

1. BACKGROUND

- 1.1 Agriculture stands as the mainstay sector of the Zimbabwean economy, contributing about 18% of GDP, 22.8% of foreign exchange earnings and about 23% of total formal employment.
- 1.2 Zimbabwe has a total land area of **39.6 million hectares**. According to the Utete Report (2003), **33.3 million hectares** of the land are reserved for agriculture. The remainder of the land is reserved for national parks, forests and urban settlements.
- 1.3 Given the centrality of the agricultural sector in the economy, as well as the far reaching transformations that have come with the Land Reform program, it is imperative that greater focus be placed on the formulation of comprehensive financial programs to support farmers.
- 1.4 This supplement provides a concise outline of the historical trends in the financing of agriculture, as well as articulates the contextual basis for current Monetary Policy interventions in the country's agricultural sector.
- 1.5 The Supplement ends by presenting further supportive policy measures needed to boost agricultural performance in the economy.

2. AGRICULTURAL FINANCING DURING THE PRE-INDEPENDENCE ERA

- 2.1 Due to the colonial set-up that existed, the agricultural sector was divided into three distinct sub sectors, the **large scale commercial farming, small scale commercial (African Purchase Area) and communal sector**.
- 2.2 **Commercial farmers had title** to their land, while **communal farmers had user rights**.
- 2.3 Large scale commercial farmers occupied the largest hectarage in high agricultural potential areas while the small scale commercial and communal farmers occupied the marginal areas of the country.
- 2.4 Agricultural Finance was structured in a manner that was favourable to the large scale commercial farmers who were producing for the market.
- 2.5 Historically, credit for agriculture in Zimbabwe came from either parastatal organizations or commercial sources.
- 2.6 In **1912, the Land Bank** was formed to encourage European immigrants to settle as farmers.
- 2.7 In 1924, the Land Bank was mandated to assist large scale commercial farmers to acquire more land.

2.8 In 1930, the then Government initiated the **financing of irrigation plot holders in the small scale commercial farming sector in African Purchase Areas.**

2.9 Agricultural Loan Fund

i) In 1964, the then Government increased the provision of loans to small scale commercial farmers based on the experience gained on the use of credit and satisfactory loan repayments through the establishment of the **Agricultural Loan Fund.**

2.10 The Land Bank

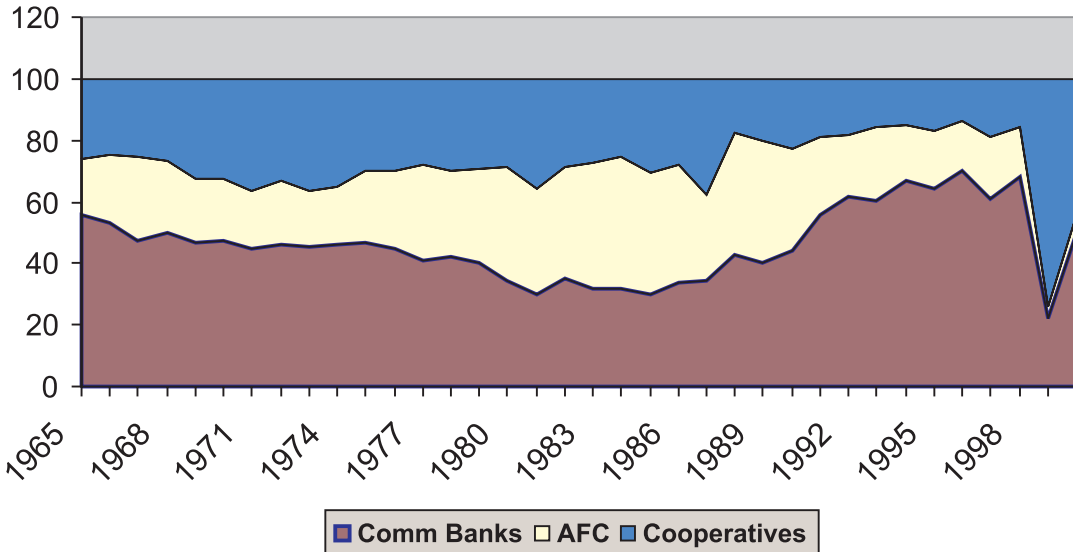
- i) The **Land Bank** was then transformed into the **Agricultural Finance Corporation (AFC) in 1971** and through a statutory instrument small scale commercial farmers were then incorporated as potential borrowers.
- ii) **AFC** became the key parastatal organization, specializing in **long-term credit**, while **commercial banks and cooperatives** were specializing in **short – and medium - term credit.**

3. FINANCING FROM COMMERCIAL BANKS, THE AFC AND AGRICULTURAL COOPERATIVES

3.1 The AFC was the key agriculture financing parastatal specializing in long-term credit, while commercial banks and cooperatives were specializing in short – and medium - term credit.

3.2 Figure 1 below highlights the proportion of credit extended to agriculture by various credit organizations.

Figure 1: Contribution of Short-term Credit by Various Financing Organisations



Source: Central Statistical Office

- 3.3 **Short-term** credit was normally used for seasonal finance and such **loans were paid within a year.**
- 3.4 **Medium – term** loans were provided for periods ranging from **2 to 6 years**, and were mainly for **irrigation equipment, stock watering facilities, fencing, agricultural machinery and livestock.**
- 3.5 **Long – term** finance was granted for periods ranging from **6 to 30 years.** These were exclusively handled by the AFC and related to the **purchase of land, erection of buildings, dams and irrigation schemes.**
- 3.6 While the commercial banks have remained dominant over the period, credit from AFC increased between 1980 and 1992.
- 3.7 During this period, AFC financing was around 35% of total agriculture financing, compared to 22% prior to 1980 and 14% between 1993 and 2000.
- 3.8 Cooperatives and other organizations contributed about 25%, while commercial banks contributed the largest proportion, of around 40%.
- 3.9 Tables 1 and 2 below show financing of the agricultural sector by commercial banks, the AFC and agricultural cooperatives.
- 3.10 In 1998, the **AFC** was converted into the **Agricultural Bank of Zimbabwe (Agribank)** which is a commercial bank with a bias towards **financing farming activities.**

Table 1: Agriculture Financing by Commercial Banks, AFC and Agricultural Cooperatives Z\$ Millions (1965 -1979)

Period	Commercial Banks (Advances)	% Share of Total	Agricultural Finance Corporation (Short-term loans)	% Share of Total	Agricultural cooperatives and Other Companies	% Share of Total	Total
1965	27.5	55.9	9.1	18.5	12.6	25.6	49.2
1966	23.8	53.2	10.0	22.4	10.9	24.4	44.7
1967	25.1	52.4	11.8	24.6	10.9	22.8	47.9
1968	25.4	50.3	11.5	22.8	13.6	26.9	50.5
1969	25.1	47.0	11.2	21.0	17.1	32.0	53.4
1970	28.8	47.8	12.2	20.3	19.2	31.9	60.2
1971	33.7	45.7	13.5	18.3	26.6	36.0	73.8
1972	34.6	46.9	14.8	20.1	24.2	32.8	73.7
1973	37.1	46.0	14.6	18.1	29.0	35.9	80.7
1974	45.9	46.4	18.5	18.7	34.4	34.8	98.9
1975	53.2	47.3	26.2	23.3	33.0	29.4	112.4
1976	55.6	45.3	30.8	25.1	36.3	29.6	122.8
1977	49.1	41.2	36.8	30.9	33.3	28.0	119.1
1978	52.7	43.0	33.8	27.5	36.2	29.5	122.7
1979	52.3	40.6	38.9	30.2	37.5	29.1	128.8
Total	569.9		293.7		374.8		1239.0

Source: Central Statistical Office

Table 2: Agriculture Financing by Commercial Banks, AFC and Agricultural Cooperatives Z\$ millions (1980 - 2000)

Period	Commercial Banks (Advances)	% Share of Total	Agricultural Finance Corporation (Short-term loans)	% Share of Total	Agricultural cooperatives and Other Companies	% Share of Total	Total
1965	27.5	55.9	9.1	18.5	12.6	25.6	49.2
1980	57.3	34.6	61.5	37.2	46.7	28.2	165.4
1981	57.4	31.3	61.9	33.8	63.8	34.8	183.2
1982	80.9	35.2	84.2	36.6	65.0	28.2	230.1
1983	98.5	32.3	124.2	40.7	82.4	27.0	305.1
1984	107.1	32.0	143.0	42.8	84.2	25.2	334.2
1985	110.1	29.6	148.6	40.0	112.8	30.4	371.5
1986	150.7	34.1	166.8	37.8	124.2	28.1	441.8
1987	262.6	34.6	210.4	27.7	285.6	37.6	758.6
1988	282.4	42.9	259.2	39.4	116.8	17.7	658.4
1989	312.9	40.8	297.3	38.8	155.8	20.3	766.0
1990	544.1	52.3	295.9	28.4	201.2	19.3	1,041.2
1991	775.2	56.1	349.4	25.3	258.0	18.7	1,382.6
1992	1048.7	61.5	343.0	20.1	313.7	18.4	1,705.5
1993	1120.7	60.1	447.0	24.0	297.8	16.0	1,865.5
1994	2007.1	66.9	550.1	18.3	440.9	14.7	2,998.1
1995	2195.3	64.0	653.2	19.0	584.1	17.0	3,432.6
1996	3344.7	70.1	764.0	16.0	662.7	13.9	4,771.4
1997	2965.3	60.8	980.7	20.1	929.1	19.1	4,875.0
1998	4052.3	68.0	980.7	16.4	929.1	15.6	5,962.0
1999	5772.3	21.8	1,139.8	4.3	19,544.7	73.9	26,456.8
2000	7962.3	46.0	1,089.6	6.3	8,245.7	47.7	17,297.6
Total	33307.9		9150.5		33544.3		76002.6

Source: Central Statistical Office

3.11 The proportion of lending to the agricultural sector to total loans advanced by commercial banks for the period 1965 – 1979 remained largely constant, averaging 28%.

3.12 Table 3 below shows commercial bank lending to the agricultural sector for the pre-independence period.

Table 3: Commercial Bank Loans to Agriculture (Z\$ millions) for the Pre-Independence Period (1965 -1979)

Year	Agriculture	Total Loans and Advances	Agricultural Loans (% of total)
1965	27.5	79.2	34.7
1966	23.8	62.6	38.0
1967	25.1	64.9	38.7
1968	25.4	78.2	32.5
1969	25.1	73.8	34.0
1970	28.8	102.2	28.2
1971	33.7	129.4	26.0
1972	34.6	122.3	28.3
1973	37.1	151.4	24.5
1974	45.9	191.8	23.9
1975	53.2	203.8	26.1
1976	55.6	221.2	25.1
1977	49.1	231.2	21.2
1978	52.7	237.6	22.2
1979	52.3	222.3	23.5

Source: Central Statistical Office and Reserve Bank of Zimbabwe

4. AGRICULTURAL FINANCING: POST-INDEPENDENCE ERA (1980-1999)

- 4.1 For the period 1980-1999 commercial banks lending to the agricultural sector increased as a proportion of total loans.
- 4.2 The proportion rose from 25% in 1980, to a peak of 91% in 1999 as shown in Table 4 below:

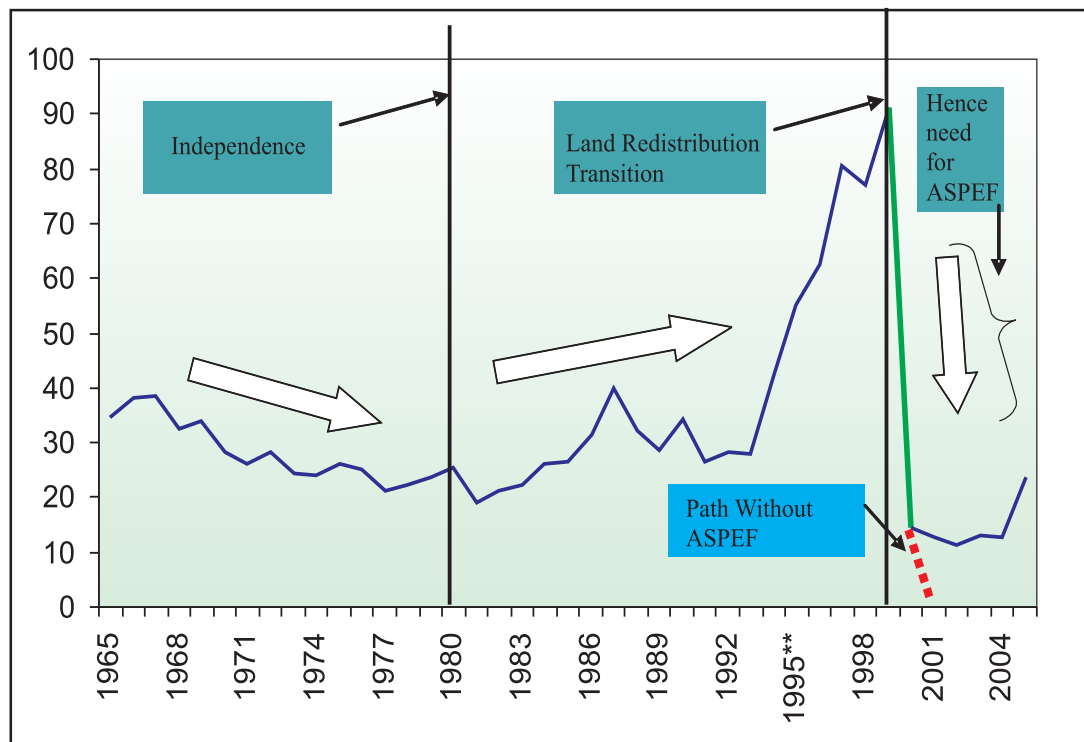
Table 4: Commercial Bank Loans to Agriculture (Z\$ millions) for 1980 -1999 Period

Year	Agriculture	Total Loans and Advances	Agricultural Loans (% of total)
1980	57.3	219.8	26.1
1981	57.4	294.6	19.5
1982	80.9	375.2	21.6
1983	98.5	441.8	22.3
1984	107.1	405.3	26.4
1985	110.1	410.4	26.8
1986	150.7	473.7	31.8
1987	262.6	662.4	39.6
1988	282.4	881.2	32.0
1989	312.9	1097.6	28.5
1990	544.1	1140.0	47.7
1991	775.2	2922.8	26.5
1992	1048.7	3714.5	28.2
1993	1120.7	4000.3	28.0
1994	2007.1	4739.6	42.3
1995	2195.3	3985.4	55.1
1996	3344.7	5358.9	62.4
1997	2965.3	3681.1	80.6
1998	4052.3	5260.7	77.0
1999	5772.3	6325.5	91.3

Source: Central Statistical Office and Reserve Bank of Zimbabwe

- 4.3 Most commercial banks established agribusiness departments/units to enhance lending to the agriculture sector in the mid 1990s.

Figure 2: Agriculture Sector Borrowing from Commercial Banks as a proportion of total borrowing (%)



Source: Central Statistical Office and Reserve Bank of Zimbabwe

- 4.4 A significant increase in commercial bank lending to the agricultural sector was realized between 1994 and 1999. **During this period, the proportion of loans averaged above 60% of total commercial bank credit.**
- 4.5 Following the inception of the **Fast Track Land Reform Programme in 2000**, the proportion of commercial bank loans to the agricultural sector declined from a **peak of 91% in 1999 to 14% in 2000**. The proportion remained around this level until in 2005, **when it rose to 24%**.
- 4.6 The decline to lending in agriculture during the early 1999 to 2003 - if it had persisted without RBZ intervention, lending to agriculture was poised to decline to levels of well **below 10%** of total loans primarily due to the uncertainties relating to land tenure.
- 4.7 If this was allowed to happen, then, there would not be any agriculture sector to talk about in the economy. Realizing the significance of agriculture as the backbone of the economy and also realizing the intricacies of operationalising the 99 year lease programme, the RBZ, therefore found it inevitable that a bridging finance programme be introduced, so as to kick-start productive activities in agriculture.
- 4.8 It is against this background that the ASPEF program was introduced by the Central Bank to support:

- i. Farmers' working capital requirements;
- ii. Irrigation rehabilitation and dam construction; and
- iii. Other agro-mechanisation programmes.

4.9 Table 5 below shows commercial bank loans advanced to the agricultural sector for the post agrarian reform period, covering 2000 – 2005.

Table 5: Commercial Bank Loans to Agriculture (Z\$ millions) for the Post Agrarian Reform Period

Year	Loans to Agriculture	Total Loans and Advances	Agricultural Loans (% of total)
2000	7962	55088	14.5
2001	12643	98545	12.8
2002	28916	258053	11.2
2003	192683	1467119	13.1
2004	605569	4788386	12.6
2005	2037011	8616612	23.6*

* ASPEF

Source: Central Statistical Office and Reserve Bank of Zimbabwe

4.10 In response to the decline of support from the commercial banks, Government introduced a Crop and Livestock Inputs Programme in 2000, which was administered through the Ministry of Agriculture.

4.11 The Programme financed the purchase of fertilizers, chemicals and seed. Irrigation rehabilitation also received funding between 2002 and 2004 under the Program.

4.12 The total allocations made under the Program between 2000 and 2005 are shown in Table 6 below:

Table 6: Allocations

	PSIP* (\$ billion)	RBZ (\$ billion)
2000	1.4	-
2001	7.65	-
2002	17.2	-
2003	140.5	-
2004	175.0	1 067.0
2005	150.0	750.0

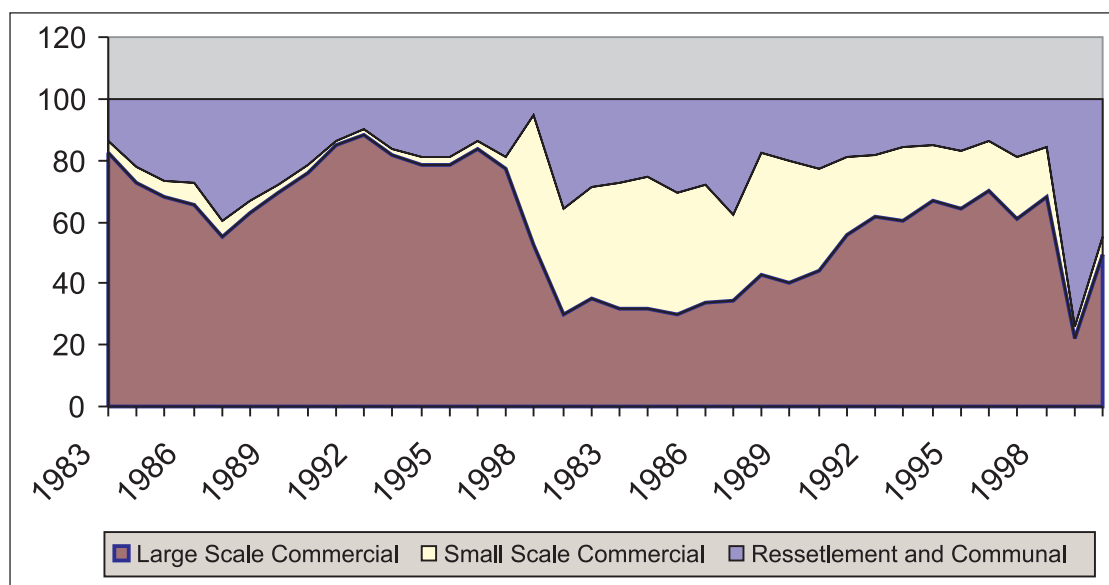
* Public Sector Investment Programmes

Source: Ministry of Agriculture

5. LENDING TO THE AGRICULTURAL SECTOR BY THE AGRICULTURAL FINANCE CORPORATION

- 5.1 At Independence in 1980, Government through statutory instruments directed AFC to extend loans to all farming sectors including communal farmers.
- 5.2 Prior to the implementation of the Agrarian Reform in 2000, commercial bank loans towards the agricultural sector as a proportion of total loans had been on an increase. The proportion increased from **25% in 1980, to a peak of 91% in 1999**.
- 5.3 Figure 3 below shows lending by AFC to agriculture by sector between 1983 and 1998.

Figure 3: Value of AFC Loan Advances to agriculture by Sector as a Proportion to Total Lending



Source: Agriculture Finance Corporation

5.4 Resettlement Credit Scheme

- i) A **Resettlement Credit Scheme** was introduced in 1981 through a statutory instrument whereby Government guaranteed credit facilities extended by AFC to resettled farmers.
- ii) The scheme was for the purposes of **purchasing farm inputs, farm equipment and livestock** as well as working capital.
- iii) Loan funds availed under the **Resettlement Credit Scheme** were inadequate and this resulted in the formation of the **Collective Self Finance Scheme**.

- iv) In 1988, AFC introduced **Group Lending** to reduce cost of administering loans and enhance recoveries.

5.5 Crop Pack Input Scheme

- i) In 1991/92, Zimbabwe experienced a **devastating drought** which prompted the Government to introduce the **Crop Pack Input Scheme** to support farmers who were affected by the drought. The Crop Pack Input Scheme assisted farmers with fertilizers and seeds.

5.6 Livestock Input Scheme

- i) In 1997, the Government introduced the **Livestock Input Scheme** to rebuild the national herd that was decimated by the devastating drought of 1991/92. The national herd declined from **5.9 million in 1991 to 4.4 million in 1992.**

5.7 Contract Farming

- i) In the mid 1990's, commodity marketing companies introduced **Contract Farming**, where they extended credit to farmers in the form of **inputs and technical support**. Such companies include COTTCO, Delta Corporation and National Foods, among others.

6. PRODUCTIVE SECTOR FACILITY (2000 TO 2003)

- 6.1 In 2000, the Reserve Bank of Zimbabwe put up a **\$100 billion** facility for Export and Productive Sectors of the economy, of which the agriculture sector received **35.5%.**
- 6.2 In 2004, the Productive Sector Facility (PSF) was extended to other sectors of the economy and the amount was capped at **\$1.5 trillion.**
- 6.3 The interest rate on the facility was initially pegged at 30 percent per annum and was subsequently reviewed upwards to 50 percent per annum from 1 July 2004.
- 6.4 The facility was put in place to achieve the following objectives:
 - i) To finance the agricultural sector against the background of inertia by banks to finance the sector due to lack of security;
 - ii) To finance the rehabilitation of the manufacturing sector which was on a declining trend;
 - iii) Avoid company closures due to high cost of borrowing;
 - iv) Stimulate employment creation through support of new and expansion of existing projects and providing funds for capital expenditure;

- v) Stimulate additional export earnings; and
- vi) Increase capacity utilization.

6.5 Cumulative PSF support to the private sector over the period January 2004 to 30 June 2005 amounted to **Z\$3.09 trillion** and was allocated as illustrated in Table 7 below:

Table 7: Sectoral Distribution of PSF Support to the Private Sector (2000 - 2004)

Sector	Amount - \$BN	Percentage of Total
Agriculture	1,245,34	40,3
Manufacturing	951,16	30,8
Mining	611,19	19,8
Transport	81,50	2,6
Tourism	89,22	2,9
Construction	65,77	2,1
Distribution	23,05	0,8
Communication	18,03	0,6
Health	3,44	0,1
Total	3 088,70	100

Source: Reserve Bank of Zimbabwe

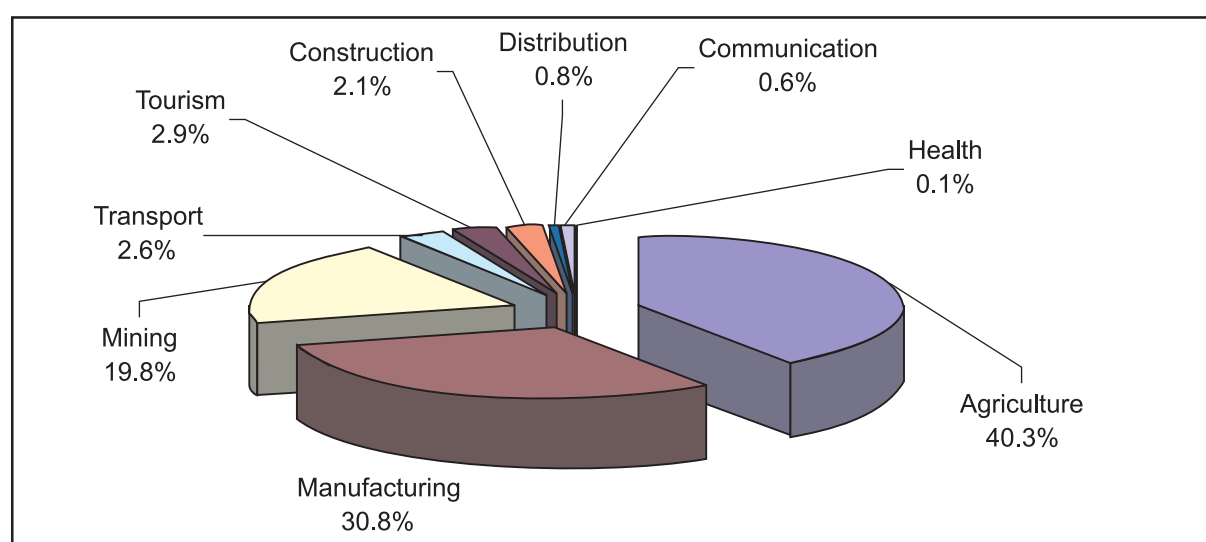


Figure 4. Cumulative PSF Support by Sector

Source: Reserve Bank of Zimbabwe

6.6 The Productive Sector Facility (PSF) was successfully wound up on 30 June 2005, as was espoused in the Monetary Policy Statements of December 2003, April 2004, October 2004, January 2005 and May 2005.

7. AGRICULTURAL SECTOR PRODUCTIVITY ENHANCEMENT FACILITY (ASPEF)

- 7.1 ASPEF is a successor financing facility to the PSF. The facility is a targeted support facility meant to enhance productivity in the agricultural and export sectors through provision of concessional funding to support capital and working capital requirements.
- 7.2 The Reserve Bank put in place a **\$7 trillion Agricultural Sector Productivity Enhancement Facility (ASPEF)** in May 2005.
- 7.3 The broad objectives of the facility are as follows: -
- i) To provide low cost production to targeted primary producers in the agricultural sector;
 - ii) To enhance capacity utilization, infrastructure development and output from the agricultural sector;
 - iii) To ensure food security, as well as anchoring import substitution in the economy; and
 - iv) To generate foreign currency.
- 7.4 The \$7 trillion, was allocated as shown in Table 13 below:

Table 8: Allocation of ASPEF Facility

Facility	Amount	Interest Rate
Irrigation Support	\$3 trillion	20%
Horticulture (export)	\$750 billion	5 %
Beef Cattle Support	\$500 billion	20%
Dairy Support	\$300 billion	20%
Export Support	\$1.15 trillion	5 %
Other Crops and Livestock	\$1 trillion	20%
Piggery and Poultry Support	\$300 billion	20%
Total	\$7 trillion	-

Source: Reserve Bank of Zimbabwe

7.5 Facility Utilization

- i) A cumulative amount of **\$5.62 trillion** had been disbursed to **2 560** applicants through commercial and merchant banks under ASPEF as at 31 December 2005 of which **\$0.25 trillion** had been repaid leaving an outstanding balance of **\$4.64 trillion**.
- ii) The distribution of the amount disbursed per facility is shown in Table 9 below:

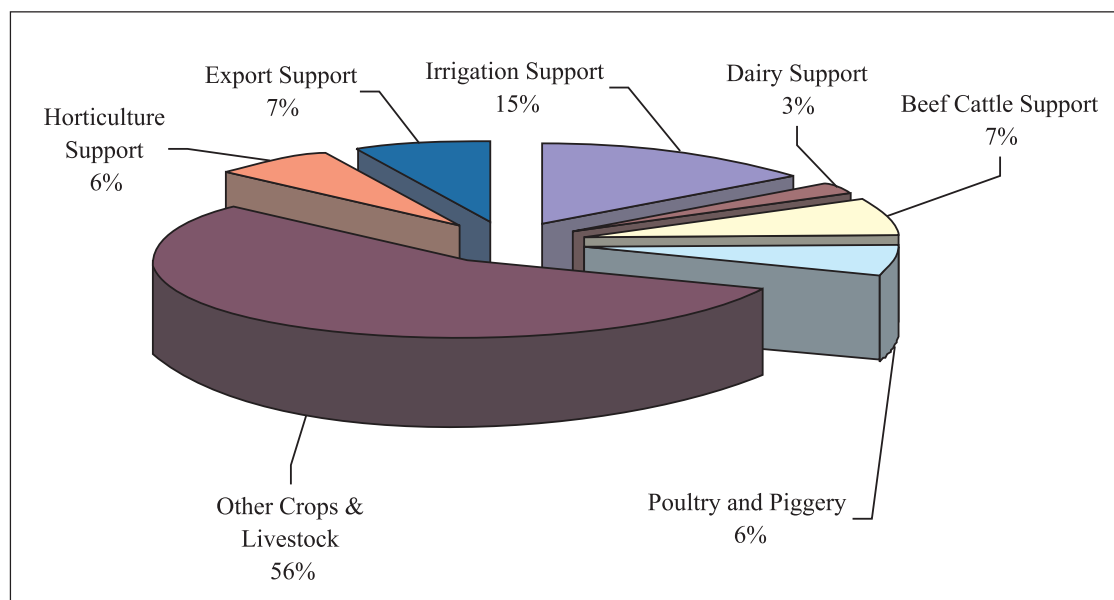
Table 9: Distribution of ASPEF Loans as at 31 December 2005

Facility	Borrowers	Amount (\$bn)	Share in Total (%)
Irrigation Support	330	822.78	14.6
Dairy Support	70	149.82	2.7
Beef Cattle Support	181	395.46	7.0
Poultry and Piggery	197	345.61	6.1
Other Crops & Livestock	1 585	3 168.80	56.3
Horticulture Support	163	355.16	6.3
Export Support	34	386.53	6.9
TOTAL	2 560	5 624.16	100.0

Source: Reserve Bank of Zimbabwe

7.6 As illustrated in Figure 9 below, Other Crops and Livestock accessed the highest amount of the ASPEF loans amounting to \$3168.8 billion or 56.3% of the total amount disbursed. The amount of loans that was disbursed to Irrigation Support stood at \$822.7 billion or 14.6% as at the 31st of December 2005.

Figure 5: Distribution of ASPEF Loans as at 31 December 2005



Source: Reserve Bank of Zimbabwe

7.7 The take up rate, however, has substantially improved, as most of the concerns have been addressed.

7.8 Other Supportive Policies To Boost Agricultural Production Include The Following:

- i. Halting further illegal land invasions;
- ii. Respecting private property rights;
- iii. Stringent enforcement of the law without fear or favour;
- iv. Comprehensive development of the country's irrigation capacity;
- v. An efficient agricultural pricing system that fully takes into account production costs;
- vi. Continued Government support to farmers, especially in terms of access to finance;
- vii. Full utilization of every inch of allocated land;
- viii. Significant recapitalization of Agribank to allow for the provision of medium to long term agricultural financing; and
- ix. Establishment and consolidation of well structured agricultural support institutions, as well as the unification of farmers' representative bodies.

8. TO COMPEL OR NOT TO COMPEL BANKS TO FINANCE AGRICULTURE?

- 8.1 There has been considerable debate towards the attitude of banks financing agriculture.
- 8.2 The position of Monetary Authorities is that the Central Bank **would not compel commercial banks** to channel certain levels of funds to agriculture.
- 8.3 If Monetary Authorities were to compel banks to finance agriculture, **then this would compromise the Central Bank's position** when it comes to the **quality of commercial bank books**. It would also make it **difficult** for the Central Bank to supervise the **financial institutions efficiently**.
- 8.4 As Monetary Authorities we advise the Government that **directed funding is not the best way** of approaching the issue of **agriculture financing**. In such cases moral suasion would be the better option.

8.5 From the time that the land was re-distributed, farmers have always relied on the Government for the provision of inputs. It is the opinion of the Central Bank that farmers should graduate and wean themselves from free handouts and move towards self sustainability.

9 CONCLUSION

9.1 The world over, governments subsidise farmers for a variety of reasons which include **food self sufficiency, farmer viability and production of strategic crops.**

9.2 Countries in Europe and the Americas do subsidise their farmers to make them **viable and to ensure that food is produced domestically.**

9.3 For developing countries like Zimbabwe, there is need to **boost exports through increased agricultural production,** hence the need for financial support to the sector.

9.4 The newly resettled farmers are experiencing challenges in accessing **credit from the private sector financial institutions due to lack of collateral.**

9.5 It is against this background that the Authorities have stepped in to **bridge the financing gap with concessionary finance** to the agricultural sector.

9.6 These efforts, however, need to be complimented by stability in the farming sector if the gains of the agrarian reforms are going to bear fruit.

9.7 Reports indicate that cases of farm disturbances and evictions were on the increase during the latter part of year 2005.

9.8 This could impact negatively on output of crops such as tobacco, soya-beans and horticulture, as some farmers, including ASPEF beneficiaries are being evicted from the farms in the midst of their cropping programmes.

9.9 As we step up our efforts to fund the agriculture sector, no one should be allowed to disturb the production process.

9.10 The nation stands to lose, if the infrastructure that will have been supported is disturbed and is not put to productive use.

9.11 This destabilizes the programmes that are being put in place in good faith to turn around our economy.

9.12 To this end, the Authorities are urged to guarantee that such investments are not disturbed.

- 9.13 The Ministry of Lands, Land Reform and Resettlement has already started the process of issuing 99-year leases for the A2 farmers who were allocated land.
- 9.14 The Authorities are, however, urged to expedite the granting of the leases, which should be transferable so that they can be utilized as security by the farmers.
- 9.15 As was discussed earlier, banks' total loans to agriculture fell significantly over the recent years, underpinning the urgent need for the **land tenure framework to be finalized**.
- 9.16 The **Agriculture Sector Productivity Enhancement Facility (ASPEF)**, thus is an **inevitable necessary intervention** meant to sustain agriculture, whilst the 99 year lease program is being streamlined for implementation.
- 9.17 In order to succeed, however, farmers ought to productively employ the resources being provided.
- 9.18 Agriculture being the backbone of the economy requires the **support of private sector financial institutions**, particularly **commercial banks** in order to augment agricultural productivity.
- 9.19 Banks are therefore encouraged to **consider cash flow lending** in the agriculture sector, as opposed to **balance sheet lending**.
- 9.20 By extending credit to farmers, commercial banks will play a pivotal role in complementing Government efforts to **ensure food security** of the nation.
- 9.21 In addition, this will also **uplift the standards of living** of many Zimbabweans through **employment creation**, owing to the industrial inter-linkages that exist between the agriculture sector and the rest of the economy.
- 9.22 The improved productivity in agriculture is likely to boost output in **agro-based industries** which rely on the sector for **raw materials**. Inevitably, this will buttress Government's policy of **exports promotion** which will earn the economy the much needed foreign currency.
- 9.23 The corporate world is also being urged to engage farmers in contract farming so as to **boost backward and forward synergies**. The **financial and technical assistance** that the farmers receive under contract farming should increase agricultural production, which will filter through to national output.

Thank You

DR. G. GONO
GOVERNOR
RESERVE BANK OF ZIMBABWE
JANUARY 2006

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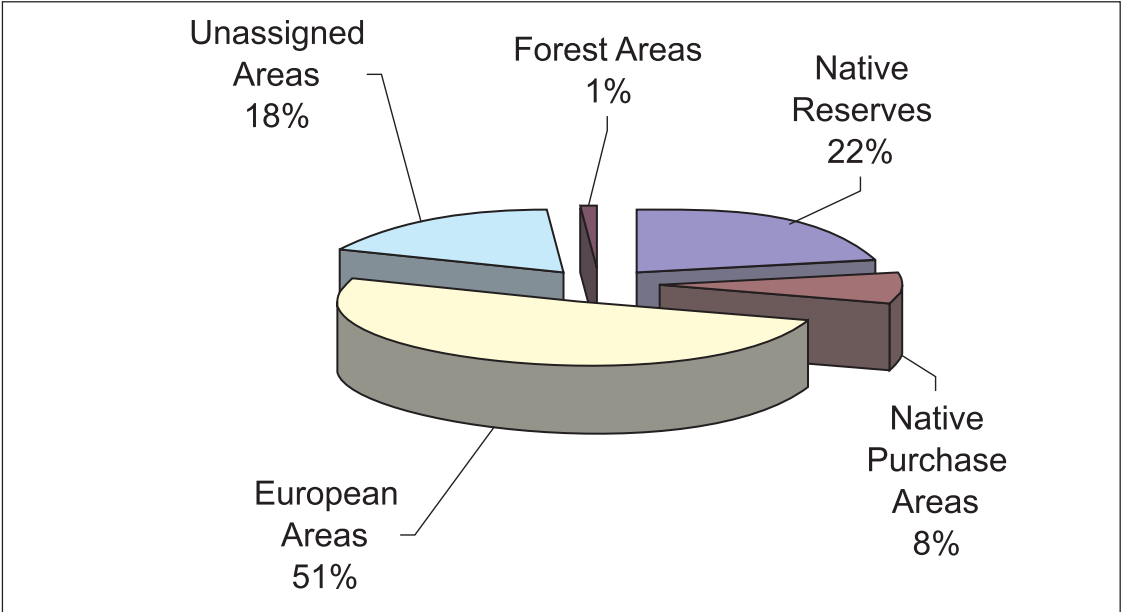
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ANNEXURE: LAND TENURE SYSTEM AND DISTRIBUTION IN ZIMBABWE

1. Land Apportionment Act 1930 : A HISTORICAL PERSPECTIVE

- 1.1 The purpose of the **Land Apportionment Act of 1930** was to formalize the separation by law, of land between the native population and the white settlers. This was after deliberations and recommendations of the **Morris Carter Land Commission of 1925**. The Land Apportionment Act provided for restricted rights of the Africans to land ownership, to designated Native Purchase Areas.
- 1.2 Under this Act, the fertile high rainfall areas became large scale privately owned white settler farms.
- 1.3 Figure 1 below shows the distribution of land in 1931 among the different categories:

Figure 1: Distribution of Land under the Land Apportionment Act of 1930



Source: Utete Report (2003)

- 1.4 According to the Land Apportionment Act, European Areas covered 49 149 174 acres; Native Reserves, 21 127 040 acres; Native Purchase Areas, 7 464 566 acres; Unassigned areas, 17 793 300 acres, forest area, 590 500 acres and undetermined area 88 540 acres.

- 1.5 The distribution of land was in favour of the European settlers since the **native population was 1.1 million, compared to a total of 50 000 Europeans** then. In addition, Europeans occupied fertile high rainfall areas with high agricultural potential.
- 1.6 In subsequent years, a number of instruments were put in place to enforce certain agricultural practices. The **Native Land Husbandry Act of 1951** was meant to enforce destocking and conservation practices on black held land.
- 1.7 According to Rukuni and Eicher (1994), Native Reserves and Special Native Reserves were combined and renamed Tribal **Trust Lands**, where land was vested in Board of Trustees for exclusive use by Blacks. This was done under auspices of Tribal Trust Lands Act of 1967.

2. LAND DISTRIBUTION AT INDEPENDENCE IN 1980

2.1 BACKGROUND

- 2.1.1 The **Lancaster House Conference of 1979** was held to map out an independence constitution, the land question included. In an effort to tackle the land question and address the unfair distribution of land, a compromise was reached under which in return for the Zimbabweans guaranteeing property rights, the British stipulated the following terms;
 - i) Underwrite half the costs of a resettlement program;
 - ii) Land could change hands on a '**willing seller willing buyer**' basis;
 - iii) Only **under utilized land** which was required for resettlement or other public purposes could be **compulsorily acquired** by the new Government
 - iv) **Payment** for land compulsorily acquired was to be made immediately at the **full market price**, and
 - v) Compensation had to be made in foreign currency.
- 2.1.2 The Government of Zimbabwe was to a large extent tied by the Lancaster House Agreement which lasted until April 1990. After 1990, the Government made amendments to the Lancaster House Constitution so that it was able to execute the land resettlement program.
- 2.1.3 The land redistribution process took off at a slow pace since land was costly and was purchased under the willing buyer willing seller stipulation of the Lancaster House Constitution. Moreover, land was available mainly in marginal production areas and on an ad-hoc basis.¹
- 2.1.4 The Land Acquisition Act of 1985 which gave the Government the first option to purchase land did not address the problem of availability of land, where planned resettlement would be more practical.

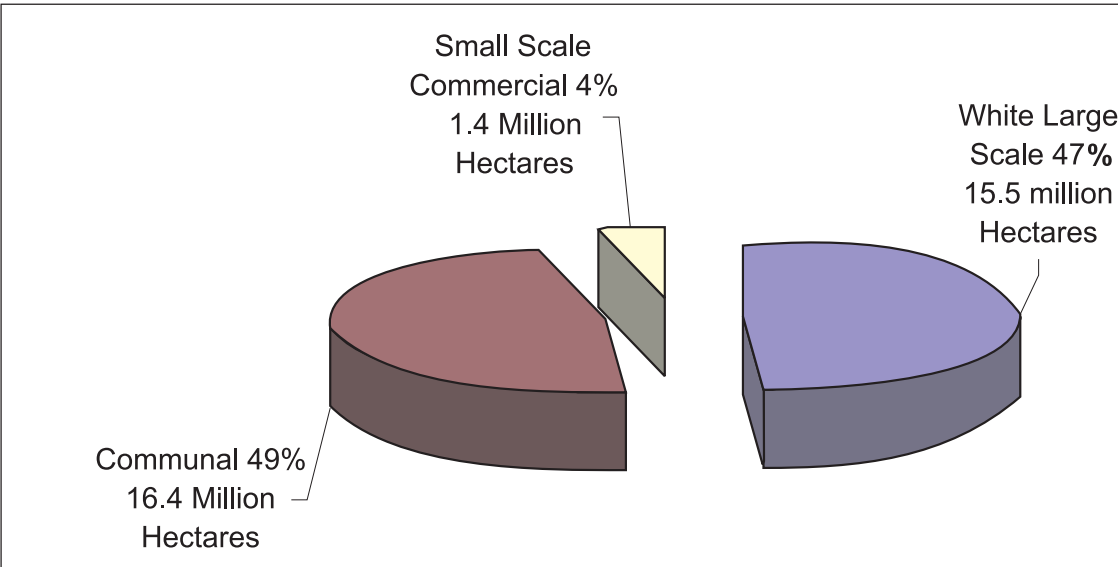
¹ Rukuni and Eicher (1994)

- 2.1.5 The pace of the land resettlement program was hindered by limited infrastructure and access to water.
- 2.1.6 In 1980, the Government resettled 1 971 households on 176 671 hectares of land. By 1998 a total of 71 000 households had been resettled on 3 498 444 hectares of land. This clearly shows the slow pace of the land reform program.
- 2.1.7 This was against the Government’s land reform proposal to resettle 100 000 families on 5 million hectares of acquired land.
- 2.1.8 The Government of Zimbabwe could only do this with limited financial resources since the British Government did not honour the promises of the Lancaster House Agreement of 1979.

2.2 LAND OWNERSHIP STRUCTURE

- 2.1.2 At Independence in 1980, Zimbabwe inherited a significantly skewed land ownership pattern as illustrated in the Figure 2 below.

Figure 2: Distribution of Land as at Independence (1980)



Source: Utete Report (2003)

- 2.1.3 The land structure as at Independence in 1980 revealed that the **large scale commercial farming sector**, which mainly consisted of the **non-indigenous population** had approximately **the same share of land in terms of area**.
- 2.1.4 This was despite the obvious numerical disparities between the two classes. This rough picture masks the inherent salient features that are only discernible if one takes a closer look at **population density, fertility and climatic conditions**.

- 2.1.5 As indicated in Table 1 below, in 1980 the **non indigenous population totaled 1.6 million and occupied 14.4 million hectares of prime land** which was mainly situated in regions with **good climatic conditions**.
- 2.1.6 The Chavunduka Report of 1982 highlighted that the indigenous population totaled around **4.1 million, and occupied 16.4 million hectares of land** which was mainly situated in **Regions IV and V**. The land in Regions IV and V is **not very suitable for agriculture** since the areas are characterized by **harsh climatic conditions**.

Table 1: Population and Land Distribution in 1980

Category	Population (000)	Hectares (000)
Communal	4 050	16 355
Small Scale Farming	110	1 477
Large scale Farming	1 570	14 386
Urban	1 645	193
National Parks	105	5 877
Total	7 480	38 288

Source: Report of the Commission of Enquiry into the Agricultural Industry, 1982.

- 2.1.7 In 1980, **over 97%** of the total population was black and occupied **49%** of the land, whilst **2%** of the population who were whites occupied **47%** of the land (mainly prime agricultural land)².
- 2.1.8 A more revealing land ownership structure can be discernible by looking at land holding by natural regions. Natural regions 1 and II are the most suitable for agriculture production and these include the whole of Mashonaland, Manicaland and part of Midlands Provinces.

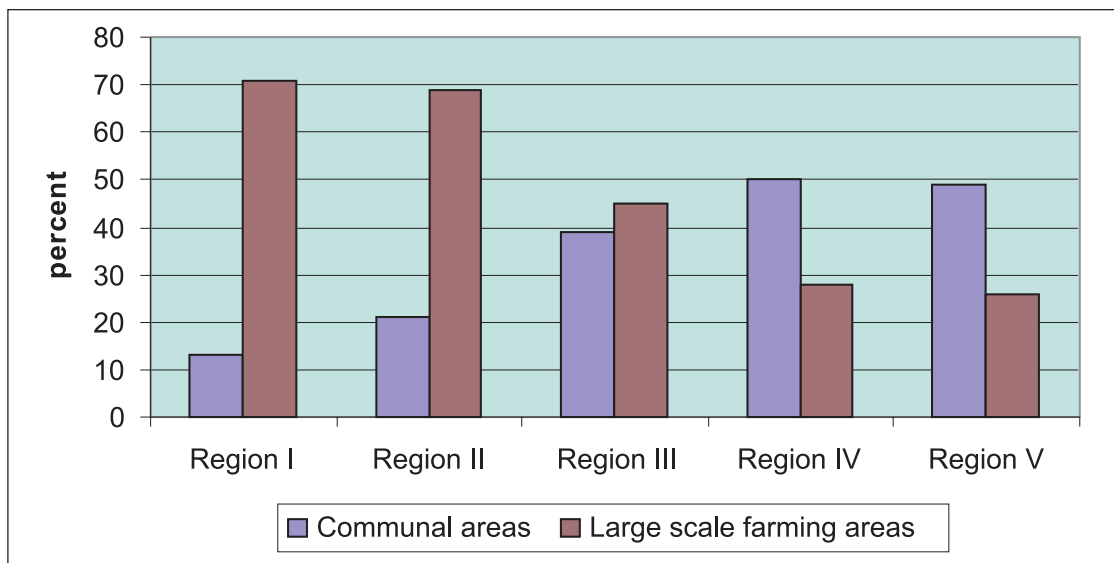
Table 2: Comparison of Land Holding by Natural Regions

Land Category	Natural Region (%)				
	Region I	Region II	Region III	Region IV	Region V
National and unreserved	16	6	12	18	23
Communal areas	13	21	39	50	49
Small scale farming areas	-	4	4	4	2
Large scale farming areas	71	69	45	28	26
Total	100	100	100	100	100

Source: Report of the Commission of Enquiry into the Agricultural Industry, 1982.

² Central Statistics Office, (1985) and Utete Report (2003)

Figure 3: A Comparison of Land Occupied by Large Scale Commercial Farmers and Communal Farmers by Natural Region,



Source: Report of the Commission of Enquiry into the Agricultural Industry, 1982

2.1.9 The land holding of **commercial farmers** was concentrated in **Regions I and II** while the **communal farmers** dominated the **Regions IV and V**, as illustrated in Figure 4 above.

3. LAND REFORM AND RESETTLEMENT PROGRAM PHASE 1 (1980 - 1998)

3.1 In 1980, the Government embarked on a Land Resettlement Program to redistribute land to the landless and those from overpopulated areas.

3.2 Objectives of the 1980 Land Resettlement Program³

- i) To reduce civil conflict by redistributing land to the indigenous population;
- ii) To provide opportunities for the war victims and the landless;
- iii) To relieve population pressure in the communal lands;
- iv) To expand production and raise welfare nationwide; and
- v) To achieve all of the above without impairing agricultural productivity or aggregate production.

³ Rukuni and Eicher (1994), Zimbabwe's Agriculture Revolution

3.3 In progressive years, land was redistributed towards the indigenous population as shown in Table 3 below:

Table 3: Land Acquisition and Settler Emplacement – Phase 1

Year	Area (hectares)	No of Households Settled
1980	176 671	1 971
1981	326 972	8 848
1982	819 155	14 179
1983	807 573	7 959
1984	173 848	3 659
1985	74 848	4 719
1986	86187	1 250
1987	133 516	6 142
1988	80 554	2 687
1989	69 361	2 574
1990	52 739	2 530
1991	35 091	2 167
1992	26 418	2 320
1993	43 106	575
1994	24 027	1 260
1995	42 449	3 160
1996	192 885	4 000
1997	186 525	550
1998	146 519	450
Total	3 498 444	71 000

Source: Ministry of Lands, Agriculture and Rural Resettlement (2001)

3.4 The **Resettlement Program under Phase 1** was according to the following models⁴:

- i) **Model A** – plots were made up of arable 5 hectare plots with communal grazing;
- ii) **Model B** – Co-operative model;
- iii) **Model C** – Commercial and individual small holdings; and
- iv) **Model D** – Livestock ranching.

3.5 Land ownership under the above models was vested in the State, with settlers being given occupants' permits.

⁴Rukuni and Eicher (1994) Zimbabwe Agriculture Revolution

4. THE 1985 LAND ACQUISITION ACT

4.1 The Land Acquisition Act of 1985 gave the Government the first right to purchase large scale farms for redistribution purposes on a **willing buyer willing seller basis** as per the **Lancaster House Agreement of 1979**.

5. THE LAND ACQUISITION ACT OF 1992

5.1 The 1992 Land Acquisition Act was designed to acquire more land for the resettlement of the indigenous population who were congested in marginal areas.

5.2 According to Rukuni and Eicher (1994), the objective of the 1992 Land Acquisition Act was to distribute land as follows:

- ii) The communal farming sector was to remain with 16.4 million hectares;
- iii) The Small Scale commercial sector was to remain with 1.4 million hectares;
- iv) The resettlement areas were to be expanded from 3.3 million hectares to 8.3 million hectares; and
- v) Land under state farming was to increase to 2.4 million hectares from 500 000 hectares.

6. LAND REFORM AND RESETTLEMENT PROGRAM PHASE 2 (1998-2000)

6.1 The second Phase of the Land Reform and Resettlement Programme was launched in 1998.

6.2 The main objective of this phase was to address the inequities in land resource allocation.

6.3 The Government, using limited resources, was only able to acquire 168 000 hectares on which 4 697 families were resettled between October 1998 and June 2000⁵.

7. FAST TRACK LAND RESETTLEMENT PROGRAMME (2000 TO 2004)

7.1 The Fast Track Land Resettlement Programme (FTLRP) was launched on 15 July 2000 to speed up the pace of land acquisition and resettlement.

⁵ Ministry of Lands and Agriculture and Rural Resettlement (2001)

7.2 According to the Utete Report 2003, the main objectives of FTLRP were:

- i) Speeding up the **identification for compulsory acquisition** of not less than **5 million hectares of land** for resettlement;
- ii) Accelerating the planning and demarcation of acquired and settler emplacement on this land;
- iii) **Provision of limited basic infrastructures** (such as boreholes, dip tanks and access roads, farmer support services (such as tillage and agriculture inputs));
- iv) **Simultaneous resettlement in all provinces** to ensure that the Reform Program was **comprehensive and evenly implemented**; and
- v) The **provision of secondary infrastructure** such as schools, clinics and rural service centres as soon as resources became available.

7.3 A total of **6.4 million** hectares were acquired and a total of **134 452** households were resettled⁶.

7.4 OWNERSHIP PATTERNS PRIOR TO FTLRP

7.4.1 The following table shows the distribution of land pattern before the FTLRP.

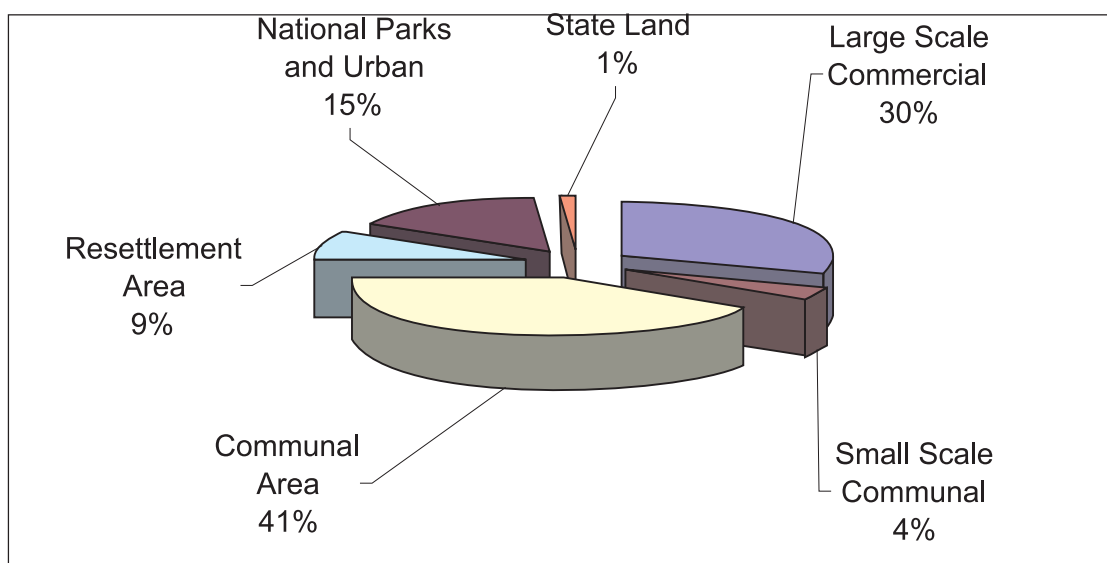
Table 4: Land Distribution Patterns Prior to FTLRP (30June 2000)

Category	Area (Million Hectares as at June 2000)	%
Large Scale Commercial	11.8	30
Small Scale Commercial	1.4	4
Communal Area	16.4	41
Resettlement Area	3.7	9
National Parks and Urban	6.0	15
State Land	0.3	1
Grand Total	39.6	100

Source : Utete Report (2003)

⁶ Utete Report 2003.

Figure 4: Land Distribution Patterns Prior to FTLRP (31 June 2000)



Source: Utete Report (2003)

7.4.2 As can be depicted by the above Figure 4, by June 2000, the distribution pattern system had **relatively remained the same compared to 1980**. The **non indigenous population** occupied a **large share of productive land** compared to the indigenous population.

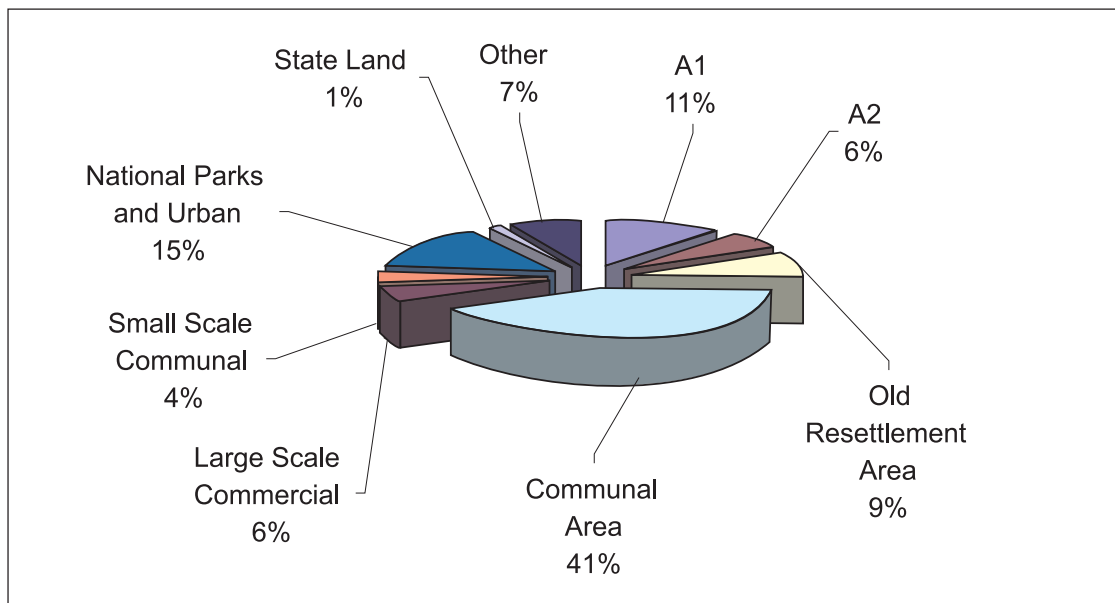
7.4.3 The following table illustrates the distribution of land pattern after the FTLRP.

Table 5: Land Ownership Patterns after FTLRP

Category	Area (Million Hectares) as at 31 July 2003	%
A1	4.2	11
A2	2.2	6
Old Resettlement Area	3.7	9
Communal Area	16.4	41
Large Scale Commercial	2.6	6
Small Scale Commercial	1.4	4
National Parks and Urban	6.0	15
State Land	0.3	1
*Other	2.8	7.0
Grand Total	39.6	100

Source: Utete Report (2003)

Figure 5: Land Ownership Patterns after FTLRP



Source: Utete Report (2003)

7.4.4 After the FTLRP the land ownership by indigenous population increased to levels commensurate with the **demographic composition** of the country.

DR G GONO
GOVERNOR
RESERVE BANK OF ZIMBABWE

24 JANUARY 2006

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