THE INTERNATIONAL JOURNAL OF
BUSINESS & MANAGEMENT

The Effects of Economic Policies in the Manufacturing Sectors in Post Independence Zimbabwe

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Abstract:
This thesis focuses on the effects of economic policies on the Manufacturing industry in Zimbabwe post -independence 1980. The researcher sets to find out the effects of the Economic Policies in Post Independent Zimbabwe (Growth with Equity, ESAP and Jambanja Era). The research concentrated on data from 1980 up to date. The study included data from 1980, 2008 was excluded because that was when Zimbabwe got a new government of national unity.
The research methodology adopted were the mixed methods which are qualitative and quantitative. Data for this study was collected from structured questionnaires, document analysis and interviews. Participants were given transcripts of the interviews and findings from the questionnaires. The participants were drawn from finance directors, accountants, human resources personnel, company secretaries and other administration staff. They were asked to review the findings of the questionnaires and interview, as well as the themes analyzed in the data, to verify accuracy. This collaboration with participants served to strengthen the validity of the study and it was consistent with ethical consideration.
Data collection was conducted for a period of two years. The conduction of the analysis was done as soon as data was collected. While collecting and transcribing data, ideas, and themes were noted by the researcher as they emerged. Ely, et. Al. (1991) stated, "Analysis is part and parcel of the ongoing, intertwined process that powers data collection." Therefore, my first step was to organize raw data, transcriptions of the interviews, field notes taken during observations, log pages of the participants, and review of documentation and visuals. The data collected about the de-industrialization of Bulawayo manufacturing companies and hyperinflation period in Zimbabwe were kept separate during the collection process. The thesis is supported by theories namely, NEO classical and Keynesian economic theories. Due to time and budget constraints, a sample of 100 companies were selected based on their registered capital, investment figures and had to been in existence from 1980. The researcher believes that the sample should represent more than 80 per cent of Manufacturing Sector in Zimbabwe in terms of value and volume.
The thesis evaluated the effects of economic policies on the manufacturing sectors post-independent Zimbabwe. These economic policies had an effect or influence on the social growth and the manufacturing sectors in the country. The results showed the effects of the economic policies on manufacturing sectors chosen for this study.

Keywords: *Economic history, economic policy, economic reform, inherited economy, impact on the economy*

1. Introduction and Background of the Study

This research focuses on the effects of the Zimbabwean economic policies in the Manufacturing industry in Zimbabwe post-independence. The researcher investigated on the effects of the Economic Policies in Post Independent Zimbabwe (Growth with Equity, ESAP and Jambanja Era). Data was collected from 1980 – 2008. 1.3.3 Zimbabwe's Brief Economic History. The study deals with how economic policies affect the manufacturing sectors post-independence. It purely deals with the quantitative financial statements data, data from study questionnaires, and uses post positivist claims for the development of sound knowledge of post independent Zimbabwe economic data and employs experiments and generated data after observing a variety of manufacturing sectors in Zimbabwe.

During the 1980s, Zimbabwe's economy grew briskly: real growth averaged about 4% per year. During the early and mid-part of the decade, Zimbabwe's exports were diversified and became increasingly oriented towards manufacturing; debts were regularly repaid without the need for rescheduling; a reasonable degree of food security was attained; and the provision of educational and health services was dramatically expanded due to major increases in government spending on social services Engberg-Pederson et al (1997). As a result of the government spending on health care provision in particular, health indicators showed dramatic improvement during the 1980s: the infant mortality rate declined from 100 per 1,000 live births to 50 between 1980 and 1988; life expectancy increased from 56 to 64 years (External Review, 179). Primary school enrolment doubled over the decade.

Though it had entered into agreements with the World Bank in the late 1980s, Zimbabwe began structural adjustment in earnest in 1991, when it signed a stand-by arrangement with the IMF in exchange for a $484 million loan. Unlike many of the countries that undertake IMF adjustment programs, Zimbabwe did not institute structural adjustment in response to a "crisis." Marquette (1997) explains that after several years of economic stagnation, Zimbabwe turned to the Fund and World Bank in an effort to "jump start economic growth". Among the policy changes required by the IMF in exchange for the loan were cuts in Zimbabwe's fiscal deficit, tax rate reductions, and the deregulation of financial markets. The arrangement also required Zimbabwe to dismantle protections for the manufacturing sector and *"deregulate"* the labour market, lowering the minimum wage and eliminating certain guarantees of employment security (*External Review*,173-176). From the IMF's point-of-view, labour market rigidity is a factor that was constraining future growth potential and keeping the fiscal deficit high in Zimbabwe.

The post-independence government of Zimbabwe inherited a fairly well diversified economy, with an industrial base stronger than that of most Sub-Saharan African countries, north of the Limpopo River. In pursuing its development objectives, the government developed several plans such as the ones listed below: GOZ (1991)

(Growth with Equity), the Transitional National Development Plan (TNDP), the First Five Year National Development Plan (FFYNDP), the Second Five Year National Development Plan (SFYNDP), ESAP, the Economic Structural Adjustment Program (ESAP), JAMBANJA the Zimbabwe Program for Economic and Social Transformation (ZIMPREST) and, more recently, the Millennium Economic Recovery Programme. (MERP) National Economic Recovery Programme. (NERP) and National Economic Development Priority Programme. (NEDPP)

Most objectives of these plans were never realised and in almost all cases, the targets, particularly growth targets, were never met. Some aspects of the plans were never implemented and an outstanding example is an aspect relating to science and technology policy, for industrial development that was first mentioned in 1981.

According to GOZ (1991), the structural adjustment programme introduced in 1991 was aimed at restoring macro-economic stability through reduced government expenditure, trade liberalisation and deregulation. On the whole, ESAP resulted in higher levels of inflation and high interest rates that affected investment with the levels of unemployment increasing, as external competition forced some firms to close down. Trade liberalization, in particular and the abolition of the foreign exchange allocation system, were implemented at a pace faster than scheduled. This exposed domestic companies to international competition before they were prepared for it: opportunity to modernise their plants. Fiscal reforms, especially reduction of government expenditure proceeded much more slowly and hence, the budget deficit remained high throughout the ESAP period. Fig 1 shows how the economic policies drive good governance, which in turn drives the manufacturing sectors of Zimbabwe i.e., food manufacturing, pharmaceutical drug manufacturing, car component manufacturing and beverages manufacturing.

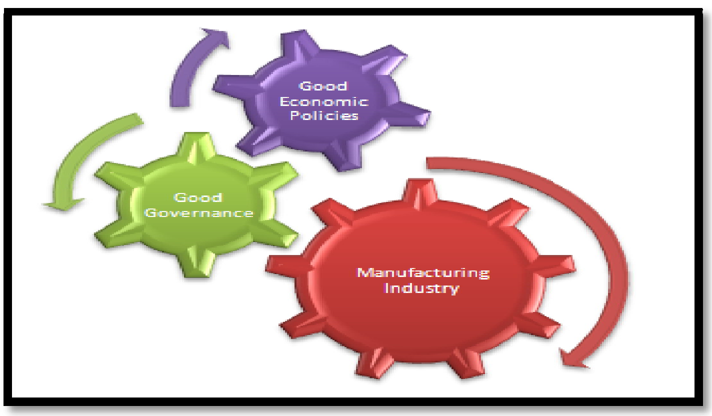

Figure 1

The figure above illustrates the relationship between three variables namely economic policies, good governance and the manufacturing industry.

Figure 2: Shows the Industrial Sites of Bulawayo Industries
Source: Zimbabwe a Framework for Economic Reform 1991

1.1. Food Manufacturing Industry

The following figures 3, 4, and 5 show how the 3 study periods differ through the different economic policy blue prints, this is the food sector.

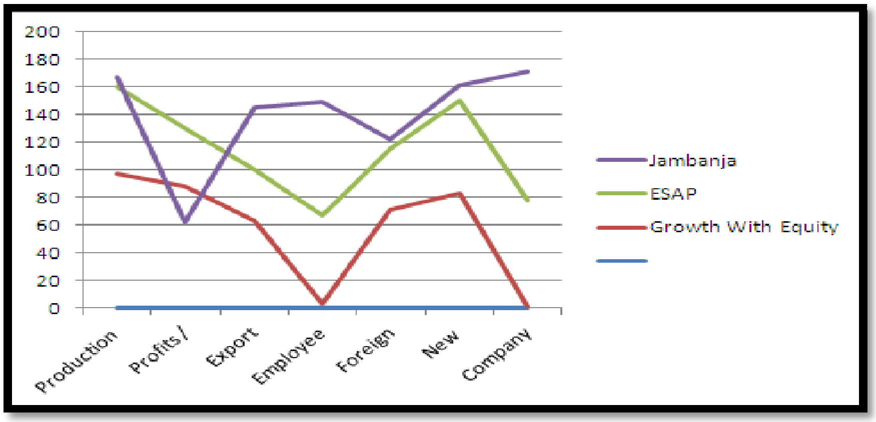

Figure 3: Company Data between 1980-1989 (Captured Data)

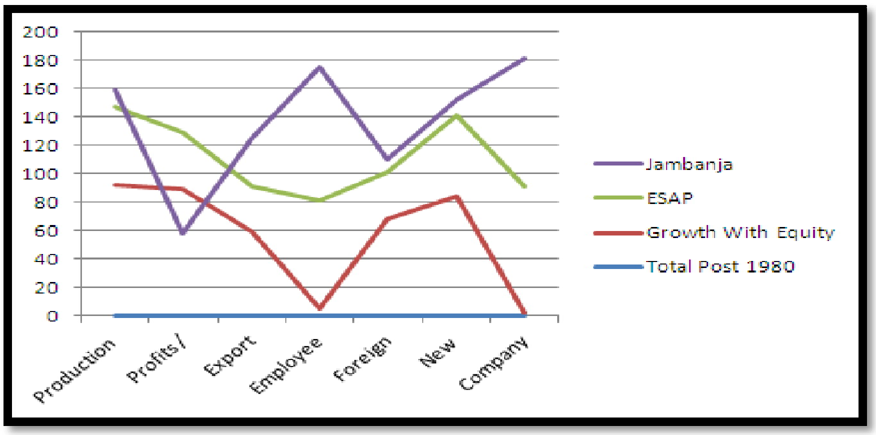

Figure 4: Company Data between 1990 and 1996 (Captured Data)

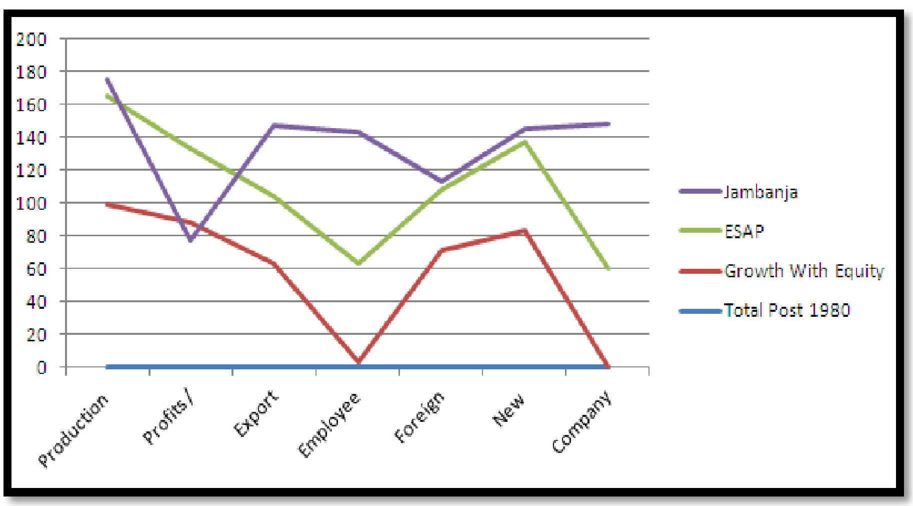

Figure 5: Company Data between 1997and 2008 (Captured Data)

In the past years, the economic situation in the country deteriorated after the devaluation of the Zimbabwe dollar in November 1997 and again in August 1998. The cost of living increased, resulting in many social disturbances, such as strikes and consumer boycotts. These have had a negative impact on the country's rating, by the international community(GOZ:1991). According to GOZ (1991), the country's policy-making environment appears to be cascading into a high congestion grid of irreconcilable demands. The demands are precipitated by:

- Landless peasants who wanted land commercial farms by yesterday;
- School leavers, discharged at the rate of 300,000 graduates per annum who cannot be absorbed in formal sector employment;
- Ex-combatants who, besides receiving gratuities of z$50,000 need higher monthly earnings, pension, business capital, social security and land;
- Increasing prices of essential products and services;
- Industrial lay-offs and closures that reflect increasing de-industrialization trends; and
- Farmers being in disarray owing to the haphazard land reform process.

It is quite clear that industrial development in Zimbabwe has not proceeded according to government or national expectations. Development planning became more of a crisis management process without a guiding long-term vision (GOZ 1991).

There were several examples of sudden policy changes that negated previously adopted official positions. A clear example is the case of the Second Five Year National Development Plan, which was abandoned in favour of the Structural Adjustment Programme. In the area of land reform, the official policy changed from one of land acquisition from large commercial farmers with compensation to that of land acquisition with no compensation, in response to increasing pressure from peasants and ex-combatants who were demanding agricultural land (Soludo, 1993).

In the area of science and technology, the government still did not have an S&T policy in spite of pointing out to the need to do so in the Growth with Equity Policy Statement, the Transitional Development Plan and the Second Five Year National Development Plan. The country adopted an industrial policy in March 1999, 19 years after independence. Still, the industrial policy is a general framework without programmes or details on how the industrialization drive is to be implemented. Soludo (1993) states that: There appear to be two issues that to a large extent explain why Zimbabwe is in serious economic problems, policies are formulated but are only partially implemented and the need to formulate certain policies is recognized but policies are not formulated.

It is therefore necessary to understand the process of policy formulation and implementation and, the forces that determine this in Zimbabwe. As Soludo (1993) points out the following key variables that affect policy formulation:

- The ideology of the ruling party;
- The dominant development theory;
- The objective conditions of the economy;
- The preferences and expertise of technocrats; and
- The external pressure from donors and foreign technical and policy advisers.

1.2. The Inherited Economy

The economy which the majority government inherited at independence bore the deep imprint of the racial segregation of the colonial period. The economy was characterised by dualism, with a modern, high technology sector coexisting with a backward sector confined to low levels of productivity using traditional methods of production and little access to credit and other resources through which to break out of the cycle of poverty. Dualism was particularly pronounced in the agricultural sector, but in an insidious way pervaded the whole fabric of the economy. The 'Tribal Trust Lands', or what are now called the communal areas, were repositories for the people not permitted to work in the modern economy Halimana, (1989).

More than a quarter of a century of independence has brought little change to the fundamental structural imbalances in the economy. In many aspects, the Zanu-PF government worsened income and asset distribution in a manner that has further entrenched dualism. Around 90% of the population is outside of the formal sector, which is where the focus of economic activity lies. A new government committed to an egalitarian and sustainable form of growth has to pursue an agenda of transformation that would involve integrating the mass of the population into the mainstream modern economy (Soludo; 2004)

1.3. Impact on the Economy

IMF policies which mandated the removal of protections for the manufacturing sector, trade liberalization, and reduced government spending, combined with the effects of a severe drought on agricultural production to send the Zimbabwean economy into recession in 1992 -- real GDP, fell by nearly 8% that year (Gibbons 1997). In Zimbabwe, economic crisis actually followed rather than preceded the implementation of structural adjustment, (Marquette 1997). There are a number of economic performance indicators that declined over the period of adjustment, (Soludo (1997), Marande and K. Schmitt-Hebbel 1994) January 1992 IMF staff report and External Review, 172-175).

Furthermore, private per capita consumption fell by 37% between 1991and 1996. As the External Review concluded, "This alone transformed the group of those who lost from the reforms from a minority to a majority" (External Review. 177). Meanwhile, food prices rose much faster than other consumer prices; this disproportionately affected the rural poor, who spend a larger share of their income on food (External Review, 180-182).

The post-independence government of Zimbabwe inherited a fairly well diversified economy with an industrial base stronger than that of most Sub-Saharan African countries north of the Limpopo River. In pursuing its development objectives, the government developed several plans. The Second Five Year National Development Plan was side-lined in favour of ESAP.

The main objectives of drawing up development plans was stated in the first government policy document, Growth with Equity, and that objective remains the same to date: to "achieve sustainable high rate of economic growth and speedy development in order to raise incomes and standards of living of the people" (GOZ, 1991).

The Economic Structural Adjustment Programme (ESAP), introduced in 1991 was aimed at restoring macro-economic stability through reduced government expenditure, trade liberalization and deregulation. ESAP resulted in higher levels of inflation and high interest rates that affected investment. Fiscal reforms, especially reduction of government expenditure, proceeded much more slowly and hence the budget deficit remained high, throughout the ESAP period, (Soludo :2004).

In the past three decades, the economic situation in the country deteriorated, especially since the devaluation of the Zimbabwean dollar, in November 1997 and again in August 1998. These had a negative impact on the country's rating by the international community, (Soludo :2004).

The country's policy-making environment appeared to be cascading into a high congestion grid of irreconcilable demands precipitated by a wide array of variables, (Marande and Schmitt-Hebbel :1994).

In the area of science and technology the government still did not have an S&T policy in spite of pointing out to the need to do so in the Growth with Equity Policy Statement, the Transitional Development Plan and the Second Five Year National Development Plan. The country adopted an industrial policy in March 1999, 19 years after independence. Still, the industrial policy was a general framework without programmes or details on how the industrialisation drive was to be implemented. Soludo (2004)

There appear to be two issues that to a large extent explain why Zimbabwe was in serious economic problems:

- Policies were formulated but were only partially implemented.
- The need to formulate certain policies was recognised but, policies were not formulated.

It is therefore necessary to understand the process of policy formulation and implementation and the forces that determined this in Zimbabwe.

This chapter characterised the problem statement of effects of economic policies and the manufacturing sectors in Zimbabwe. Specifically, the study investigated the effects of these economic policies on manufacturing sectors and other stakeholders. This involved an examination of the institutional relations among the various state organs and other stakeholders, and the roles that these played in the process of policy formulation and implementation.

The study examined the extent to which there is national consensus among the major stakeholder's policy-makers, industrialists and economic experts with regard to industrialisation and development strategies and the appropriate policies to achieve these. AsSoludo (1999) points out the following key variables affected policy formulation:

- The ideology of the ruling party;
- The dominant development theory;
- The objective conditions of the economy;
- The preferences and expertise of technocrats; and
- The external pressure from donors and foreign technical and policy advisers.

The study examined and interrogated how these variables have affected policy choice and implementation, and how this has changed over time with specific reference to the manufacturing industry in Zimbabwe. Little has been done in the process of policy evaluation hence very few checks and balances. Finally, the study recommends reforms and changes in the policy process that are necessary to facilitate the design and implementation of effective and credible industrialisation growth.

1.4. Statement of the Problem

The main focus of this study was to determine the effects of economic policies on the manufacturing sectors in post-independence Zimbabwe. Specifically, it aimed to answer the research questions on why Zimbabwe's manufacturing sectors was going through huge deindustrialisation and growing into nonexistence in Zimbabwe from being an industrialised country.

1.5. Research Questions

- How did the manufacturing sector in Zimbabwe change for better or worse in post 1980 Zimbabwe.'1980, Growth with Equity, ESAP and Jambanja?
- What developments took place in the manufacturing sector post 1980? (Growth With Equity, ESAP and Jambanja era)
- What changed in the manufacturing sector when ESAP was put in place after Growth with Equity was abandoned by the government?
- What effect did ESAP have on the manufacturing sector in Zimbabwe?
- How did the manufacturing sector change in the Growth with Era, ESAP and JAMBANJA ERA and what influenced the changes?
- What did the Government do in post-independence era to reduce changes and the frequency of economic development polices?

1.6. Research Objectives

- Study and evaluate the impact of government change in 1980 on economic development policies on the manufacturing sector. (Growth with Equity, ESAP and JAMBANJA)
- Identify the factors that influenced the economic development policy changes after 1980. (Growth with Equity, ESAP and JAMBANJA)
- Assess the impact on profits by the three eras (Growth with Equity, ESAP and JAMBANJA) on the manufacturing industrial sector by the economic policies.
- Study and evaluate the influence by Growth with Equity, ESAP and Jambanja on the manufacturing sector in Zimbabwe.
- Determine the extent of economic policies on the manufacturing sector in Zimbabwe. (Growth with Equity, ESAP and JAMBANJA)
- Study and evaluate the influence of government policy change on the manufacturing sector in post-independent Zimbabwe. (Growth with Equity, ESAP and JAMBANJA)

1.7. Significance of the Study

This study will contribute to the improvement of economic policy implementation not only in Zimbabwe but also in other countries. The researcher hopes that this research will encourage the policy implementers and also the present government to be drawn to this new theory and new model that the study has constructed and to adapt it as an effective policy implementation tool strategy that will benefit the manufacturing sectors. There are a number of outcomes to be considered in the overall output of socio economic development.

1.8. Assumptions of the Study

This study adopted a mixed methods approach, qualitative data was extracted from interviews and converted it to quantitative data through SPSS to derive scientific meaning from the study and from statistical sources and databases. The study adopted grounded theory inductive methodology, some assumptions that were considered for this study are:

- The participants will answer the interview questions in an honest and candid manner.
- The inclusion criteria of the sample are appropriate and therefore, assures that the participants have all experienced the same or similar phenomenon of the study.
- Participants have a sincere interest in participating in your research and do not any other motives.

1.9. Scope and Limitation of the Study

This study is limited to the four manufacturing companies from four different sectors namely food manufacturing, car component manufacturing, drug pharmaceutical and beverages in Harare and Bulawayo.

1.10. Delimitation of the study

The main purpose of the study is to provide information regarding effects of economic policies on the manufacturing sectors in Zimbabwe. The study considers the company's financial and production performance information such as their levels of output, export and access to bank loans. The researchers limited the study to 4manufacturing sectors located in Bulawayo Zimbabwe.

1.11. Definition of Special Terms and Expressions (Put Conceptual Terms Here)

<u>1.11.1. Theoretical Underpinnings of the Research</u>

The development of theory proceeds typically through comparative analysis. Instances are compared across a range of situations, over a period of time, among a number of people and through a variety of methods. Comparisons were being made all the time in checking data, testing ideas, bringing out the distinctive elements of a category and establishing generalities within a group. Any of these sparked off ideas about 'why', which brought more comparisons to test and refine the idea.

Theorising went on throughout the study and as soon as I begun to identify significant events or words, and went on to develop categories and concepts, one was building up essential components of theory. The researcher became steeped in data, but at the same time cultivated analytical distance, to enable thinking about the data and to allow the imagination to work on see patterns in the detail, or how apparently unrelated items might have been connected.

Nias (2002) reminds us that a great deal of thinking has to go into this process and that this is frequently painful, though ultimately highly rewarding. Wrestling with mounds of accumulating material, searching for themes and indicators that will make sense of it all, taking some apparently promising routes, only to find they are blind alleys, writing more and more notes and memos, re-reading notes and literature for signs and clues, doing more field work to fill in holes or test an incipient theory, and presenting tentative papers which receive criticism as well as appreciation. If one is lucky all these are part of the generation of theory.

1.11.2. The Generation of Theory

Many qualitative studies do not go beyond the construction of models and typologies. This ordered, descriptive detail is a perfectly legitimate pursuit. As the researcher has explored, it takes considerable work, skill and insight to achieve this level of description, and the results are valuable. The researcher went on from asking 'what' and 'how' questions to 'why' questions.

1.11.3. Types of Theory

It is useful to see theories on two dimensions. The first is Glaser and Strauss's :(1967) distinction between substantive and formal theory. The former is theory that applies to a particular case; formal theory is at a higher level of abstraction and applies to a generality of cases. The second dimension is that of micro-macro. Qualitative research lends itself more readily to micro research, which is concerned with activity within manufacturing sectors and economic policies.

One of the problems is that, the further one ventures into the macro area, the less 'grounded' one's theory becomes, simply because it is getting further from the ground, but this is not the reason why qualitative researchers should not develop theory in this area. Andy Hargreaves' (1992) article 'Time and teachers' work: an analysis of the intensification thesis, is a good example of this.

Hammersley and Atkinson (1995) in consequence identify four broad types of theory Micro-formal. The development of theory that might be generalised across a number of cases and situations but explaining phenomena at an interactional rather than society level, as in 'labelling theory', 'coping strategies', 'spoiled careers' Goffman, (1961).

Micro-substantive. Theory applied to particular cases which explain in their own terms. 'Sassing-out' is a good example.

As Hammersley and Atkinson (2007) points out, these are all worthy forms of theory, but researchers would need to be clear on which type or types, since more than one might be involved in developing the implications as it would have implications for the conduct of the research.

1.12. Organization of the Thesis

The thesis consists of five chapters, as follows:

Chapter 1 of this study includes the introduction, objectives, scope and limitation of this study. It also includes the definition of key terms leading to Chapter 2 which reviews of all the literatures used in this study books, journals, articles and information collated from various websites. Chapter 3 is concerned with the research methodology which in this case is the mixed methodology of the quantitative and qualitative paradigms. A phenomenological type of research philosophy informed this research and all the plans for data collection are outlined. Chapter 4 focuses on data presentation from all the analysis types employed leading to the last chapter 5 which gives the summary, conclusions as well is answering the research questions of this study. It also gives recommendations to improve manufacturing sectors in Zimbabwe and to have good friendly economic policies.

1.13. Chapter One Summary

In conclusion, this chapter gave an in-depth sight into the foundation, objectives and area of the study. It stated clearly the research problems and their objectives, giving strong reasons to validate the study. Lastly, it listed the research objectives that the research was seeking to achieve. The next chapter vigorously examined the literature, which supports the rationale to undertake the study.

2. Review of Related Literature

2.1. Introduction

In this chapter, the researcher interrogated the literature underpinning the study and extensively zeroed in on information that was relevant to the study without any doubt. The researcher examined literature extensively on a time series basis, and in this chapter the researcher included all the relevant literature that the researcher cross-examined from the beginning of this research in 2009. The researcher also considered the research theories relevant to the economic policies, and model for social growth, which fully functioning economic theories should seek to achieve.

A researcher's epistemology according to Holloway (1997), Mason (1996) and Creswell (1994) is literally his theory of knowledge, which serves to decide how the social phenomena will be studied. The researcher's epistemological position regarding the study was formulated as follows:

- Data was contained within the perspectives of people that are involved with manufacturing sectors in Zimbabwe, either in a co-coordinating capacity or as programme participant;
- Because of this, the researcher engaged with the participants in collecting the data. Based on Davidson (2000) and Jones (2001), the researcher identified a phenomenological methodology as the best means for this type of study.

Phenomenologists, in contrast to positivists, believe that the researcher cannot be detached from his/her own presuppositions and that; the researcher should not pretend otherwise, (Hammersley 2000). In this regard, Mouton and Marais (1990) state that individual researchers "hold explicit beliefs". The intention of this research, at the outset preliminary focus, was to gather data regarding the perspectives of research participants on the phenomenon of the growing of talent and the contribution of co-operative education in this process.

The study focused on 4 (four) manufacturing sector industries. From the 4(four) sectors, the researcher remained with a study sample that had sectors which had business in running from the 1980 period up to the time of the study data cut off period. The researcher focused on companies that were in existence since 1980 and that have survived up to date when the researcher cut off data collection for this study. The researcher had over 500 manufacturing companies in Zimbabwe that were in the business since 1980, in the research sample and they were then split into sectors. The researcher compared the sectors that were in existence since 1980 and that are in existence now at the time of doing the field work.

After screening the research sample, the researcher remained with drugs manufacturing sector, food manufacturing sector, car component manufacturing sector and beverages manufacturing sector. Under drugs manufacturing, I remained with Datlabs, food manufacturing remained with Dairy Board Zimbabwe Limited, beverages remained with Delta Corporation and car components remained with Dunlop Tyres Zimbabwe. The researcher also did a survey in the city of Bulawayo to get views from different subjects who were also community members but drawn from different backgrounds to get a clear picture or the effects of these economic policies on individuals.

2.2. The Focus Groups

The interviews had structured questions. Interviews were conducted with the following focus groups mainly:

- Zimbabwe National Chamber of Commerce
- Zimbabwe Stock Exchange
- Ministry of Finance (Representative):
- Reserve Bank of Zimbabwe
- Zimbabwe Investment Centre

2.2.1. Overview

During the 1980s, Zimbabwe's economy grew briskly: real growth averaged about 4% per year. During the early and mid-part of the decade, Zimbabwe's exports were diversified and became increasingly oriented towards manufacturing; debts were regularly repaid without the need for rescheduling; a reasonable degree of food security was attained; and the provision of educational and health services was dramatically expanded due to major increases in government spending on social services. As a result of increased government spending on health care provision in particular, health indicators showed dramatic improvement during the 1980s: the infant mortality rate declined from 100 per 1,000 live births to 50 between 1980 and 1988; life expectancy increased from 56 to 64 years (External Review, 179). Primary school enrollment doubled over the decade.

The External Review summarised the achievements of the 1980s:

"The core of the government's redistributive agenda was through (sic) increased public expenditures on education, health, and public-sector employment. During the 1980s, much was achieved both in terms of an expansion of these expenditures and in terms of measurable indicators of performance" (p. 172).

Though it had entered into agreements with the World Bank in the late 1980s, Zimbabwe began structural adjustment in earnest in 1991 when it signed a stand-by arrangement with the IMF in exchange for a $484 million loan. Unlike many of the countries that undertake IMF adjustment programs, Zimbabwe did not institute structural adjustment in response to a "crisis." Rather, explains Catherine Marquette, after several years of economic stagnation, Zimbabwe turned to the Fund and World Bank in an effort to "jump start economic growth."

Among the policy changes required by the IMF in exchange for the loan were cuts in Zimbabwe's fiscal deficit, tax rate reductions, and the deregulation of financial markets. The arrangement also required Zimbabwe to dismantle protections for the manufacturing sector and "deregulate" the labour market, lowering the minimum wage and eliminating certain guarantees of employment security (External Review, 173-176). From the IMF's point-of-view, labour market rigidity was a factor which was constraining future growth potential and keeping the fiscal deficit high in Zimbabwe.

2.3. Impact on the Economy

IMF policies which mandated the removal of protections for the manufacturing sector, trade liberalization, and reduced government spending combined with the effects of a severe drought on agricultural production to send the Zimbabwean economy into recession in 1992 -- real GDP fell by nearly 8% that year. In Zimbabwe, economic crisis actually followed rather than preceded the implementation of structural adjustment. (External Review, 173-176)

According to External Review, 173-176, a number of indicators of economic performance declined over the period of adjustment. Furthermore, private per capita consumption fell by 37% between 1991and 1996. As the External Review concluded, *"This alone transformed the group of those who lost from the reforms from a minority to a majority"* (177). The combination of reduced protection of the manufacturing sector, the reduction in public spending, and labor market deregulation led to higher unemployment and lower real wages. Between 1991and 96, formal sector employment in manufacturing fell 9% and real wages declined by 26%. Meanwhile, food prices rose much faster than other consumer prices; this disproportionately affected the rural poor, who spent a larger share of their income on food (External Review, 180, 182).

2.3.1. Zimbabwe's GDP Annual Percentage Growth Rate from 1961 to 2010

The Gross Domestic Product measures the total value, calculated in dollars, of all final production in a country. It can be calculated in three ways. It measures flows through the economy –production –not stocks, such as wealth and already-existing capital equipment, and it does not measure financial transactions or gifts, where only money changes hands (Kinsey, Bill, Burger, and Gunning, 1998). The GDP‟s usefulness as a normative indicator of general social and economic well-being is a long-standing question in economics and policy circles.

2.3.2. Weaknesses of GDP as a Normative Measure

Blayne Haggart (2000), points out that economists will be quick to point out that GDP doesn't pretend to be any more than it is –a simple measure of production, but over time the idea has evolved that a growing GDP means a stronger economy and societal improvement.
Below Figure 6, is GDP from 1980 to 2008?

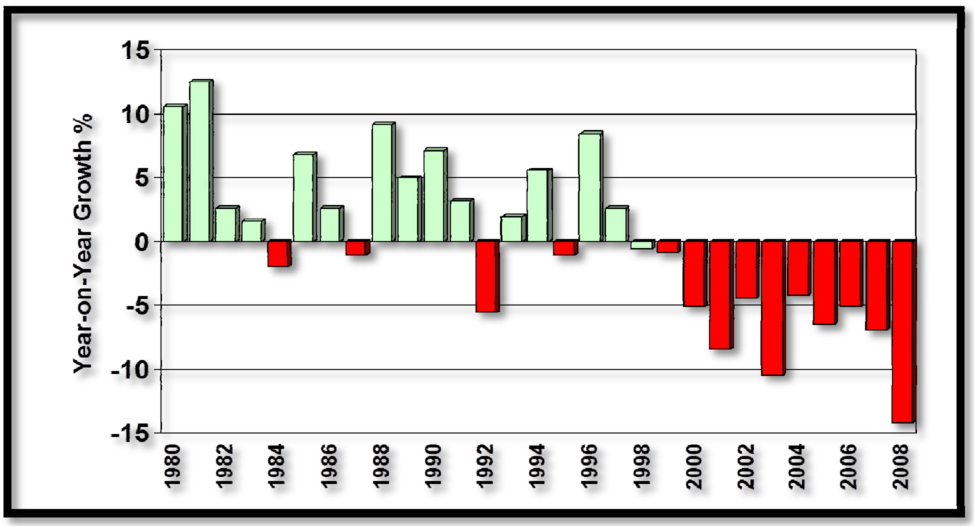

Figure 6
Source: World Bank. Retrieved 6 January 2012

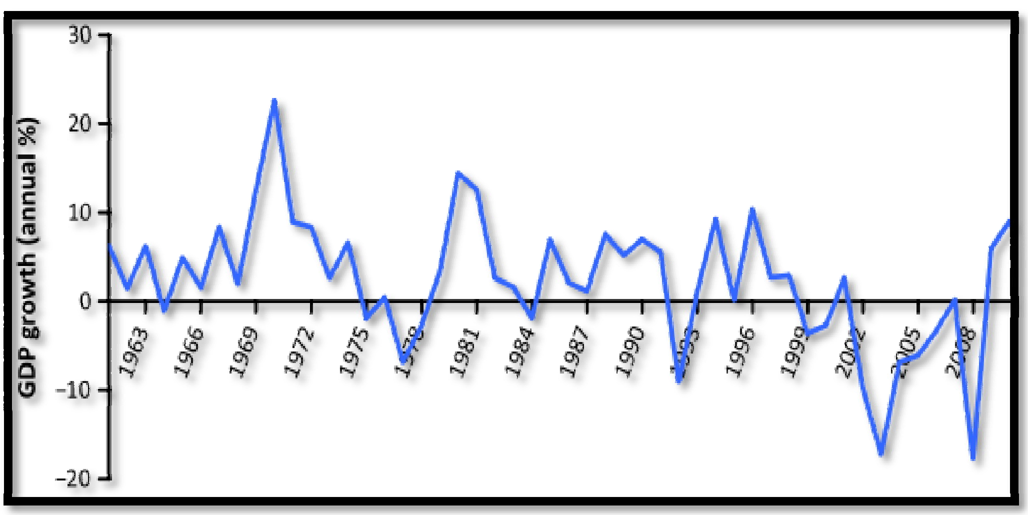

Figure 7: Zimbabwe GDP Growth in %
Source: World Bank. Retrieved 6 January 2012

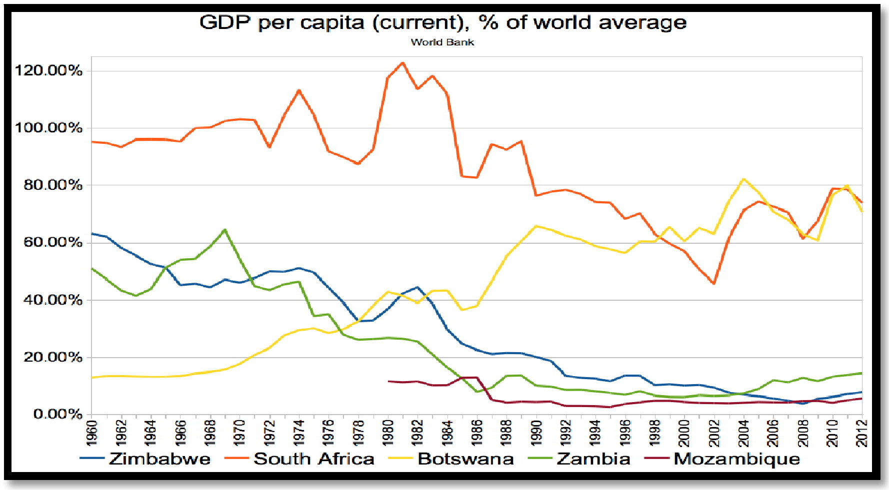

Figure 8: Southern Africa GDP per Capital
Source: World Bank. Retrieved 6 January 2012

Figure 6, shows how Gross Domestic Product shrunk between 1980 and 2008 while figure 7 indicates how GDP growth shrunk from 1980 to negative numbers by 2008. Figure 8 is a comparison of five Southern African countries, were Zimbabwe shows a steep decline and is second from last amongst other countries shown.

2.3.3. Background of the Zimbabwean Economy

2.3.3.1. 1980-1990 Growth with Equity

The government propagated a whole range of new economic policies, introducing a minimum wage and virtually eliminating the right to fire workers. Total spending on education nearly tripled (from Z$227.6 million to Z$628.0 million), as the government spent on healthcare (from Z$66.4 million to Z$188.6 million), between 1979 and 1990. Expenditure on public-sector employment rose by 60%, and on the civil service by 12% per annum over the course of the 1980s. Central government expenditure tripled and increased its share from 32.5 percent of GDP in 1979 to 44.6% in 1989. Interest rates were artificially capped (Kinsey, Bill, Burger, and Gunning, 1998).

The consequences during this time were rather mixed. Economic inequality within the population decreased and provision of education and healthcare became more widespread. During the 1980s, education increased by 11.5%. During the same time period the US had a 38% increase in GDP per capita. Thus, the relative poverty of the country rose in relation to the United States during this period. There was an exodus of white Zimbabweans, skilled workers during this period, (Kinsey, Bill, Burger, and Gunning 1998).

There were several reasons for middling to low performance of the economy. Foreign companies were not allowed to remit dividends, and new foreign investments were actively discouraged. The need to get permission and licenses for new investment and the dismissal of individual workers imposed heavy time and transaction costs. Repressed interest rates, discouraged savings and the state's high propensity to borrow, reduced the supply of capital to all but favoured borrowers, and also stoked inflation. The regime did not encourage, and even suppressed the development of independent new African businesses because of the threat they were thought to offer to ZANU's political monopoly (Kinsey, Bill, Burger, and Gunning, 1998)

Public spending skyrocketed, particularly in the areas of civil service employment, spending on social services, drought relief, and subsidies for government owned companies. This in turn generated a chronic budget deficit, a high tax regime, and a rapid increase in public debt – all of which created a drag on the economy. The overall effects of these constraints favoured existing capital-intensive producers, biasing the economy against areas labour-intensive activities. Compounding the problem, all companies were effectively discouraged from employing new workers because of controls over wages and employment.

This had two politically significant consequences. Firstly, it suppressed the emergence of a genuinely entrepreneurial African business class and reduced the political support of those that did make their way despite these problems. Secondly, it turned unemployment into a major threat to the legitimacy of the regime, especially in urban areas. In real terms, wages declined over the decade (Kinsey, Bill, Burger, and Gunning, 1998)

2.3.3.2. 1990-1996 ESAP

By the end of the 1980s, there was an increasing agreement amongst government elites that new economic policies needed to be implemented for the long-term survival of the regime. The new policy regime designed by the government and its advisers set out to encourage job-creating growth by transferring control over prices from the state to the market, improving access to foreign exchange, reducing administrative controls over investment and employment decisions, and by reducing the fiscal deficit World Bank Report (1992). It had wide local support and was introduced before economic problems had gone out of control. The austerity plan in Zimbabwe was followed by economic problems of increased severity. On the positive side, capital formation and the percentage of exports in GDP increased and urban–rural inequality fell (Marquette, Catherine 1997).

The new policies were undermined by extremely unfavorable conditions like drought reduced agricultural output, exports, public revenue, and demand for local manufacturing (Marquette, Catherine M 1997).

The government's failure to bring the fiscal deficit under control undermined the effectiveness of those elements in the program, which were followed through. This led to growth in public borrowing, sharp increases in interest rates, and upward pressure on the exchange rate just as local firms were exposed to intensified foreign competition. Many firms failed, many others were forced to restructure, and new investment were discouraged in both the formal and increasingly important informal sector. **(**Marquette, Catherine, 1997)

2.3.3.3. 1996- 2008 (Jambanja)

By the mid-1990s, there were signs of improvement. However, the patience of both the government and the people was exhausted, and a new direction was taken.

In 1998, Mugabe's intervention in the Second Congo War (Kinshasa)—purportedly to protect his personal investments—resulted in suspension of international economic aid for Zimbabwe. This suspension of aid and the millions of dollars spent to intervene in the war, further weakened Zimbabwe's already troubled economy **(**Fafchamps, Marcel 2004).

In recent years, there has been a considerable economic hardship in Zimbabwe. Many western countries argue that the Government of Zimbabwe's land reform program, recurrent interference with, and intimidation of the judiciary, as well as maintenance of unrealistic price controls and exchange rates has led to a sharp drop in investor confidence, (Fafchamps, Marcel 2004).

Between 2000 and 2008, the national economy contracted by as much as 40%; inflation vaulted to over 66,000%, and there were persistent shortages of Hard Currency, fuel, medicine, and food. GDP per capita dropped by 40%, agricultural output dropped by 51% and industrial production dropped by 47% (Fafchamps, Marcel: 2004).

2.4. Theoretical Framework

Most of the existing economic policies literature focuses on the democratic economies, in which voting is the main mechanism for the policy determination (see for example, Alesina and Rodrik (1994); Drazen (2000); Persson and Tabellini (2002), etc.). However, in many developing economies such as China, voting is clearly not the most crucial mechanism for the determination of the de facto policies. Instead, in those economies, the government often plays a very different and perhaps also more important role, than many democratic and developed economies. Therefore, my thesis is not only highlighting the effects of economic policies, but also the explicit roles played by the government to grow manufacturing sector in Zimbabwe. (Fafchamps, Marcel 2004). (World Bank, 2008) (Fafchamps, Marcel 2004).

The researcher also addressed the role of the government and manufacturing sectors explicitly. This approach did not only allow the researcher to examine how the economic policies affect the manufacturing, but also how the economy has been affected by these policies, therefore, it gave the researcher a more complete view about the importance of having good sound policies which are fully implemented in Zimbabwe which is still a developing economy.

<u>2.4.1. Theory Development</u>

According to Whitten (1989), Theory Development Authorities, a complete theory must contain four essential elements, what, how why, when where and who. During the theory development process, the researcher replaces data with logic as the basis of evaluation. The mission of a theory development is to challenge and extend existing knowledge, not simple to rewrite according to Whitten (1989). To avoid vacuous discussions, propositions are going to be well grounded in the Whys as well as the Hows and the Whats (Whitten: 1989). In summary, What and How describe, only Why explains. What and How provide a framework for interpreting patterns or discrepancies in empirical observations. The theory development process and criteria for judging theoretical contributions need to be broadly understood and accepted, (Michael Michalko :1998).

2.4.1.1. Innovative Techniques for Theory Building and Application

This section of literature review covers ideas of innovative techniques on theory building and applications. This is because the researcher is expected to make a distinct contribution to scientific knowledge, in order to receive an award of a PhD degree by research. The distinct contribution that the research has chosen to make contribution in is management in policy management and production management. The researcher as discussed by Corley (2011) concurs and supports Corley and Gioia (2011) in that a theory must have scientific utility which improves conceptual rigor in the scholarly community of a given discipline. argues that a researcher can make a contribution through incremental insight which is just a progressive advance in understanding a relevant issue. In general, such a contribution is of low value and may not be original. A theory can be defined as an abstract of ideas about a given phenomenon and according to Honderich (1995), a theory enables us to predict how things are going to happen. According to Whitten (1989), A theory must be capable of explaining emerging data patterns in a given research project and data anomalies in a given context, so the data is what is new and the theory is the explanation of both emerging patterns and anomalies. It is from a theory when it is applied to real life problems by managers that best practices are developed.

2.4.1.2. Endogenous Growth

Historically, the engine of growth as depicted in Solow Model is seminal work on the topic Solow (1956), was the assumption of exogenous technical change. Thus, initially, growth models aimed at being consistent with growth facts, but gave up on the possibility of explaining them, (Cass (1965) and Koopmans (1965). We then discuss the nature of the technologies, consistent with endogenous growth and the role of fiscal policy in influencing the growth rate. We conclude with an analysis of the role of innovation in the context of convex models of equilibrium growth.

2.4.2. Growth and the Solow Model

In the simplest time invariant version of the Solow model, it can be shown that the per capita stock of capital converges to a unique value, independent of initial conditions. It is then necessary to assume some exogenous source of productivity growth in order to account for long run growth. In Solow (1956), it is assumed that labor productivity grows continually and exogenously. In response, the capital stock (assumed homogeneous over time) is continually increased allowing a continual expansion in the level of output and consumption (Shell, 1967).

2.4.2.1. Solow–Swan model

The Solow–Swan model is an exogenous growth model, an economic model of long run set within the framework of Neo Classical economic model. It attempts to explain long-run economic growth by looking at capital accumulation, labor or population growth, and increases in productivity, commonly referred to as Technological progress. The model was developed independently by Robert Solow and Travor Swan in 1956 and superseded the Post Keyneysians economics. Due to its particularly attractive mathematical characteristics, Solow–Swan proved to be a convenient starting point for various extensions. For instance, in 1965, David Cass, Tjalling Koopmans, Ted Frank, and P. Ramsey’s analysis of consumer optimization, thereby looking at endogenous growth model.

2.4.3. Background of Neo Classical model

The neo-classical model was an extension to the 1946 Harrod–Domar model, that included a new term: productivity growth. Important contributions to the model came from the work done by Solow and by Swan in 1956, who independently developed relatively simple growth models.

2.4.3.1. Assumptions

The key assumption of the neoclassical growth model is that, capital is subject to diminishing returns or profit in a closed economy. List John (2004)

Given a fixed stock of labor, the impact on the output of the last unit of capital accumulated will always be less than the one before.

The assumption for simplicity and non-zero rates of labor growth complicates matters somewhat, but the basic logic still applies in the short-run of the rate of growth slows as diminishing returns take effect and the economy converges to a constant "steady-state" rate of growth (that is, *no* economic growth per-capita) (John (2004).

2.4.3.2. Variations in the Effects of Productivity

In the Solow-Swan model the unexplained change in the growth of output after accounting for the effect of capital accumulation is called the Solow residual income. This residual measure the exogenous increase in Total Factor Productivity (TFP) during a particular time period. The increase in TFP is often attributed entirely to technological progress, but it also includes any permanent improvement in the efficiency with which factors of production are combined over time. Implicitly TFP growth includes any permanent productivity improvements that result from improved management practices in the private or public sectors of the economy, (List, John 2004).

The model can be reformulated in slightly different ways using different productivity assumptions, or different measurement metrics:

2.4.4. Econometric Estimates

Klenow and Rodriguez-Clare, cast doubt on the validity of the augmented model because Mankiw, Romer, and Weil´s estimate did not seem consistent with accepted estimates of the effect of increases in schooling on workers' salaries. Though the estimated model explained 78% of variation in income across countries, the estimates of implied that human capital's external effects on national income are greater than its direct effect on workers' salaries.

2.4.4.1. Accounting for External Effects

Theodore Breton provided an insight that reconciled the large effect of human capital, from schooling in the Mankiw, Romer and Weil model, with the smaller effect of schooling on workers' salaries. He demonstrated that the mathematical properties of the model include significant external effects between the factors of production, because human capital and physical capital are multiplicative factors of production. The external effect of human capital on the productivity of physical capital is evident in the marginal product of physical capital:

2.5. Micro and Macro Analysis

In recent years, the subject matter of economics has been divided into two broad areas. One of them is called Micro-economics and the other is called Macro-economics. These two terms micro-economics and macro-economic were first coined and used by Ranger Frisco in 1933. In recent years, division of economic theory into two separate parts has gained much importance.

The distinction/difference between Micro and Macro-economics is made clear below: Ram and Rati (2007)

2.5.1. Micro-Economics

Micro-economics The micro-economic theory or price theory thus is the study of individual parts of the economy"(Ram and Rati :2007). In the micro-economic theory, we study the behavior of individual firms and the fixation of prices output. In the words of Samuelson: “Micro-economics we examine among other things how individual prices are set, consider what determines the price of land and capital and enquire into the strength and weaknesses of market mechanics”. In the words of Leftwitch: “Micro-economic theory or price theory deals with the economic behavior of individual decision-making units such as consumers, resources owners, business firms as well as individuals who are too small to have an impact on the national economy".

2.5.1.1. Micro-Economics and Allocation of Resources

The micro-economic theory takes the total quantity of resources as given. It seeks to explain how they are allocated to the production of goods. The allocation of resources to the production of goods depends upon the price of various goods and the prices of factors of production. Micro-economics analyses how the relative prices of goods and factors are determined. Thus, the theory of product pricing and the theory of factor pricing (rent wages, interest and profit) fall within the domain of micro-economics. Ram and Rati (2007)

Ram and Rati (2007). The importance and uses of micro economics in brief are as follows helping in understanding the working of private enterprise economy, in knowing the conditions of efficiency and working economy without central control. The micro-economics reveals how a free enterprise economy functions without any central control. Micro-economics despite its many advantages, it is not free from limitations, (Ram and Rati (2007)

2.6. Macro-Economics

The term macro is derived from the Greek word ‘uakpo’ which means large. Macro-economics, the other half of economics, is the study of the behavior of the economy as a whole. In other words:
"Macro-economic deals with total or big aggregates such as national income, output and employment, total consumption, aggregate saving and aggregate investment and the general level of prices". In the words of Boulding: “Macro-economics does not deal with individual quantities as such but, with aggregates of these quantities, not with individual i.e., but with the national Income, not with individual prices, the price level, and with the national output. It studies determination of national output and its growth overtime. It also studies the problems of recession, unemployment inflation, the balance of international payments and the policies adopted by the governments to deal with these problems".

The main issues which are addressed in macro-economics in brief are as follows:

- It helps in understanding the determination of income and employment. Late J.M. Keynes laid great stress on macro-economic analysis. In his revolutionary book, “General Theory, Employment interest and Money", he brought drastic changes in economic thinking. He explained the forces or factors which determine the level of aggregate employment and output in the economy.

2.6.1. Determination of the General Level of Prices

Macro-economic analysis answers questions as to how the general price level is determined and what is the importance of various factors which influence general price level, (Ram and Rati :2007). Economic growth, Macro-economics and business cycles, International trade. Libanio and Gilberto (2006). Income shares from the national income. Mr. M. Kalecki and Nicholas Kelder, by making departure from Ricarde Theory, have presented a macro theory of distribution of income. According to these economists, the relative shares of wages and profits depend upon the ratio of investment to national income. Unemployment, Macro-Economic Policies., Global-Economic System. A good or weak performance of a nation’s economy can affect the performance of the world economy as a whole. (Libanio and Gilberto (2006).

2.6.2. Limitations

The main limitations of macro-economic are as follows, the macro-economies ignore the welfare of the individual. For instance, if national saving is increased at the cost of individual welfare, it is not considered a wise policy. The macro-economics analysis regards aggregates as homogeneous but, does not look into its internal composition. For instance, if the wages of the clerks fall and the wages of the teachers rise, the average wage may remain the same.

It is not necessary that all aggregate variables are important. For instance, national income is the total of individual incomes. If national income in the country goes up, it is not necessary that the income of all the individuals in the country also rise. There is a possibility that the rise in national income may be due to the increase in the incomes of a few rich families of the country. Libanio and Gilberto (2006)

2.6.3. Interdependence of Micro and Macro Economics

The classical approach to macro-economics is that individuals and firms act in their own best interest. The wages and prices adjust quickly to achieve equilibrium in the free market economy, (Kalecki and Kelder). The Keynesian approach to macro-economics is that wages and prices do not adjust rapidly and unemployment may remain high for a long time. The Keynesians are of the view that, the government intervention in the economy can help in improving economic performance, (KaleckiandKelder:2009)

2.6.4. Conclusion

The *micro and macro-economics are inter-dependent*. They are complementary and not conflicting. We cannot put them in water tight compartments. Both these approaches help us in analysing the working of the economy. If the researcher studies one approach and neglects the other, then the researcher is considered to be only half educated, (Libanio and Gilberto :2006).

The researcher integrated the two approaches for the successful analysis of the working of the economic system. The macro approach should be applied where aggregate entities are involved, and micro approach when individual cases are to be examined. If the researcher ignores one and lays emphasis on the other, it will lead to wrong or inadequate conclusions.

2.7. Kaldor's First Law

According to Kaldor (1966), an important stylized fact in the growth trajectory of developed economies in the postwar period is the relationship between industrial growth and the performance of the economy as a whole. This observation is the origin of Kaldor's first law, which states that there is a close relation between the growth of manufacturing output and the growth of GDP. Kaldor's first law can be summed up in the expression "manufacturing is the engine of growth" and was first estimated by Kaldor in a cross section of developed countries over the period 1952-54 to 1963-64.

According to Kaldor, this process is a characteristic of the transition from "immaturity" to "maturity", where an "immature" economy is defined as one in which there is a large amount of labor available, in low productivity sectors that can be transferred to industry. For the purposes of this paper, it is worth noting the importance of informal sectors with low levels of productivity in Latin American economies, (Libanio and Gilberto:2006). The second reason for the relation between manufacturing growth and productivity relates to the existence of static and dynamic increasing returns in the industrial sector. Static returns relate mainly to economies of scale internal to the firm, whereas dynamic returns refer to increasing productivity derived from learning by doing, 'induced' technological change, external economies in production, et cetera. In this case, Kaldor's interpretation is influenced by the work of Allyn Young (1928), who conceives increasing returns as a macro-economic phenomenon based on the interaction between activities in the process of general economic expansion. Also, it echoes Adam Smith's idea that increasing productivity is based on the division of labor, which in turn depends on the extension of the market. The relation between output growth and productivity growth in manufacturing is the basis of Kaldor's second growth law, also known as Verdoorn's Law, which is discussed in the next section. Libanio and Gilberto (2006)

2.8. The History of the IMF

The International Monetary Fund was founded in 1945, as the agency was charged with overseeing the so-called Bretton Woods system (named after the town in New Hampshire where the summit to establish it, was held), as well as promoting postwar global economic growth more generally. Common economic wisdom was held at a time when a series of competitive currency devaluations was a significant contributor to the international contagion of the Great Depression (though later Depression scholarship has raised doubt about the importance of this factor). The Bretton Woods plan, by which the US would return to the gold standard and other participating countries would peg their currencies to the dollar, was meant to prevent such "beggar thy neighbor" policies. In addition to its oversight and international coordination roles, the IMF also served as an international lender of last resort: any member country facing a balance of payments crisis could apply for a loan that would allow it to repay its sovereign debt on time (from a pool of funds backed by capital contributed by all the member countries).

In the 1970s, the rapid US in action (brought about primarily by the Vietnam War) made the gold standard unsustainable, as the supply of dollars rapidly outstripped the Federal Reserve's ability to maintain enough gold reserves to back them. The combination of the end of dollar-gold convertibility and the rapid increase in dollar supply (causing unexpected monetary-policy effects in the countries that pegged to the dollar) led to the abandonment of the Bretton Woods system. The IMF continues to serve as a global credit union" as well as an organization for research and international economic cooperation (Libanio and Gilberto 2006).

2.8.1. The Present IMF

According to Libanio and Gilberto (2006), the IMF has a total of $1.3 trillion in resources at its disposal from its 188-member countries. As of August 9, 2012, it has $243 billion in loans committed, of which only $57 billion have actually been drawn. Thus, the IMF has more than $1 trillion in lending capacity still available. Even relative to the large magnitudes of assistance that will be needed to the various European countries, this is a very substantial asset base. Especially when this is combined with the resources of the ECB (see below regarding the current crisis), there is no reason to believe that the international community will be unable to backstop any European country needing assistance. An important aspect of IMF lending is that, it virtually always comes with specific requirements attached, known as conditionality." Generally, these requirements are meant to improve the quality of the borrowing the country's macro-economic policy and resolve the underlying conditions of distress that led to the crisis in the first place. More recently, IMF conditionality has also begun to expand beyond macro-policy to address structural issues (such as privatization of government companies and competition in monopoly-dominated sectors), where it is clear that these are an important contributing factor, especially in developing countries. While countries often second it politically, convenient to paint the IMF as imposing rigid outside conditions of its own devising (perhaps because such scape goating can help with domestic politics), a more realistic account is to say that conditionality takes the form of a plan developed, discussed, and agreed upon by country officials in consultation and negotiation with IMF experts (as, indeed, in the present exercise). Libanio and Gilberto (2006)

2.9. Policy Making 1980

According to Zhou and Hardlife (2012), Zimbabwe achieved its independence in 1980 after a grueling seven-year armed struggle. This historical reality remains a decisive factor in national policy decision making to this day. At independence, the new government faced the pressing challenge of reconstituting and re-aligning the inherited national policy making structures in line with the new socio-politico-economic dispensation that had set in. Inherited national policy making systems and processes needed to be transformed from minority-focused to majority-focused institutions. The inherited economy was also fraught with embedded inequalities in income and wealth distribution, with the agricultural, education, industrial and banking sectors among the most visibly affected. Against this background, the need to address inequalities and injustices wrought by yesteryear policies underpinned policy making during the first decade. It also underlined the state-centric nature of policy making in parastatals, agricultural, health, education, labour and social welfare sectors. The new government viewed itself first and foremost as the central instrument through which yester-imbalances were redressed. Libanio and Gilberto (2006)

2.9.1. Growth with Equity Policy

According to Zhou and Hardlife (2012) at independence, Zimbabwe inherited a dual economy characterized by a relatively well-developed modern sector and a largely poor rural sector that provided livelihood to about 80 percent of the country's population (GOZ MDGs Report, 2009). Against this backdrop, the government resolved to direct its spending towards social sectors with emphasis on the expansion of rural infrastructure and redressing social and economic inequalities through the land resettlement programme. For urban populations, policies pursued covered areas of minimum wages, black affirmative and indigenization policies to ensure an increase or rise in living standards for the urban population.

Growth with Equity policy statement provided a framework for overall sectorial policies and in this way, it constituted the basis for national policy planning. In general, it asserted government desire to develop the country guided by socialist and democratic principles in the allocation and distribution of resources and social benefits. The positive returns of Growth-With-Equity policies were most visible in the education and health sectors, where access to public services, resource allocation and distribution was decentralised. The state transformed into a "distributive and welfarist state", (Zhou and Masunungure 2006). It viewed itself first and foremost as a benevolent father, with a historical mandate to decide what it thought was good for its people in the long-term pursuit of the aspirations of the liberation struggle. The new government was led by a party that had waged the armed struggle that yielded political independence. Noble as these welfarist policies were, sustaining them proved a major challenge, especially in a stagnating economy that prevailed in the first decade of independence.

There was minimal citizen involvement and participation in the designing and planning of the whole policy process, leaving everything in the hands of the bureaucracy. Furthermore, the national economy was not yet fully integrated in the international economy and was also suffering from the adverse effects of the war in neighboring countries such as South Africa and Mozambique. Widespread regulations and other inherent distortions further weighed it down, making clear the need for restructuring the economy and sound economic planning.

Though fraught with implementation challenges, policy making generally had a social face. The public good motive was apparent in both policy making and action. Policy choices and action pointed to some visible organic link between the political leadership and the grassroots. Policy making was generally expansionary and redistributive with a definable bias to meet the goal of widening accessibility of public goods and services. These fundamentals anchored the growth-with-equity macro policy which guided and influenced fiscal policy planning, agricultural policy, education policy, health policy and reconciliation policy, among others. In fact, policy making scenarios in Zimbabwe in the first decade generally resonate with Adesina (2007), conclusions that policy-making experiences in Africa during the first decades of independence were largely influenced by the nationalist agendas of nation-building and economic growth.

2.9.2. The Transitional National Development Plan and the First Five-Year National Development Plan

The new government viewed development planning as an instrument for achieving rapid socio-economic development and raising the living standards of the people. As a result, the Government launched, in 1982, the Transitional National Development Plan (TNDP) (1982-1985), which was followed by the First Five-Year National Development Plan (FFYNDP) (1986-1990), both of which emphasized economic growth, employment creation and poverty reduction, and in the process, ameliorate inequalities across societies and within the country. During this ten-year period, the economy registered an annual average growth rate of 3.2%.

2.9.3. Economic Social Adjustment Programme

The second decade policy making has to be analyzed within the broad policy framework of Economic Structural Adjustment Programmes (ESAPs), that were adopted across Africa and the rest of the world in the 1990s in line with IMF and World Bank prescriptions. ESAPs are neo-liberal market-driven policy measures, which were adopted as prescriptive solutions to the economic crises of the 1980s. They also sought to reverse the expansionary policies of the 1960s and 1970s which had resulted in big governments. Prescribed policy measures entailed reducing government expenditure by retrenching 25 percent of the civil service establishment, withdrawing subsidies, commercializing and privatizing some state-owned companies, introducing user fees in the health and education sectors, among others.

2.9.4. Economic Development Policies of 1990 to 2000 and Beyond

2.9.4.1. The Economic Structural Adjustment Programme (1991 - 1995)

The Economic Structural Adjustment Programme (ESAP), which coincided with the SFYNDP 1991-1995, was introduced on the advice of the World Bank (WB) and the International Monetary Fund (IMF) to pursue a free market-led economic development strategy. The economic reform reduced the role of the State in the economy; promoted the role of the private sector as an engine of economic growth; liberalised trade and the financial markets; deregulated the labour market in terms of hiring and firing workers; and encouraged domestic and foreign investment with the view to generate sustained economic growth and employment creation.

The underlying premise of any Structural Adjustment Programme is that the market must control the economy of any country. Most centralised controls of the economy are in the long term completely contrary to the objectives of the programme. Bearing in mind this fundamental premise, the following are some of the theoretical components of the Structural Adjustment Programme: Mlambo (1999)

- Trade Liberalisation

Domestic business has to learn to compete in the world market and accordingly, many measures designed to protect local industry must be removed so that local industry has to become efficient if it is to compete internationally (Mlambo 1999).

- Loosening of exchange controls

There must be a gradual progression towards allowing people to import what they want. This is an integral part of trade liberalisation and the removal of existing protections in place of the domestic economy. The loosening of foreign exchange controls is designed to enable a country to import foreign manufactured products which in itself provides considerable competition for domestic industry (Mlambo :1999)

- The removal of subsidies and the reduction of Government expenditure

Loss-making parastatals and subsidies generally are a taboo. Parastatals should ideally be privatised and food and other subsidies withdrawn, once again to allow the market to determine the pricing of goods and services. Mlambo (1999)

- Small Government

An integral part of the programme is the cutting down of Government expenditure generally and the bloated civil service must be cut (Mlambo :1999)

2.9.5. Zimprest (Jambanja)

The ZIMPREST programme which was supposed to have been launched in 1996 was delayed by two years. Drawing lessons from the weaknesses and shortcomings of ESAP, it sought to restore macro-economic stability, poverty alleviation as well as facilitating public and private savings and investment.

In its strategy to eradicate poverty, ZIMPREST prioritised employment creation. It aimed at creating an enabling platform for entrepreneurship, developing human capital and involving various stakeholders in the process. The export sector performed poorly in terms of the US dollar; exports collapsing from about 12 per cent in 1996 to about 20 per cent in 1999 (Ibid: 131.). ZIMPREST suffered from lack of international financial support to fund programme implementation. It was also too ambitious, encompassing a host of goals to be achieved: poverty reduction, land reform, employment creation, institutional reforms, decentralization, and other factors, without clearly spelling out the budgetary implications of each one of these policy objectives. Mlambo (1999)

2.9.6. Zimbabwe Programme for Economic and Social Transformation (1996 – 2000)

The Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), the successor to ESAP, was expected to run from 1996 to 2000, but was only unveiled belatedly in 1998. This new programme was aimed at overcoming the constraints of economic growth, employment creation and poverty alleviation. Though the programme looked impressive, it lacked inputs from other key strategic stakeholders, demonstrating the intransigent nature of the Government notwithstanding the lack of stakeholder participation in its formulation, (Mlambo :1999)
political party was born out of the frustrations about the manner in which the economy was been run by the ruling ZANU (PF) party, (Soludo;2004).

2.9.7. The Millennium Economic Recovery Programme and the National Economic Revival Programme

The Millennium Economic Recovery Programme (MERP) (2000 – 2001) was a continuation of the commitments and targets of ZIMPREST. This eighteen- month programme was supposed to run concurrently with the Millennium Budget announced in October 1999. The target of MERP was to reduce the budget deficit to 3.8% of GDP. MERP's vision was to mobilise all stakeholders (Government, Business, Labour and Civil Society) to implement a set of measures that would restore macro-economic stability in the country. Soludo (2004). According to GOZ (2005), the programme would use balanced and flexible strategies to resolve macro-economic imbalances. The successor to MERP was the National Economic Revival Programme (NERP) of 2003, that was underpinned by a desire to embark on agriculture led economic revival. The programme focused on the restoration of macro-economic stability, particularly reducing the unsustainably high inflation and increasing aggregate supply across all sectors of the economy, especially agriculture. The programme also targeted the improved supply of foreign currency by ensuring the viability of exporters. During the period 2000 to 2003, real GDP further declined by an average of 6.2% and by the end of NERP, annual average inflation had reached 365% from 5.8% in 1999. However, in 2004 through the implementation of a combination of policies contained in the National budget of that year and the Reserve Bank monetary policies, prices temporarily stabilized with the year-on- year inflation dropping from 622.8% in January 2004 to 251.5% by September 2004 (Government of Zimbabwe, 2005).

Economic Plan	Orientation	Performance
ESAP (1991-1995);	Market-led economic reforms; Liberalisation of markets;	Economic growth of 1,4% against planned average annual growth of 5%;
Economic Plan	Orientation	Performance
ZIMPREST (1996 – 2000);	Overcoming constraints to economic growth and poverty alleviation;	Real economic growth slumped from 9.7% in 1996 to 3.6% by 1999 (average real growth of -0.7% during 1997 to 1999); Budget deficit peaked at 23.7% of GDP in 2000;
MERP and NERP (2000-2003);	Restoration of macro-economic stability;	Real GDP growth further declined to an average 6.2% and a cumulative 28.8% during the period;
NEDPP (2006);	Mobilisation of foreign currency and restoration of production.	Real GDP growth averaged -4.1% during 2004-2005.

Figure 9: The Figure Below Is Jambanja under the Period of Study
Source: Compiled Various Source

2.9.7.1. The Policy Environment

The third decade generally characterised policy making under turmoil and uncertainty. The period experienced a socio-politico-economic meltdown whose peak year was 2008 Cousins (2003; Phimister (2004); Raftopoulos (2009);

Kanyenze, *et al.* (2011). In the political front, the decade witnessed a resurgence of more competitive party politics under the banner of the MDC on the economic front, the country experienced an unparalleled hyperinflation year after year, with the rate of 7 982 in September, 2007(MDGs Report, 2009:3). There was also an acute shortage of basic commodities which included maize meal, drugs, fuel, electricity and foreign currency. Kanyenze and Godfrey (2011)

At independence therefore, the government sought a redress in land allocations and distribution with the view to reduce rural poverty and give space to the participation of indigenous people in the national economy. The Lancaster House Conference Agreement fell short in providing adequate frameworks for acquiring and distributing land, a factor that pushed the Government of Zimbabwe to enact the Land Acquisition Act of 1992, to provide an operational framework for land issues and processes. This Act authorized compulsory acquisition of land by the Government, following evidence of slow delivery of land to landless blacks under the willing buyer–willing seller approach. However, the Government did not have enough resources to compensate those whose land would be compulsorily acquired for redistribution. At a donor's conference that was held in 1998, to mobilize financial support for the second phase of the land reform and resettlement programme (LRRP II), pledges were made on the condition that financial support would come only after clear land policy and accompanying mechanisms for transparency and accountability were in place –to which the Government objected. Thus, the LRRP II was never implemented. In effect, land reforms undertaken in the first two decades were falling short of expected policy targets. Kanyenze and Godfrey (2011)

This situation fueled the rise of unhappy scenarios of random land invasions across the country, which the Government effectively managed to control. But after the advent of the rejection of the draft constitution in a referendum in 2000, the government embarked on a fast track land reform programme, arguably exploiting the land crisis for political benefit. It indirectly approved the random land invasions by landless peasants, by choosing to take no action against them, and in the process making these unlawful invasions as expressive of state policy on land acquisition. This can arguably be interpreted as attempts by the state to regain lost favor with frustrated sections of the landless peasants. This was followed by numerous amendments to the Land Acquisition Act, to accommodate the new socio-political developments. Kanyenze and Godfrey (2011)

2.9.7.2. Indigenization and Economic Empowerment Policy (Jambanja)

`Drawing from the background of colonial black marginalization in almost every sector in the economy, the indigenization policy's main provisions state that every existing business with an asset value of US$500 000 or more, whether foreign or domestic, has to submit completed official forms describing the business and showing its plan for ensuring that, within 5years, indigenous Zimbabweans will own at least 51 percent of the shares (www.mydie.gov.zw). Failure to submit the forms, after a reminder, will render the owner of the business, or every director, guilty of an offence and liable to a fine and/or imprisonment for up to 5 years. Kanyenze and Godfrey (2011)

The rationale behind the promulgation of the policy is to empower black populations which were disadvantaged in the colonial era, to give them a chance to partake in the national economy through owning businesses and generally increasing their stake in the corporate sector.

2.10. Social Growth Model

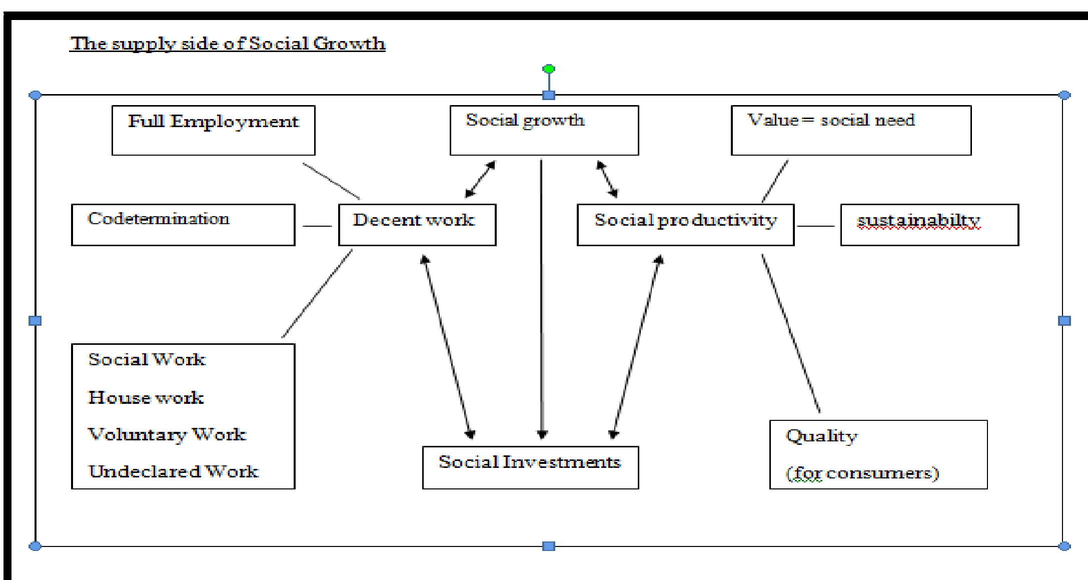

Figure 10
Source: Miegel (2010)

Critics of growth of a conservative Miegel (2010), green Seidl and Zahrnt (2010) and left-wing (Passadakis and Schmelzer 2011) persuasion fundamentally call into question the wisdom of further growth. It is not environmentally sustainable: it no longer fulfills genuine needs: it does not make people happy and is based on the exploitation of nature and people, especially in poorer countries. The compulsion for more growth is supposed by some to be the result of the need to finance social security systems, as they are currently set up and by others to result from the need to satisfy the commercial interests of capital. Miegel (2010)

2.11. Manufacturing

In Zimbabwe, manufacturing was begun as early as the 11th century. There was an evolution when the San people and other tribes like the munhumutapa, habitated the plains of Zimbabwe. They made clay pots called in Ndebele (udiwo), in shona (hari). Below are ways in which the modern models are explained, and what the economic policies need in order for them to work effectively. There was also an early skill of engineering from the local indigenous and iron casting which civilisation called (iron smith), Ndebele, Shona - the iron smith was a very respected person in his community and was a resemblance of a pilot compared to modern day job profession. So, he would mine one from underground and then cast tools like hoes, spears and many others.

However, modern manufacturing is not providing anything like that because the people who either are potters or iron smiths cannot survive on one income as ancient generations did. Modern scholars have linked the current ailing manufacturing sectors of Zimbabwe with a mismanaged government. They have quickly pointed fingers at the government of Zimbabwe, saying that the so called economic policies have failed to sustain the survival of industries.

2.12. Economic Analysis and Economic Policy

Economics like other social sciences have two aspects. One aspect is analytical and the other is practical. Both these aspects are of great importance because economic analysis is the basis for economic policy. These are, in fact, integral parts of each other.

2.13. Empirical Studies

2.13.1. Impact of Zimbabwe Economic Policies: Macro-Economic Crises

According to Owen Sichone since 1991 the Zimbabwean dollar has been devalued repeatedly and, after the crisis that started with the land restitution process, has become almost worthless. The official rate of 55 to 1 against the US dollar is unrealistic when compared to the unofficial black-market rate of 300 to 1. The generous liberalization of the economy culminated in the lifting of protectionism. This opened up the domestic to cheaper import and resulted in closing and downsizing of many labor-intensive industries. The South Africa's decision to impose tariff on Zimbabwe's textile exports exacerbated the situation. And the severe drought in the country significantly affected the agricultural output, which is the main source of foreign currency revenue. The manufacturing productivity declined by 11,9% and the mining sector by 4% in 2001. Thus, between 1991 and the year 2001, Zimbabwe's GDP declined, culminating the negative growth of -11.5%. Owen Sichone (2003)

2.13.2. The Economic Policies Zimbabwe Has Pursued over the Years

According to Gibbon (1995), "Zimbabwe's social and economic policies can be grouped into four main phases in the post-colonial era." The first, from independence to 1982 was accompanied by an economic boom and characterized by twin phenomena of the adoption of redistributive policies and a high level of mutual suspicion between government and capital. A second phase, from 1982 to around 1986, contained two major economic recessions, a check on redistributive policies and continuing cool relations between government and capital. The third, dating from 1986 to 1990 involved the resumption of a degree of economic growth and the downplaying of redistribution. The fourth, that of structural adjustment began in 1990 and has been marked by a very severe drought and economic contraction, an implicit rejection of re-distributism and liberal economic policies. The Structural Adjustment Programmes (SAPs) included among other things, removal of price and wage controls, reduction of government expenditure, a 40 per cent devaluation of Zimbabwean Dollar, removal of subsidies on basic consumer goods, a radical restructuring of various parastatals and other public enterprises Sichone (2003). The aim of SAPS was to correct unsustainable disequilibrium in the balance of payments. However, these policies had serious implications as several white settlers started to walk out of Zimbabwe and their enterprises collapsed.

2.14. The Inherited Economy

The economy which was inherited at independence in 1980 was relatively developed and diversified. The robust agro-based economy had flourishing mining and manufacturing sectors, largely due to the import substitution measures implemented by the Rhodesian regime under sanctions and the assistance from Apartheid in South Africa. Despite the sanctions, the colonial economy was supported by Multinational Corporations such as the London-Rhodesia (Lonrho), Anglo

American Corporation and the British American Tobacco which had massive investments in the mining, agriculture, and manufacturing sectors. The economic diversification provided a relatively broad export base in which agriculture, manufacturing, and mining respectively accounted for 41%, 32% and 22% of export earnings in 1984 Kanyenze (2007). It was with reference to this relative diversity and high level of industrialisation that the former President of Tanzania, Mwalimu Julius Nyerere congratulated the newly elected Prime Minister of Zimbabwe, Robert Mugabe, saying "…you have inherited a jewel in Africa, you must preserve it". Kanyenze (2007) argues that if Zimbabwe was indeed a jewel for Africa then it was a flawed one.

2.14.1. Economic Performance from 1995 to Present

This section reviews Zimbabwe's macro-economic performance and its economic structure since 1995. This study section uses two neighbouring countries, South Africa and Zambia, as comparators of Zimbabwe. Zambia provides a direct comparison while South Africa represents a regional standard that Zimbabwe should aspire to achieve. In addition, Zimbabwe's economic performance has been compared with other low-income countries in the SADC region. It is important to note that the economy of Zimbabwe plummeted over the past years. The crisis has been largely attributed to economic mismanagement, poor governance, and loss of support from the international community, all compounded by periods of drought

2.15. Conclusions

Despite the economic growth experienced and the successful extension and improvements of social services after independence, significant inequalities, in terms of economic assets, incomes and opportunities remained. Welfarist measures on their own, such as free education and health as well as subsidies to smallholder farmers could not ameliorate deep-seated inequalities. The adoption of neo-liberal policies in the form of ESAPs in the early 1990s undermined the achievements of the first decade of independence and widened inequalities in the country; Townsend and Copson (2005). Firstly, with the advent of economic liberalisation, the Government withdrew its welfarist policies and abandoned price controls, subsidies and other regulations in favour of market forces.

Secondly, the policies protected whites' commercial interests by advocating the "unique role and character of the private sector" in driving the economic agenda of the country. Thirdly, the policies emphasized privatisation of state-owned enterprises, despite the fact that the national ownership of the economy was very low, while three-quarters of invested capital was foreign-owned. As a result, few black people benefitted from this process, further entrenching the racially-induced inequalities.

Fourthly, the neo-liberal programme resulted in de-industrialisation, downsizing, massive retrenchments, and informal sector growth. Increasingly, the economy remained narrow because the indigenous population continued to face difficulties in securing loans from white and foreign-owned financers and banks.

Lastly, the SDA meant to provide a safety net to mitigate the adverse impacts of economic structural adjustments failed, largely due to a poor resource-base and failure to target the deserving people.

3. Research Methodology

3.1. Introduction

According to Naslund (2002), selection of research method should be based on the research paradigm due to the fundamental nature of the research processes which are generally involved with a particular research strategy and method. This study used both quantitative and qualitative. The following section presents the philosophical paradigm and approach of the research which highlights the influence of research methodology selection in this study which was mixed methods.

3.2. Research Philosophical Paradigm and Approach

Phenomenology, axiom of "knowledge", driven by research paradigms, can be explained by the branches of philosophy known as ontology, epistemology and methodology (Guba and Lincoln, 2005; Bryman and Bell, 2007). Mason (2002) and Thomas (2004) have stated that the concept 'ontology' is a misty concept to define due to the nature and essence of social elements, which are involved in understanding 'the chain of being'. In simpler terms, ontology is concerned with the 'reality' that researchers aimed to study. However, in an epistemology position, the theory of knowledge underpins the legitimacy and the framework for a process which involves working out exactly how the research would count as evidence of knowledge of social elements Mason, (2002). In contrast to ontology, epistemology is regarded as 'knowing' through imitation of principles, procedures and ethos of the natural sciences Bryman and Bell (2007).

Frankfort-Nachmias and Nachmias (1996). Saunders, et al. (2007) portray the research process as an 'onion' where assumptions were made at each individual stage of research approach, referred to as layers of the 'onion'

3.2.1. Design Framework

Pragmatism research philosophy accepts concepts to be relevant only if they support action. Pragmatics "recognise that there are many different ways of interpreting the world and undertaking research, that no single point of view can ever give the entire picture and that there may be multiple realities". Saunders et al (2012). The study adopted this assumption. As a researcher I adopted the pragmatics can combine both, positivist and interpretivism positions within the scope of a single research according to the nature of the research question. As a researcher, the researcher adopted differing ontological perspectives, or ways of viewing social reality. On the one hand, this involved my adopting the belief that the world of social interactions exists independently to what the researcher perceived it to be, it is a rational, external entity and responsive to scientific and positivist modes of inquiry. This tradition has informed the ontological foundations of the study, particularly in the domain of the physical sciences; Bitter-Davis & Parker (1997); Gallagher (2008).

3.2.2. Theoretical Paradigms

The nature of being: A brief examination of ontology If, as Beck (1979) contends, 'the purpose for social science is to understand the social reality as different people see it and to demonstrate how their views shape the action which they take within that reality' quoted in Anderson et al. (2005), then investigating ontological distinctions is a critical facet of the research process because it enabled the researcher to uncover how their perceptions of human nature impact on the approach they consciously adopt to reveal social truths; David and Sutton (2004).

3.2.3. Research Strategy and Time Horizon

Given the nature of the research objective and time constraint, this study employed a cross-sectional design. According to Bryman and Bell (2007), cross-sectional design is built on the idea of social survey which connects in people's mind with questionnaires in regard with two or more variables. Data was collected from interviews and a questionnaire survey at a specific point in time but the methods were conducted with different sample groups to ensure the generalisability of the research. The time estimated for semi-structured interview and questionnaire survey was 6 months, exclusively.

3.3. Research Design

This study section dealt with the research design as a blue print, or outline, for conducting the study in such a way that maximum control was exercised over factors that could interfere with the validity of the research results. The research design was the researcher's overall plan for obtaining answers to the research questions guiding the study. Burns and Grove (2001) state that designing a study helps researchers to plan and implement the study in a way that will help them obtain the intended results, thus increasing the chances of obtaining information that could be associated with the real situation. This study used a quantitative exploratory descriptive design to identify, analyse, and describe effects of economic policies on the manufacturing sectors in post-independence Zimbabwe.

3.3.1 Primary Research Method

The primary research method adopted was mixed methods, it adopts both qualitative and quantitative methodologies. Qualitative research is referred to by a variety of terms, reflecting several research approaches. Field research is often used interchangeably with qualitative research to describe systematic observations of social behavior with no preconceived hypotheses to be tested Rubin & Babbie (1993). Hypotheses emerge from the observation and interpretation of human behavior, leading to further observations and the generation of new hypotheses for exploration.

3.3.2. Research Setting

The research setting refers to the place where the data was collected. In this study, data was collected from two cities, namely Harare and Bulawayo which are major manufacturing cities in Zimbabwe. Although the focus was in Bulawayo and Harare which were the main capital hubs of manufacturing sectors in Zimbabwe before independence and after 1980; and Harare stood as the policy making city during the course of this study. The manufacturing capital (Bulawayo) was retained for the purposes of this study, as it was mentioned in the proposal as approved for the study by the National University of Science and Technology and all documentation in the study referred to Manufacturing capital of Zimbabwe.

3.3.3 Research Population

Polit and Hungler (1999) define a population as the totality of all subjects that conform to a set of specifications, comprising of the entire group of persons that is of interest to the researcher and to whom the research results can be generalised. LoBiondo- Wood and Haber (1998:250) describe a sample as a portion or a subset of the research population selected to participate in a study, representing the research population.

The research population for this study comprised of all the manufacturing sectors in Zimbabwe post-independence 1980. Eligibility criteria specify the characteristics that companies in the population must possess in order to be included in the study (Polit &Hungler 1999). In this study, the companies must have had to be in existence since 1980 and its core business manufacturing within Zimbabwe; was manufacturing business due to economic factors; had to be manufacturing in either Bulawayo or Harare area where data was collected and had to be willing to participate in the study.

3.3.4 Sample

Due to time and budget constraints, a sample of 100 respondents were selected based on their registered capital investment figures and had to have been in existence by 1980. The researcher believes that it should represent more than 80% of the Manufacturing Sector in Zimbabwe in terms of value and volume.

3.4. Research Instruments

3.4.1. The Questionnaire

The questionnaire that was used to evaluate the effects of the economic policies in post independent Zimbabwe were consisting of statements that aimed to operationalise and reflect the constructs mentioned. In addition, these statements were weighted according to their importance and relevance for the effects of economic policies in post independent Zimbabwe in the manufacturing industry since 1980. This questionnaire was piloted, refined and administered. The data was recorded to reflect scores and indices using some form of weighting according to their relative importance in the value chain. The proposed indices were presented to a range of stakeholders for comments and refinement.

The structured questionnaire was designed to gather information on the effects of economic policies on manufacturing companies existing and non-existing companies' knowledge, attitudes and beliefs regarding economic policies. Structured questionnaires were developed by the researcher for the informants and participants and also preliminary interviews of accountants and financial directors and data analysis of subjects. A pretest of the research design including semi structured interviews, structured questionnaires, and the review of documents was conducted with all three groups.

Data from the manufacturing industry performance both financial and operational was collected. The data on performance measures was cross-referenced to data from a number of organizations, which include the Zimbabwe Stock Exchange, Confederation of Commercial Industries Zimbabwe, Business Newsletters and Newspapers, Ministry of Industry and Commerce, Reserve Bank of Zimbabwe for establishing benchmarks.

3.4.2 Semi Structured Interviews

The researcher conducted semi structured interviews with informant's (focus groups, Analysts) and Accountants/ Financial Directors. The best technique for this was the semi structured interview. Here, the researcher had exclusive ideas about the topic of the interview and had an aide memoire of points that arose in discussion for use as prompts when it was necessary. Interviews went into the depths of reality of the situation and discovered subjects' meanings and understandings, it was essential for the researcher:

Observation notes were made by the researcher using a printed form designed to record information. A great deal of qualitative material came from talking with people

3.5. Sufficiency and Saturation

One cannot assume data saturation has been reached just because one has exhausted the resources. Again, data saturation is not about the numbers, but about the depth of the data (Burmeister & Aitken, 2012). For this study, the researcher chose the sample size that had the best opportunity for the researcher to reach data saturation. A large sample size does not guarantee one will reach data saturation, nor does a small sample size—rather, it is what constitutes the sample size (Burmeister & Aitken, 2012). O'Reilly and Parker 2012 say that what some do not recognise is that no new themes go hand-in-hand with no new data and no new coding (O'Reilly & Parker, 2012). In the study when the researcher reached the point of no new data, the researcher had also most likely reached the point of no new themes; therefore, one had reached data saturation. Morse, Lowery, and Steury (2014) made the point that the concept of data saturation has many meanings to many researchers; moreover, it is inconsistently assessed and reported. When deciding on a study design, the researcher aimed for one that is explicit regarding how data saturation is reached. Data saturation in the study was reached when there was enough information to replicate the study. According to Guest et al, when the ability to obtain additional new information has been attained (Guest et al., 2006), and when further coding is no longer feasible (Guest et al., 2006).

3.6. Validity and Reliability

The main types of validity that the researcher discussed are content validity, criterion validity and construct validity. Content validity refers to the adequacy with which a measure or scale has sampled from the intended universe or domain of content. Criterion validity concerns the relationship between scale scores and some specified, measurable criterion.

3.7. Triangulation

The researcher used triangulation as primary research method because of the data I was going to collect. Qualitative research is theory generating, triangulation means using more than one method to collect data on the same topic. This is a way of assuring the validity of research through the use of a variety of methods to collect data on the same topic, which involves different types of samples as well as methods of data collection.

Then triangulation is defined to be "a validity procedure where the researcher searches for convergence among multiple and different sources of information to form themes or categories in a study" Creswell & Miller (2000). Therefore, reliability, validity and triangulation; if they were to be relevant in my research study, particularly from a qualitative point of view, had to be redefined as the researcher had seen in order to reflect the multiple ways of establishing truth.

3.8. Ethical Issues

Directors and Financial Managers face ethical dilemma in their duties, as do researchers, when people are used as study participants in an investigation. Researchers need to exercise care that the rights of individuals and institutions are safeguarded (Polit & Hungler 1999).

3.8.1. Permission to Conduct the Study

Permission to conduct the study was sought from and granted by the manufacturing companies being studied. The Directors and Finance Managers in charge of existing and closed manufacturing companies that participated in the research were informed about the study and the company's permission to request general workers and laid off workers to complete questionnaires at these manufacturing companies. Their co-operation was requested and promised. The researcher undertook an oath not to cause any disruption to the functions of the companies.

3.8.2. Principles of Research Ethics

The principles beneficence and respect for human dignity were observed during collection. This principle includes the right to self-determination and to full disclosure (Polit & Hungler 1999:134). Respondents' rights to self-determination were honored they had the right not to answer any questions that caused discomfort; to disclose or not to disclose personal information and to ask for clarification about any aspect that caused uncertainty. The right to full disclosure was respected because the researcher described the nature of the study as well as the respondents' rights to participate or to refuse to participate in the study. This was done in the form of a letter.

Each participant voluntarily signed a consent form. This ensured anonymity of the respondents. Confidentiality was maintained because no names were disclosed in the research report. Any participant who wished to obtain a research report could contact the researcher who would supply such a report. The Principle of beneficence which encompasses freedom from harm and exploitation (Polit & Hungler 1993). No physical harm resulted from completing questionnaires, but some psychological discomfort might have resulted from the nature of some of the questions. The researcher's telephone numbers were provided should any respondent have wished to discuss any aspect. The researcher would have referred participants who experienced psychological discomfort as a result of completing the questionnaires to a counselor, no respondents indicated or expressed discomfort.

3.9. Data Collection

3.9.1. Data Collection Methods

The researcher engaged a multi-method approach at each stage of data collection. Regarding methodology (triangulation), the use of both quantitative and qualitative methodologies lended greater empirical support to the theory in question; Mentzer and Kahn (1995). Following Mentzer and Kahn's (1995) work, Mangan, *et al*. (2004) has proposed a three-phase triangulated research methodology to structuralise the use of both quantitative and qualitative methods. Therefore, following to Mangan, et al.'s three-phase triangulated research methodology, three stages of data collection are employed Magan, et al. (2004).

Phase 1. Desk-based critical literature analysis was carried out to generate a set of semi-structured interview questions used in the initial interviews of the study. Prior to implementation of these sets of questions, substantive justification of the questions was made. The interviews took place in Zimbabwe with 70 prospective respondents. Phase 2. From the results from phase 1, a conceptual theory was then generated with reference to the existing literature. A set of self-administered questionnaires was distributed. A total of 160 sets of questionnaires were distributed with an expected maximum response rate of 50 per cent. Data collected from the questionnaire was then analysed using a quantitative model. Phase 3. Results of both phase 1 and 2 were then compared, refined and validated with two independent academic researchers. The output of this three-phase triangulated research methodology was to highlight the benefits of using both quantitative and qualitative methodologies in the context of economic policies and the manufacturing sector. Polit and Hungler (1999:267) define data as "information obtained during the course of an investigation or study". In this study, questionnaires, interviews and document analysis were used to obtain data relevant to the study's objectives and research questions**.**

3.10. Development of the Questionnaire

The literature review indicated that effects of economic policies' knowledge, attitudes and beliefs about manufacturing companies influenced their decision on whether economic policies caused closures in manufacturing industries or sustained their existence. This study attempted to identify reasons why manufacturing industries closed down or reasons why they were still in existence in post-independence 1980. The questionnaire was based on the research objectives (see Chapter 1) and other research instruments used in similar studies. The questionnaire was compiled and discussed with the researcher's supervisor and a statistician. Changes suggested by these persons were implemented. The questionnaires were typed in English. An expert in English, Ndebele and Shona translations edited the translation and certified that the same meanings were conveyed by specific items in the English language. The researcher approached most manufacturing companies in Harare and Bulawayo except those that had folded or closed down due to the economic climate in Zimbabwe to participate in the study. Every manufacturing company that was willing to participate received a letter with information about the study, a consent form and a questionnaire. The researcher was assisted by four students studying for an accounting degree at the National University of Science and Technology situated in Bulawayo. Two handed out the questionnaires on the specific days in Harare, and two in Bulawayo handed out to either Directors of companies or Financial personnel who had economic knowledge on the company whether in existence or closed. A total of 160 questionnaires were sent out to manufacturing companies and 82 were completed, the completed questionnaires were analysed using SPSS for data analysis.

3.11. Data Presentation and Analysis

3.11.1. Justification of Analytical Methods

The researcher used SPSS which is the acronym of Statistical Package for the Social Science. a research package used to analyse information or data in order to get results from the study. Correlation was also used. It indicates the degree of relationship between two variables, that is, the extent to which they vary. As one variable goes up, the other goes up, and vice versa. In the 19th Century, Karl Pearson invented a way to represent this relationship in a number, the Pearson Product-Moment Correlation Coefficient, r. Values of r range from zero to 1, where zero indicates no relationship and 1 indicates a perfect relationship. If the relationship is inverse (one variable goes up as the other goes down), the value of r becomes negative.

The data was recorded to reflect scores and indices using some form of weighting according to their relative importance in the value chain. The proposed indices were presented to a range of stakeholders for comments and refinement. Data from the manufacturing industry performance both financial and operational were collected. The data on performance measures was cross-referenced to data from a number of agencies (Zimbabwe Stock Exchange, Confederation of Commercial Industries Zimbabwe, Business Newsletters and Newspapers, Ministry of Industry and Commerce, Reserve Bank of Zimbabwe) for establishing benchmarks.

Data on the performance of the manufacturing industry in terms of finance and operations was collected. The data on performance measures was cross-referenced to data from a number of sources.

Official Documents Included: registers, audited financial reports, timetables, minutes of meetings, planning papers, confidential documents on performance, financial magazines, newspapers and journals, files and statistics, notice boards, exhibitions, official letters, and photographs.

3.12. Data Analysis

Using the qualitative method of coding and categorising, the data was analysed during and after data collection. A peer-checker, a colleague experienced in qualitative research methods, was asked to confirm the categories found in the data to ensure both validity and reliability. Participant-checking was also used to verify the findings and the themes of the study. The participants were given transcripts of the initial interview and the findings and theme analysis of the data. Comparative analysis was done on the studies of the effects of economic policies on manufacturing sectors in Zimbabwe. An additional comparative analysis was conducted between the findings of the three: Informants, Subjects, and Focus Groups and the review of the research literature.

Focus Groups
Confederation of Zimbabwean Industries (FG1)
International Monetary Fund(FG2)
Zimbabwe Stock Exchange (FG3)
Informants
Reserve Bank of Zimbabwe (IN1)
Economists / Analysts (IN2)
Accountants of subject companies (IN3)
Company Secretaries of subject Companies (IN4)
Financial Directors of subject companies (IN5)
Ministry of Finance (IN6)

Table 1: Focus Organisations and Institutions

Focus Group (FG1) is a non-profit making membership-based organisation that provides services designed to support its members in business development.
Focus Group (FG2) and (FG3) will provide the researcher with market, industry and financial data from the subjects being studied.

3.13. Research Participants

Participants (IN1) was included in the study because of the rapidly changing environment, both in the domestic and international financial markets, which ushered in an array of formidable challenges to central banks, particularly those of developing economies, Participant (IN2) was included in the study to give interview and analysis from a neutral, professional point of view because they are professional in the social science discipline of economics. The individuals are experts in studying, developing, and applying theories and concepts from economics and write about economic policy. Their knowledge and contribution were key in this study. Participant (IN4) ensures that an organisation complies with relevant legislation and regulation and keeps board members informed of their legal responsibilities. Company secretaries are the company's named representative on legal documents, and it is their responsibility to ensure that the company and its directors operate within the law. It is also their responsibility to register and communicate with shareholders, to ensure that dividends are paid and to maintain company records, such as lists of directors and shareholders, and annual accounts. They have been included in the study to make sure no necessary financial information was missed.

Participant (IN3) and (IN5) were included in the study because they are the custodians of Financial Information of subjects. The participants are practitioners of accounting or accountancy, which is the measurement, disclosure or provision of assurance about financial information that helps managers, investors, tax authorities and others make decisions about allocating resources. Participant (IN6), the participants' broad policy mandate is to formulate industrial and commercial development policies and strategies in order to execute its mandate and core functions. As the policy maker the researcher needed to establish why certain policies had effects on sectors that they are supposed to be promoting or enhancing**.**

3.13.1. Focus Groups

Use of focus groups was adopted in the study to get data on the manufacturing sector industry e.g., (ZNCC) Zimbabwe National Chamber of Commerce, The Zimbabwe Stock Exchange, and Zimbabwe Investment Authority. Participants were given transcripts of the interviews and findings from the questionnaires. They were asked to review the findings of the questionnaires and interview, as well as the themes analysed in the data, to verify accuracy. This collaboration for participants served to strengthen the validity of the study. Data collection was conducted over a 2-year period of time. The start of analysis came at the beginning of data collection. The data collected about the deindustrialization of Bulawayo manufacturing companies and hyperinflation period in Zimbabwe were kept separate during the collection process.

3.14. Summary

This chapter discussed the research methodology of the study and described the research design, population, sample, data-collection instrument and ethical considerations. The contribution that this research should make is extending the literature on manufacturing industry sectors in developing regions such as Southern Africa as they compete with international companies in the advent of globalisation. This research finding should also assist the policy makers in their Economic policy making process to ensure that the policy makers are aware of the effects of some policies that they have in the industry. The adoption of excel spread sheets and SPSS made data very meaningful. The following chapter 4 is the results of the study which were then discussed in chapter 5 of the study.

4. Data Presentation, Analysis and Discussion of Findings

4.1. Introduction

This chapter is on the study results from the processes done in chapter 3. The results are from SPSS, and the data analysed was from excel spread sheets produced from structured questionnaires, interviews and document analysis. The chapter displays results from data collected from chapter 3, SPSS has analysed this data to give the tables, graphs, charts and other forms of results which will be discussed in the next chapter, chapter 5 in detail.

4.2. Discussion of the Results

The analysis is from SPSS and will be explaining the results as the chapter goes on. Following five years of study of research methodology (including periods of formal study, as well as the attendance of short courses and self-study), the researcher came to the conclusion that one needs a grasp of a vast range of research methodologies in order to select the most appropriate design, or combination of designs, most suitable for my thesis. One further needs to make a thorough study of the methodology chosen, to execute good research practice. Often, authors contradict one another, which require that researchers need to exercise well informed choices, make their choice known and substantiate it.

4.3. Growth with Equity

Growth with equity was 1980-1990, according to Fig 4 in chapter 1, according to study summary data analysed using excel spreadsheets and its source was information from documents, financial reports, Zimbabwe statistics office, by the end of that period company closures were 1%, according to research interviews this could have happened in 1980 when the white rule came to an end and some companies relocated outside the country. New entrants were 16 % caused by less interference from the government into day to day running of sectors and less hostile economic policies. Foreign investors were at 13 % which is an increase. Bank loans stood at 6 %, there was 0 % employee turnover due to the fact that unemployment margins were decreasing. Sales stood at 19% while exports at 14%. Exports stood at 14% due to high demand of Zimbabwean goods in the region. Accounting profits were increasing at the rate of 16% due to less hostile tax laws and good business environment. Production capacity also increased to 15% due to opening new companies, demand of Zimbabwean goods and good operating business environment.

Chart 4 results are showing that 73 respondents strongly agreed that during this period the economic policies that were in place helped the manufacturing sectors to grow according to 78 respondents, or increase in terms of production capacity, profits, exports, and exports were good. The results indicated that during the GWE period the economic policies by that era were not fully implemented due to lack of capacity, political interference and lack of adequate skills. Economic policies then FFYNDP and SFYNDP created wealth according to 80 respondents who strongly agreed, while 78 respondents strongly agreed that economic policies contributed positively in the manufacturing sectors being studied. As the study revealed earlier, the then policies did not cause migration of skilled labour with 48 respondents strongly disagreeing. There was either no need to change the economic policies according to 67 respondents, 44 respondents disagreed to imported foreign prescribed policies. The policy makers were knowledgeable with the sector and all stakeholders needed to participate in their drawing up according to 79 respondents.

4.3.1. ESAP

From Fig 5, EASP data from the companies show some form of decline in terms of overall performance. Company closures were between 5% and 7% depending on the manufacturing sector concerned. New entrants were among 11% to 78%, due to opportunities created by early retirement packages, company closures. Foreign investors were between 8%-67%. Bank loans stood between 3%-29% while employee turnover rose to 15% due to retrenchments, migration of skilled labour to other countries. In some sectors sales losses were from 19% to as high as 95% due to bad operating environment for business, in the form of unsupportive economic policies. Export dwindled to 67% by the end of 1996, due to non-growing manufacturing sectors. Losses were between 80-13% because of economic policies that were not good for the industry.

Chart 5 are the results of ESAP, showing the 78 respondents strongly agreeing that the policies impacted negatively on the manufacturing sectors.80 respondents strongly agreed that economic policies helped the manufacturing sector grow. This period had 70 respondents strongly agreeing to the economic policies being fully implemented. 29 and 45 respondents disagreed and strongly disagreed that the policies contributed positively to the manufacturing sectors. Profits were affected by the policy according to 77 respondants.75 respondents strongly agreed that these policies caused migration of skilled labour, meanwhile 74 strongly agreed that these economic policies caused industries to shut down completely. 70 agreed that the investors shun away from such policies and hence they stayed away. According to 37 respondents, they strongly agreed and 35 agreed that the economic policies needed changing.80 respondents disagreed to foreign prescribed policies and 80 agreed that these economic policies affected the economy in a negative way. 79 strongly agreed that the policies in place restricted growth in the manufacturing sectors. 75 respondents strongly agreed that local grown economic policies were needed.51 respondents disagreed that stakeholder were involved or participated in drafting the policies.53 respondents strongly agreed that these were fully implemented.

4.3.2. Jambanja

According to Fig 6, Company closures were at 30% due to high inflationary environment and bad economic policies for the manufacturing industries that were introduced and these included, ZIMPREST, MERP, NERP and NEDPP. New entrants shrank to 1%, foreign investors were at 1% and no bank loans were being issued out due to hyperinflation and bad operating environment to the sectors under the study. Employee turnover was at 36%. Sales were at 5% due to lack of raw materials, high inflation rates, very low production capacity if any. The exports were as low as 1% just like production capacity which also stood at 1%.

According to Chart 6, 80 respondents strongly agreed that economic policies impacted negatively on the manufacturing sector while 77 disagreed with policies growing manufacturing sectors. 46 respondents disagreed that these policies were fully implemented by the government while 78 strongly agreed that profits were affected negatively. 80 strongly agreed that economic policies caused skilled labour to migrate to other sectors or countries and manufacturing sectors to shut down. 78 respondents strongly agreed that policies caused investors to stay away. 75 strongly agreed that the policies must be changed.70 respondents agreed that economic policies affected the economy in a negative way. Meanwhile 76 strongly disagreed that stakeholders were involved in drafting the policies.

4.3.3. SPSS Interpretation

From Table 7 to Table 12 the results shown are therefore explained below,

(1) From the last table, estimated regression coefficients are: βo = -147.352, β1 = 2.359, and β2 =0.731, β3 = --0.342, β4 = -1.301, and β5 = 0.681 and β6 = 0.659.
a. Ho: β1=0
The p-value for testing Ho: β1=0 is 0.012. We reject the null hypothesis (Ho: β1=0)
and we conclude that profit/losses are affected by production capacity, since p-value
= 0.012 < 0.05.
b. Ho: β2=0
The p-value for testing Ho: β2=0 is 0.524, which is greater than 0.05. Therefore, we do
not reject the null hypothesis (Ho: β2=0) and conclude that profit/losses are significantly affected by exports
c. Ho: β3=0
The p-value for testing Ho: β3=0 is 0.738. We do not reject the null hypothesis (Ho: β1=0) and we conclude that profit/losses are not significantly affected by employee turnover, since p-value
= 0.738> 0.05.
d. Ho: β4=0
The p-value for testing Ho: β4=0 is 0.462, which is greater than 0.05. Therefore, we do
not reject the null hypothesis (Ho: β4=0) and conclude that profit/losses are not significantly affected by foreign investments
e. Ho: β5=0
The p-value for testing Ho: β5=0 is 0.645. We fail to reject the null hypothesis (Ho: β5=0)
and we conclude that profit/losses are not significantly affected by new entrants, since p-value
= 0.645 < 0.05.
f. Ho: β6=0
The p-value for testing Ho: β6=0 is 0.458, which is greater than 0.05. Therefore, we do
not reject the null hypothesis (Ho: β6=0) and conclude that profit/losses are not significantly affected by company closures
(2) Based on the estimated regression equation Profit/loss = -147.352 + 2.359*Production capacity + .0731*Exports - 0.342*employee turnover -1.801* foreign investments + 0.681 *new entrants + 0.659*company closures, we expect that the profits will increase by 2.359 units if production capacity is increased by one unit.
(3) R2 = 0.994 (99.4%) in the second table indicates that the 99.4% of total variance of
Profit/sales is explained by the estimated regression equation.
Table 13 to Table 16, the tables are explained as below,

First table simply shows that there are 12 observations in the data set. From the second table, it is found that in the ESAP period (1980-1990), all the 4 sectors realised profits as evidenced by the positive values of 40.36, 42.31, 44.51 and 47.41 respectively. On the other hand, in the Growth with Equity period, the 4 sectors had even higher profits relative to ESAP. In the Jambanja period, all sectors had losses as evidenced by the negative values. This may be due to non-production of goods.
From the third table, the chi-square value is 24.00 (Chi-Square = 24.000) and the associated p-value for this chi-square value is 0.24(Asymp. Sig. = 0.242), which is greater than 0.05. Therefore, we conclude that the profit/losses are associated with particular periods. (This conclusion is also supported by the following table that shows the contingency coefficient is 0.816.)
Looking at the column totals or row totals in the second table, we can also get the frequency for each variable.

Table 18 and Table 19 contain results information explained below, from the third table, the chi-square value is 32.00 (Chi-Square = 32.000) and the associated p-value for this chi-square value is 0.37(Asymp. Sig. = 0.368), which is greater than 0.05. Therefore, we conclude that the profit/losses are associated with different sectors. (This conclusion is also supported by the following table that shows the contingency coefficient is 0.853.)

Looking at the column totals or row totals in the second table, we can also get the frequency for each variable.

5. Summary, Conclusions and Recommendations

5.1. Introduction

This chapter concludes the study by drawing closing points and finally making recommendations that are scholarly. In the conclusion section the researcher examines the present economic policies from the cut-off date for data, 2008 to date. The researcher then makes recommendations that are drawn from the study itself especially from results in chapter 4, chapter 1 statement of the problem, chapter 2 literature reviews and chapter 5 discussion of the results. From the study, the results are showing that not even one of the economic policies was fully implemented or adopted from 1980 to 2008. The economic policies were either eventually politicised or abandoned without considering the manufacturing sector.

5.2. Research Summary

5.2.1. Theory Development

According to Henry Mintzberg, the researcher gets interesting theory when the researcher let go of all this scientific correctness or to use a famous phrase, suspend our beliefs and allow our minds to roam freely and creatively to muse like mad, albeit immersed in an interesting revealing context. Hans Selye the great physiologist captured this sentiment perfectly in quoting one item on a list of intellectual immortalities put out by a well-known physiology department: 'Generalising beyond one's data'. Theory is insightful when it surprises, when it allows us to see profoundly, imaginatively, unconventionally into phenomena we thought we understood.

5.3 Summary of Research Findings

5.3.1. Theories from the Research

From the study I have come up with a theory, namely:

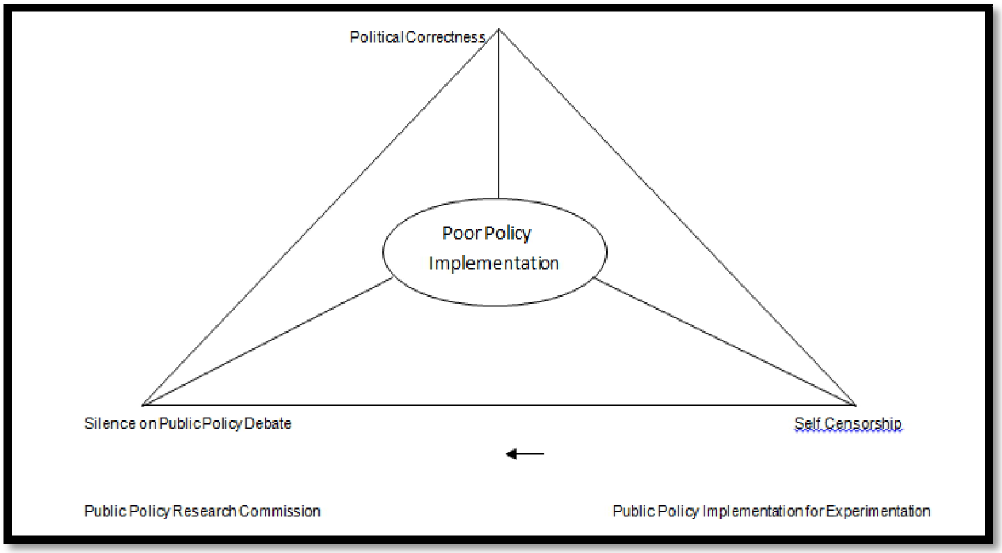

Figure 11

5.3.2. Political Correctness Theory of Public Policy

From the literature and results from the study point out clearly a theory that the researcher will illustrate in a form of a diagram. The results from the study, indicates that the silence on public debate is the major cause of failure in implementing economic policies. The period 1980-1990 which is Growth with Equity had a lot of public debates were the public had their input, and if any policy was not working then it was immediately disbanded. During ESAP and Jambanja periods, none of public debates took place in order to determine whether the policies worked or not. The current economic policy ZIMASSET has not opened any debate or public discourse. Hargadon says he argued that most innovations were a result of combined existing ideas or theories to produce new things or the same things using different methods. You can also combine the same things using different materials and colors. This is what Hargadon refers to as recombinant theory of innovation.

5.3.3. STERP (2009-2013)

It comes on the back of a string of economic policy blueprints crafted since independence such as ESAP (1991-1995), ZIMPREST (1998-2000), Millennium Economic Recovery Programme unveiled in August 2001, National Economic Development Priority Programme (NEDPP) crafted in 2006 and the still-born Zimbabwe Economic Development Strategy (ZEDS) which was supposed to run from 2008-2013.
The key goals of STERP were to stabilise the economy (macro and micro), recover the levels of savings, investment and growth, and lay the basis of a more transformative mid-term to long-term economic programme that will turn Zimbabwe into a progressive developmental state.

The successful implementation of STERP was to depend on the mobilisation of more than US$5 billion. The bulk of the financial package will have to come from regional and international partners. It however, remained to be seen whether the regional and international community was willing and able assist Zimbabwe and to what extent especially in the midst of the global financial crisis which had thrown the world economy into a recession. The success or lack thereof of the STERP also hinged on whether the inclusive government was willing and committed to deal with the outstanding governance issues and adopt deeper political reforms (media reforms, adoption of a people driven constitution etc.). The absence of an overarching developmental vision that was to underpin and anchor STERP was major limiting factor. The development strategy also provided a guiding and overarching framework of where the country was going remains a limiting factor. STERP was only just a short-term economic revival document and it did not address the structural development challenges inherent in the economy. STERP contained no specific measures to deal with the structural distortions and rigidities arising out of the dual and enclave economic structure. The demise of the formal sector coupled with the likely adverse impacts of the global financial crisis and anti-inflation measures, implies the decent work deficits that characterised the economy and entrenched poverty and its feminisation abounded. More importantly, STERP failed to provide stimuli for a new paradigm that is pro-poor and inclusive. The dilapidated state of infrastructure provided an opportunity to leverage pro-poor, employment intensive infrastructure programmes.

5.3.4. Current Economic Policy (ZIMASSET) 2013-2018

Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset) was a document crafted as a blueprint that would chart a path towards creating a conducive environment for recovery and sustainable growth between2013 and2018. What many Zimbabweans expected was a framework for industrial revival and job creation. Sadly, ZimAsset fails this simple test and will not drag the economy out of the rut it is stuck in.

The biggest problem is that ZimAsset is predicated on self-serving propaganda that the Government has been feeding Zimbabweans ad nauseam. Zhou *et.al* (2013) The assertion that "Zimbabwe has experienced a deteriorating economic and social environment since 2000 caused by illegal economic sanctions imposed by the Western countries …" is a red herring that must be rejected with the contempt it deserves. It is unacceptable to have them in a national policy document that is supposed to help extricate a country from its economic morass. Zhou *et.al* (2013)

Serious Zimbabweans committed to making this country work again know that the country began experiencing economic decline in the second half of the 1990s, the zenith of which was the so-called "Black Friday" of November 14 1997 when, in one day, the Zimbabwean dollar lost more than 70% of its value. Zhou *et.al* (2013)

One would have expected that ZimAsset would spell out a plan for countering the sanctions or limiting their damage. Sadly, there is no such plan except a single sentence that makes reference to Zimbabwe pursuing "import substitution industrialisation". Zhou *et.al* (2013)

Import substitution industrialisation means the country would reduce its import bill by producing products it would ordinarily import. So instead of spending billions on importing tractor spares from China, for instance, we would make our own, a herculean task given the perilous state of our manufacturing sector. Zhou *et.al* (2013)

The reason the drafters of ZimAsset do not go beyond that single sentence in their reference to import substitution industrialisation is that they know Zimbabwe's manufacturing sector is comatose and we are importing even paper clips and rubber bands from other countries. Another problem is that ZimAsset is not grounded in empiricism as its drafters glossed over important key statistics. Take the growth projections, for example. Zhou *et.al* (2013)

ZimAsset predicts a very ambitious average growth trajectory of 7, 3%, which is not backed by any explanation of how it will be achieved. One wonders how a government that currently cannot pay its bills will achieve 3, 4% growth in 2013, 6, 1% in 2014 and 9, 9% by 2018. A table with thumb sucked growth rates for various sectors of the economy is presented, but there is no explanation of how those figures were derived.

The drafters of ZimAsset seem unsure whether this is a national policy document or a Government campaign manifesto. Their inclusion of a "presidential inputs support scheme" in a national policy document is baffling. If public resources are being allocated to agriculture, why should they be part of a partisan presidential programme that benefits only Zanu PF members and supporters? If resources for the scheme are privately sourced why should they be included in a public policy document that is supposed to benefit all citizens regardless of political affiliation. Zhou *et.al* (2013)

According to Zhou *et.al* (2013), more worrying is ZimAsset's deafening silence on the democratisastion and reform agenda. Finally, ZimAsset is shrouded in ideological ambivalence. On the one hand, the document espouses the idea of using "its own local resources, which are in abundance and readily available for full exploitation and utilisation", while on the other, it proposes engaging bilateral and multilateral funding partners for support. The same incongruity is evident in the badly drafted indigenization policy which has been interpreted differently by Government officials. This ideological ambivalence has confused investors and this has not been helped by other populist pronouncements, including the banning of foreign investment in sectors said to be reserved for locals only. Zhou *et.al* (2013)

After reading ZimAsset, one gets the impression that those in charge of running this country are clueless about what is wrong with it and what needs to be done to get it working again. The drafters of ZimAsset skirted the real problems and as a result the solutions they prescribe are anachronistic. Zhou *et.al* (2013)

5.3.5. Economic Performance

5.3.5.1. GDP Estimated to Grow by 5% In 2013

Economy still faces challenges, these include, infrastructure deficiencies, large external debt burden and limited formal employment. As the economic crisis deepened, the government became reactionary and kneejerk, adopting conflicting policies, reversing some, and as the popularity of the ruling party waned, irrational price controls where prices were set below their viable levels became a central aspect of macroeconomic policy. Zhou *et.al* (2013)

The rapidly declining socio-economic and political environment culminated in the formation of an Inclusive Government (February 2009) following the signing of the GPA in September 2008. The Inclusive Government launched STERP on 19 March 2009 as a short-term economic stabilisation blueprint. But there is something disconcerting about the style, form and content of the Short-Term Emergency Recovery Programme (STERP), the roadmap driving the revival process. Analysts said the policies and strategies contained in the short-term recovery plan depict a simplistic belief in the magic of economic liberalism and aid two doctrines that have plunged Africa in general and Zimbabwe in particular into a web of failed policies and stagnation.Invariably, after travelling for just a few miles the pistons of the economic turnaround locomotive have started misfiring. Zhou *et.al* (2013).

5.3.6. Mistake Number One

Aid Dependency For One Thing, STERP is predicated on misplaced assumptions and inept theoretical premises, particularly its attempt to base public sector policies/ projects on verbal promises of aid. The salient features of STERP included: adoption of a cash budgeting system; use of multiple currencies as legal tender and adoption of the rand as a reference currency; and the dismantling of foreign currency controls among other measures. Since the formation of the Inclusive Government the economy has been on a relative stabilisation and recovery trajectory. However, that recovery remains delicate and tenuous. The growth has also been consumption-led and coming from a low base. According to the Confederation of Zimbabwe Industries, capacity utilisation in the manufacturing sector which was estimated at below 10% at the end of 2008 improved to an estimated 57.2% as at June 2011.Zhou *et.al* (2013)

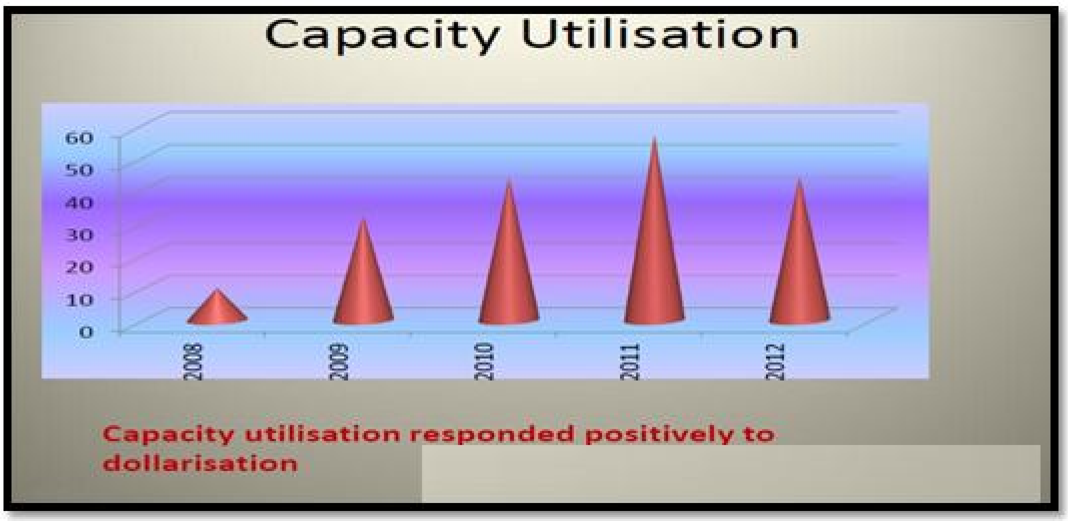

Figure 12
Source: CZI State of the Manufacturing Sector Survey

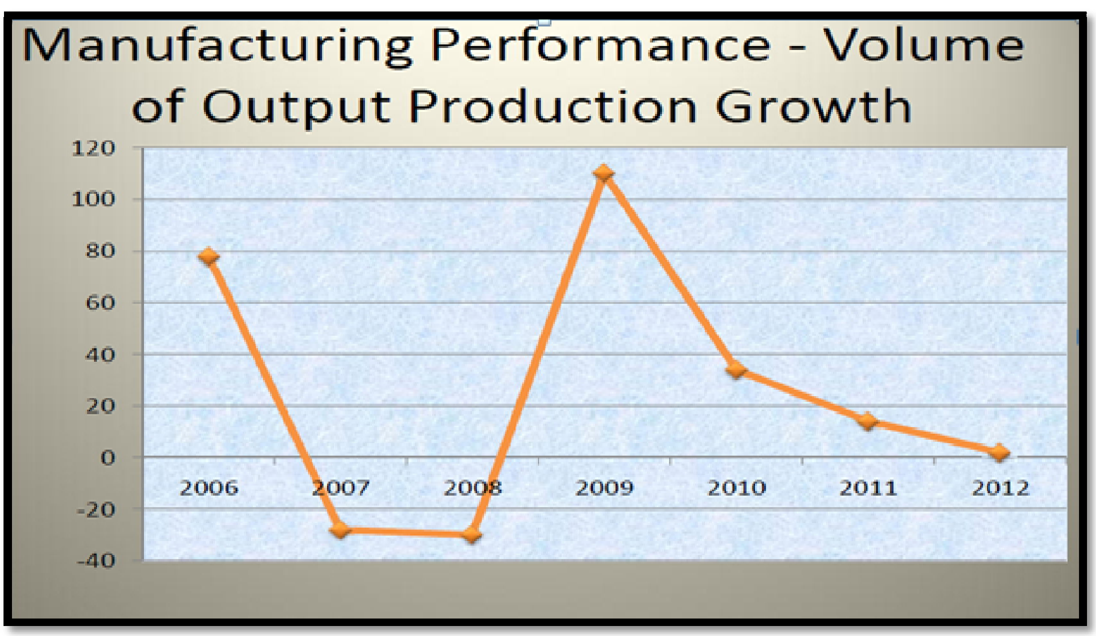

Figure 13
Source: CZI State of the Manufacturing Sector Survey

Key Factors Affecting Business
• Availability and cost of funding
• Infrastructure, in particular power shortages and cost
• Economic policy instability
• High labour costs and inflexible labour laws, this was according to CZI report released in 2013.

5.4. Conclusion

5.4.1. The Present Government Legacy

It is clear that no sustained recovery will be possible until there is political change that restores the rule of law, ensures a commitment to sound governance and allows for a comprehensive package of macroeconomic, social growth and sectorial strategies to be formulated and implemented. At that point it will not be a question, however, of resuming where the economy left off at the start of the present crisis period in the year 2000. The legacy of Present Government's misrule is one which makes the task of stabilising the economy and restoring economic growth immensely more difficult than it was at the turn of the millennium. This legacy has many different facets, all of which will make recovery more difficult in the short term and many of which will have depressive effects in the long term as well.

5.4.2. Lack of Investor Commitment

The unstable and unpredictable economic environment has led to a pre-occupation in the business sector with 'quick money' opportunities. Longer-term investment is shunned. It is only when a comprehensive, internally consistent macro-economic package is announced, which is sufficiently credible to break expectations that inflation will start to decline.

5.4.3. Structural Retrogression

The most obvious structural collapse is in the manufacturing sector where long-established input supply, production, marketing and research systems that were the envy of neighboring countries have to a significant extent been destroyed. Tobacco used to play a pivotal role in the agricultural sector and indeed in the economy as a whole, but it will never regain its former status, as Zimbabwe has now lost its place in an exceptionally competitive world market.

5.4.4. High-Inflation Period

The reality is that almost all of the causes of the near demise of Zimbabwe's once substantive manufacturing sector were occasioned by ill-considered government policies. Of the many reasons for industrial collapse was hyperinflation which progressively intensified until it peaked at levels never experienced anywhere in the world, in 2008. That inflation soared upwards to innumerable trillions per cent and could not even be authoritatively measured.CZI (2013). Prices were not rising monthly, weekly or daily, but hourly. In consequence, the capital resources of all enterprises, including those of industry, were eroded until they virtually became non-existent, gravely retarding the ability to fund viable operations. At the same time, the wholly-decimated spending power of consumers resulted in the corrosion of demand for manufactured products while the operating costs of the manufacturing enterprises soared upwards.

Although Government continuously sought to attribute the hyperinflation to actions of others, and to circumstances beyond its control, the harsh facts were that to an overwhelming extent government was the catalyst for the uncontrollable escalation in prices. It endlessly resorted to increasing money in circulation through printing, notwithstanding the absence of any real reserves to support the currency. It incurred expenditures far beyond its means and resources, intensified by extensive corrupt and self-serving spending.

Compounding these ills that government and its underlying public sector created, it put endless hurdles to industry's ability to source the much-needed replacement capital. Having destroyed the value of Zimbabwe's currency, government then rightly demonetized Zimbabwe's currency and adopted the present multi-currency system.

However, the impression was that this was only a short-term, transitional, measure, and that Zimbabwe would revert to its own currency. In consequence, almost all the population, and most businesses, feared depositing funds into Zimbabwe's banks, being convinced that, as had previously occurred, government would expropriate the foreign currencies without due compensation.

Thus, the financial sector was hit by a liquidity crisis, and hence was unable to provide financing facilities to business for its working capital requirements. Having lost most of the capital base needed for viability, the only recourse that industry could have was sourcing new investment. But government created impenetrable hurdles to procuring that new investment. As there were very few within Zimbabwe who had the capacity to fund investment, the only substantive sources of that investment were foreign. But now, over and above foreign investors' concerns as to the probable consequences of a premature reinstatement of the Zimbabwean dollar, government has also created diverse deterrents to such investment.

The most substantive of those deterrents is the Indigenisation and Economic Empowerment policy. Although with only very rare exception, potential investors were very willing to have indigenous Zimbabwean co-investors, they were not prepared to provide almost the entirety of the capital required, effect technology-transfer and provide access to their markets, if they were to be reduced to the levels of minority investors, without any assurance of repayment of capital provided by them to fund the majority shareholders. At the same time, the potential investors were discouraged by the excessive bureaucracy prevailing and intensifying indications of growing political instability in Zimbabwe as well as the increasing absence of respect for property and human rights, as well as law and order.

As if all this mismanagement did not suffice to preclude recovery and viability, the situation was worsened by the running down of parastatals whose services were essential for survival of industry. The power utility ZESA, (which presumably denotes "Zero Electricity and Substantive Accounts"), was not provided with the essential funding to maintain and enhance its electricity generation and supply infrastructure. This caused industry to be subjected to recurrent losses of essential energy supplies, precluding production and often resulting in massive losses when power outages disrupted manufacturing processes. In like manner, the inadequacies of services from many other parastatals, including the National Railways of Zimbabwe, are immense retardants to effective operations. In addition, Zimbabwe's taxation laws are extremely counter-productive to industry.

These include excessive import duties on essential inputs of manufacturers, and in all material respects, no substantive export incentives. The reality is that the only impact of the international sanctions is upon those few enterprises owned by or associated with government or by certain specified, politically-connected individuals, and on parastatals. The key constraint on these organisations and individuals is their inability to access international loans and lines of credit. All the other alleged consequences of the sanctions are specious and unfounded. Of all economic policies that have been in place since 1980, none except the ZimAsset ever mentioned the industrial policies in the document. Another issue was the lack of public discourse or debate about implementation or the functionality of economic policies. The government has not got any platform where these matters can be discussed, even at party level it is unheard of in Zimbabwe.

5.5. Recommendations

5.5.1. Alternative Economic Policies and Practices

Economic policy options to be considered for cases like Zimbabwe are indeed available. LEDRIZ (2006) provides a good framework for the search of alternative Economic policy options in Southern Africa. In addition, the UNDP (2008) provided a good base in the discussion of specific alternative economic policy options in pursuit of development paths that effectively address poverty and inequality in the country. The report also argues for a more interventionist role in support of a development state. But Parsons (2007) and Hawkins (2008) believe that constraining the power of the Zimbabwean Government would aid the country's economic recovery. Hanke (2008) argues that a more radical, unorthodox approach would enhance the growth potential of the Zimbabwean economy. Kanyenze et al. (2007) suggest the idea of revisiting the current production models, sector linkages and redefine the roles of the State and the markets.

5.6. Summary of Chapter Five

The argument is that the State should neither leave development to the mercy of the markets nor should it be in total control of the commanding heights of the economy. In between these extremes of neo-liberalism and state socialism, there are possibilities for an interventionist developmental state to ignite sustainable economic and social recovery and the eradication of poverty and inequality. Zimbabwe needs to place emphasis on broad stakeholder participation in economic and social governance and allow working people to set and determine their own priorities. Below Table 6.21,is a recommended social growth model, Table 6.21

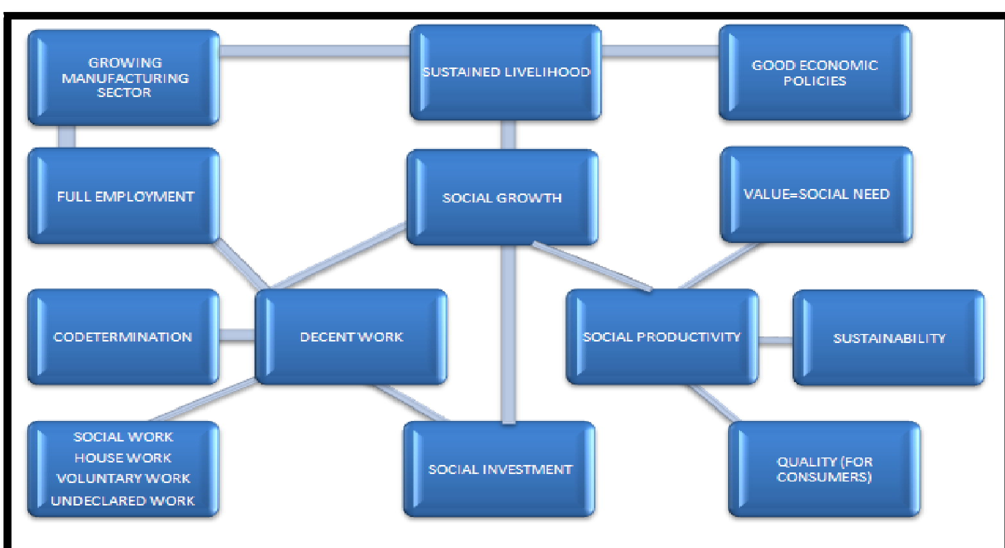

Figure 14

5.6.1. The Social Growth Model

Supported by the Solow growth model, source Charles Soludo (2004)

5.6.1.1. Recommended Social Growth Model

Figure 15: Proposed Fully Functioning Economic Policy Model, from Cross Sectional Examination Literature Review, Added to the Social Growth Table 6.22

5.6.2. The Recommended (FIFEP) Model

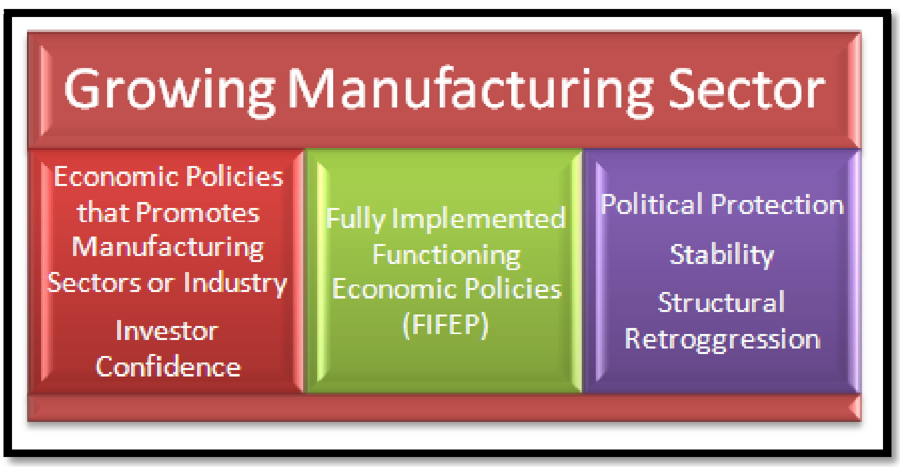

Figure 16

What Zimbabwe needs according to the results of the study are fully implemented functioning economic policies (FIFEP) that will develop, improve the social growth, and improve or grow the manufacturing sectors? The FIFEP is what the study has achieved as a model for good economic policy model. FIFEP has the following characteristics as follows:

- Local home drawn policies.
- Fully implemented in the period they are designed for.
- Impact positively on the manufacturing sectors and other areas of the economy.
- Create wealth maximisation in manufacturing sectors, e.g. job creation etc.
- Enhancement of social growth in the country.
- Create investor confidence so as to attract global and local investments.
- Null government interference in the manufacturing sectors.
- Are not political but they remain policies.
- Public discourse

Successful stabilisation requires extremely disciplined and well co-ordinate fiscal and monetary policies.

5.6.3. Restoration of Growth through Recovery and Reconstruction

According to CZI surveys, capacity utilisation in the manufacturing sector in2006 is about 40%. A similarly low level of capacity utilisation exists in other major sectors, including tourism and agriculture. A quick resurgence of growth is possible through taking up unused capacity, but thereafter massive investment will be required to restore sustainable economic growth. To offset the deterioration of infrastructure and restore the stock of capital throughout the economy, the levels of investment will initially have to be even higher than conventional growth models would predict. Given the state to which the economy has been reduced there is a rather narrow range of options for tackling each of the above three elements (stabilisation, restoration of growth, and poverty reduction). Nonetheless, there is some room for maneuver in the design of a comprehensive Progressive Zimbabwe Economic Programme, and this needs to be exploited to reflect the ideological position of the new government designing the programme.

The immediate programme has to lay the foundations for the long-term requirement for Zimbabwe of a profound transformation of the structural inequalities created under colonialism and perpetuated and worsened after independence.

5.7. Further Research

This study has contributed to knowledge by adding a level to the social growth model, constructed a theory that needs to be tested in other environments and coming up with (FIFEP) model that needs to be applied. I therefore recommend further studies to be undertaken in this area on economic policies.

5.8. Limitations of the Study

As a researcher, all attempts were made to minimize the research's limitations but like all studies chances of nil limitations are rare. Certain limitations on findings and interpretations of the findings may need to be highlighted as indicated below.

- This study used urban centres but no attempt was made to validate the data collected from other centres in view of time, practical feasibility of the administration of the questionnaire and resource available with the researcher
- The research focused on Policy issues and therefore obtaining some classified information was difficult given that it is privileged information.
- The researcher faced challenges in obtaining regional data from similar institutions in SADC for purposes of benchmarking as these strategies are not shared amongst Member States.
- The researcher had limited resources because sponsors are hard to come by in Zimbabwe and this researcher had to do with a limited budget in a strained economy suffering from liquidity crunch

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