25	12,766.60	2,865.37	8,210,356.70	5,600.54	31,366,003.49	16,047,619.04	49,283,910.06	162,986,075.56	89624723.65
2014	5,876.85	9,898.50	1,721.97	2,965,187.57	2,732.44	7,466,206.49	4,705,178.28	34,537,365.92	97,980,302.25	58171999.73
Sum	103,871.95	177,901.60	0.00	6,142,368.74	170,735.54	17,566,325.76	8,341,624.79	23,405,379.93	68,202,192.61	37908002.55
Mean	4,154.88	7,116.06								
Variance				255,932.03		731,930.24				
Covariance							347,567.70			
b- slope							1.358046894			
a or y- intercept							1473.544837			
r^2 -coefficient of determination							0.644888282			
r - coefficient of correlation							0.803049364			
affected by world variations	0.64488828									
By other factors	0.35511172									

Source: Author using UNCTAD statistics and own calculations

Appendix 7: Questionnaires and Unstructured Interview Questions used to gather primary data

The Questionnaire is as follows;

From your own perspective and your own experience what are the factors leading to low FDI inflows in Zimbabwe? Briefly state in point form and give examples where necessary.

Suggest alternative courses of action that may be employed to solve the above problems. Briefly state in point form.

The questionnaires were emailed to the respondents.

Unstructured Interview Questions (Using telephone and face to face interviews).

What are the problems leading to low FDI capital inflows for Zimbabwe?

Clarify the points (there was room for clarity seeking by the author through asking for more clarification)

From your own perspective what should be done to attract more FDI capital inflows for Zimbabwe?

The interviewees had room to also clarify from the author.

Appendix 8: Summary of Responses from Targeted Key Informants

Factors constraining FDI inflows	Company/Gvt. department	Suggested solutions
Policy inconsistency and rigidity	MOF, ZIA, MOMEPIP, Seed-co, DuPont Pioneer and BOC	• Systemize policy consistency through speaking with one voice on major policy pronouncements • Need to reduce domestic/foreign investment capital contribution thresholds
Fast track land reform program which affected property rights and distorted functioning of the economy	Seed Co and DuPont Pioneer	• Compensate the affected farmers
Multiple levy regime	Turkmine (Falcon Gold) and Duration Gold mine	• Incentive structure that maximizes Return on Investment

Strategies to boost FDI inflows for Zimbabwe

Factors constraining FDI inflows	**Company/Gvt. department**	**Suggested solutions**
High cost of local borrowing from local banks	MOF, Seed.co, DuPont Pioneer, BOC and Pioneer Transport	• Availing incentives concessionary interest rates to investors • Low interest rate spread (minimize gap between lending rates and depositors' rates to incentivize investors)
Rampant Corruption	MOMEPIP, BOC and ZIA	• Investment in anti-corruption
Sanctions	DuPont Pioneer and MOF	• National image restoration and robust policy on engagement with the international community
Erratic supplies and high cost of utilities	Turkmine, Duration Gold, MOF and BOC	• Investment in electricity generation to improve supply of electricity • Government to reduce utilities costs to cut costs of doing business
Inability of Government to honor local debts e.g. payment for supply of seed maize	Seed Co, DuPont Pioneer and MOF	• Foster good government investor relations through paying debts on time
Dilapidated state of key infrastructure – roads and railways.	BOC	• Invest in key enablers of business
Bureaucratic inefficiency/ Complex business registration process	BOC and ZIA	• Simplify steps/procedures to register and start a business through One Stop Shop for Investors etc.
Country risk caused by a government that do not respect property rights	BOC and Pioneer Coaches	• Signing of BIPPAs and enforcement on the rule of law with regards to property rights
Negative international image	ZIA	• Aggressive publicity / marketing campaign to improve image of Zimbabwe • Sending out correct information to potential investors to counter the

Strategies to boost FDI inflows for Zimbabwe

Factors constraining FDI inflows	**Company/Gvt. department**	**Suggested solutions**
		negative publicity
Costly business licensing	ZIA, Embassy of Mozambique in Harare and Embassy of Zambia in Harare	• License fees should be reduced from USD 3,000 to levels of approximately USD 2 for Zambia and USD 33 for Mozambique

Source: Author's own compilation using primary data results

BIBLIOGRAPHY

Bibliography

African Development Bank. (2011). Republic of Mozambique: Country strategy paper (2011 – 2015), consulted on 6 September 2015, retrieved from https://www.afdb.org.

African Development Bank. (2012). African Economic Outlook 2012, Second Quarter 2011, Issue No. 1, consulted on 10 November 2015, retrieved from, https://www.afdb.org/en/countries/southern-africa.

Ajayi, S. (2006). Paper for Presentation at the ADB/AERC International Conference on Accelerating Africa's Development: Five years into the Twenty-First Century, Tunis, Tunisia

Alfaro, L. (2003). FDI and Economic Growth. Does the sector matter? Retrieved from http://www.people.hbs.edu/lalfaro/fdieditorial.pdf.Unpublished manuscript.

Banda, A. (2013). The effect of Foreign Direct Investment on the host country economic growth: Zambia's economic outlook after trade liberalization.

Bang, M, Thomsen, S & Nicolas, F. (2013). "Lessons from Investment Policy Reform in Korea": OECD Working papers on International Investment, 2013/02, OECD Publishing, consulted on 26 September 2015 retrieved from http://dx.doi.org/10.1787/5k4376zqcpfi-en.

Barry, F. (2006) FDI and Irish Economic Development over Four stages of European Integration. University college Dublin, consulted on 26 September 2015, retrieved from, https://www:citeseerx.ist.psu.edu.

Basu, A & Srinivasan, K. (2002). Foreign Direct Investment in Africa: Some case studies, African and International Capital Departments, consulted on10 September 2015, retrieved from http://www.imf.org/external/pubs/ft/wp/2002/wpo261.

Begley, T.M, Delaney, E & Orgoman, C. (2005). "Ireland at Cross roads: Still a Magnet for Corporate Investments" Organizational Dynamics, 34(3): 202 – 217

Benassy-Quere, A M. & Mayer, T. (2007). "Institutional Determinants of Foreign Direct Investment". The World Economy, 30, 764 – 782.

Boreinstein, E.J, De Gregorio, J.W & Lee J.W (1998). How Does FDI Affect Economic Growth? J.Inter.Econs. 45(1):115 – 135

Bornschier, V & Dun, C.C. (1985). Transnational Corporation and Under Development, New York, Praeger

Carkovic, M & Levine, R. (2002). Does Foreign Investment Accelerate Economic Growth? In Moran, H.T, Graham, E & Blomstom, E (eds). Does FDI promote Development? Washington DC. Institute for International Economics

Chingono, H. (2010). Zimbabwe Sanctions. An analysis of the" lingo" guiding the perceptions of the sanctioners and the sanctionees. *African Journal of Political Science and International Relations*.Vol. 4 (2). – 2010 Academic Journals

Chung, Y. (2007). South Korea in the fast lane – Economic development and capital formation, Oxford University Press, Oxford and New York

CIA World Fact Book. (2015), retrieved from: https://www.cia.gov/library/publications/the-world -fact-book/fields/print-2116.html, consulted on 10 October 2015

Esther. O. Adegbite, Folorunso. S. Ajayi. (2011). "The role of foreign direct investment in economic development: A study of Nigeria" *World Journal of Entrepreneurship, Management and Sustainable Development.* Vol.6 (1/2). P 133 - 147

Gwartney, J, Lawson, R & Hall, J (2014). Economic Freedom of the world: 2014 Annual Report, Fraser Institute, consulted on 16 September 2015 retrieved from www.fraserinstitute.org or www.freetheworld.com.

Gwenhamo, F. (2009). FDI in Zimbabwe: The role of institutional factors, School of Economics, University of Cape Town.

Heritage Foundations of Economic Freedom Index Report (2015), retrieved from https://www.heritage.org/index/, consulted on 14 October 2015

International Monetary Fund (IMF). (2014). World Economic Outlook database, retrieved on 28 August 2015 from http://www.imf.org

Lumbila, K.N. (2005). What makes FDI work? A panel analysis of the growth effect of FDI in Africa. Africa Region Working Paper Series No. 8

Millennium Cities Initiative. (2009). Hand book for Promoting Foreign Direct Investment in Medium-size, low Budget Cities in Emerging Markets. New York, Columbia University

Moyo, T. (2013). The Impact of economic growth: The Case of Zimbabwe (2009 – 2012), *International Journal of Economics, Finance and Management Sciences*, 1 (6), 323-329.

Murphy, A, & Ruane, F. (2004). FDI in Ireland: An updated Assessment, in Central Bank and Financial Services Authority, Annual Report 2003, Dublin, Ireland

NEPAD-OECD Africa Initiative. (April 2011). Accelerating reform in Africa: Mobilizing investment in infrastructure and agriculture: Highlights of policy framework for Zambia retrieved on 2 September 2015 from https://www.oecd.org/investment

PA Consulting Group. (2013), Evaluating the Value of the Economic Relations between United Kingdom and Ireland: Volume II, June 2013, retrieved from https://www.gov.uk/government-value-of-relationship-between-uk-and-ireland-volume-2.pdf. Consulted on 10 October 2015

Richardson, C.J. (2006). "Learning from failure: Property Rights, Land Reforms and the Hidden Architecture of Capitalism", American Enterprise Institute for Public Policy Research Paper.

Tandon, Y. (2002). The role of FDI in Africa's Human Development. Harare, Zimbabwe.

Ross, D.C. (editor) (2014), Mozambique Rising – Building a new tomorrow, IMF (2014)

Trevino, L.J & Upadhaya, KP (2003), "Foreign Aid, FDI and Economic Growth: Evidence from Asian Countries". Transnational Corporations. 12(2): 119 - 135

Seong Ju, C. (2008). A study on the FDI inflows into Korea focused on Greenfield. (Unpublished)

US Department of State (April 2013), 2013 Investment Climate Statement – Ireland, Bureau of Economic and Business Affairs, retrieved from: https://www.state.gov.e/eb/r/sothr/us/2013/204662.htm. Consulted on 10 October 2015

United Nations Conference on Trade and Development (UNCTAD), World Investment report, (2011). Non-Equity modes of International Production and Investment, United Nations Publications, Geneva

United Nations Conference on Trade and Development (UNCTAD), World Investment report. (2006). Investment Policy Review Zambia, United Nations, New York

United Nations Conference on Trade and Development (UNCTAD), TNCs in Extractive Industries and Development, New York, United Nations

United Nations Conference on Trade and Development (UNCTAD), World Investment report (2015), Annex Table 03: FDI inward stock, by region and economy, 1990 – 2014, (FDI/TNC data base), retrieved from http://www.unctad.org./fdistatistics, consulted on 2 September 2015

World Bank Doing Business (2015): Going Beyond Efficiency, retrieved from http://www.doingbusiness.org/reports/global-reports/doing-business-2015, consulted on 2 September 2015.

World Bank. (2013). World Development Indicators. Washington DC: World Bank

Zimbabwe Investment Authority 2013 Annual Report, Harare, Zimbabwe