



The Zimbabwean Economy and the role of Agriculture



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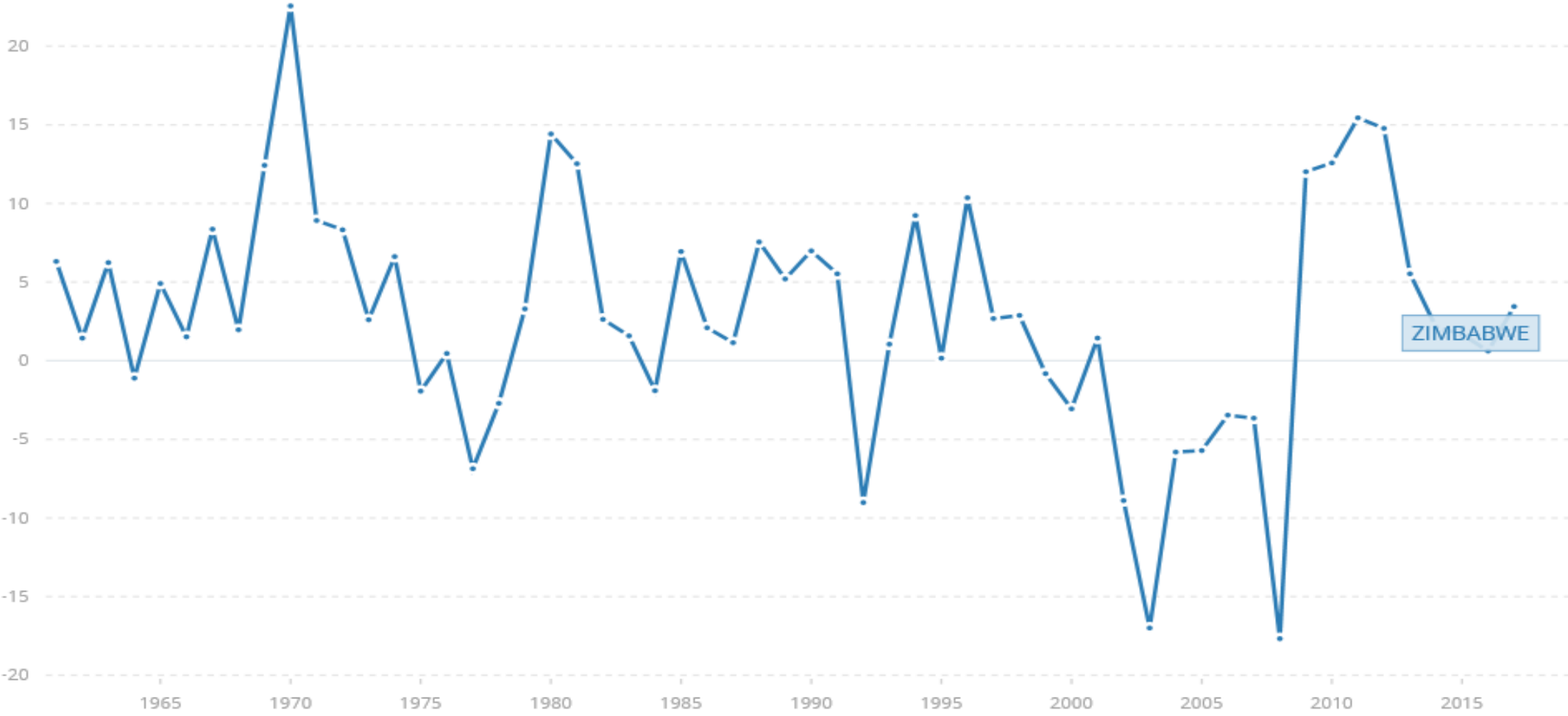
Market Linkage Association
December 6, 2018



Sequencing

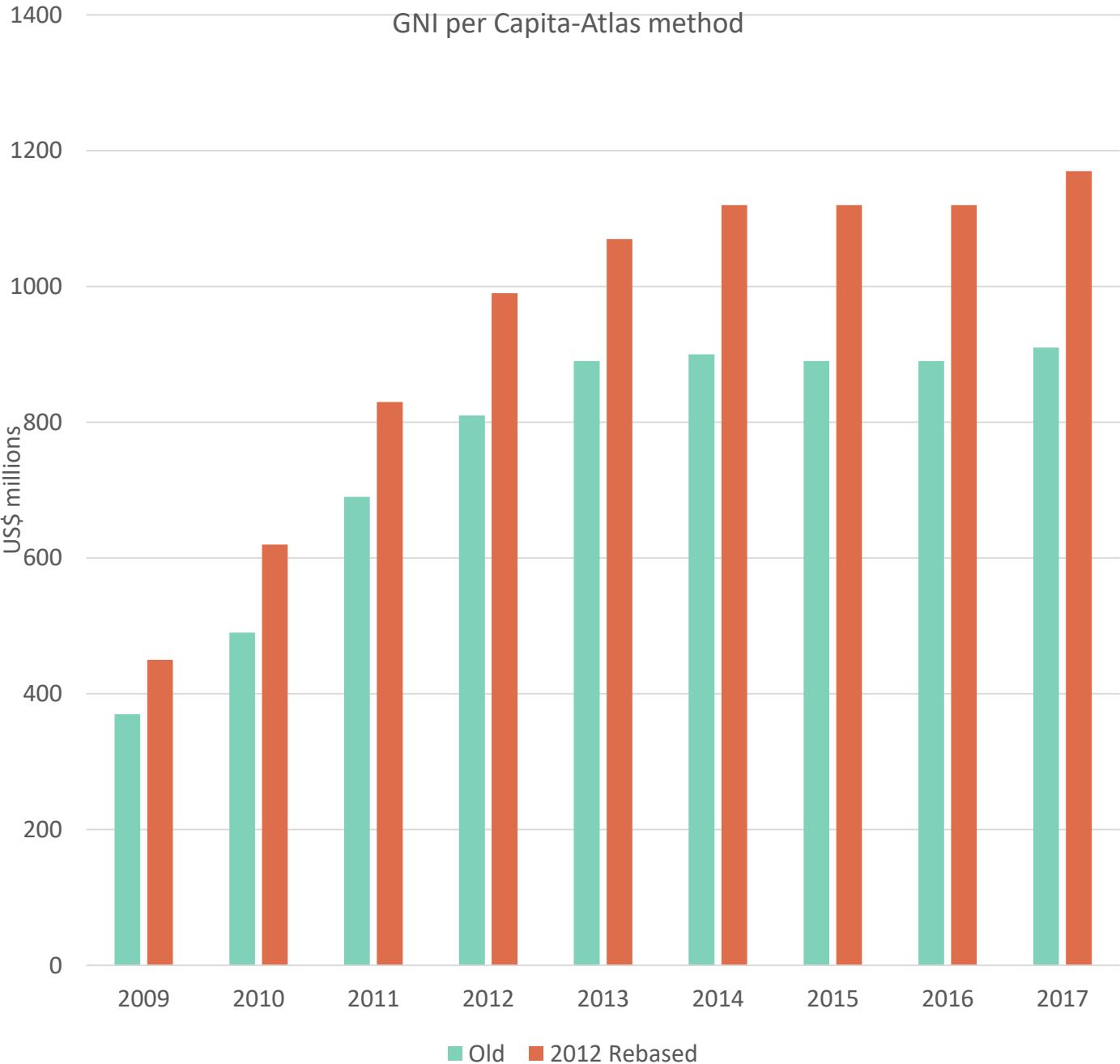
- The macro-economic picture
- Agriculture in the macro-economy
- The health of the agricultural sector
- The big issues
- The World Bank's thinking on agricultural development in Africa
- Our future engagement with Zimbabwe

Zimbabwe GDP growth: a rocky roller-coaster



Government Rebased GDP figures- moving to lower middle income Economy

*GNI now at US\$1170 above the
low income economy threshold
of US\$995*

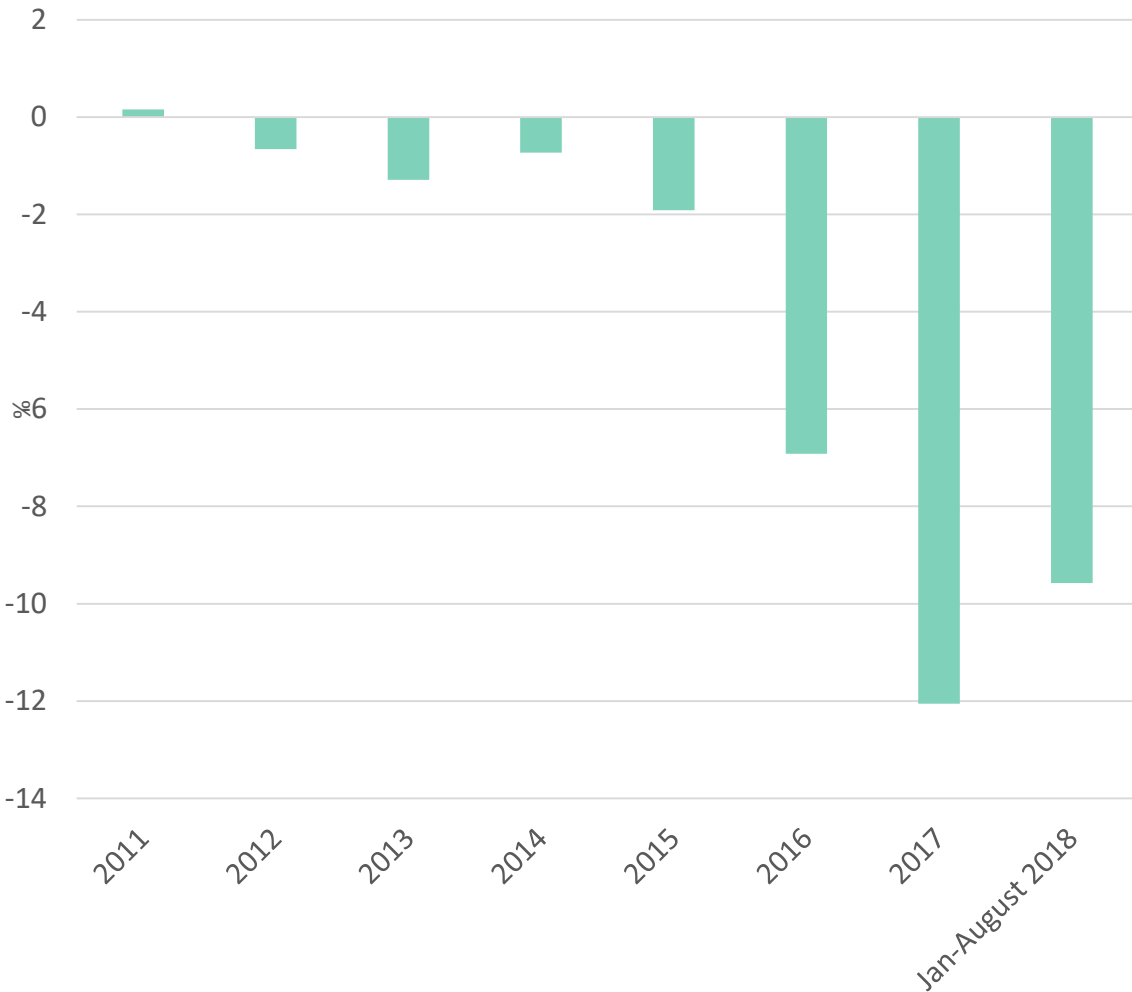


Fiscal imbalances central to macro-economic challenges

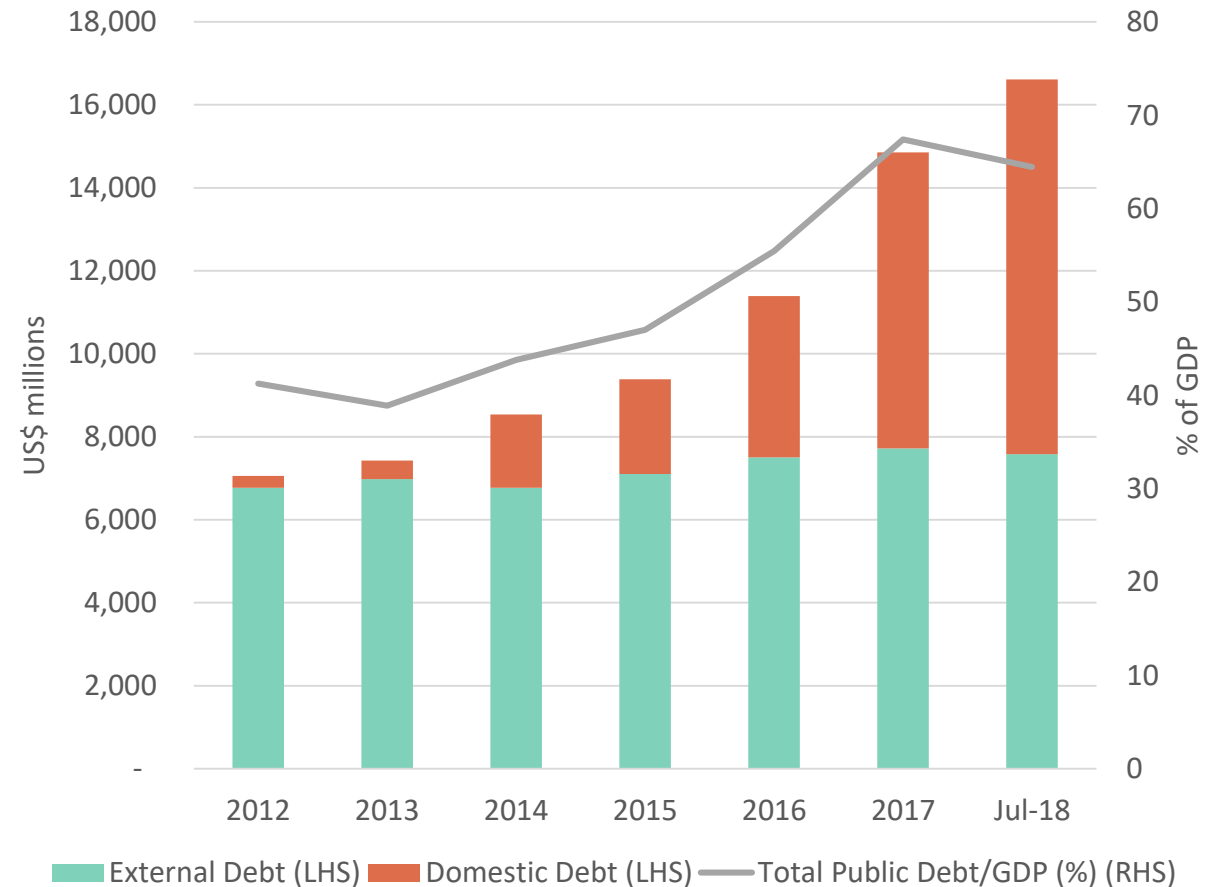
Fiscal deficit increased dramatically since 2016

Total public debt continues to increase mainly driven by domestic debt

Fiscal Deficit/GDP (%)



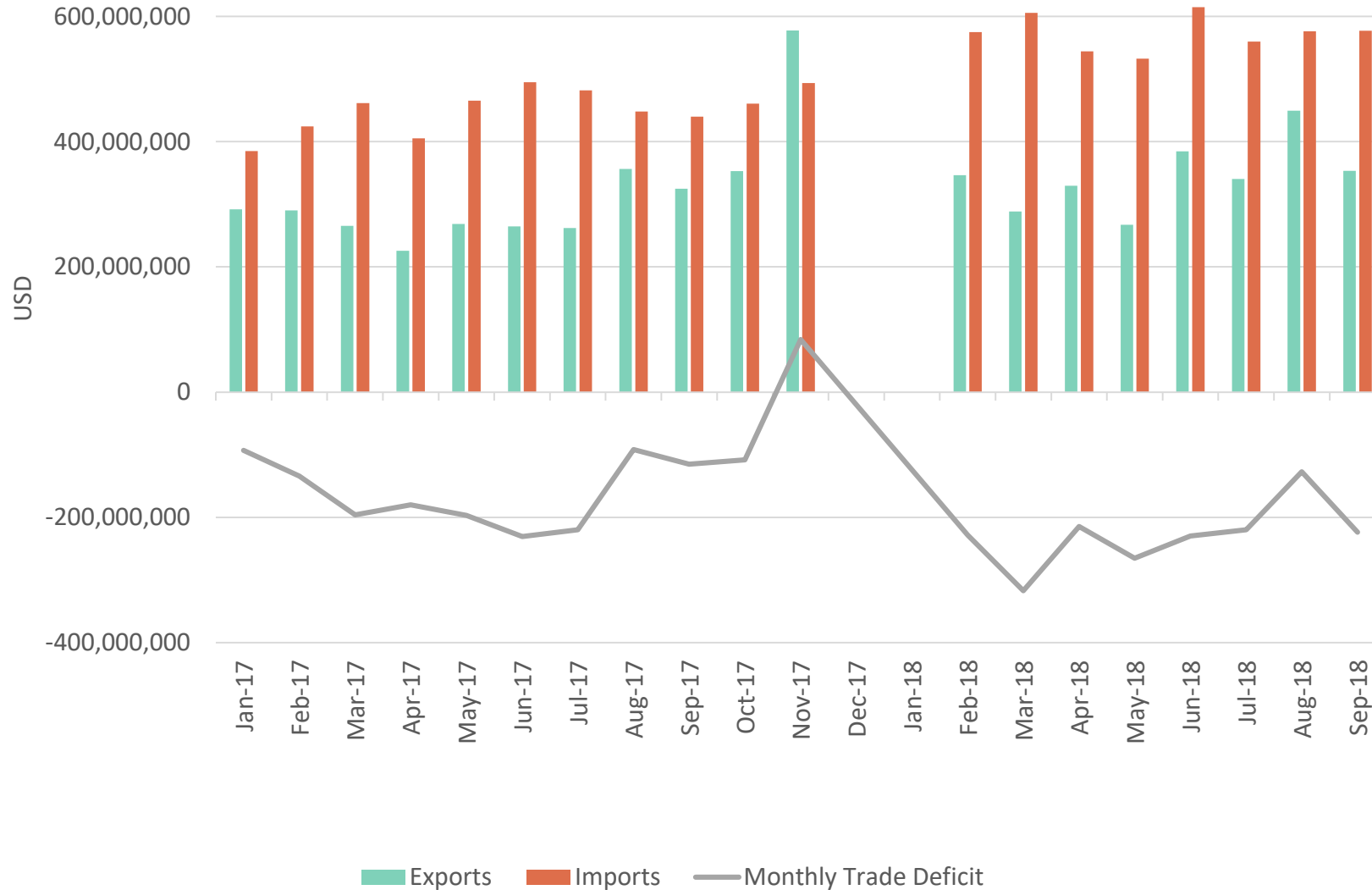
Total Public Debt Stock



External Debt (LHS) Domestic Debt (LHS) Total Public Debt/GDP (%) (RHS)

Imports outpace exports- deficit up to September 2018 higher than for all of 2017

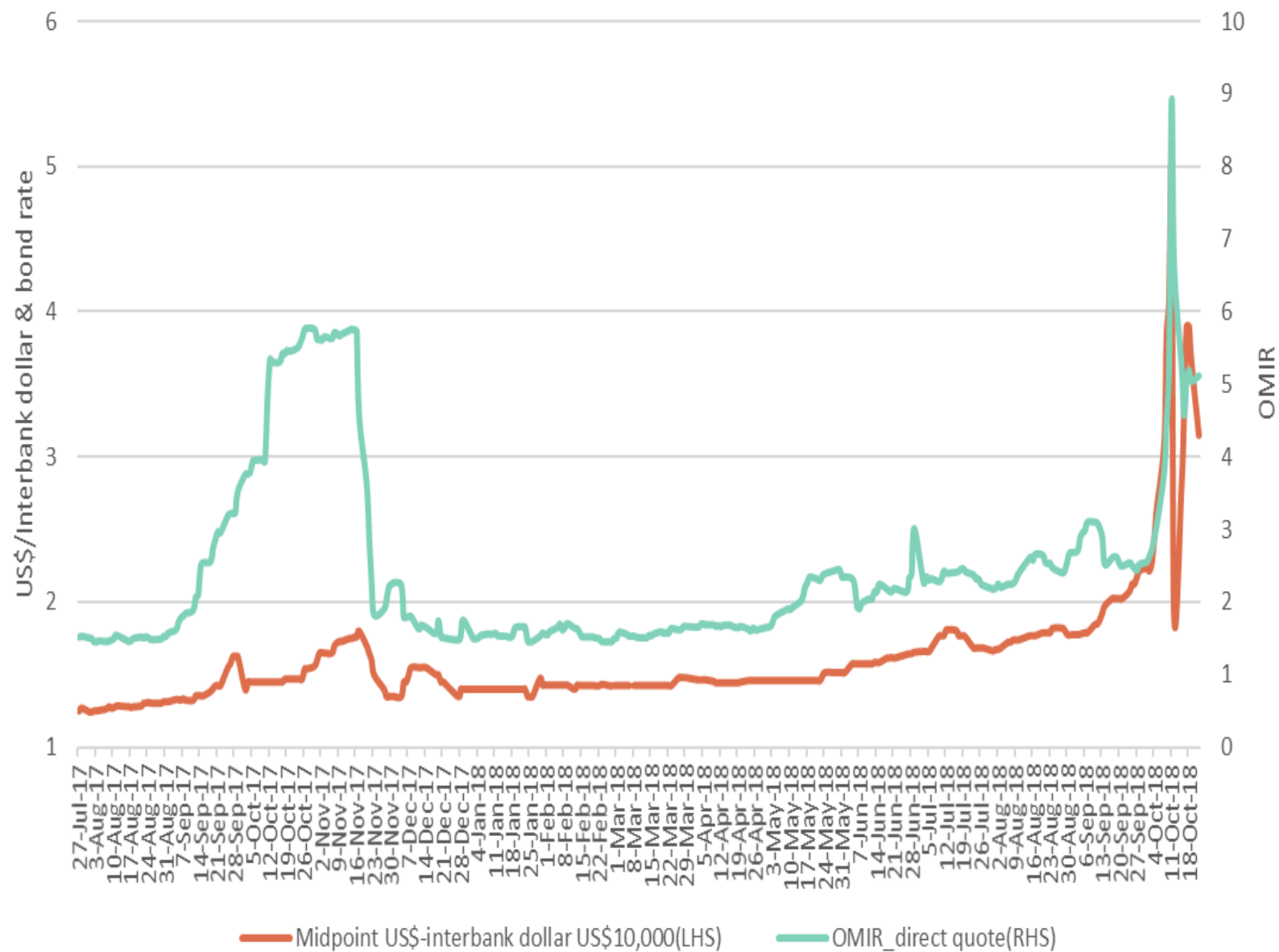
Monthly Trade Data



Trade deficit continues to widen

Commercial bank balances with the RBZ are no longer backed by foreign reserves

Parallel market exchange rates surge after October 1



Speculation in the Parallel market for foreign exchange, accelerating inflation



Austerity for Prosperity

- The Transitional Stabilization Program
- Fiscal consolidation
- Financial stabilization
- Revenue mobilization
- Private sector led growth
- Structural Reforms
- *Ease of doing business reforms*
- *One Stop Shop investment services centre*
- *Public Enterprises Reforms*
- Agriculture, mining and infrastructure
- Social development

2019-2023
Estimated
investment
needs

Pillar 1	Enablers and Macro	Transport, Energy, Environment, macro-stability, various	\$9.5B
Pillar 2	Institutional Development	Public sector efficiency, Rule of Law, Accountability	\$0.08B
Pillar 3	Productive Sectors	Agriculture, Finance, Mining, various	\$4.1B
Pillar 4	Social Services	Food Security, Social Protection, Health, Water, Education	\$3.4B
Total			\$ 17.1B

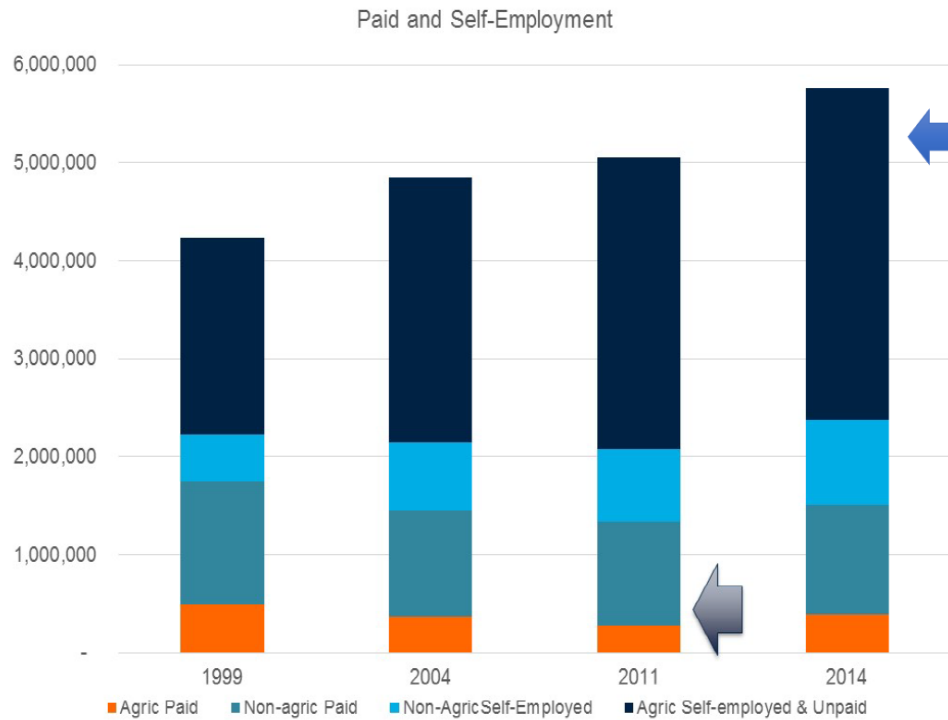
Agriculture : the principal livelihood for Zimbabwe

- 70% of population derive **livelihoods** from agriculture
- A third of the formal **labour** force
- 15 – 20% of **GDP**
- 40% of **exports**
- 60% of **raw materials** for manufacturing
- Low productivity
- **Vulnerable** to climate change and extreme weather
- Weak enabling environment
- Poor institutions and policies
- The National Agricultural Policy Framework.....



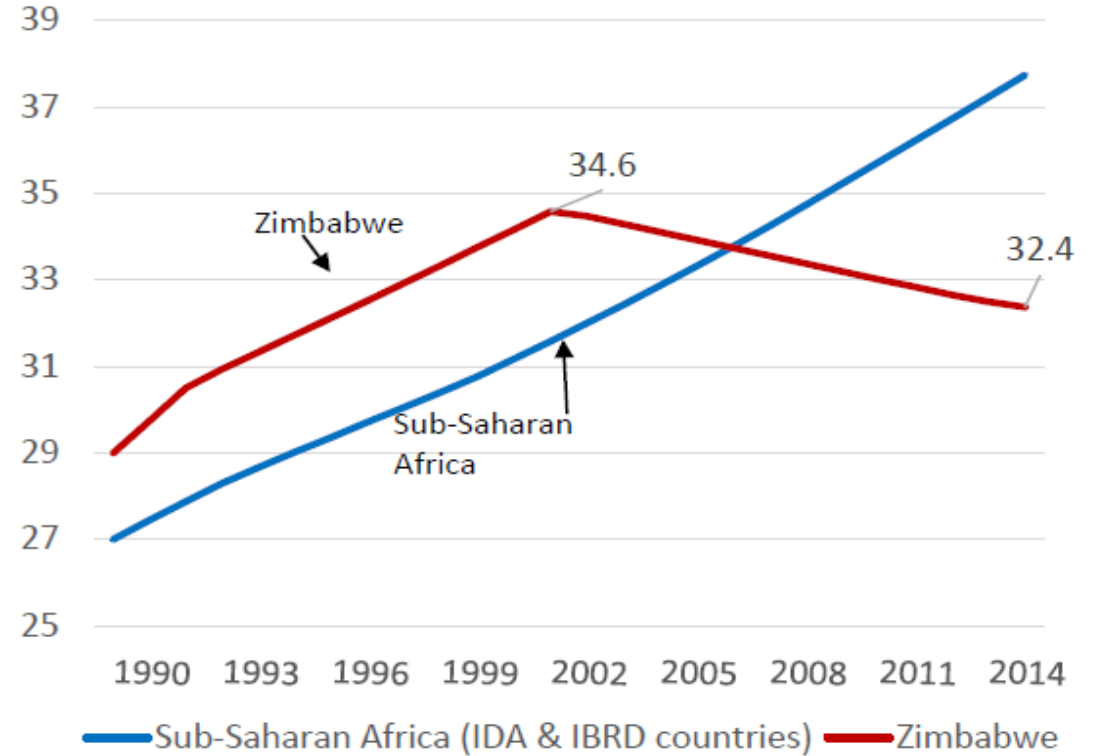
Workers went back to self-employment in agriculture

- reverse structural transformation



Source: WB Jobs Diagnostic, based on ZIMSTAT data (Labor force survey) and World Development Indicators

Urban population (as % of total population) 1990-2014



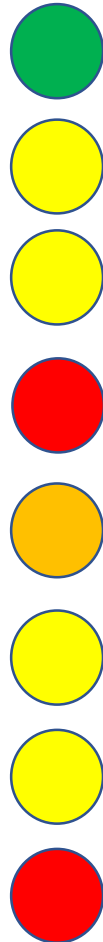


**Immediate govt.
priorities for
agriculture : the
transitional
stabilization program
plan October 2018**

- Quick-win investments to enhance food self-sufficiency
- Strengthen control and monitoring systems of input subsidy programs
- Encourage domestic financing of agriculture
- Expedite bankable 99 Year Leases to allow mortgages and better financing
- Reduce reliance on subsidy programs and enhance private sector support.
- Improve access to markets, including an Agricultural Commodity Exchange

The Health of the Agricultural Sector

- Seed
- Fertilizer
- Machinery
- Finance
- Markets
- Transport
- Water
- ICT



**ENABLING THE BUSINESS
OF AGRICULTURE 2017**



Regulatory Overload

- Survival and sources of income
- Limited participation of stakeholders
- No consultation

- *Avoid regulatory overreaching.*
- *Avoid superfluous licensing, charges and approval requirements.*
- *Adopt procedures that enhance transparency and accountability*
- *Include provisions to increase the likelihood of enforcement*

Restoring security of tenure: a practical approach



- **Social agreement on long term *land policies*.**
- **Modernizing land administration services by mass approach, technologies, integration and access.**
- Systematic land registration program to **complete permit and lease issuance** to all current farms embedding **land dispute resolution**.
- Comprehensive **solution for farm compensation** claims.
- Towards **stronger leaseholds that may be used as collateral**



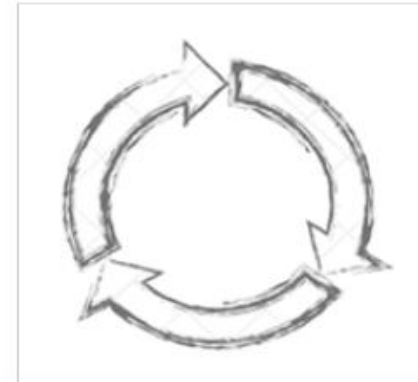
Containing or Expanding Command Agriculture, some numbers

- *Support price reduction*: Reduce by half the gap between the procurement price and the import price **\$103m**
- *Defaulting Farmer Ineligibility for Command Agriculture Participation*: Restrict eligibility to farmers in good standing on input credit **\$230m**
- *Cotton Inputs Subsidy Reduction*: from free distribution to a 50% subsidy in the next season **\$33m**

Effective agricultural transformation requires a systems perspective

Eight key enablers

- Policy
- Skills, research and education
- Markets and agri-business
- Agricultural Finance
- Climate Smart Agriculture
- Irrigation and drainage
- Nutrition sensitive agriculture
- Land administration



Strategy going
forward:
Arrears
clearance will
determine WB
modality of
engagement





Arrears Cleared

- Lending can commence
- Investment projects on small holder commercialization and R&D
- Agriculture reform through policy loans

Arrears in Place

- Vision building to crowd in private sector
- Advisory support to enhance government capacity on key topics (land, command, CSA, regulation)





Thank you
