



## **Opening Remarks**

**By**

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Reserve Bank of Zimbabwe**

On the occasion of the African Rural and Agricultural Credit  
Association (AFRACA) Bi-Annual Conference June 2015, held at  
Meikles Hotel, Harare

## Salutation

- Honourable Minister of Finance & Economic Development, Cde Patrick Chinamasa.
  - AFRACA Chairman and Deputy Governor, Bank of Ghana, Mr. Millison Narh.
  - Secretary General of AFRACA, Mr. Sale Usman Gashua.
  - FAO representative, Mr Aubray Harris
  - President of the BAZ, Mr S. Malaba
  - Divisional Director CBZ Mrs. Molly Dingani
  - Representatives from Government Ministries.
  - Representatives of AFRACA member institutions.
  - Representatives of AFRACA partnering institutions.
  - Distinguished presenters,
  - Ladies and gentlemen.
1. Ladies and gentlemen, it is an honour for me to give a few remarks at this AFRACA Bi-Annual Conference which is focusing on a very important theme: “**Regional Experiences on Knowledge Sharing and Networking in Rural and Agricultural Financing**”.
  2. I would like to extend my appreciation to the Secretariat and organisers for identifying this important subject as well as

collaborating closely to make this gathering of experts in the field of rural and agricultural finance possible.

### **Importance of the Agricultural and Rural Economy**

3. The Reserve Bank of Zimbabwe, just like in all the central banks in the region, recognizes the critical role that agriculture and the rural economy plays in developing countries such as ours.
4. The majority of African economies are agro-based. Studies undertaken in a number of countries to measure the impact of the agricultural sector on the economy in terms of its downstream and upstream multiplier effect have indicated that the economic impact is at least five fold in most cases.
5. Rural and agricultural development and equitable distribution of the benefits of economic growth are crucial for the global reduction of poverty and hunger in African rural areas.
6. According to a 2013 African Development Bank report, agriculture and agribusiness support the livelihoods of 70% of Africans and contribute over 40% of the continent's GDP. The World Bank also made a similar observation in 2013 when it asserted that agriculture is the main source of income and employment for the 70 percent of the world's poor who live in rural areas.
7. In Zimbabwe, for example, agriculture has been the mainstay sector

of the economy, contributing 14 -18.5% of GDP, approximately 33% of foreign exchange earnings and about 23% of total formal employment.

### **Role of Financial Sector in Promoting the Rural and Agricultural Sectors**

8. In this context it is crucial that the agriculture sector is backed by a strong and inclusive financial sector.
9. As such, the providers of financial services in the agricultural sectors in our economies need to redouble their efforts in the formulation of strategies, policies and resource allocation to promote enhanced rural and agricultural production.
10. On our part as central banks we shall always endeavour to develop and design policies that promote financial system stability, economic growth and an enabling environment for commercial banks and microfinance institutions to play their role in the rural and agriculture areas. In Zimbabwe we are working on a number of initiatives that help keep the financial sector sound and stable such as Zimbabwe Asset Management Company and the credit reference registry.
11. It is our expectation that once cleaned of NPLs, the financial sector should be in a position to provide tailored products and services for the agriculture and rural sector. The economic activities in this sector

display unique characteristics relating to their dependence on natural resources, long production cycles and vulnerability to multiple risks including drought and other natural disasters. In Zimbabwe 18% of bank lending goes to agriculture, still dwarfed by lending to individuals at 22%.

12. It is estimated that on average only 10% of Africa's commercial bank lending goes to agriculture and agro-industries. Further, less than 5% of national budgets are allocated to the agricultural sector with only a fraction of the allocation reaching the rural communities.
13. Going beyond financing, there is need to ensure that innovation in the financial sector is also targeted towards the productivity of the agriculture sector with increased focus on rural agriculture where there is greatest potential for positive impact. We need to invest in innovative methods to support agriculture such as weather backed insurance and invest in irrigation rather just relying on rain-fed farming.
14. Rural economies also suffer from financial exclusion. This arises from deficiencies that include lack of information and weak communication and other infrastructure. The wide geographical spread of rural population also presents challenges in developing an inclusive rural financial system.

15. These challenges require financiers who approach rural and agricultural financing in an inclusive manner and promote demand-driven provision of financial products and services such as mobile banking, agency banking and other innovations.
16. In this regard, there is need to develop financial inclusion frameworks that become vehicles of ensuring that rural and agricultural populations have access to appropriate, affordable and sustainable financial services. Providers of financial services must also leverage on improvements in technology to sustainably and effectively reach people in rural areas.

### **Role of Knowledge Management Networks in Financial Sector**

17. Ladies and gentlemen, turning to the theme of the workshop, we have noted that over the last few years knowledge management programs in agriculture and rural financing initiated by banking institutions are yielding impressive benefits to individuals and corporations when they are designed purposefully and are action-oriented.
18. In today's interconnected and integrated financial services markets, networks for sharing knowledge are becoming increasingly important and banks need to be innovative. Knowledge is a public good.
19. Against this background and cognizant of need to increase productivity in the agriculture and rural sector, we have seen the

emergence of knowledge sharing networks and other educational outreach programs targeted at clients of banking institutions. We have also noted the significant role played by NGOs, sometimes in collaboration with government authorities, in conducting researches and adapting them for local consumption and training.

20. Nonetheless, knowledge sharing and network management initiatives to support the agriculture sector are at relatively early stages of development in our banking sector in Zimbabwe. These have included regular professional training and mentoring programs on financial planning, farm management, governance, cash flow planning, and leadership as well as publication of periodic journals, among others.

21. We also appreciate the interventions we have noted coming from mobile network operators through hosting platforms which broadcast weather reports and other pertinent for the benefit of the agriculture sector and farmers in general.

22. The provision of appropriate support including capacity building for the recipients of rural and agricultural funding is crucial. Such initiatives are expected to raise the knowledge bar on pertinent issues which affect the performance of clients generally and the agriculture and rural sectors specifically.

23. In recent years, web-based networks have facilitated the distribution

of industry specific knowledge at a lower cost, and over greater physical distance.

24. From a central bank stand point we recognize knowledge sharing and networking as an enabler. The future of the financial sector, in particular the financing of agriculture and rural sectors, will be born out of effective knowledge networks.

25. We encourage the banking sector in collaboration with all other stakeholders to fully embrace knowledge sharing and networking as a business strategy and dedicate resources towards it both internally and collectively as an industry. This will have far reaching implications on productivity in agriculture, employment creation, rural sector development and financial inclusion which are essential for both overall economic growth and sustainable reduction in poverty and upliftment of the standard of living for the majority of our people.

### **Conclusion**

26. Ladies and gentlemen, I am happy to note that topical issues on this subject area will be deliberated upon during this conference.

27. I am sure this will provide useful insights into ways of promoting rural and agricultural finance as well as the development of frameworks for effective knowledge networks.

28. The creation of the Agricultural Finance Stakeholder Working Group by AFRACA, Making Finance Work for Africa and partnering of key stakeholders in 2011 has also heightened focus on the need to improve rural and agricultural finance.

29. I strongly believe that the challenges that we face today with regards to rural and agricultural financing, are not insurmountable. The key stakeholders in the agriculture and rural sectors across the region should collaborate productively on knowledge management networking as it is one of the enabling factors.

30. In conclusion, I wish to acknowledge the efforts of various stakeholders in promoting rural and agriculture finance and your participation in this workshop which promotes sharing of knowledge, experience and recommendations. This is important for the success of Africa.

31. I am sure we will share tangible strategies to promote effective coordination of efforts of all stakeholders – government, private sector, development partners – in the provision of optimal rural and agricultural finance.

**I thank you.**