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FACULTY OF COMMERCE

DEPARTMENT OF FINANCE

FINAL YEAR RESEARCH PROJECT

ANALYSIS OF THE IMPACT OF BALANCE OF PAYMENTS, CAPITAL
ACCOUNT LIBERALISATION ON GROWTH INEQUALITY AND
POVERTY

BY

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Abstract

After the dismal failure of the neo liberal development model and structural adjustment programs to generate growth and jobs, there has been a call for trade and financial liberalization as possible alternatives leading to global growth. The research project will try to enlighten whether capital account Liberalisation, in particular, has produced the desired and intended results by the proponents of the debate, the World Bank, IMF and developed countries' governments

The research methods employed were intended to fully address and achieve the objectives of the study. Various individuals and organisations were targeted to furnish requisite information and data. World Vision, Oxfam, Reserve bank of Zimbabwe and various Internet sites provided the bulk of secondary data for the study. Although the information was limited in scope, fragmented and unprocessed, it helped shape the objectives of the study. Several other texts, e.g. World Bank publications and other authors were visited to gather as much information as was possible. Primary evidence was mainly got through the use of interviews and questionnaires, though the later provided very little information that was necessary.

This report concludes that, to the contrary, international financial flows to developing countries are perhaps even valuable than traditionally thought, and that the prospects of using them effectively continue to improve. For all countries with strong investment climates, private capital flows reinforce the payoffs to good policies and good institutions through even faster growth. But the volatility of those flows needs to be managed through stronger domestic financial system, and possibly, larger foreign exchange reserves and sources of contingent credit.