

# **BREAKING THE VICIOUS CYCLE OF PRODUCTIVITY IN AGRICULTURE**

**BY**

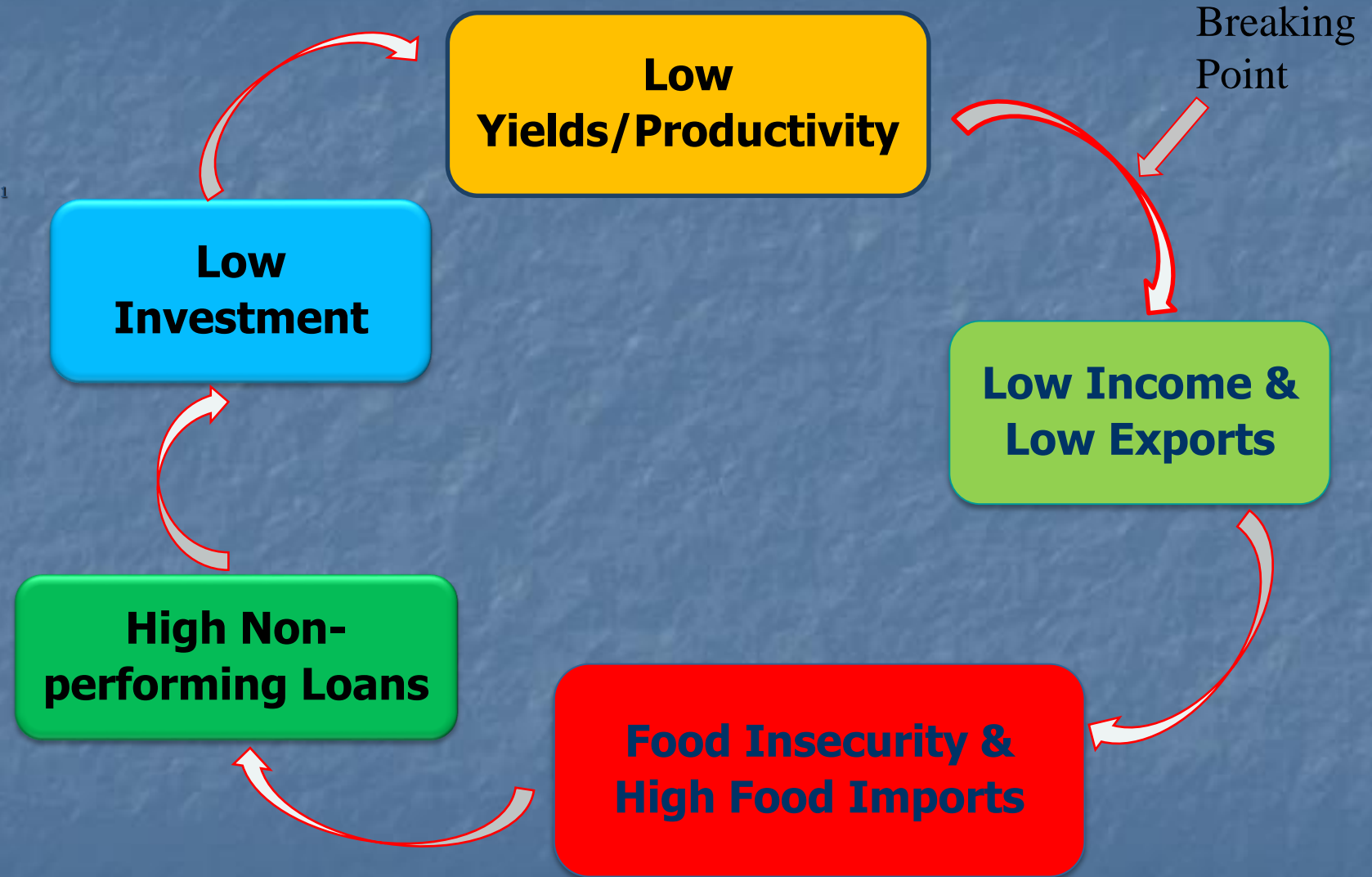
**DR. J.P. MANGUDYA  
RESERVE BANK OF ZIMBABWE  
GOVERNOR**

**28 October 2015**

# INTRODUCTION

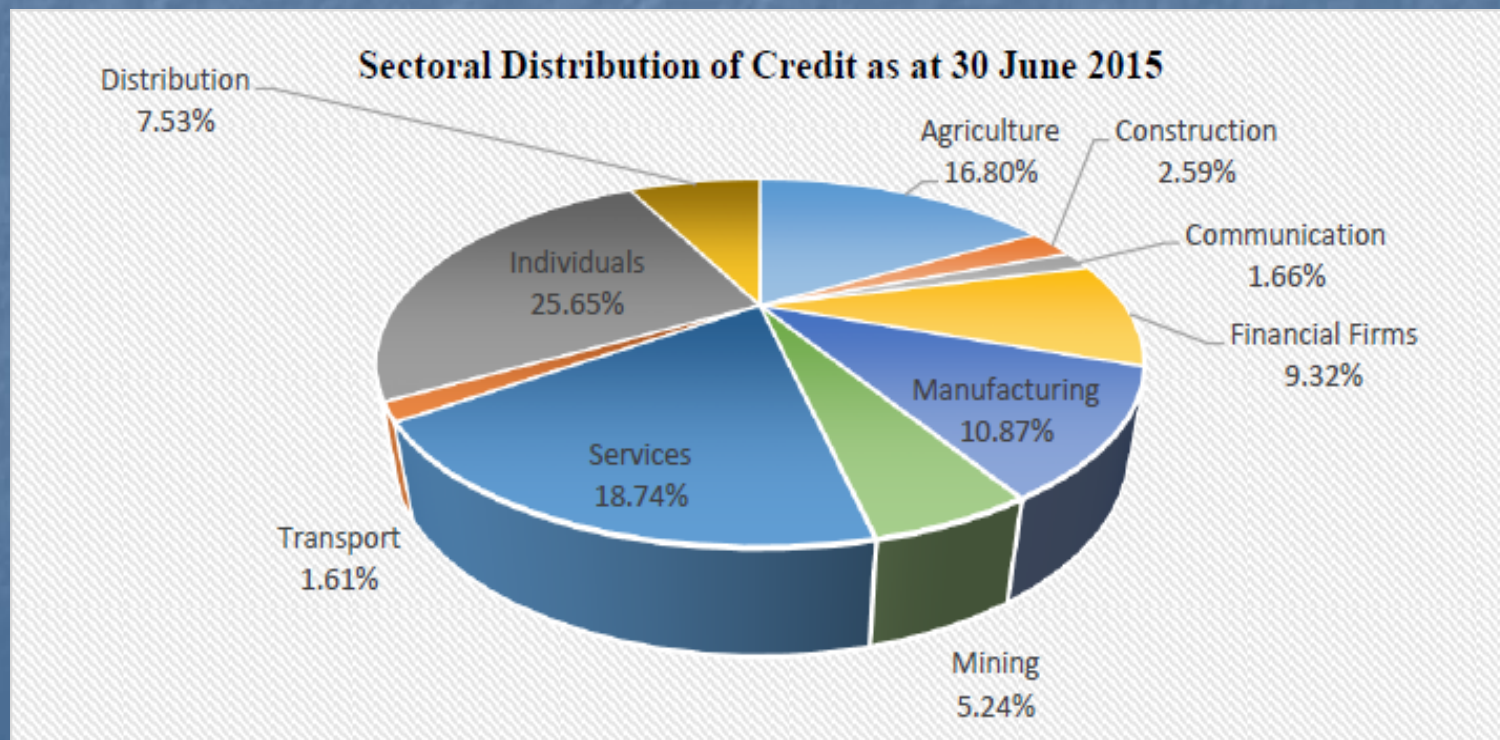
- My presentation will focus on breaking the vicious cycle of low productivity to enhance food security in pursuant to the 1<sup>st</sup> point on the 10 point plan unveiled by HE, the President, namely to revitalise agriculture and agro-processing value -chain
- It is not in doubt that Agriculture is the backbone of Zimbabwe's economy:
  - Contributes 12.7% to GDP, 33% to exports and 23% of employment.
  - The dominant source of livelihoods of 65% of the country's population living in rural areas.
  - Importance of agriculture underscored in ZimAsset, as two critical Pillars/Clusters of the blueprint - **Food and Security and Value Addition and Beneficiation**

# Vicious Cycle of Low Productivity



# Banking Sector Credit to Agriculture

- As at June 2015, lending to agriculture constituted 16.80% of the total banking sector loans and advances





# Banking Sector Credit to Agriculture

- Banking lending to Agriculture has increased from below US\$50 million in 2009, to over US\$500 million by March 2015.



# FUNDING OF AGRIC: 2014/2015 SEASON

<b>SOURCE OF FUNDING</b>	<b>AMOUNT</b>
<b>Government Support/1</b>	<b>US\$60.0 million</b>
<b>Banking Sector Credit/2</b>	<b>US\$500 million</b>
<b>Micro-Finance Institutions/3</b>	<b>US\$9.4 million</b>
<b>Contract Farming Arrangements/4</b>	<b>US\$324 million</b>
<b>Development Partners (coordinated by FAO)</b>	<b>US\$48 million</b>
<b>TOTAL</b>	<b>US\$941.4 million</b>

# CHALLENGES FACING AGRICULTURE

- **Lack of Entrepreneurship**
- **Low Productivity**
- **Lack of Competitiveness**
- **High Cost of Credit**
- **Lack of Suitable Collateral**
- **Limited Irrigation Facilities**
- **Reliance on Rain-Fed Agriculture**
- **Side Marketing**

# **RBZ POLICY INTERVENTIONS (RESPONSE)**

- **Reduction in Interest Rates,**
  - Interest rate guideline to effectively reduce lending rates from the current range of up to 35% to between 6-18%, depending on borrower risk profile
- **Lending Portfolio Reorientation**
- **Resolutions on Non-Performing Loans (NPLs)**
  - Zimbabwe Asset Management Company (ZAMCO)
- **Credit Reference System (CRS)**
- **Interbank Facility with Lender of Resort characteristics**



# **RBZ POLICY INTERVENTIONS (RESPONSE)**

- **Financial Inclusion Measures**
- **Export Finance Schemes**
- **Export Diversification Initiatives**
- **Resuscitation of the Bond Market**
  - **To fill up long term financing gap**

# **GOVERNMENT INTERVENTIONS**

- **Promoting Value Addition in Agriculture – ZimAsset**
  - **Encouraging productivity through contract farming and joint venture arrangements**
  - **Resuscitation of ARDA and CSC farms through Private-Public Partnership models**
  - **Improving security of land tenure-bankability of 99 year leases**
  - **Valuation of farm improvements to ascertain compensation**

# WAY FORWARD

- Farming is business- a priority area for Zimbabwe
- Promotion and capacitating serious farmers
- Farmers should move away from the culture of non-repayment of loans, etc.
- The aforementioned culture has:
  - Contributed to high NPLs;
  - Piled pressure on fiscal resources;
  - Contributed to laziness and complacency among some farmers.
- Planning is always key in farming.
- Promotion of Value Addition is critical to consolidate the gains made so far in Agriculture.
- Transformative – wipes out poverty and overhauls the entire economy - Sustainable Development Goals (SDGs) Number 1-3 – end poverty, end hunger and ensure healthy lives.



**THANK YOU**