

# Wither Land Reform in Namibia

## *Social and Economic Implications*

*Penda Ithindi*

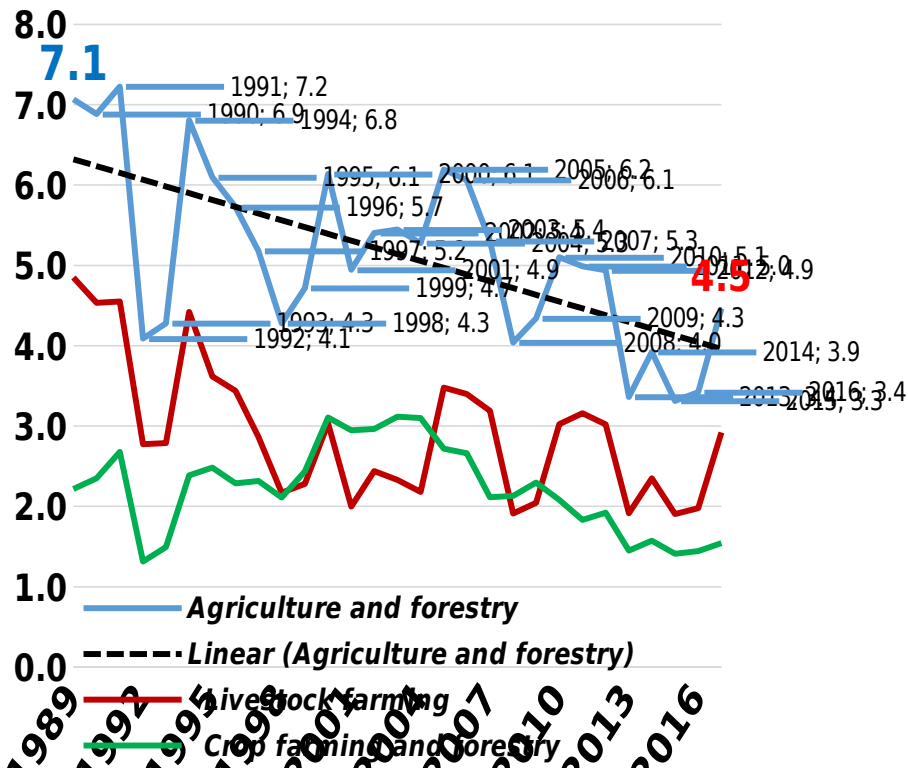
*02 October 2018*

# Land acquisition, utilization and shared prosperity

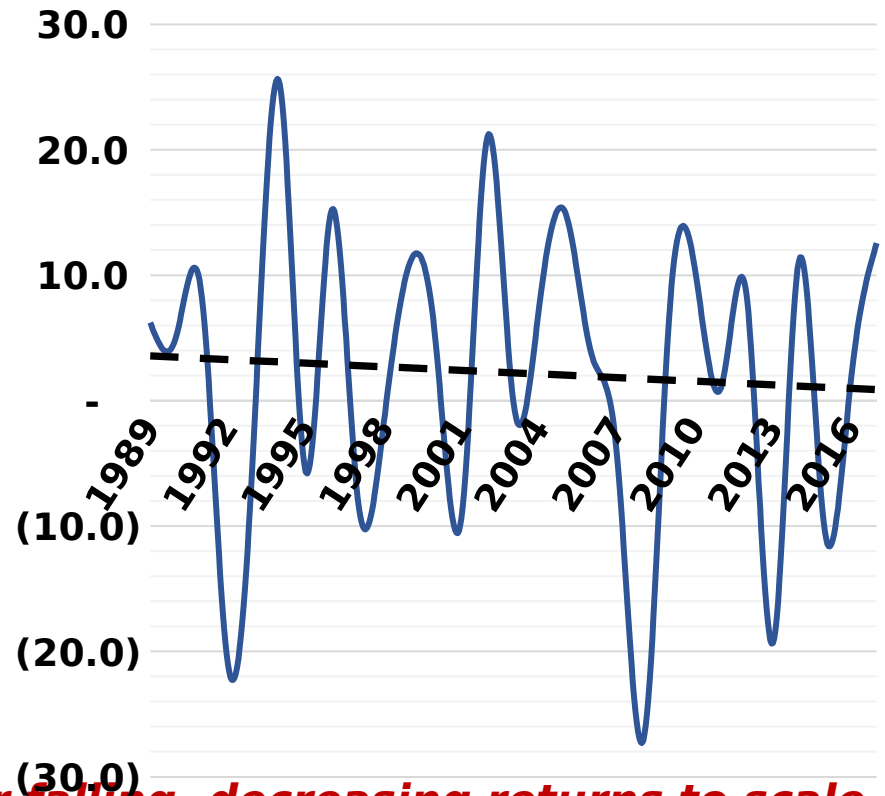
- **Land is a productive asset.** When acquired and put to productive use such land can contribute to wealth creation and social development and transformation
- ***Access to land, is a necessary condition for inclusive growth, shared prosperity*** and making a dent on the triple challenges of unemployment (34%, 43%), poverty (17.2%) and inequalities (0.56)
- All most everyone aspires to have land. But ***access alone does not unleash land productivity.***

# Share of agriculture and growth rates

## Agric share of GDP is falling



## Real growth volatile & diminishing



**Has shed jobs, productivity stagnant or falling, decreasing returns to scale**  
**The 2018 Consensus should not, at the very least, worsen but improve this outcome**

# Basic Requirements for a successful land acquisition/reform program

- **Existence of a capable mass of enterprising farmers** and individuals **with economic motive** to utilize the land gainfully,
  - **Ability to utilize the land resource profitably** in a commercial sense or gainfully from broader economic perspective (managerial, technical skills),
  - **A predictable rights-based system** and **security of tenure or lease** with reasonable duration to serve as incentive for individuals and economic agents to invest and produce,
  - **increased flow of net economic gains from acquired ownership or lease** with intergenerational equity; thus, lifting people out of poverty and affording basic social amenities. Well-researched safeguards needed to avoid systematic meltdown
  - **Optimal land size** to warrant investments for economic viability **and full capacity utilization** of possessed or acquired land,
  - taking into consideration the country special circumstances, given the political economy of the land question.
- the land reform agenda should seek to achieve a

# Wither Land Reform in Namibia: Progress and Performance Indicators

- Based on available evidence, the following evidence emerge:-
  - **About N\$1.89 billion in public expenditure was made to acquire at least 549 commercial farms** or some 3.2 million hectares of land under the willing buyer-willing seller principle. **This is 0.1% of GDP, or some N\$70.0 million annually over the past 27 years.**
  - Affirmative loans extension for the same purpose were about N\$1.4 billion for a total of 442 farms (6.0 million hectares) purchases?.
  - In total, **this is N\$3.2 billion in direct public spending over the past 27 years** (NRP and AALS), **averaging 0.2% of GDP or N\$120 million annually.**
  - As an **Upper Middle Income Country, we have spare capacity to do better** in terms of public expenditure towards the program, by prioritizing better within available resources. Multiple funding options can be considered and a case for some form of a targeted wealth tax can be made.
  - In respect to **urban land, the binding constraints are mainly the supply and affordability of serviced land**. This supply side constraint is exacerbated by high unemployment and low income levels at the bottom of the pyramid. Strategies for inclusive growth, private sector jobs and skills development are important

# Socio-economic Implications: Land Reform and urban land delivery

- From economic perspective, the success of the reform depends on the degree to which the reform leads to increased flow of net economic benefits in terms of per capita income, jobs, profitability and increased productivity and social welfare.
  - **Impact on net economic gains:** A reform program which results in diminishing or dissipation of net economic gains such that aggregate output, income and productivity fall in the long-term is bad economics and neither poverty reducing nor welfare enhancing. Namibia should avoid to enact popular reforms with unpopular long-term economic outcomes.
  - **Impact on investment (realized and potential):** The reform should provide a conducive environment how realized investment can continue to earn a return and an attractive environment for potential investment. It is perhaps this consideration which informed the willing buyer, willing seller principle and expropriation with just compensation.
  - **Market certainty and investor confidence:** No doubt, the systematic and phased approach to land reform in Namibia has provided market certainty and investor confidence and predictability. We should keep in mind these trade-offs as a small open economy, highly vulnerable to shocks and needing to improve its competitiveness as part of its growth strategy.
  - **Economic incentive:** A rights-based system with a reasonable duration or term is the basis for creating economic incentive to invest, innovate and produce.

# Socio-economic Implications: Summary

- From an economic perspective, the following recommendations emerge:
  - **Implementation of the 2018 Consensus should result in the increase in the net economic benefits for Namibia and Namibians**, i.e sector output must increase in quantity and quality, increased per capita income, jobs and further reduction of poverty and inequalities.
  - For commercial agricultural land, **the allocation criteria should assess the ability to utilize land gainfully, acquisition should be accompanied by time-bound post-resettlement support and effective M&E. Full capacity utilization is key**
  - **A rights-based system, with a predictable security of tenure is indispensable** to attract individual capital investments,
  - **A package of funding mechanisms is needed** to deliver better results. An Upper Middle Income Country has more spare capacity to implement redistributive policies and this is an appropriate avenue some form of *a targeted Wealth tax*,