



**Re-igniting SME Development in Zimbabwe – Learning
from Global Experiences**

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WELCOME REMARKS

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INTRODUCTION

1. It is a great honour and privilege for me to welcome you all to this SME Finance and Development Conference, jointly organised by the World Bank Group and the Reserve Bank of Zimbabwe.
2. Indeed, the theme of the conference *'Re-igniting SME Development in Zimbabwe – Learning from Global Experiences'*, could not be more relevant and timely for the majority of us here, as the SME sector is driving most of our economies. It is therefore imperative that we come up with practical initiatives that enable the sector to grow sustainably.

Importance of SMEs...

3. Ladies and Gentlemen, SMEs account for more than half of the world's gross domestic product and employ almost two-thirds of the global workforce. SMEs have been identified as the engine for economic growth in developing economies.
4. In Zimbabwe, the operating environment over the years has resulted in structural shift in the economy from predominantly large corporates to SMEs. The SME sector is playing a critical role in economic development through job creation and poverty alleviation contributing more than 60% of the country's GDP.
5. According to the FinScope MSME Survey of 2012, SMEs in Zimbabwe employ approximately 5.7 million people (2.8 million business owners and 2.9 million employees), representing 73% of the total workforce of 7.8 million.
6. Meanwhile, it is paradoxical that while the SMEs are a key source of economic growth and employment in Zimbabwe, the level of financial inclusion for this sector remains very low. The same Finscope Survey revealed the following statistics:
 - a) Only 14% of SMEs were banked;

- b) Only 18% were served by formal financial institutions;
 - c) 39% were served by informal financial service providers; and
 - d) 43% did not have access to financial services.
7. According to the data maintained by the central bank, as at 31 March 2017, a total of \$135.83 million credit was extended to the sector constituting a mere 3.78% of the entire banking sector loans and advances.

Constraints in access to finance by MSMEs

8. The major barriers to MSMEs financial inclusion include the following:
- a) Inadequate business and financial management skills;
 - b) Lack of acceptable collateral;
 - c) Poor access to markets;
 - d) Obsolete technology / equipment;
 - e) Poor corporate governance structures; and
 - f) Lack of critical economic size.
9. Ladies and Gentlemen, the Government of Zimbabwe is fully cognisant of the important role played by this sector and the challenges it continues to face. A number of initiatives are underway to ensure the MSME sector realises its full potential.

National Financial Inclusion Strategy

10. The Reserve Bank, in collaboration with key stakeholders, developed the National Financial Inclusion Strategy (2016-2020), which was launched on 11 March 2016. The Reserve Bank of Zimbabwe is currently coordinating the implementation of the Strategy.
11. The Strategy identifies demographic groups with higher levels of financial exclusion, to facilitate focused implementation of initiatives to raise their financial inclusion levels. These groups include **Micro, Small and Medium Enterprises**, women, youth, the rural and small scale agricultural

communities and we have since added people living with disabilities.

12. There are several initiatives to improve SME access to finance under the National Financial Inclusion Strategy. Nine (9) thematic working groups comprising key stakeholders have been constituted, including the **SMEs Finance & Development Thematic Working Group**.
13. The Working Group aims to facilitate minimisation of challenges encountered by SMEs in their efforts to be financially included, promote development of innovative financial products for SMEs and facilitate capacity building programs for the sector.

Financial Infrastructure

14. We have seen significant developments in the area of credit infrastructure, with the **Credit Registry**, which aims to address the problem of information asymmetry between borrowers and lenders, now operational.
15. The development of the legal and regulatory framework for the establishment of a **Collateral Registry**, which will facilitate the use of moveable assets is almost complete.
16. The **Credit Guarantee Scheme** which will facilitate partial transfer of credit risk stemming from MSMEs loans with inadequate collateral is being re-introduced under the Export Credit Guarantee Company.
17. We would like to express our appreciation to the World Bank and other development partners for the technical assistance provided in the process of developing the country's financial infrastructure, which will benefit underserved target groups, including MSMEs.

Financial Inclusion Funds

18. In order to address the challenge of availability of funds to support the MSME sector, the Reserve Bank has facilitated the establishment of a **\$90 million Empowerment Revolving Fund** as follows:

- i. Women Empowerment Fund - \$15 million;
 - ii. Business Linkages Facility- \$10 million;
 - iii. Horticulture Fund - \$10 million;
 - iv. Gold Support Facility - \$40 million; and
 - v. Cross-border Facility - \$15 million.
19. In addition there is also a fund targeted at the Youth and a facility for people with disabilities.
20. The funds are available at concessional interest rates through banks and microfinance institutions, to meet working capital and capital expenditure requirements.

Other Initiatives

21. Ladies and Gentlemen, other initiatives being implemented include the establishment of **SME units and Women’s Desks** by banks. As at 30 June 2017, a total of 13 banks had set up SMEs units, while 10 banks had set up women’s desks, with the remaining working on the same. Banks are therefore urged to identify MSMEs with potential for growth, and provide them with finance and the necessary capacity building training.
22. In the same vein, the Small and Medium Enterprises Development Corporation (SMEDCO) is being capacitated to enable the institution to play its intended role and contribute to the development of the sector.
23. With the objective of ensuring a conducive and responsive regulatory environment, the Reserve Bank is developing a number of policies and prudential standards to promote enhanced access to financial services by MSMEs and other underserved segments.
24. The **Agency Banking Prudential Standards** and **Financial Consumer Protection Framework** were issued in 2016 and 2017 respectively, while the development of a **National Financial Literacy Framework**, an

MSME Finance Policy and an **Agriculture Finance Policy** is underway.

Maintenance of Financial Inclusion Data

25. The Reserve Bank of Zimbabwe is now **collecting disaggregated data** from regulated financial institutions. The information will facilitate development of evidence-based strategies to deal with both demand-side and supply-side barriers to specific segments including the MSMEs sector. Further, the information will provide a baseline for the development of indicators to monitor progress and impact of the Reserve Bank initiatives to improve financial inclusion.

Collaboration and Shared Vision

26. Ladies and Gentlemen, effective collaboration is key for the successful implementation of financial inclusion initiatives. In Zimbabwe, we are pleased to note that efforts to promote an inclusive financial system is a shared vision among all stakeholders.
27. Among other initiatives, the Ministry of Small to Medium Enterprises and Cooperatives Development is spearheading the development of a **MSMEs Formalisation Strategy**.
28. The Ministry of ICT in collaboration with Universal Postal Union is establishing **Community Information Centres** in the various provinces of the country using underutilised Zimpost structures and financial institutions are expected to leverage on the structures when providing financial products and services. To date, 6 community information centres have been commissioned while a significant number of centres are currently being resourced.
29. Further, the Insurance and Pensions Commission launched the **Micro-insurance Framework** in June 2017.
30. Ladies and Gentlemen, the financial inclusion initiatives being

implemented are in line with the new Agenda for Sustainable Development Goals. As you would know, **Goal number 8** speaks to promoting inclusive and sustainable economic growth, employment and decent work for all. It recognizes the importance of providing MSMEs access to financial services as a means of promoting inclusive and sustainable economic growth and employment.

31. Further, current efforts are also consistent with the broader national developmental objectives of the **Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET)** and supports three (3) key clusters namely Food Security & Nutrition, Social Services & Poverty Eradication, and Value Addition & Beneficiation and the sub-cluster of Monetary and Financial Reform Measures.

Conclusion

32. Ladies and Gentlemen, today we are privileged to have renowned experts from the World Bank Group and other international organisations, bringing together knowledge and experience on SME Financing.
33. Together, we can reduce the existing gaps in the credit and financing market for SMEs and create the conditions necessary for the market to offer affordable and convenient financial services for SMEs to grow and increase productivity.
34. On this note, please join me in extending our gratitude to the World Bank Group and all the partners for providing the requisite technical and financial support in making this Conference a success.
35. I wish you all fruitful deliberations over the next three days.
36. To the foreign delegates, it's a special warm welcome to Harare, Zimbabwe. Enjoy our hospitality and we look forward to sharing of the rich experiences from your jurisdictions.

37. I Thank You.