

THE 2ND NATIONAL LAND CONFERENCE (1-5 OCTOBER 2018)

THE ROLE OF AGRIBANK IN LAND REFORM

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1. PRESENTATION OUTLINE

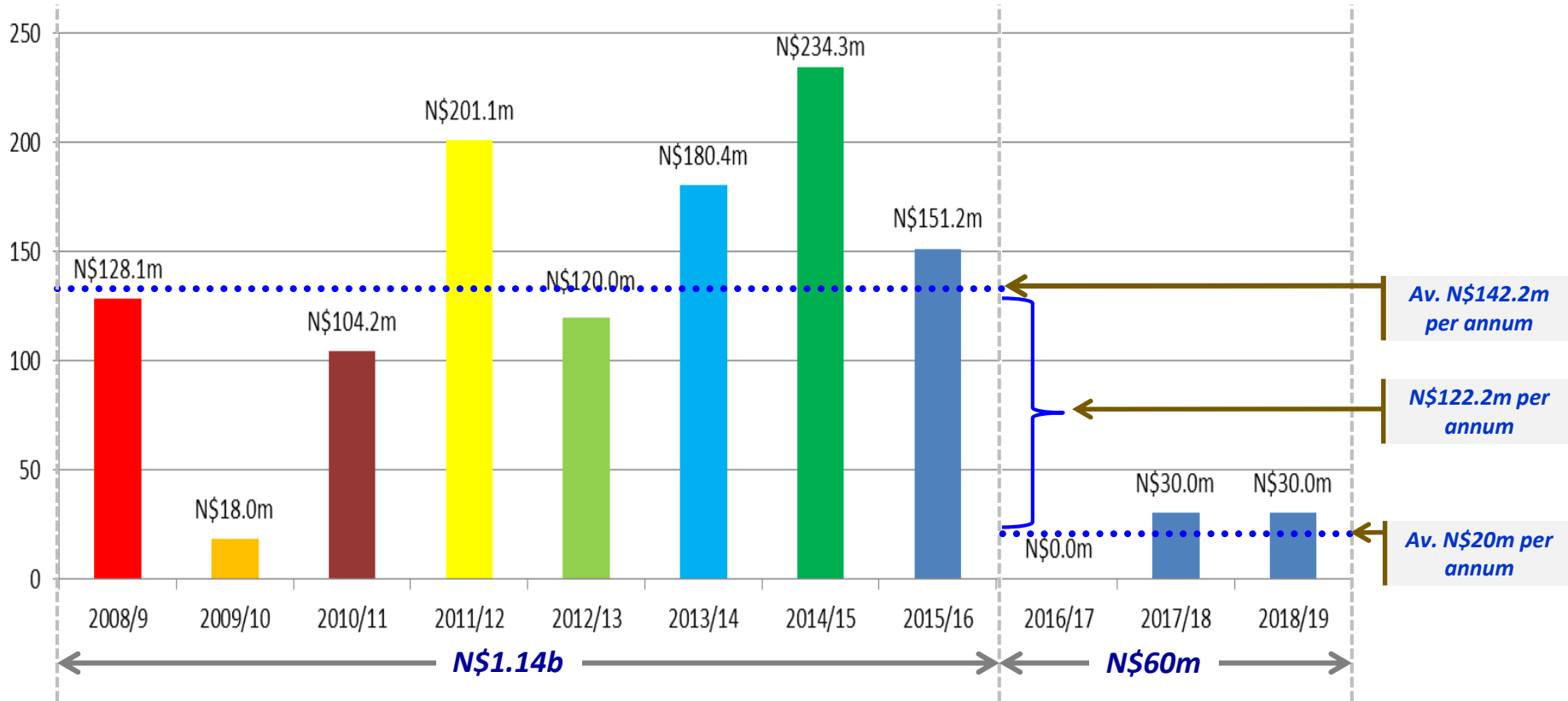
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1. INTRODUCTION

- Agribank is a public enterprise, established by Act of Parliament (Act No. 5 of 2003).
- It provides loans for agriculture and related activities in both communal and commercial areas.
- Government has been the principal funder of Bank's loan book over the years.
- Bank is an implementing agency for two government schemes (1) Affirmative Action Loan Scheme (AALS) and (2) Post Settlement Support Fund (PSSF) - which are key initiatives in the Land Reform Programme.
- Bank's current loan book is N\$ 2.8 billion; arrears are at N\$618 million (30 June 2018).
- Arrears/loan book ratio stood at 22% as at 30 June 2018, above the benchmark for DFIs of 15%. Most of the arrears fairly old - reflects that Government has been funding inefficient production & collections.
- Treasury transfers to Agribank have contracted in recent years, in line with fiscal consolidation. Arrears & lower treasury transfers have impacted the Bank's liquidity, adversely impacting delivery on mandate.
- Beneficiaries of Agribank funding must honour financial obligations for sustainability.

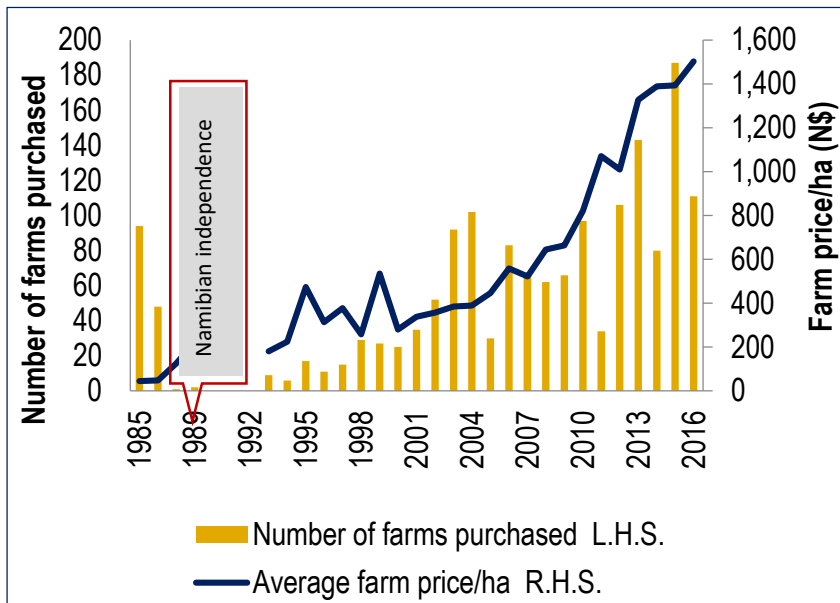


2. INTRODUCTION: A VIEW OF TREASURY TRANSFERS OVER TIME



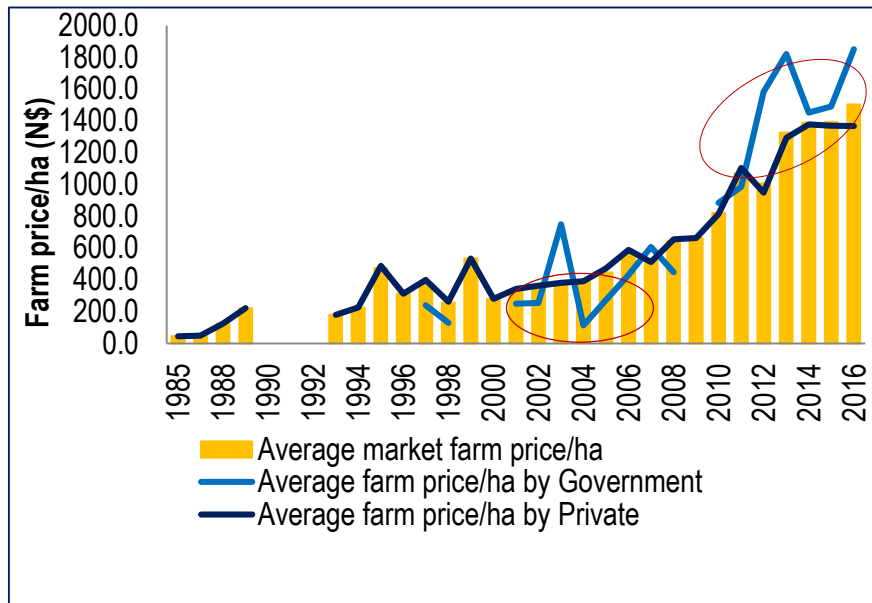
3. FARMLAND PRICES

Number of farm purchased vs Average farmland price/ha



Source: MLR/Agribank Research

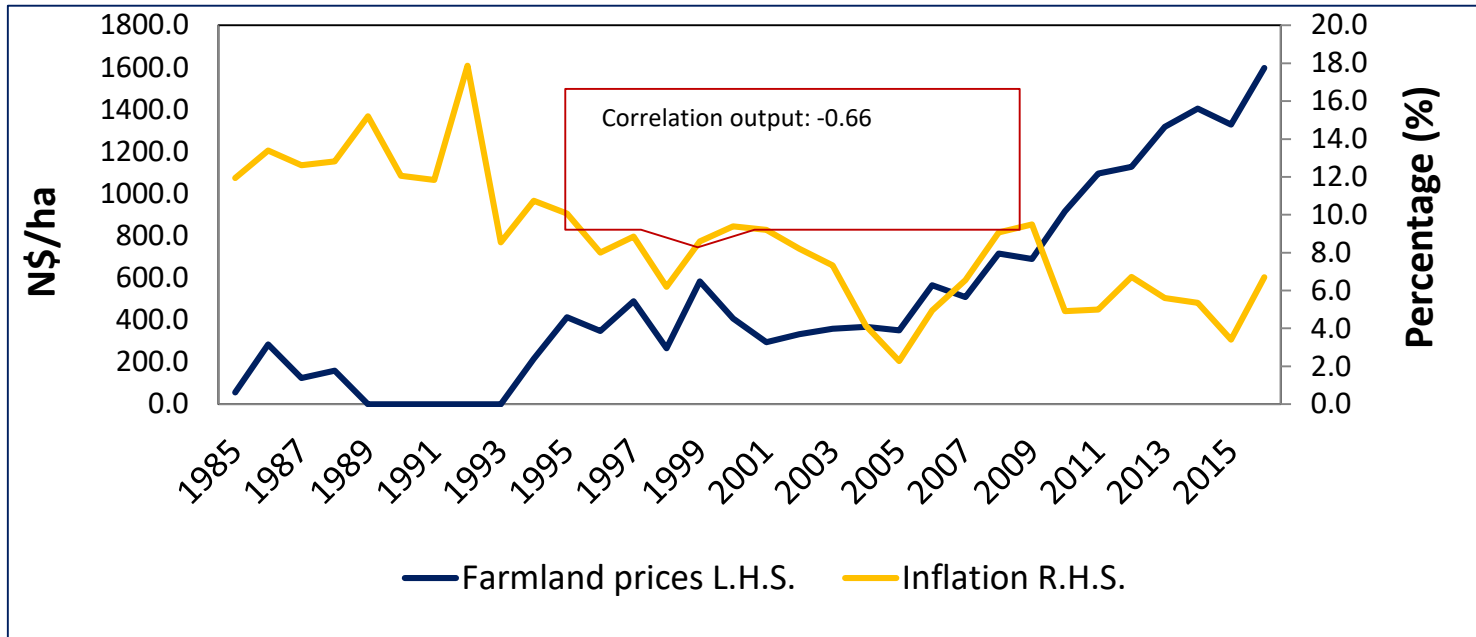
Average market farm price/ha vs Farmland price Government



Source: MLR/Agribank Research

- **Steep increase of farmland prices evident since 2010 and farmland purchased by government rising above the average market farm prices/ha.**
- This market trend partly explains the skewed distribution and ownership of commercial farm land.
- It further has an implication for low farming productivity, due to limited access to additional credit for working capital and infrastructure, after purchasing the farm.
- Situation is exacerbated by periodic harsh climatic conditions and other catastrophes.

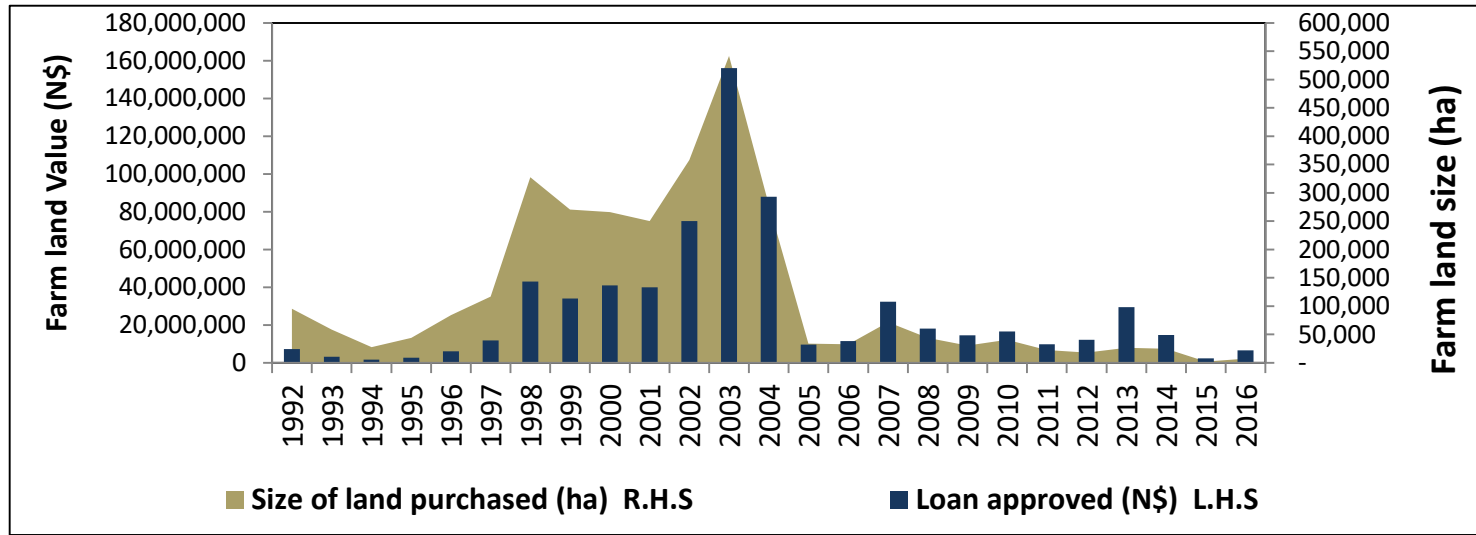
4. FARMLAND PRICES vs. INFLATION



- From a different angle: It is interesting to establish if farmland prices have followed a general trend for prices of goods and services (inflation).
- Evident that farmland prices are unjustifiably high and not aligned with market trends, showing that the farmland market is highly distorted.
- Concerning.

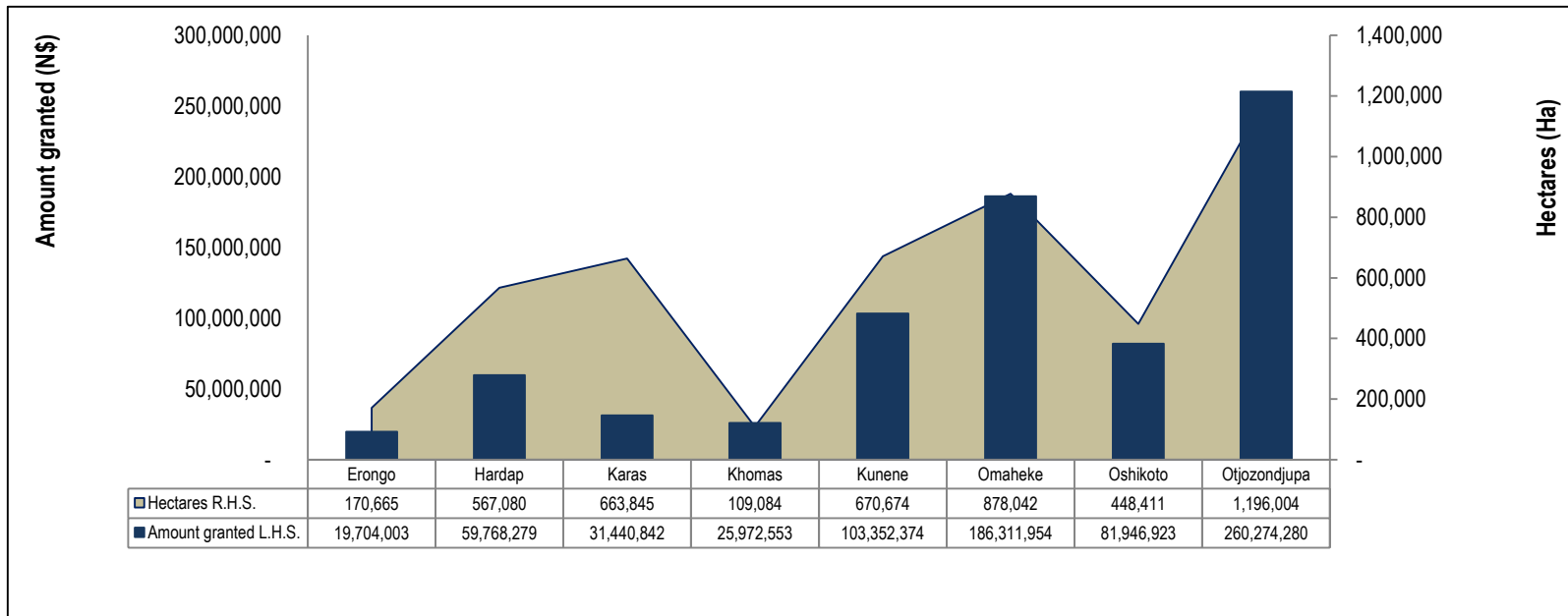


5. AFFIRMATIVE ACTION LOAN SCHEME



- The Affirmative Action Loan Scheme was established in 1992 through a Cabinet Memorandum (CAB, 96) as a special scheme designed to allow previously disadvantaged communities to acquire farms in commercial areas.
- Since 1992, Agribank approved a total amount of N\$777 million under the AALS - covering total farmland size of 3.4 million hectares.
- By 30 June 2018, the loan book (total loan owed to Agribank) for AALS stood at N\$ 356.4 million and 26 % of this loan book is in arrears (higher than Bank average). Means some loans have been settled over time.
- **Terms & conditions:**
 - Minimum of 150 large stock or 800 small stock or own productive livestock equivalent to at least 35% of official carrying capacity of the farm to be purchased.
 - AALS beneficiary must be farming in communal area (a farmer leasing land in commercial land is excluded)
 - 10% deposit by purchaser (of purchase price)

6. AFFIRMATIVE ACTION LOAN SCHEME: REGIONAL DISTRIBUTION



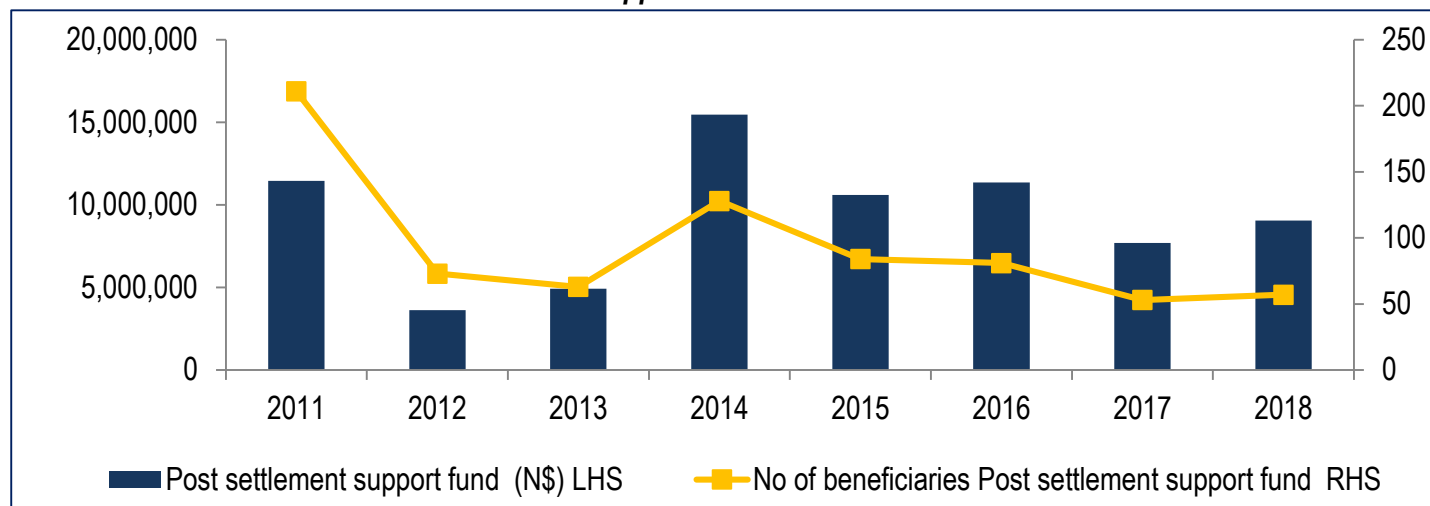
- The AALS is skewed towards Otjozondjupa, Omaheke, Kunene and Oshikoto regions, accounting for 33.8%, 24.2%, 13.3% and 10.6% of the total amount, respectively.
- Correspondingly, the Otjozondjupa, Omaheke, Kunene and Oshikoto regions present a similar portrait in terms of the average price per ha.
- One could therefore argue that farmland market is seized by market distortion and speculative behaviors, hence farmland affordability is increasingly eroding.

7. AFFIRMATIVE ACTION LOAN SCHEME: CHALLENGES

#	CHALLENGES TO AALS
1	The 10% deposit is too high given increase in farm prices over time.
2	Requirement to be migrating from communal farm(s) restrictive to previously disadvantaged persons who want to start farming or who are leasing in commercial areas.
3	High farmland prices limit ability of AALS clients to access additional credit for stocking and working capital, a circumstance that limits optimal use of the land & potentially compromising farm productivity.
4	Unproductive use of farm land - kept as a life style asset & not as a business enterprise.
5	AALS beneficiaries are only allowed to sell the farm after 10 year period from the time of purchase, allowing continuous inefficient utilization the farmland.

8. POST SETTLEMENT SUPPORT FUND (PSSF)

Loans disbursed for Post Settlement Support fund



Source: Agribank Research

- Agribank and MLR co-financed the establishment of the revolving financing fund for resettled beneficiaries to the value of N\$60 million through an MoU signed in February 2009. Fund has grown through investment performances.
- As at 30 June 2018, total amount disbursed to PSSF clients stood at N\$ 72 million – benefitting 544 farmers; loan book stood at N\$ 63.3 million.
- Arrears were N\$13.4 million – giving an arrears to loan book ratio of 21%.
- **Terms and conditions:** Allotment letter, pre-settlement training, maximum loan amount of N\$200,000, set products to use loan for.



9. POST SETTLEMENT SUPPORT FUND (PSSF): CHALLENGES

#	CHALLENGES TO PSSF
1	Based on current disbursements run-rate and investment performance on fund balances the fund is expected to be depleted latest by the year 2021, if no additional investment is made into it.
2	The loan limit of N\$ 200,000 is prohibitive (in terms loan value and eligible product scope).
3	Productivity levels of the resettled beneficiaries appear generally low, affecting loan repayment performance.
4	The small scale farming units developed under the program of communal land development are excluded from the Post Settlement Support scheme and no special funding scheme for these farmers is in place. This curtails productivity on these communal farms.

10. TRAINING AND MENTORSHIP SERVICES

#	DESCRIPTION
1	Agribank recognizes that access to credit is not a sufficient condition for increased production. Farming skills are critical towards such end.
2	Agribank and GIZ co-financed the implementation of Farmers Support Project since the year 2010. Following the end of this project in 2016, Bank integrated training and mentorship services into its operations effective 1 April 2017.
3	Basic coverage includes production-specific knowledge, record-keeping, book-keeping, people management and marketing of produce.
4	The mentorship leg is focused on the Bank's customers while training services are open to all farmers.
5	The challenge, however, is limited funding to execute on a bigger scale throughout country.

11. TRAINING AND MENTORSHIP SERVICES

Type of Event	No. of Events	Total Participants	Total Male	Total Female	AB Male clients	AB Female clients
Farmer Information Days	66	3191	2040	1132	147	74
Evening/Day Lectures	138	3496	2062	1401	341	188
Short Training Courses	46	1406	619	765	47	51
Practical Sessions	20	417	230	187	35	19
Excursions	5	73	48	25	11	10
Pre-settlement Training	4	109	76	38	14	4
<u>Total</u>	<u>279</u>	<u>8692</u>	<u>5075</u>	<u>3548</u>	<u>595</u>	<u>346</u>

*Please note: *Gender aggregate figures differ from total due to blank entries on attendance registers*

- The Table above shows the achievements made thus far, since the integration of the Agri-Advisory Services.
- There is still more that Agribank can do, given the necessary funding support from shareholder and stakeholders.

12. SUMMARY

- The Bank holds great potential to contribute to economic growth and job-creation through its financing activities.
- To fully attain its potential, it requires consistent funding at sufficient levels from shareholder and strategic stakeholders.
- Funding should include support to training & mentorship delivery. Extensive training and mentoring could help lift productivity significantly. Multilateral agencies can – and should – support this initiative through grant funding.
- Complementary to funding - beneficiaries of Bank loans must honour their financial obligations for Agribank to continue delivering on its mandate and operate sustainably. Not paying denies others the opportunity to receive loans and will result in collapse of the institution.

12. SUMMARY (C'td)

- Government financing schemes are noble initiatives which need to remain relevant and responsive to changing environment & market dynamics.
- Funding is necessary but not sufficient for success:
 - Skills & knowledge
 - Commitment
 - Markets for produce
 - Access to markets

13. RECOMMENDATIONS

1. Given the foregoing challenges, the AALS and PSSF need urgent review to ensure that the schemes remain responsive to the market and environment dynamics.
2. Resettlement support (training & funding) should include small-holder farmers in northern communal areas. More funding is required into the fund (or similar vehicles) towards this end.
3. Create mechanisms for marketing for northern communal farmers.
4. Farmland price developments need curtailing?

THANK YOU!

