International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2017, 7(5), 204-215.

Corruption and Bad Policies Repel Foreign Capital and Cause Domestic Capital to Flee: Is Jovanovic Right?

Tyavambiza Takawira*

Epsilon Research and Training, Harare, Zimbabwe. *Email: ttyavambiza@gmail.com

ABSTRACT

Corruption in Zimbabwe has made the country's economic system too porous to handle investments of note while protecting and enriching those responsible for the damage. As a result, productive capital in the hands of foreign direct investors and also domestic capital has fled the country. In addition to the capital haemorrhage, corruption has also made it impossible for the country to attract new foreign direct investment as investors redirect their investments to other friendly destinations. Combating corruption is possible though eliminating it is not. The cost of corruption in repelled foreign capital and capital flight can never be quantified. The country is, however, counting the losses in cumulative amounts reported in various corruption cases, with the estimated US$ 15 billion loss on domestic resource in form of diamonds only being the highest. For a country with an annual fiscal budget of just about US$4 billion, such losses are substantial. The only recommendation from this discussion is that it all ends with the Government to start doing something as the ultimate centre of power in the land. Without a corrective and penalizing voice from the Government, which is backed by action, fighting corruption shall remain a life time dream for many sober Zimbabweans who have never tested the sweetness of discretionary power. Unless and until something about corruption is done at the highest level, Zimbabwe will remain a living testimony of Jovanovic's assertion that corruption repels foreign capital and causes domestic capital to flee.

Keywords: Corruption, Economic Growth, Capital Flight, Bureaucratic Power, Public Office, Zimbabwe
JEL Classifications: D73, F21, F43

1. INTRODUCTION

Corruption is a world-wide endemic that has been reported across the globe, including in high income countries, and takes various forms. The nature and occurrence of corruption differs across geography, although there is some form of convergence which makes it possible to broadly identify various types of corruption. Jain (2001) noted that broadly, corruption could be, grand, bureaucratic or legislative. In Zimbabwe the fact that government officials, law enforcement agents, captains of industry, church leaders, political formations, civil rights groupings and the general public talk about corruption, both in private and public places, means that corruption exists. Also, the establishment of institutions to deal with corruption, such as Zimbabwe Anti-Corruption Commission (ZACC) further reinforces the fact that corruption indeed exists and an acknowledgement of the challenges it poses to the nation's economy and morality. Against this background, it should therefore not be a problem or a criminal offence to discuss corruption, its forms and effects in Zimbabwe. The challenge, however, is that the corruption phenomenon is not easily observable and or measurable. This is because acts of corruption often occur in absolute secrecy or if it happens in public it is always embedded in authorised transactions, with no paper trail that could assist in making a distinction between actual business and corruption premium. In addition, quantifying the extent of corruption is difficult - bribes are paid in total secrecy and without invoice and therefore difficult to trace. Characterising an act as corruption is almost impossible in Zimbabwe worse still to separate a bribe from a gift, a favour from usual assistance, asking for help and offering a bribe. Besides, people with power and influence are often involved in most of the reported, alleged and or confirmed cases of corruption. Not only so, the country's law requires one to bring evidence of corruption before any action is taken on accused people instead of the accused being asked to clear themselves on any allegations. Furthermore, there is also no precise or scientific way of certifying the exact amounts of bribes paid or prejudice suffered; if so, the cases must be very few.

Literature including, Jovanovic (2000), Smarzynska and Wei (2000), Habib and Zurawicki (2002) and Wei and Wu (2002) acknowledges that corruption has both economic, real and social costs to a country. Corruption and bad policies repel foreign capital and cause domestic capital to flee and the burden falls on the average citizen who has to pay high taxes, tariffs, licence fees (Jovanovic 2000). Smarzynska and Wei (2000) observe that corruption reduces inward foreign direct investment (FDI) and shifts the ownership structure towards joint ventures. Habib and Zurawicki (2002) also document that corruption does not provide an open and equal market access to competitors, making it difficult for the foreign direct investor to get around the system. Wei and Wu (2002) and Wei (2000), report that corruption is bad for both international direct investors and creditors.

On the strength of the view that corruption is an undesirable activity and that it is indeed the sand or rust that slows the economic mechanism, this papers aims to confirm whether or not Jovanovic (2000) is right to say corruption repel foreign capital and causes domestic capital to flee. In Zimbabwe, in as much as there is acknowledgement of existence of corruption in the country, there are institutions to try and curb corruption, there is an information gap in terms of impact of corruption, particularly on capital flows. This study attempts to unravel the direct and indirect impact of corruption on capital flows, particularly on repelling FDI and domestic capital flight.

In order to accomplish this, high profile cases of corruption in Zimbabwe that happened and slipped into the public domain will be chronicled paying attention where possible to the magnitude of prejudice suffered by the government, the nature of the corruption, the timing and also the people who were implicated. In addition, the actions taken if any would be highlighted. Inferences are made on the basis of the presumed effects of each case on both foreign and domestic capital. In view of the sensitive nature of the data on corruption cases, diversity of corruption acts and the subjectivity around them, no attempt is made to econometrically model the relationship between corruption and capital flows. Inferences are therefore restricted to intuitive economic reasoning on and about the effects of identified cases of corruption on both foreign and domestic capital in Zimbabwe.

The primary aim of this discussion paper is to unpack the costs of corruption and possibly invoke debate that will save Zimbabwe from the menacing phenomenon of corruption. As such, in this discussion, emotions have no place and readers are reminded to be open and objective. It is only through objective and professional analysis of such sensitive issues that Zimbabwe could be saved from the damming effects of corruption.

2. THEORETICAL BACKGROUND

Studying corruption is faced with one of the many difficulties, that is, defining what it is (Jain, 2001). However, there exists consensus that corruption refers to acts in which the power of public office is abused for personal benefits in a way that goes against the rules of the game (Jain, 2001). Corruption is defined as the misuse of public office (Hwang, 2002), abuse of public power (Tanzi, 1998), the extent to which private firms and citizens must pay bribes to government officials for permits and licences (Wei, 2001) and or abuse of authority by bureaucratic officials (Blackburn et al., 2006) to promote private gains. Blackburn et al. (2006) qualifies public sector corruption as the abuse of authority through exploitation of discretionary powers by bureaucrats delegated to them by the government to gain personally by indulging in illegal or unauthorized rent seeking activities. Wei (2001) uses corruption and crony capitalism interchangeably. By crony capitalism, Wei (2001) describes it as an economic environment in which friends and relatives of government officials are placed in positions of power and government decisions on resource allocation. Crony capitalism almost always implies widespread corruption as private players and the general public find it impossible to avoid the payment of bribes to government officials in order to achieve anything (Wei, 2001). For this reason, Wei (2001) uses crony capitalism and corruption to refer to one and the same. Others have described corruption by using such words as unethical, dishonest, unscrupulous, mendacious and or criminal behaviour by an individual usually in position of authority, power and influence to promote personal benefits. For bureaucrats to abuse discretionary power and authority, Del Monte and Papagni (2001) made an assumption that there must be information asymmetry between the government (state) and the bureaucrats (agents). Due to this asymmetry, the state therefore is unable to fully ascertain what the agents buy and the actual price they pay. It would appear from the above definitions that the general view is that corruption is undesirable. Shar (2015) sums up by saying that corruption is undesired by all and practised by majority. This is especially true from the crony capitalism perspective where a system is created such that private players find it almost impossible to avoid bribes if they are to achieve anything and the citizens if they are to access certain government services.

While corruption does not always involve the payment of bribes, bribes constitute the most convenient way through which perpetrators of corruption gain personally. Acts of corruption range from as little things like a security guard facilitating someone to jump the queue in a bank to mega acts like offering a mining concession or a contract knowingly to undeserving bidders. The scale and appetite for corruption differ across countries and also with circumstances. For instance, Ades and Di Tella (1999) suggest that in countries with large endowments of valuable raw materials fuels, minerals, and metals corruption may offer greater potential gain to officials who allocate rights to exploit such resources. Zimbabwe, Nigeria, Sudan and Mozambique qualify in this category.

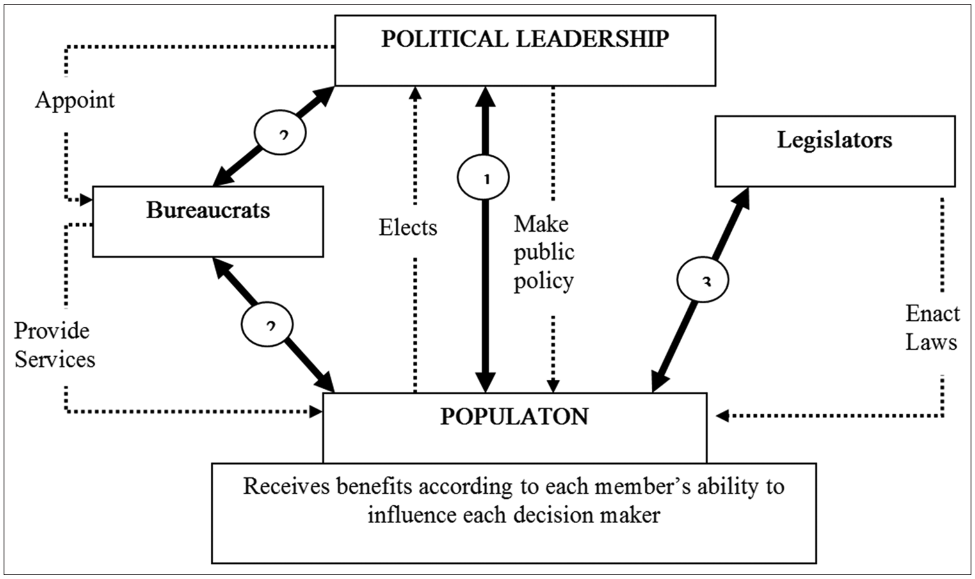
2.1. Types of Corruption

The nature and occurrence of corruption differs across geography. However, there is some form of convergence, which makes it possible to broadly identify various types of corruption. According to Jain (2001), corruption relationships take three broad types in a democratic society. These relationships are illustrated in Figure 1.

2.1.1. Grand corruption (1)

This refers to acts by the political elite in exploiting power to make economic policies. In a typical democracy setting, elected

Figure 1: Corrupt relationships in a democratic society



Source: Adapted from Jain (2001) with amendments

government officials, which Krueger (1993) as quoted in Jain (2001) refer to as "benevolent guardians" and politicians have a role to make decisions on resource allocation driven by public interest. Grand corruption occurs when these officials and politicians change policies and or implement policies for private benefit (Jain, 2001). Because this type of corruption involves policy makers, it is difficult to identify unless in cases where bribes are paid. This is largely because when policy proclamations are made, they supposedly represent public interest on the face of it, while private interest and benefits are disguised. For instance, a road rehabilitation policy sounds perfect in the eyes of the public, but the tendering process to get the job done will inevitably benefit a selected few. This is grand corruption, some segments of the population benefit while others do not.

2.1.2. Bureaucratic corruption (2)

This occurs where appointed bureaucrats engage in rent seeking activities in their dealings with the political elite or the public. In its most basic form, the public may be required to pay bribes to bureaucrats in order to access certain government services which under normal circumstances are entitled to them or just to speed up a bureaucratic procedure (Jain, 2001) or greasing the squeaking wheels of a rigid administration (Bardhan, 1997). According to Figure 1, bureaucratic corruption takes place at two stages, first is at the stage when bureaucrats carry out assignments given to them by the political elite and secondly at the stage they provide services to the general public. This is made possible by the existence of information asymmetry between the parties as highlighted by Del Monte and Papagni (2001).

2.1.3. Legislative corruption (3)

This relates to the manner and extent to which the voting behaviour of legislators can be influenced in favour or against certain groups of people. According to Jain (2001), legislators can be bribed by interest groups to enact legislation that can change the economic rents and or value on certain assets. Vote buying is the most common occurrence under this type of corruption. In extreme cases, fighting between legislators representing different interest groups or political formations has been reported in South Africa, Taiwan, Turkey, Japan and Zimbabwe. This is a clear testimony that legislators may use their power to protect their own interests at the expense of the people they represent.

2.2. Determinants of Corruption

For any of the three types of corruption to occur, it requires three elements to co-exist. These three elements according to Jain (2001) are (1) existence of discretionary power and authority, (2) economic rent associated with that power and (3) sufficiently low probability of detection and or penalty for the wrong doing by the legal or judicial system. Discretionary power is the power to design and administer regulations and that power must have economic rents which identifiable groups could capture. Naturally, corruption would occur if higher rents are associated with the misuse of discretionary power net of illegal payments and penalties inherent to the misuse of that power (Ibid). Elements (1) and (2) define the incentives associated with corruption acts while element (3) speaks to the deterrent (penalties and fines) for the misuse of power.

Using these three elements from Jain (2001), it is possible to hypothetically represent conditions under which corruption occurs. To achieve this, we assume that P(t) is the level of discretionary power that a bureaucrat or any government official has at time (t), that R(t) is the value of economic rent associated with that power and that F(t) is the value of the penalty and or fine associated with the misuse of that power or wrong doing. We also take F(t) and R(t) to represent the barest minimums applicable for a given level of discretionary power. Naturally, the higher the level of power one has, the greater the economic rent associated with the misuse of that power. This means that there is an assumed positive relationship between discretionary power and economic rent. For instance, a Zimbabwe Government school headmaster has considerably less discretionary power than a vehicle examiner certifying drivers. As such, the value of economic rent that the headmaster can extract is less than what the vehicle examiner can at any given time if they misuse their discretionary powers. The positive relationship can therefore be depicted in Figure 2.

It is vital to note that there are certain illegal activities such as fraud, money laundering, drug trading and black marketeering which do not constitute corruption because they do not involve the use of public power (Jain, 2001). As such, power becomes a key ingredient in qualifying an act as corruption. With or without power, it is also important to highlight the fact that there is a minimum acceptable level of economic rent which naturally increases across the bureaucratic levels of power. Against this background, it can be seen that power and economic rent commensurate with it explains the incentive side associated with the misuse of that power.

While discretionary power has an incremental effect on the value of economic rent, it has an assumed reducing effect on the value of the penalty or fine. What this means is, people of influence are able to use their power to avoid or reduce the amount of penalty. Hence, the greater the power, the greater the influence they may have on the penalty, the tendency of which is to suppress the penalty as much as is possible within their powers.

Against this background, we can therefore generalize the corruption function, C as follows:

$$C = f(P_{(t)};R_{(t)};F_{(t)}) \tag{1}$$

We assume further a hypothetical and ideal economic system of optimal governance where the amount of economic rent associated with misuse of power is exactly offset by associated penalty. Under this ideal economic system of optimal governance, we would expect that there is no incentive to be corrupt. This scenario is represented thus:

$$R_{(t)} = F_{(t)} \tag{2}$$

A disequilibrium in favour of R(t) would result in the likelihood of corruption happening. Thus, corruption thrives under the following conditions:

$$R_{(t)} > F_{(t)} \tag{3}$$

Both economic rent and penalty are functions of the level of discretionary power that an individual commands. The higher the level of power, the more economic rent that power can provide when misused. At the same time, the higher the level of power, the less the penalty is likely to be paid for the misuse of that power. Incorporating discretionary power both in economic rent and penalty, corruption thrives under the following set of conditions:

$$R_{(t)}(1+P_{(t)}) > F_{(t)}(1-P_{(t)}) \tag{4}$$

From the above formulation, discretionary power, P(t), is viewed as a continuous variable in ratio form where 0 would mean that there is no discretionary power and 1 means that someone has absolute power. Anything above 1 is an extreme case which literally means that someone is above the law.

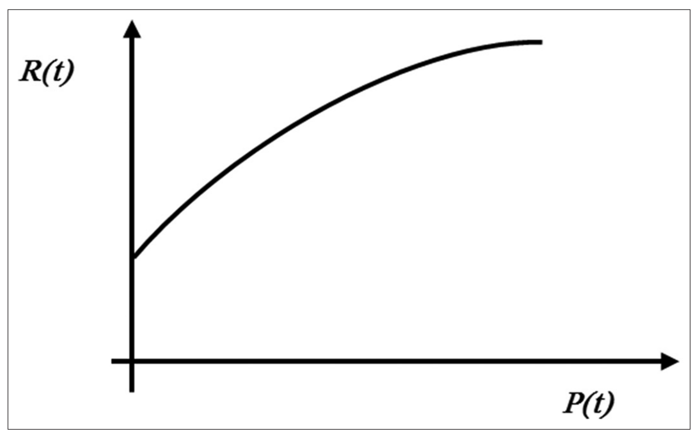
Using equation 4 formulation, we can incorporate F(t), P(t) and R(t) on one graph to illustrate the conditions under which corruption is likely to take place as follow:

From Figure 3, panel A represents a scenario where the penalty associated with any misuse of discretionary power out weighs any potential rent that bureaucrats may extract out of misuse of their discretionary powers. As a result, there is no incentive to engage in corrupt acts and thus corruption does not thrive under such conditions.

Panel C represents the outcome of equation 4 where economic rent extracted from the misuse of power exceeds the level of penalty. In this panel, the bureaucrat uses his/her power to avoid or suppress the payment of a penalty. The same power is used to magnify the economic rent that can be extracted. Under these circumstances, corruption thrives. This is the segment in which most of the reported cases of corruption are plotted.

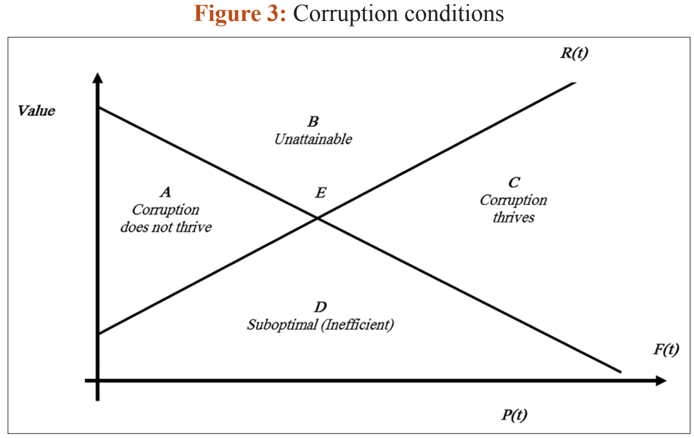
While point E indicates a position of equilibrium which denotes a hypothetically ideal economic system of optimal governance, panel B and D are exceptional extremes. In panel B, decision choices facing the person in position of power are unattainable as they are above both R(t) and F(t) functions for a given level of power. On the other hand, panel D depicts a situation

Figure 2: The hypothetical relationship between level of power and economic rent



Source: Author conceptualization

Figure 3: Corruption conditions



Source: Author conceptualization

where the decision choices are attainable but suboptimal or inefficient for a given level of power. Rationality tells us that more is better and as such, no rational person would make a decision to partake in a corrupt act that gives them less than what their level of power affords them as depicted by the line R(t). Without making an attempt to econometrically model corruption, Figure 3 illustrates the conditions under which corruption occurs in line with formulation expressed in equation 4. Where equation 4 is violated, corruption is not expected to occur either because the penalties are heavy enough to deter corruption, or the decision choices whether or not to engage in corruption are unattainable for a given level of power or finally that the decision choices are attainable but inefficient for a given level of power.

3. IS CORRUPTION SAND OR OIL?

Most definitions of corruption as discussed above and the forms it takes, lead to the general view that corruption is an undesirable activity (Shar, 2015). Logically, this is largely because of the use of the phrase "abuse of power or authority" for private gain as more articulated in Hwang (2002), Tanzi (1998), Blackburn et al. (2006) and Jain (2001). However, it is important to note that corruption in theory is not always an undesirable activity. Two contrasting theories namely, the grabbing hand hypothesis and the helping hand hypothesis according to Quazi (2014), Quazi et al. (2014) and Egger and Winner (2006) help explain the good and bad attributes of corruption especially on FDI. In summary, the grabbing hand hypothesis holds that corruption impedes FDI and growth (corruption is bad) while the helping hand hypothesis holds that corruption facilitates foreign investment by greasing the wheels of commerce (corruption is good).

3.1. The Helping Hand Hypothesis: Corruption as Oil

Corruption has been viewed as having a positive impact on the process of development by facilitating decision making. This perspective was largely driven by observers on the economic successes of South East Asia. In its purest sense, this romantic view of corruption argues that corruption "oiled the economic mechanism" or "greased the economic wheel" and made economies more efficient by removing or bypassing bureaucratic rigidities which put obstacles to investment and economic activity in general (Tanzi, 1998). Bardhan (1997) contends that in the context of pervasive and cumbersome regulations in developing nations, corruption may actually improve efficiency and help growth.

The argument in favour of corruption is that, when there are policy-induced distortions and rigidities, further distortions in form of black marketeering, smuggling and externalization may actually improve welfare. This is despite the fact that some resources are spent on such activities to thrive. Supporting this view is Leff (1964) who wrote that "if the government has erred in its decision, the course made possible by corruption may well be the better one" (p. 11). Concurring to this romantic view of corruption is Huntington (1968) who bluntly says a society with rigid, over-centralized and honest bureaucracy is worse than the one with rigid, over-centralized but dishonest bureaucracy. In this case, corruption is viewed as the much needed oil for the squeaking wheels of a rigid administration (Bardhan, 1997).

Another way of looking at the corruption efficiency hypothesis is to look at it as what Bardhan (1997) referred to as "speed money." This means that corruption reduces delay in moving files in administration offices and also in getting ahead of slow moving public services queues. Mo (2001) concurs with this observation and adds that corruption is more like a piece rate pay for the bureaucrat and it induces a more efficient provision of government services and provides an opportunity for the entrepreneur to bypass inefficient regulations. So long as the benefits to society of a corrupt act in dealing with administrative rigidities are greater than the cost of the act, the society is better off with the dishonest system, hence corruption is theoretically desirable.

3.2. The Grabbing Hand Hypothesis: Corruption as Sand

Contrary to the corruption efficiency is the view that corruption is a cancerous infection with devastating impact on the process of development and economic growth. In countries like Russia, Pakistan, Kenya and Zimbabwe among many, corruption has been connected to the poor functioning of these economies.

Corruption has been viewed not as the oil that lubricates the economic mechanism but rather the rust that slows it down. The argument is that bureaucratic rigidities created by state regulations are deliberate and once bureaucrats realize that they can take advantage of these regulations, more will be produced (Tanzi, 1998). This is bureaucratic corruption according to Jain (2001). The more regulations are made, the less transparent they become and the widespread corruption loopholes become and new ones emerge. Jovanovic (2000) notes that "a regulation or policy that is bad for the average citizen may persist if it benefits or protects a minority that has somehow managed to gain power and influence" (p. 8). The situation is further worsened by the fact that the perpetrators of corruption in most cases are the custodians of these regulations and or policies within the rigid bureaucratic system. According to Jain (2001), bureaucratic power is the power to design and administer regulations and is the first of three elements required for corruption to take place. The other two are economic rent and sufficiently lower probability of being caught.

In Ehrlich and Lui (1999), corruption is viewed as an economic activity that requires some political capital. The effort devoted in amassing this political capital has an opportunity cost - that is human capital production. Therefore, by spending energy on acquiring political capital, politicians are never known to develop into productive human capital. This means that corruption reduces economic growth through a negative influence on investment in human capital (Del Monte and Papagni, 2001). This, according to Jain (2001), is legislative corruption where the voting behaviour of legislators is influenced to favour interests of certain groups.

The payment of bribes to get investment licenses reduces the incentive to invest (Bardhan, 2000), as bribes reduce the investment's profitability. As such, corruption crowds out productive investment in favour of rent seeking investments (Bardhan, 2001) and this suffocates economic growth. Besides the issue of bribes, the negative effect of corruption on growth also manifests through lack of transparency in policy formulation which culminates in fiscal policy distortion (Tanzi, 1998; Hwang, 2002) and ultimately bad policies (Jovanovic, 2000). This distortion affects the whole decision making process especially in public investment projects (Tanzi and Davoodi, 1997). Mauro (1995) adds that the predatory behaviour of the bureaucrats distorts the composition of government expenditure by directing expenditure where it is easier to collect bribes. In Mauro (1998), where governments do not always act in the best interest of its people, bureaucrats take advantage and channel more public resources towards projects or items where it is easier to levy bigger bribes.

Sometimes state structures provide a breeding ground for corruption, which impedes growth. For instance, Bardhan (1997) notes that bureaucratic corruption appears very relevant in poor countries where the state structure is inefficient with non-existent democratic control of the community over government actions and where the discretionary powers of the bureaucrats are wide (Azariadis and Lahiri, 1997). Consequently, bureaucrats and private agents profiteer from the lack of information by citizens even if their joint behaviour is detrimental to the welfare of the community (Del Monte and Papagni, 2001). The combined effect of information asymmetry and discretionary power result in sub-economic decisions by Government bureaucrats and this has a negative impact on economic growth.

The view that corruption is the rust that slows the economic mechanism has gained much acceptance globally, with some labelling corruption a cancer whose impact has far reaching effects on how economies perform. Confirming this global acceptance, many countries have established anti-corruption bodies to try and stamp out corrupt practices while others like Zimbabwe have constituted commissions - ZACC to fight corruption. Regionally, the Anti-Corruption Trust of Southern Africa (ACTSA) is a body that campaigns against corruption in Southern Africa. The effectiveness of such anti-corruption bodies differ across nations and also depend on the scale and magnitude of corruption in each case. For instance, in Peru and Uganda, corruption in tax administration had become so endemic that their governments decided to close existing tax administrations and replace with entirely new ones (Tanzi, 1998). This is just but one of the many indicators of how bad corruption can be in an economy especially when considering tax administration as the mainstay of government revenue collection.

4. EMPIRICAL EVIDENCE: CORRUPTION, CAPITAL AND DEVELOPMENT

In economics and finance, capital is deployed where it provides the best returns. Likewise, investors target projects which provide the best return on capital employed. In a free market economy it is expect that investment capital would be efficiently allocated across the most paying projects. However, if the market is imperfect, marred with policies that are not transparent, ambiguous and difficult to follow, investment capital allocation process is bound to be tainted by corrupt practices, especially if such policies tend to benefit a few powerful and influential minorities. Where bad policies persist as they benefit the minority, the investment process changes course. As Jovanovic (2000) puts it, corruption and bad policies repel foreign capital and cause domestic capital to flee and the burden falls on the average citizen who has to pay high taxes, tariffs, licence fees, bribes etc. A corrupt system is not able to attract foreign capital while domestic capital is pumped out of the country through various forms of externalization by the corrupt officials or foreign direct investors trying to salvage their investments from a corrupt system.

A number of studies have been carried out documenting the relationship between corruption and capital inflows especially FDI and international bank loans. There are a number of reasons explaining how corruption deters foreign capital inflows especially FDI.

Smarzynska and Wei (2000) observe that corruption reduces inward FDI and shifts the ownership structure towards joint ventures. The argument against corruption here is that it makes local bureaucracy less transparent and this increases the value of local partners to cut through the bureaucratic maze. Habib and Zurawicki (2002) also document that corruption does not provide an open and equal market access to competitors, making it difficult for the foreign direct investor to get around the system. Because corruption increases inefficiencies in an economic system, foreign investors would prefer using local partners to navigate their way through numerous bureaucratic rigidities. This provides support to joint ventures as opposed to direct investments.

Wei and Wu (2002) and Wei (2000), report that corruption is bad for both international direct investors and creditors. It has been noted that corrupt borrowing countries are likely to default or to nationalize the assets of foreign direct investors (Wei and Wu, 2002). In their study, Wei and Wu (2002) demonstrate a statistically significant negative relationship between corruption and FDI, highlighting that corruption was found to be associated with 40% decline in FDI. Corruption, therefore, tends to tilt the composition of capital inflows away from FDI to international bank loans. Wei (2001) attributes this to the fact that the current financial architecture is such that bail outs are common for international loans and not foreign direct investors. Because international creditors are more likely to be bailed out than direct investors, foreign direct investors feel inadequately secured in a corrupt host country (Wei and Wu, 2002). The end result of these fears is that little capital comes into the country and this constitutes foreign capital repulsion as explained by Jovanovic (2000).

Corrupt host countries find it easier to nationalize foreign direct investors' assets if international arbitration proceedings are weak and cannot do much to recover nationalized assets (Wei and Wu, 2002). The risk therefore is just too much for foreign direct investors to carry in a corrupt country.

The negative impact of corruption on FDI has also been confirmed by Blackburn and Forgues-Puccio (2010), Quazi (2014), Le and Rishi (2006), Asiedu and Freeman (2009) and Egger and Winner (2006). Le and Rishi (2006) focused on the relationship between corruption and capital flight. Their findings show a significant positive relationship between corruption and capital flight. Capital flight refers to the flow of capital from the corrupt country to other destinations. This flight may involve what initially came as foreign capital and also domestic capital. When bureaucrats take advantage of a corrupt economic system to loot resources into other countries it constitutes domestic capital flight as in Jovanovic (2000). Over all, corruption has been viewed as a dimension of poor governance and as such, Le and Rishi (2006) advocate for good governance in combating corruption as the only way capital flight can be reduced.

Contrary to the general view that corruption has a negative impact on FDI, where the general regulatory environment is weak, the corruption's grabbing hand effect is outweighed by the helping hand effect (Quazi et al., 2014) as foreign direct investors use corruption to adapt to bureaucratic maze and achieve their objectives (Smarzynska and Wei, 2000). Whilst it is true that sometimes the helping hand of corruption outweighs the grabbing effect as in Quazi et al. (2014), in many cases, corruption has proved to be a growth stunting economic activity. This is testified by the fact that most corrupt countries are under developed.

5. REPORTED HIGH PROFILE CORRUPTION CASES IN ZIMBABWE

Zimbabwe became independent from Britain in April 1980. Barely 2 years later, the country was hit by most probably the first and biggest reported corruption scandal. Since then, a number of high profile corruption cases slipped into public domain up to this day. In 2016, Zimbabwe was ranked 154 out 176 with a score of 22 out 100 by Transparency International. Both the rank and the score are indicative of a country whose level of perceived corruption is high. This section chronicles some of the country's biggest corruption scandals that slipped into the public domain, highlighting in brief the major issues around them, and also actions taken to curb repeat acts if any. A comprehensive outline of the corruption cases summarized below is available in ACTSA (2003), Rusvingo (2014) and Yamamoto (2016).The growth in number of cases can only suggest that little, if any action has been taken to curb the scourge.

5.1. Paweni Scandal (1982)

This is one of the earliest cases of corruption recorded in independent Zimbabwe. About US$6 million was lost when Bernard Paweni bribed his way into winning a government tender to transport drought relief food across the country. He was jailed for 15 years and later the sentence was reduced to 10 years after an appeal.

5.2. Willowgate Scandal (1986)

The scandal involved senior government officials and ministers who used their positions of authority and power to buy cheaply cars from Willowvale Mazda Motor Industries (WMMIs) and sold the same at very high profits. The scandal was unearthed by the Sandura Commission led by Wilson Sandura. Those implicated include Maurice Nyagumbo, Mark Dube and Enos Chikowore. Out of shame, Nyagumbo committed suicide in 1989. However, the implicated were later on pardoned by the President.

5.3. War Victims Compensation Fund (1994)

The late leader of the War Veterans Association Cde Chenjerai Hunzvi was at the centre of this scandal. Able bodied political figures were awarded disability percentages of 20-100% so that they could benefit from the Fund. The Fund was established under the War Victims Compensation Act (chapter 11.p. 16) to compensate war victims for injuries suffered during the war of liberation. A commission of inquiry unearthed exaggerated disability claims (Zimbabwe Human Rights NGO Forum, 1998). Those who benefited include Joyce Mujuru (55%), Augustine Chihuri (20%), Oppah Rushesha Muchinguri (65%), Edgar Tekere (90%) and Perence Shiri (50%) among many others (Ibid). Despite overwhelming evidence of the abuse of the fund and loss of huge sums of money as confirmed by the commission of inquiry led by Chief Justice Chidyausiku, no arrests or prosecutions were made and such has been viewed as betrayal of the people (Bell, 2012). This notwithstanding, some of the implicated beneficiaries continue to occupy very influential positions in Government.

5.4. Harare Airport Scandal (1995)

A 4th rated bidder, Air Harbour Technologies, according to the tender board, was awarded the tender by the Cabinet. It is alleged that the deal was brokered by Leo Mugabe, a close relative to the President. The contractor, Hani Yamani, a Saudi national, was later to formally complain to the President after being asked to pay excessive bribes. The initial cost of the airport was pegged at Z$5 billion (circa US$576 million) but on completion, it was well above Z$7 billion (circa US$809 million). Consequently, the state lost over Z$2 billion (circa US$231 million) of valuable resources through corruption.

5.5. VIP Housing Scandal (1996)

Senior government officials and politicians looted funds contributed by civil servants to ease housing challenges they were facing. Through loans, a total of Z$12 million (circa US$1.21 million) was owed to the scheme at the expense of genuine beneficiaries. A total of 185 senior government officials benefited illegally from the scheme according to investigations carried out by S R Hoza, activated by the then Ministry of Housing and Urban Development under the leadership of the late Vice President John Nkomo. Those implicated include High Court Judge Paddington Garwe, the late Stan Mudenge, Tichaona Jokonya, Grace Mugabe, William Gumbochuma and B Chakaodza. Ultimately, legitimate beneficiaries were deprived of the facility and worse still the findings of the Hoza Commission of Inquiry were never made public (ACTSA, 2003).

5.6. National Oil Company of Zimbabwe (NOCZIM) Scandal (1999)

A total of Z$1.682 billion was lost due to fraud involving officials at NOCZIM and the Permanent Secretary for the Ministry of Transport. Upon public outcry, the then Minister of Transport, the late Mr. Enos Chikowore resigned as a result of the corruption. Those implicated include Phillip Chiyangwa, the then two vice presidents, Mike Nyambuya, Oppah Muchinguri, Tinaye Chigudu, Enock Porusingazi and Esau Mupfumi (ACTSA, 2003).

5.7. Zimbabwe United Passenger Company (ZUPCO) Scandal (2004)

Bright Matonga, then Deputy Minister of Information and Publicity and also the Chief Executive Officer of ZUPCO jointly with the board chairman Charles Nherera, was accused of soliciting for US$85,000 bribe from Jayesh Shah who was a director of gift investments for the supply of buses to ZUPCO (Nkatazo, 2006). Matonga was arrested and formally charged, however, Shah was never prosecuted after he was granted immunity as a key state witness. The case collapsed and Matonga was released.

5.8. Zisco Steel Scandal (2004-2008)

A report by the National Economic Conduct Inspectorate on Zisco has blamed a number of high ranking officials from both the Government and ruling party ZANU PF for looting at the company. The then Minister of Mines, Obert Mpofu, admitted to the looting although he later on backtracked when his admission supposedly touched a sensitive nerve within the system in high places. Implicated people include former Vice President Joyce Mujuru, the late Vice President Joseph Msika, Olivia Muchena, Patrick Chinamasa, Sithembiso Nyoni and the late Stan Mudenge among others (Muleya, 2006).

5.9. Chiadzwa Diamonds Scandal (2006)

The then Minister of Mines and Mining Development, Obert Mpofu was accused by Lovemore Kurotwi during a trial for demanding a US$10 million kickback in exchange for a mining licence to mine in Chiadzwa. Tendai Biti also admitted then that Treasury did not have a clue on the happenings at Chiadzwa diamond fields.

5.10. Constituency Development Fund Scandal (2010)

A total of 10 members of parliament (MPs) failed to account for US$50,000 advanced to them for their constituency development projects in 2010. Of the total number, 6 were ZANU PF MPs while 4 were MDC (T). Only one of the ZANU PF MPs was arrested while the rest were from MDC (T). Some of those from ZANU PF like the then Minister of Youth Empowerment Cde S Kasukuwere and Minister of Local Government Cde I Chombo were never questioned or arrested by police (Guma, 2012).

5.11. Commercial and Mechanical Engineering Department (CMED) Fuel Scandal (2013)

The state allegedly lost US$3 million when Davison Mhaka (Managing Director of CMED) acted fraudulently by authorizing a deal with First Oil in 2013 for the supply of 5 million litres of fuel. At the time the tender was awarded, the company did not have a fuel import permit. A further US$100,000 was also paid for fuel that was never delivered to CMED. Despite the financial loss, no arrests have been made relating to the fraud.

5.12. Zimbabwe National Roads Administration (ZINARA) Scandal (2014)

A US$54 million procurement scandal was unearthed in July 2015 after ZINARA awarded a deal to Univern Pvt., Ltd. to supply a motor vehicle licensing system without going to tender. According to the Auditor General's report in 2014, the supplier was handpicked. Further, the same supplier was also given a contract to supply graders without following due tender process in 2013. Obviously certain individuals benefited from this scandal but no arrests were made.

5.13. Parastatal Salarygate Scandal (2014)

Executives in parastatals awarded themselves excessive salaries and benefits in connivance with their boards. This prejudiced state entities of valuable resources that could have been used to improve service delivery in the country. Prominent cases reported include Happyson Muchechetere of Zimbabwe Broadcasting Corporation and Cuthbert Dube of Public Service Medical Aid Society among others. Culprits were never formally charged or prosecuted.

5.14. Dema Diesel Scandal (2016)

The Energy and Power Development Minister has been accused of ignoring technical and expert advice that the Dema project would plunge Zimbabwe Power Company into financial problems as it would be required to pay US$16.1 million upfront monthly for the electricity generated at Dema. More so, the project is alleged not to have gone through the tender process.

A larger percentage if not all of the above mentioned and other cases of corruption involve high ranking public officials and politicians showing an overgrowth of corruption in all its types. Instead of ruining them, corruption has actually enhanced and consolidated their careers (Shana, 2006), giving them even more and more discretionary power to cause more damage. Consistent with Shana's assertion, some of the people implicated in the reviewed cases remain active in politics and in Government.

On the strength of the above high profile cases which slipped into the public domain, it is clear at this stage that indeed certain actions characterize corruption in the country. Looking at each case and the people involved, it is also reasonable to point out that features of all the three types of corruption namely grand, bureaucratic and legislative corruption are present in Zimbabwe. If unreported cases of corruption were to be included to the list, the scale and magnitude of corruption could be much bigger and disturbing. Against this background, the next section evaluates the consequences and effects that corruption has had on the economy of Zimbabwe, particularly on capital flows with a view to confirm whether or not Jovanovic's assertion that corruption repel foreign capital and causes domestic capital to flee is true.

6. THE CONSEQUENCES AND EFFECTS OF CORRUPTION IN ZIMBABWE

This section evaluates the consequences and effects of corruption from a view that corruption is bad for the country. Much of the discussion focuses on the impact of corruption on foreign and domestic capital flows among many other issues.

Wei and Wu (2002) observe that corrupt borrowing countries are likely to default on loans or nationalize assets of foreign direct investors. Zimbabwe, has failed to meet its loan obligations with a number of multilateral financial institutions resulting in suspension of financial assistance. In addition, the year 2010 saw the Indigenization and Economic Empowerment (IEE) Act of 2007 regulations being introduced compelling foreign owned companies to cede 51% of their shares to locals. Obviously, the act has some good intentions but its implementation is tantamount to nationalization of privately owned entities. For instance, the Government approved the take-over of a US$600 million investment by Green Fuels under the IEE Act laws despite the fact that the company was established as a joint venture with Agricultural and Rural Development Authority on a 70/30 ownership basis. The approval meant that the private owners were left with only 39% of the project while 51% was taken by the Government and the balance of 10% ceded to the community. In another case, the year 2016 saw seven diamond mining companies operating in Chiadzwa diamond fields consolidated into one entity named Zimbabwe Consolidated Diamond Company in which the Government owns 50% a couple of years after the idea was mooted. This is just an illustration of the many cases where certain actions, which characterize corruption, destroy the incentive of foreign investors to invest in a country.

The immediate implications of such nationalization or take over are that foreign investors would try to move their investment out of the country. Re-routing of investments to other destinations has attracted criminal charges from the authorities under the guise of "externalization." Externalization refers to illegal remittance of foreign currency to offshore destinations involving both individuals and corporates (Reserve Bank of Zimbabwe [RBZ], 2006). Mpofu and Mhlanga (2016) quote the RBZ Governor Dr. Mangudya claiming that nearly US$2 billion evaporated from the capital starved economy of which US$1.2 billion was siphoned by corporates though externalisation. In a related case, Nkiwane (2016) reports that at least US$340 million was externalized by Jinan Mining Pvt., Ltd. a diamond mining firm which was also incorporated into the new consolidated diamond operation. The externalization happened some 3-4 years before the consolidation took place. Zimbabwe's biggest gold producer, Metallon Gold, which is headquartered in the United Kingdom, has been alleged to have externalized in excess of US$31 million through dividend payment and fictitious loan repayments (Rupapa, 2017). The reality of capital flight through externalization reached fever pitch when the President, R. G. Mugabe revealed, on his 91st Birthday interview, that the country lost more than US$15 billion of diamond revenue (Musarurwa, 2016; Zeilig, 2016; Ndlovu, 2016; Nyangani, 2016 and Gumbo, 2016). Confirming that this was not an error on the part of the Head of State, state media reported the Vice President E. D. Mnangagwa saying that the Government had launched forensic audit of the seven companies that operated in Chiadzwa diamond fields relating to the US$15 billion allegedly lost through leakages. A loss of this magnitude speaks volumes about how porous the country's economic system has become as a result of corruption.

The pillaging of Zisco Steel through a number of failed deals has seen the country loosing at least US$105 million worth of exports which the company used to earn at peak while leaving over to 2500 people jobless (Sibanda, 2011). The collapse of the much publicized Essar deal of US$750milion into Zisco was the second failure after Global Steel Holdings deal collapsed in 2004 under unclear circumstances (Share, 2015; Shumba, 2015). Not only so, National Railways of Zimbabwe has seen employment levels dropping from peak numbers of 20,000 to just under 5700 people (The Source, 2017). The number of job losses is much bigger if other parastals like Cold Storage Company and Grain Marketing Board are included in the sample of institutions that have been ravaged by acts of corruption by those in positions of power. The collapse of local industry and companies affects aggregate demand making the Zimbabwe investments unattractive to foreigners. In addition, the collapse of industry has also resulted in massive loss of skills to other destinations and this constitutes involuntary externalization of human capital. Between an estimated 2 million and 3 million Zimbabweans of which about 600,000 are professionals live in South Africa (Claymore, 2017). If these people were gainfully employed locally, their contribution to the economy would be significant in terms of tax which is the major source of government revenue for development.

Whilst the government treats externalization as a criminal offence, corruption in the economy has also seen domestic capital leaving the country. But this time, with the full approval of the RBZ. Since the demise of the WMMI following the Willowgate Scandal, the country has not been able to meet its local automobile demand from local production. As a result, the country pays dearly for car imports robbing the country of the much needed foreign currency. It has been reported that while the country grapples with a US$3 billion trade deficit, a total of US$469 million was spent on car imports in 2014 (2015: US$452 million). Spending close to half a billion dollars on car imports by locals is a major blow to the development of the country whose national fiscal budget oscillates about US$4 billion.

The above discussion has centred much on capital which is already within the borders of the country. However, corruption affects also potential FDI packages. When a system gets corrupt, genuine investors tend to withhold support. This is seen through dwindling levels of Official Development Aid, withholding of FDI and falling donor support. Reacting to an economic system perceived as corrupt and less transparent, the passage of the Zimbabwe Democracy and Economic Recovery Act (ZIDERA) by the USA Congress in December 2001 literally shut the country's doors to international financial support. This resulted in the shrinkage of aid and investment inflows. For instance, the World Investment Report (2016) reported that foreign direct investment inflows into Zimbabwe dropped from US$545million in 2014 to US$421million in 2015 to US$254million in 2016 . This represented a 30% decline between 2015 and 2016. For a country which is struggling to lure investors through a number of easy of doing business initiatives, this decline is unsustainable.

There is, however, a temptation to link ZIDERA bill of 2001 to land reform program. This is a fair observation and honestly it carries some weight. Nonetheless, the passage of ZIRERA had more to do with the perceived less transparent way of how a noble cause had been implemented than a retaliatory stance. Confirming the fears that the land reform program was marred by corruption, Huni (2015), reported that the Government was working on the Land Commission Bill which when signed into law would see people who benefited from illegal allocations losing property. More so, President R G Mugabe is on record revealing in 2015 that over 163 farms in Mashonaland East Province were still under white ownership suspecting the involvement of top political figures (Ibid). Not only so, an independent land audit was agreed to in the Global Political Agreement signed by the parties in 2008 which saved the country from total collapse. To this day, the independent land audit has not taken place raising fears that the land allocation exercise was indeed marred by corruption, which Shana (2006) describes as the VIP Land Grab scandal of 1999.

It is clear that corruption has a push effect on both domestic and foreign capital within the borders of the country while negatively affecting the inflow of foreign investment capital. There is another added dimension where foreign direct investors just avoid bringing in their capital preferring other destinations. This repelling effect was demonstrated on the Nigerian Billionaire - Aliko Dangote's investment case. Aliko Dangote had plans to set up investments worth US$1.2 billion in Zimbabwe which included a cement manufacturing facility worth US$400 million. After generating so much expectation for the country's leadership right through to the President, Dangote could not invest in Zimbabwe and many cited the country's controversial empowerment laws (Makoshori, 2015). As a successful investor, due diligence must have enlightened him about the country's deep rooted corruption when it comes to resource allocation and policy. The Aliko Dangote case could just be one of the many cases where foreign direct investors just avoided the country as an investment destination for fear of expropriation by the host country government, not to mention those who disinvested for the same reason.

Going back to the corruption cases, the collapse of ZUPCO has lead the country into a new breed of urban transport challenges code named "mushikashika" in Shona. It refers to the negligent, unruly and illegal behaviour by unregistered pirate taxi and kombi drivers (Chinoda, 2016). In 2016, the Office of the President and Cabinet summoned all road traffic stakeholders to come up with a plan to bring the menace to an end. Despite this call from the highest office, Chinoda (2016) reported startling revelations that "mushikashika" is going nowhere so long as it is operated by the influential members of society. This menace has cost the country's capital city its Sunshine status thereby downgrading its rank as a tourist destination. Had ZUPCO developed into a world class passenger carrier, these problems could not have emerged. The costs to the nation are even more given that no taxes or licences are paid by these operators; a lot of time is lost due to congestion and confusion that they cause not to mention lost lives during their clashes with municipal authorities. This menace has just jeopardized the country's chance to get foreign investors in some way.

The above is not intended to be an exhaustive discussion on the effects and consequences of corruption on the economy of Zimbabwe. However, the discussion has served its purpose to test whether or not Jovanovic's assertion is true. Against this background, the effect of corruption on both domestic and foreign capital flows in Zimbabwe is conceptualized using the Figure 4.

6.1. Capital Flow Path 1

Corruption in Zimbabwe is pushing out previously received FDI. This takes the form of capital outflows and or disinvestment as investors redirect their capital to other investment destinations or just salvaging the little thus left from expropriation by the Government through its empowerment laws. Also, corruption increases cost of doing business and this resulted in a number of companies failing to grow or to set up shop as they are not competitive due to high cost structures or bureaucracy that stalls progress. The bottom line is that there is an outward capital flight to the detriment of the country's economy.

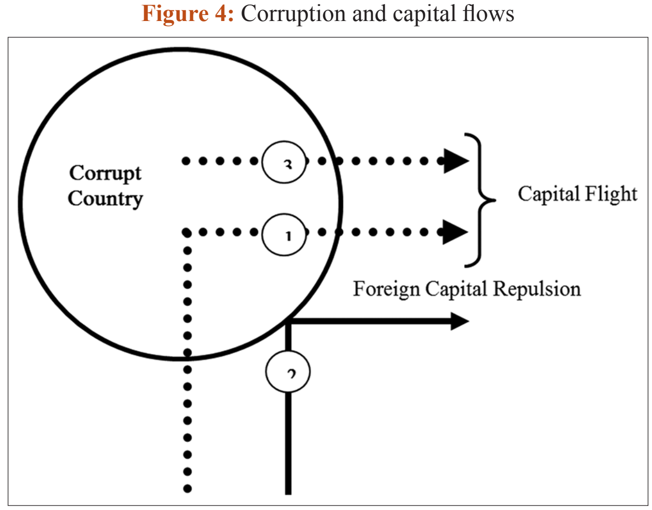
6.2. Capital Flow Path 2

While public officials and politicians are in most cases the beneficiaries of a corrupt system they help create, there is a natural tendency to hide the loot in foreign lands. As such, when the country's economy breaks down, perpetrators of corruption also start pumping resources out of the country. The first and most common avenue is externalization, which has seen some being charged and others pardoned. The second is when the general populace has been deprived of everything and look for alternatives outside the country. The importation of basic goods and services represents another avenue through which domestic capital leaves the country with the blessing of all the approving authorities. As noted in earlier sections, spending half a billion dollars on motor vehicle imports represent a huge out flow of domestic capital that could be used productively within the country.

6.3. Capital Flow Path 3

Potential FDI capital gets diverted to other investment destinations if the host country is perceived to be corrupt. Corruption therefore makes it difficult for a country to attract foreign investment. Because foreign direct investors are entrepreneurs, there is only one sure thing they do, is to find a friendly alternative home for their investments.

Figure 4: Corruption and capital flows



Source: Author conceptualization from a Zimbabwean perspective

7. CONCLUSION

The discussion has shown that corruption affects both domestic and foreign capital, the end result of which is a capital flight from the corrupt host country. In addition, corruption makes it difficult for the host country to attract FDI. This confirms that Jovanovic's assertion that corruption repels foreign capital and causes domestic capital to flee also applies to Zimbabwe. Evidently, the cost of not acting on corruption is huge, including the loss of over US$15 billion from an economy whose annual fiscal budget is just about US$4 billion. This is an unforgivable occurrence that confirms Jovanovic's assertion about corruption pushing out capital.

Corruption has made Zimbabwe's economic system too porous to handle investments of note while protecting and enhancing careers of those responsible for the damage. The only recommendation from this discussion is that it all ends with the Government, as the ultimate centre of power, to start taking action on corruption. Without implementation of effective corrective and penalizing measures by the Government, the country will continue to count losses and witness capital flight and repulsion. And it looks Jovanovic was, indeed, right!!!!!

REFERENCES

Ades, A., Di Tella, R. (1999), Rents, competition and corruption. American Economic Review, 89, 982-993.

Anti-Corruption Trust of Southern Africa (ACTSA). (2003), Corruption Cases: Lest We Forget, Bad Leadership Examples for Accountability, Transparency and Integrity in Zimbabwe. Available from: https://www.actsouthernafrica.wordpress.com/2013/03/14/zimbabwe-corruption-cases-lest-we-forget-bad-leadership-examples-for-accountability-transparency-and-integrity-in-zimbabwe. [Last accessed on 2017 Feb 15].

Asiedu, E., Freeman, J. (2009), The effect of corruption on investment growth: Evidence from firms in Latin America, Sub-Saharan Africa, and transition countries. Review of Development Economics, 13(2), 200-214.

Azariadis, C., Lahiri, A. (1997), Do Rich Countries Choose Better Governments? Working Paper, UCLA.

Bardhan, P. (1997), Corruption and development. Journal of Economic Literature, 35(3), 1320-1346.

Bardhan, P. (2000), Corruption: A review. Journal of Economic Surveys, 15, 71-116.

Bell, A. (2012), Chihuri's Stay in Power a 'Betrayal'. Available from: http://www.swradioafrica.com/2012/02/09/chihurisstayinpowerabetrayal.

Blackburn, K., Forgues-Puccio, G.F. (2010), Financial liberalization, bureaucratic corruption and economic development. Journal of International Money and Finance, 29(7), 1321-1339.

Blackburn, K., Bose, N., Haque, M.E. (2006), The incidence and persistence of corruption in economic development. Journal of Economic Dynamics and Control, 30(12), 2447-2467.

Chinoda, T. (2016), Muskikashika: Authored, Protected by the Influential. The Standard, Zimbabwe, December 18. Available from: https://www.thestandard.co.zw/2016/12/18/mushikashika-authored-protected-influential. [Last accessed on 2017 Jun 17].

Claymore, E. (2017), Slim Chance of Special Permit Renewal for Zimbabweans in South Africa. The South African, March 22. Available from: https://www.thesouthafrican.com/slim-chance-of-special-permit-renewal-for-zimbabweans-in-south-africa. [Last accessed on 2017 Jun 14].

Del Monte, A., Papagni, E. (2001), Public expenditure, corruption and economic growth: The case of Italy. European Journal of Political Economy, 17(1), 1-16.

Egger, P., Winner, H. (2006), How corruption influences foreign direct investment: A panel data study. Economic Development and Cultural Change, 54(2), 459-486.

Ehrlich, I., Lui, F.T. (1999), Bureaucratic corruption and endogenous economic growth. Journal of Political Economy, 107(6), S270-S293.

Guma, L. (2012), Attorney General Protecting Chombo and Kasukuwere from Arrest. Available from: http://www.swradioafrica.com/2012/03/22/attorney general protecting chomboand kasuku werefromarrest.

Gumbo, L. (2016), Diamond Workers Nail Companies in Missing US$15 Billion. The Herald April, 14. Available from: http://www.herald.co.zw/latest-diamond-workers-nail-companies-in-missing-15-billion. [Last accessed on 2017 Feb 15].

Habib, M., Zurawicki, L. (2002), Corruption and foreign direct investment. Journal of International Business Studies, 33(2), 291-307.

Huni, S. (2015), Land Bill to Deal with Multiple Farm Ownership. The Sunday News, Zimbabwe May, 31. Available from: http://www.sundaynews.co.zw/land-bill-to-deal-with-multiple-farm-ownership. [Last accessed on 2017 Jun 19].

Huntington, S.P. (1968), Political Order in Changing Societies. New Haven: Yale University Press.

Hwang, J. (2002), A note on the relationship between corruption and government revenue. Journal of Economic Development, 27(2), 161-178.

Jain, A.K. (2001), Corruption: A review. Journal of Economic Surveys, 15(1), 71-121.

Jovanovic, B. (2000), Growth Theory, National Bureau of Economic Research, Working Paper No. 7468.

Krueger, A.O. (1993), Virtuous and vicious circles in economic development. American Economic Review, Papers and Proceedings, 83(2), 351-356.

Le, Q.V., Rishi, M. (2006), Corruption and capital flight: An empirical assessment. International Economic Journal, 20(4), 523-540.

Leff, N.A. (1964), Economic development through bureaucratic corruption. American Behavioural Scientist, 8(3), 8-14.

Makoshori, S. (2015), Has Zimbabwe lost Aliko Dangote? The Financial Gazette, Zimbabwe, October, 15. Available from: http://www.financialgazette.co.zw/has-zim-lost-dangote. [Last accessed on 2017 Jun 19].

Mauro, P., 1995. Corruption and growth. Quarterly Journal of Economics 11(3), 681–712.

Mauro, P. (1997), Why Worry About Corruption? Economic Issues. Washington, DC: International Monetary Fund Publication Services.

Mauro, P. (1998), Corruption and the composition of government expenditure. Journal of Public Economic, 69, 263-279.

Mo, P.H. (2001), Corruption and economic growth. Journal of Comparative Economics, 29, 66-79.

Mpofu, B., Mhlanga, F. (2016), US$2 Billion Externalized. Zimbabwe: The Independent.

Muleya, D. (2006), Top Level Corruption Alleged at ZISCO Steel. Available from: http://www.allafrica.com/stories/200611281536.html. [Last accessed on 2017 Jul 27].

Musarurwa, H.J. (2016), The rise of youth activism and non-violent action in addressing Zimbabwe's crisis. Conflict Trends, 2016(3), 50-56.

Ndlovu, M. (2016), RBZ Governor Speaks on Missing $15 Billion. The Southern Daily, May, 14. Available from: http://www.thesoutherndaily.co.zw/2016/05/14/rbz-governor-speaks-missing-15-billion. [Last accessed on 2017 Jun 13].

Nkatazo, L. (2006), Matonga, Nherera Probe Files Vanish in Gono's

Office. Available from: http://www.zimbabwesituation.com/jul27a_2006.html#Z9.
Nkiwane, Q. (2016), NSSA Boss Externalizes US$340 Million. Newsday Zimbabwe, May, 11. Available from: https://www.newsday.co.zw/2016/05/11/nssa-boss-externalises-340-million. [Last accessed on 2017 Feb 23].
Nyangani, K. (2016), Missing $15 Billion Exposes ZANU PF: Chimene, Newsday, Zimbabwe, May, 18. Available from: https://www.newsday.co.zw/2016/05/18/missing-15-billion-diamond-revenue-exposes-zanu-pf-chimene. [Last accessed on 2017 Jun 13].
Quazi, R., Vemuri, V., Soliman, M. (2014), Impact of corruption on foreign direct investment in Africa. International Business Research, 7(4), 1-10.
Quazi, R.M. (2014), Corruption and foreign direct investment in East Asia and South Asia: An econometric study. International Journal of Economics and Financial Issues, 4(2), 231.
Rupapa, T. (2017), Metallon in $31m Externalization Storm. The Herald, Zimbabwe, July, 17. Available from: http://www.herald.co.zw/metallon-in-31m-externalisation-storml. [Last accessed on 2017 Jul 17].
Rusvingo, S.L. (2014), The alarming levels of corruption in Zimbabwe: Analysis of this dark side of the nation (2013-2014). Asian Journal of Science and Technolody, 5(12), 810-818.
Shana, G. (2006), The State of Corruption in Zimbabwe, A Presentation Made at the Mass Public Opinion Institute Seminar, Crowne Plaza Hotel, May, 9.
Shar, M.U.D. (2015), Economics of corruption. The International Journal of Multidisciplinary Research, 1(1), 57-65.
Share, F. (2015), Essar Deal: What Went Wrong? The Herald Zimbabwe, 28 November, 2017. Available from: http://www.herald.co.zw/essar-deal-what-went-wrong. [Last accessed on 2017 Jul 10].
Shumba, P. (2015), $750 Million Essar Deal Off, 1,000 Lose Jobs, the Chronicle, Zimbabwe, 27 November, 2017. Available from: http://www.chronicle.co.zw/750-million-essar-deal-off-1000-lose-jobs. [Last accessed on 2017 Jul 10].
Sibanda, G. (2011), Zisco Bounces Back, The Herald, Zimbabwe, March, 10. Available from: http://www.herald.co.zw/zisco-bounces-back. [Last accessed on 2017 Jun 14].
Smarzynska, B.K., Wei, S.J. (2000), Corruption and Composition of Foreign Direct Investment: Firm-Level Evidence (No. w7969), National Bureau of Economic Research (NBER).
Tanzi, V. (1998), Corruption around the world: Causes, consequences, scope and cures. International Monetary Fund Staff Papers, 45(4), 559-594.
Tanzi, V., Davoodi, H. (1997), Corruption, public investment and growth. In: The Welfare State, Public Investment and Growth. Japan: Springer. p41-60.
The Source. (2017), NRZ, Hwange Colliery Treating Workers Like Slaves-Parliament Hears. Available from: http://www.source.co.zw/2017/02/nrz-hwange-colliery-treating-workers-like-slaves-parliament-hears. [Last accessed on 2017 Jun 14].
Wei, S.J., Wu, Y. (2002), Negative alchemy? Corruption, composition of capital flows, and currency crises. In: Preventing Currency Crises in Emerging Markets. Chicago: University of Chicago Press. p461-506.
Wei, S.J. (2000), Local corruption and global capital flows. Brookings Papers on Economic Activity, 2, 303-346.
Wei, S.J. (2001), Domestic crony capitalism and international fickle capital: Is there a connection? International Finance, 4(1), 15-45.
World Investment Report. (2016), Investor Nationality: Policy Challenges. New York, Geneva: Printed at United Nations.
Yamamoto, K. (2016), Robert Mugabe's Corruption 1980-2014, The Zimbabwean, May, 22. Available from: http://www.thezimbabwean.co/2016/05/robertmugabescorruption19802014. [Last accessed on 2017 Jan 17].
Zeilig, L. (2016), Struggle reawakens in Zimbabwe. Green Left Weekly, 1103, 15.
Zimbabwe Human Rights NGO Forum. (1998), Report on the Food Riots: 19-23, January. Available from: http://www.archive.niza.nl/docs/200406111549241006.pdf. [Last accessed on 2017 Feb 15].