

Talking points at the 2nd National Land Conference, 1-5 October 2018
Economic and financial implications: Issues emanating from regional consultations

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1. Contribution of Agriculture to the economy/ growth

Over the last 11 years (2007-2017), the Agriculture sector in Namibia accounted for 4.3 percent of GDP on average. The two subsectors of agriculture i.e. livestock farming and crop farming, contributed 2.5 percent and 1.8 percent, respectively, over the same period. As we are aware, Namibia's climatic conditions are highly volatile and the performance of agriculture is dependent on such conditions. The GDP contribution of agriculture varied between 3.3 percent observed during drought years and 5.3 percent in good years over the last 11 years.

The importance of agriculture's contribution to the economy is more magnified when it comes to employment. The Namibia Labour Force Survey of 2016 reported that 20.1 percent of the labour force (or 135,832 people) was employed in Agriculture, Forestry and Fishing sectors. This is the largest employing sector in Namibia, followed by Wholesale & Retail Trade, which accounted for 9.7 percent. We also know that a greater portion of the Namibian population depends on subsistence agriculture for livelihood, something that may not be fully captured under formal employment.

The economic implication is that, Namibia stands to lose from many angles (i.e. from growth, employment, production for own consumption) if land is not efficiently managed for productive purposes.

2. Key issues for the panel discussion

Given the mandate of the Bank of Namibia, we have opted to provide our inputs on selected issues covered in the Consolidated Report on regional consultations in preparation of the 2nd National Land Conference. These issues are broadly clustered into three areas:

1. Maintaining and enforcing property rights
2. Ensuring access to credit in communal areas
3. Should interest rates be regulated to make housing affordable to all Namibians or not?
4. Removal of Veterinary Cordon Fence (Redline)

2.1 Maintaining and enforcing property rights, in the face of calls from some sectors of the society to expropriate land without compensation.

The Constitution of the Republic of Namibia is very clear in Article 16 which outlines and protects the right to property ownership in the country. Furthermore, the Constitution under the same article 16 gives powers to the State or a competent body or organ authorised by law to expropriate property in the public interest subject to the payment of just compensation, in accordance with requirements and procedures to be determined by an Act of Parliament.

Your Excellency, ladies and gentlemen, we need to recognize that markets are developed because of property rights, and without it there can be no actual market. Similarly, no one would be willing to commit investment in an enterprise where property rights are not secured. Without clearly defined property rights contracts will not be enforced and it would be extremely difficult to plan for the future. Well defined property rights are the most basic necessity for a functioning economy and lack of them is the biggest drag on an economy. The less secure those rights are, the poorer the economy gets. Disrespecting property rights in one sector of the economy may have spillover effects or create a perception that property rights in the other sectors may also not be respected.

There is ample empirical evidence that shows that an absence of clear property rights or secure land tenure, inhibit investment, economic activities and growth. Therefore, respect of property rights and promotion of secure land tenure continue to remain central elements of economic growth and development. Notwithstanding, we believe that measures and policies to address the problems of those who are dispossessed and affected by inequality in the economy should be considered but still within the ambit of the supreme law of the country.

To demonstrate the impact of secured land tenure system and property rights, take an example of the two Kavango regions (West and East) compared to //Karas region along the Orange River. The former two regions have also a perennial river and I believe that the soil over there is even more fertile compared to //Karas. But //Karas region at Ausenkehr, Noordoewer has flourishing economic activities and significant number of employment has been created and foreign exchange is earned compared to the two Kavango regions. Why is that the case? The answer lies amongst others with clearly defined property rights and secure land tenure system. Therefore, we urge that whatever measures are taken should not diminish the elements that promote secure land tenure system and property rights, but rather strengthen.

2.2 Bankability of Communal Land/Access to credit in communal areas

One of the major expectations for the land reform program across the globe has been to increase the investment or bankability of communal land and resettlement farms. We believe land reform cannot be complete and be cited as successful unless the emphasis is also placed on the necessity of communal farmers or resettled farmers to be able to use their land as collateral, hence the need for titling. To the extent possible, a successful land reform programme should strive to enable both communal and resettled farmers to have the *option* to obtain a form of tenure that will enable them to offer their land as collateral to obtain credit.

Vietnam is a good example where individualization of land rights (land titling) increased access to credit and enhanced agricultural productivity. Agricultural land investment was enhanced by land rental and land sales markets, though these markets respond differently to measures that aim to increase resource access to the rural poor and enhance farm efficiency. Land registration and the issuance of land use certificates, improved households access to credit, particularly from the formal banking institutions such as commercial and rural cooperative banks.

Thus, the case for Vietnam proves that title deeds together with financial incentives for land acquisition and development is highly relevant in the performance of land reforms programs in developing countries.

2.3 Regulating interest rates to make housing affordable to all Namibians

The report recommends that the Bank of Namibia should regulate the prime interest rates for housing finance and review the home loan policy to improve affordability.

From the perspective of the Bank, we are of the view that the key issues that cause high house prices in Namibia are not necessarily interest rates. They are amongst others: unavailability/shortage of serviced land in the face of increasing demand; high and increasing costs of building materials and the use of auctions by local authorities to distribute land for constructing residences. The knock-on effects include speculation and limited housing stock at the lower and middle spectrum of the market. In this regard, the Bank of Namibia therefore, recommends that there is a need for concerted and deliberate policy interventions to increase the delivery of serviced land, improve access to housing for low income households and finding ways to mitigate the rising costs of building materials. In addition, the review and introduction of legislation to discourage speculation are recommended. In this regard, the Bank of Namibia introduced the Loan to Value ratio legislation in 2017 to curb speculation, especially in the non-primary mortgage market segment. The Bank of Namibia continues to monitor the performance of the regulation in order to enhance its effectiveness. Addressing

the abovementioned challenges are key to solving the problems of housing than resorting to non-market intervention of controlling interest rates. In fact, an attempt to control interest rates may have a far reaching implications on the economy and may even exacerbate the shortage as the commercial banks may shift away from granting loans to the housing market because of controls and regulations and channel it to other sectors.

2.4 Removal of Veterinary Cordon Fence (Redline)

Eventual removal of the Red Line will without doubt increase access of the Northern Communal farmers to better markets and hence improve their livelihood, income and thus reduce poverty. In this context, we agree with the gradual shifting/removal of the Red Line in order to include northern communal farmers in the mainstream of the economy. Therefore, we see current measures taken by Government to control animal diseases in the Northern Communal Areas (NCA) before the shifting of the Red Line is a step in the right direction.

While the shifting of the Red Line may not happen soon, maybe there are things that can be done in the meantime. Is there possibility for those who are having Government tenders in those areas to source meat within NCA? Which can be supplied to local school hostels, hospitals and army bases. These will not entirely be a solution but at least will create market for the livestock in the NCA, increase incomes of the local communities and improve livelihoods.

I thank you.