

“Enhancing Access to Finance in Namibia through an improved Land Tenure System”
Annual Address, Ipumbu Shiimi, Governor of the Bank of Namibia
Windhoek, 27 October 2011

Director of Ceremonies

Honourable Dr Theo Ben Gurirab, Speaker of the National Assembly,

Honourable Ministers and Members of Parliament

Members of the Diplomatic Corps,

Members of the Bank of Namibia Board

Distinguished Ladies and Gentlemen,

Members of the Media Fraternity

Good Evening

1. Let me express my gratitude to you all for taking time to be with us this evening.
2. The Annual Address has not only become one of the key highlights on the Bank’s calendar, but has also proven to be an important forum to share views on issues of national importance to our economy with our key stakeholders.
3. At last year’s address, I spoke about financial inclusion as an imperative for inclusive economic development. As the Bank, we put forward a four points’ agenda, in the areas of regulatory intervention, consumer literacy and protection, access to financial and payment services and local ownership of commercial banks as our intervention strategy to ensure enhanced access to finance to those currently excluded.
4. Tonight, I would like to expound on the same issue, albeit from a different angle. That is, to share with you some thoughts on how an appropriate land tenure system in an economy like Namibia can be used as a conduit for improving access to finance. But before I do so, let me provide you with an update on what we promised to do at last year’s Annual Address.

5. I am pleased to report to you that we have made considerable progress in that regard. The Namibian Financial Sector Strategy 2011 – 2021, which was endorsed by Cabinet will be launched before the end of December. Under the leadership of the Minister of Finance, the Bank of Namibia and NAMFISA, in consultation with the relevant stakeholders, have drafted this document in a manner that is reflective of the four points' agenda.
6. Furthermore, one chapter in the Financial Sector Strategy is dedicated to financial inclusion. In addition, a White Paper on local ownership of commercial banks has been drafted and the relevant stakeholders are being consulted to provide their comments.
7. However, we have realised that our present approach to improved access to finance and poverty reduction though meaningful, will only take us half way unless additional measures and reforms to improve access to finance in the communal areas are undertaken. It is for this reason that tonight, we chose this theme: “Enhancing Access to Finance in Namibia through an Improved Land Tenure System”.
8. We believe this reform would serve as a key conduit for the poor to be successfully integrated into the mainstream economy. The key question then is how should we enhance access to finance as a channel to eliminate the divide between the urban and rural areas, with the view to reduce poverty?
9. Director of Ceremonies, poverty in Namibia is more acute in the rural areas, and this is where land rights cannot be used to produce capital. The latest Household Income and Expenditure Survey of 2003/04 shows that a high number of Namibian households remain poor and poverty largely depends on where you live. The incidence of poverty amongst rural households is about 38 per cent compared to 12 per cent for urban households.
10. In other words, our fellow Namibians in the rural areas are more than three times poor than their counterparts in the urban centres. Moreover, about 19 per cent of households in rural areas are severely poor compared to only 6 per cent in urban areas.
11. This, Ladies and Gentlemen, clearly demonstrates that the disparity and level of exclusion of the majority of the people from the formal sector of the economy,

especially the rural poor, remain a serious concern. Moreover, most farmers in the communal areas remain poor and depend largely on old age Government pension and remittances from family members.

12. We strongly believe that in order to reduce poverty in the rural areas, we need to improve the productivity of the land in these areas and move away from subsistence farming towards commercial activities.
13. This can only happen if those who want to transform to commercial activities are able to attract finance to modernise their farming practices by being able to buy farming equipment, fertilisers, livestock and labour, but also to engage in other economic activities. In this regard, the need to ponder and reflect on what could be done to ensure that the divide and level of exclusion between the rural and urban areas are minimised and, eventually, eliminated becomes rather urgent.
14. Director of Ceremonies, Ladies and Gentlemen, the answer lies in what is already in the possession of the poor. The answer is LAND. History has demonstrated time and again, that Land remains one of the most important conduits for access to finance. And, this is what I want to present to you this evening.
15. By way of background, Namibia covers over 825 thousand square kilometres of land. About 38 per cent of this land falls under the communal land tenure, where approximately over 50 per cent of the population lives. Virtually all the land rights in the communal areas are customary rights, with their own registration system. This is unlike in the rest of the country where land rights are registered in a properly functioning Deeds Office.
16. This implies that over 50 per cent of the Namibian population does not have secure and tradable land rights. It further means that half of the Namibian people cannot use their land to raise capital. Consequently, it means that 38 per cent of Namibia's land is what is termed as "dead capital".
17. Director of Ceremonies, this is another example of a dual Namibia, that is, one country, with a less formal tenure system for the communal areas and an advanced one that allows for security and tradability for the rest of the country.

18. Ladies and Gentlemen, the land tenure system is an important factor in explaining development or lack thereof. In his book titled "*The Mystery of Capital*", Hernando De Soto, termed by the *Time* magazine as one of the five leading Latin American innovators of the twentieth century, demonstrates with startling research findings from Asia, Africa, Latin America and the former socialist' countries that a major problem in developing countries is their inability to use land rights to produce capital.
19. According to De Soto, the problem is in the fact that most developing countries' residents hold resources in defective forms. A typical example of this, Ladies and Gentlemen, is, a house built on land whose ownership rights are not adequately recorded and not tradable. In such an environment, this asset cannot be turned into capital and cannot be used as collateral.
20. This situation is contrary to what is generally happening in advanced countries, where every building and every piece of land is legally documented, which essentially activates that asset as a resource to potentially participate in economic activities. By De Soto's calculations, the total value of the real estates held in a defective form by the poor of the Third World and former socialist nations is estimated to be around USD9.3 trillion. In Namibia, these assets could amount to N\$20 billion representing about 23 per cent of GDP.
21. Let's imagine, Ladies and Gentleman, a situation where only 30 per cent of the communal land is turned into productive capital. This may potentially unlock a sizable investment equivalent to 7 per cent of GDP, almost equal to the current contribution of the mining sector to GDP. The question is; what will the impact be if it is not 30 per cent, but 80 per cent of the communal land? This will go a long way in creating the much needed employment, stimulating growth and reducing poverty in rural areas.
22. Director of Ceremonies, I believe the Ministry of Lands and Resettlements is making good progress in improving tenure security in communal areas and they must be applauded for these efforts. The Communal Land Reform Act was promulgated in 2002. This Act has provided clarity on the administration of customary and leasehold rights in the communal areas. Also, in accordance with this Act, regional Land Boards have been established to manage, together with traditional authorities, the registration of land rights
23. I understand more reforms are envisaged in this regard. But what is important, is to make land rights in communal areas fully tradable like other properties in the rest of

the country. Here, I am talking about tenure security and tradability, because it does not matter whether it is a freehold, or leasehold land rights; what is important is security and tradability.

24. Ladies and Gentleman, I am mindful of the fact that reforming land rights is a costly exercise, because it involves surveying and mapping. I am also aware of the fact that in the rural areas it can, from a socio-political perspective, be a difficult undertaking and it may even have unintended consequences, such as people selling their properties for quick financial gains. While this is a legitimate fear, I think it is often somewhat overstated.
25. I do believe there are ways to mitigate these risks in a manner that the benefits from these reforms would outweigh the costs. Similar concerns were also present when today's advanced economies were reforming their land tenure system at around the 16th century. But, they have managed to overcome these challenges.
26. The lessons from history are that those countries which have made their land rights tradable have made progress in reducing poverty. For instance, Vietnamese land tenure policy reforms were a central part of its wider economic reforms under the Doi Moi program in 1986. This has steered the country to transition well towards a market based economy.
27. The improved land tenure security is cited to have played a critical role in accelerating agricultural growth, increasing food security, and reducing poverty throughout the country. The most impressive gain was the falling of the poverty rate from over 70 per cent in the mid-80s to around 29 per cent of the population in 2002 and further down to 10 per cent in 2010. This is one of the sharpest declines in poverty to have ever been recorded.
28. Director of Ceremonies, we need to proceed with a greater urgency and momentum to make land rights in the communal areas fully tradable. Going forward, we are proposing that a multi-disciplinary team be set-up to map out the road ahead. This team should be tasked to coordinate all actions required. For instance, some of the current land laws need to be amended to be reflective of this ideal. The revised laws also need to strengthen the management of the land that is used by all in the communal areas, the so-called commonages.

29. This is one of the issues that need urgent attention. Further, there is need to educate the people in the communal areas of their rights and obligations that results from a secure and tradable land tenure. Education will ensure that the citizens fully benefit from the economic value of the land that has tradable land rights without falling prey to uninformed behaviour, which can lead to them losing their most valuable possession. As Namibians, we should strive to make land in the communal areas tradable within a period of 10 years.
30. In conclusion, Ladies and Gentlemen, property ownership in Namibia, including land ownership is a fundamental human right, which is enshrined in our Supreme law, Article 16 of the Namibian Constitution. In addition, the National Land Policy of 1998 states that *“all citizens have equal rights, opportunities and security across a range of tenures and management systems and several forms of land rights will be accorded equal status before the law”*. We have not yet realised these aspirations, Director of Ceremonies.
31. Our people in the communal areas have no land rights that are equal in status to those of their fellow citizens in the rest of the country. As a result, they lack the opportunities to turn their land into productive capital. Let us, therefore, do what is required. Let us fulfil this human right, which will, in turn, enhance access to finance by the rural poor and unlock the concealed potential and destiny of our great country.
32. Ladies and gentlemen, the destiny of a people, a Nation is not necessarily shaped by one big event. It is shaped by a series of events, a series of decisions – both major and minor. Let us therefore do what is required to move from a communal land system to a tradable and secure land tenure system. Let us to move towards the chosen destiny of this great Nation!

I thank you for your kind attention.