

# The Potential Impact of Lease Agreements on the Livelihoods and Productivity of National Resettlement Programme Beneficiaries in Namibia



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GIZ— Inclusive and Sustainable Urban Development



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## Executive Summary

The purpose of this study was to investigate the impacts of Lease Agreements on the farmer's livelihoods and agricultural productivity, and to understand the progress and current challenges of issuance and registration of the Lease Agreements. A mixed-method approach was employed, whereby a desktop review assessed Namibia, Regional (SADC), Continental (African) and International cases and experiences with regard to leases and agricultural productivity. Thereafter, key-informant interviews were conducted with officials from selected institutions at national level, including Directorates of the Ministry, commercial banks, Agricultural Bank of Namibia (Agribank), agricultural retail and service providers, and other line Ministries in Namibia. Hence, a total of 14 key informants were interviewed. Another method used was a face-to-face questionnaire survey of randomly selected lease holding and non-lease holding farmers. A total of 108 farmers (57 with and 51 without a Lease Agreement) were interviewed in eight of Namibia's 14 regions: Erongo, Hardap, //Karas, Kunene, Omaheke, Otjozondjupa and Oshikoto. Study findings indicate that the resettlement programme has generally enhanced the farmers' livelihoods and productivity. Moreover, on its own, a Lease Agreement does not suffice to influence productivity and enhance land investment, but that a Lease Agreement is a necessary condition for both farm productivity and enhancing land investment. As for the role of the Lease Agreement in facilitating access to agricultural credit from financial institutions, the study found only a marginal difference between lease holding and non-lease holding farmers in accessing such credit from Agribank, due to the fact that this agricultural farm required only an allotment letter (which every resettlement farmer must have) from the Ministry – this being a result of the joint Ministry-Agribank special support programme mainly. Therefore, a Lease Agreement did not help farmers to access agricultural credit from private financial institutions. Financial institutions have indicated that they currently base their decisions on merit. Merit is based on: ability to repay the loan; availability of updated financial records; availability of security/collateral to cover the expenditure; and adequate management experience or knowledge. At the time of the study, only 5% of all resettled farmers were issued with a Lease Agreement. The study suggests that low issuance is attributed by the following: non-functional farm infrastructure; financial and capacity constraints in the Ministry; limited communication and lack of coordination between relevant Directorates within the Ministry; and limited capacity in the Ministry to support the resettlement programme. Equally, the Ministry should continue engaging key financial and relevant institutions to assist farmers in accessing agricultural credit to sustain or increase their current production level.

## 1. Introduction and Background

Soon after Namibia attained political independence in 1990, the Government of the Republic of Namibia (GRN) embarked on a process of commercial land reform, with the aim of redressing colonial apartheid-based discrimination by resettling previously disadvantaged Namibians on commercial farmland. To reach the target for land redistribution, GRN formulated two programmes, namely the Affirmative Action Loan Scheme (AALS) and the National Resettlement Programme (NRP). The AALS would provide subsidized loans to enable previously disadvantaged Namibians to acquire commercial farms, and the NRP would target small-scale farmers who could not meet the AALS loan requirements due to insufficient assets. Both programmes are ongoing to date.

The Agricultural (Commercial) Land Reform Act, 1995 (Act No. 6 of 1995) and the National Resettlement Policy adopted in 2001 are the key instruments guiding the operations of the Ministry, particularly the acquisition of commercial farmland for redistribution. The Resettlement Policy states that the GRN's primary objective is to resettle eligible persons institutionally, sociologically, economically and environmentally sustainable. With these conditions, it is expected that farmers can become self-supporting in their farming operations. The NRP aims to make resettled persons self-reliant in terms of either food production or income-generating skills and self-employment. The Resettlement Policy defines the NRP target groups as follows: (a) people who have no land, income or livestock; (b) people who have neither land nor income, but who have a few livestock; or (c) people who have livestock and income but no land on which to farm. The NRP requires that successful applicants who are resettled enter into a lease arrangement with the Ministry following an allotment letter issued by the Minister of Agriculture, Water and Land Reform. In accordance with Article 42(2) of the ACLRA, farmers receive a leasehold right over the allocated farming unit for a period of 99 years. The Lease Agreement (i.e. a contract between the farmer and the State) can be registered in at the Deed's Office. However, before such registration, the Office of the Surveyor General has to survey the demarcated land, and the Office of the Valuer General has to value the surveyed land. The survey diagram, valuation letter and resettlement notice must then be attached to the Lease Agreement to enable the lessee to register the Lease Agreement in the Deeds Registry. The study reported on herein, commissioned by the Ministry, was an in-depth analysis of the issuance of Lease Agreements to resettled farmers and the administration of these Lease Agreements.

Agribank, Public Service Commission, Ministry of Land Reform by then, Namibia Agricultural Union, Namibia National Farmers Union, other Agricultural Unions, First National Bank of Namibia, and Standard Bank of Namibia were interviewed to gauge the banks' views on the bankability of the leasehold, and processes involved in the issuance and registration of a Lease Agreement, for the farmers and at the Deed's Office respectively.



Figure 1: Field interview at Farm Meyeton No. 175 Unit F in Kunene Region

## 4. Findings and Discussion

### 4.1 Impacts of lease agreements on farmers' livelihoods

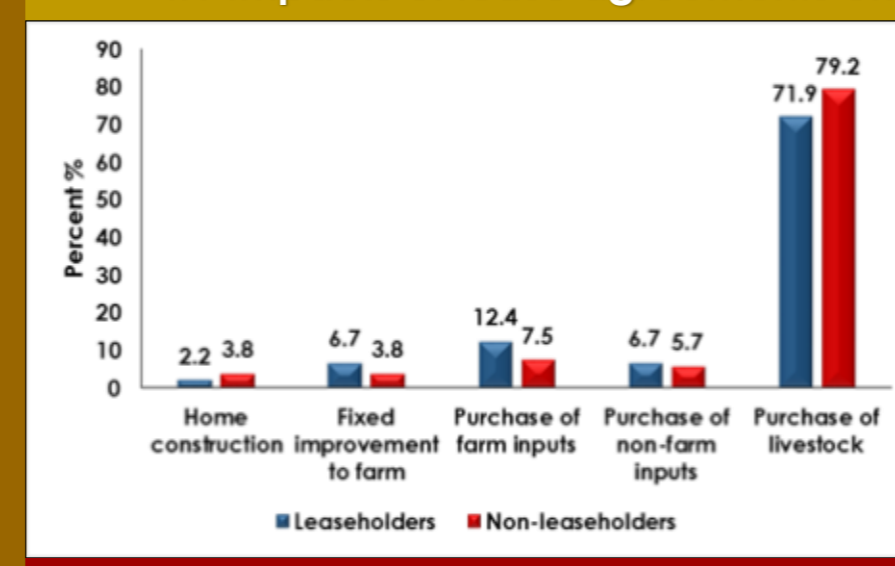


Figure 2: Use of agricultural loans by farmers

Credit is a crucial requirement in the farming sector. Results in figure 2 shows that purchasing of livestock was the major reason for both leaseholders (72%) and non-leaseholders (79.2%) taking a loan. Only a few leaseholders (7%) and non-leaseholders (4%) had taken a loan for non-farm inputs or equipment, and some had taken loans to purchase farm inputs.



Figure 3: Small stock of a non-lease holding resettlement beneficiary in Kunene Region

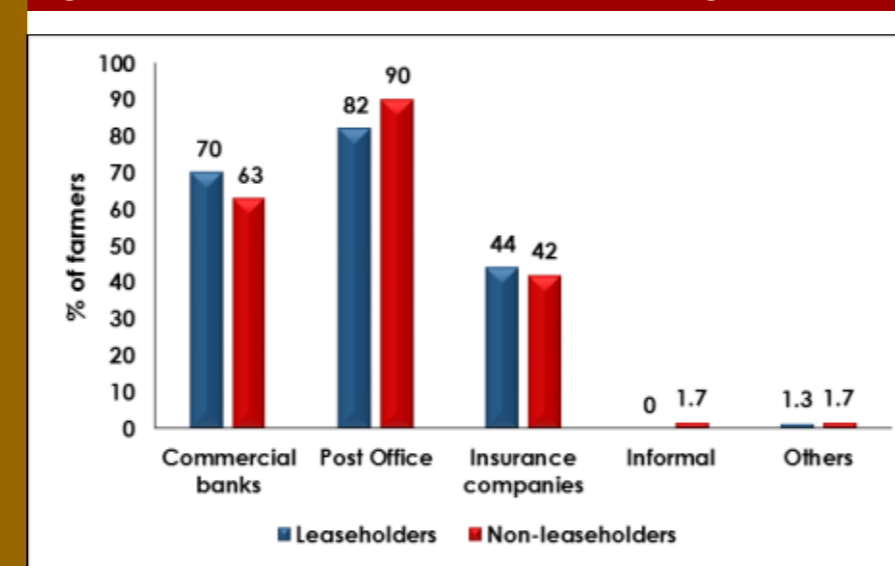


Figure 4: Financial institutions were farmers save money

and the remainder with the Post Office and insurance companies, as Figure 4 shows. Additionally, most leaseholders (75%) and non-leaseholders (65%) indicated that they had insurance policies for various purposes, such as vehicle, property, funeral, medical aid and life cover. Both categories of farmers considered insurance to be an important aspect of farming, because it can be used as collateral for borrowing capital from financial institutions, as some of the farmers had done.

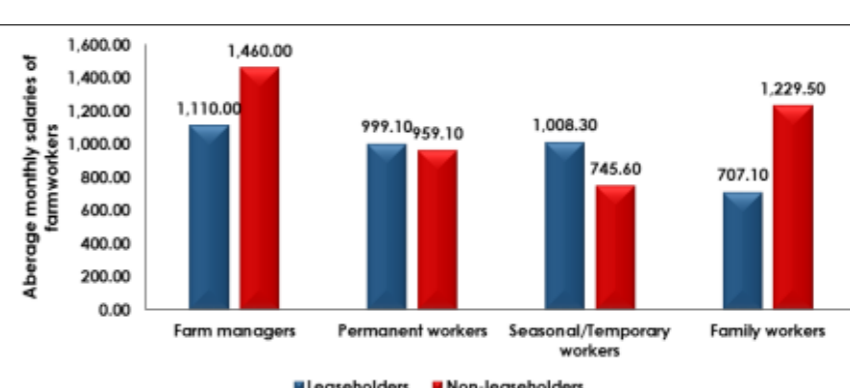


Figure 5: Average monthly salary of farmworkers

The aim of land reform in Namibia is not only to correct colonial wrongs, but also to achieve social and economic equity that allows wealth creation for all citizens. Economic equity should be considered important when addressing the role that resettled farmers should play in creating employment opportunities for the citizens of Namibia. The majority of the farmers surveyed in this study provided employment, and slightly more non leaseholders (87%) than leaseholders (80%) employed permanent farmworkers. The same pattern is observed with the employment of seasonal workers and farm managers. Non-leaseholders had higher wage expenses than leaseholders for managers and family workers, at N\$1,460.00 and N\$1,229.00 respectively, while leaseholders paid N\$1,110.00 and N\$707.00 for managers and family workers. In general, employees of resettlement farmers were paid amounts averaging above or close to those stipulated in the government policy on the minimum wage of farmworkers.

### 4.2 Lease Agreement acquisition and regulations

There are various processes involved in the issuance of Lease Agreement to resettled farmers for a period of 99 years. Firstly, a farm need to be surveyed and valued with a defined boundary. A defined boundary is essential for the determination of the rental fee payable by the beneficiary. It is only at this stage that the lessee signs the Lease Agreement, the Minister signs it on behalf of the State. A Right of Leasehold is then registered under the Deeds Registries Act, 1937 (Act No. 47 of 1937). The beneficiary is then provided with a Notarial Deed, which is similar to a Deed of Transfer. One of the objective of this study was to investigate possible reasons for the insufficient issuance and registration of Lease Agreements. Findings during the study shows that all these processes are costly and requires adequate staff capacity of Valuers and Surveyors, as a result many farmers are not yet issued with a Lease Agreement. The study further revealed that inadequate collaboration and coordination of activities and roles within the Ministry hampered efficiency in delivering quality service. On farmer's awareness on the benefits of a Lease Agreements, resettled farmers view it as ownership of their farming units, and while some view it as a guiding document for the management of the farm.

Figure 6 presents the total revenues collected in respective regions surveyed during the 2015/2016 financial year. Ministerial records shows that as at the year of review, out of 245 farmers issued with Lease Agreements, only 145 farmers honored their stipulated lease fees. Comparing the number of Lease Agreements per region with the total revenue generated from rental fees as presented in Figure 6, Erongo appears to have generated the most revenue, followed by Otjozondjupa. During this period, a total of 100 lease holding farmers did not honor their rental fees as stipulated Lease Agreement document, resulting in the Ministry losing revenue of N\$265,572.00. Hence, the exorbitant amounts were attributed to arrears that farmers accumulated over time.

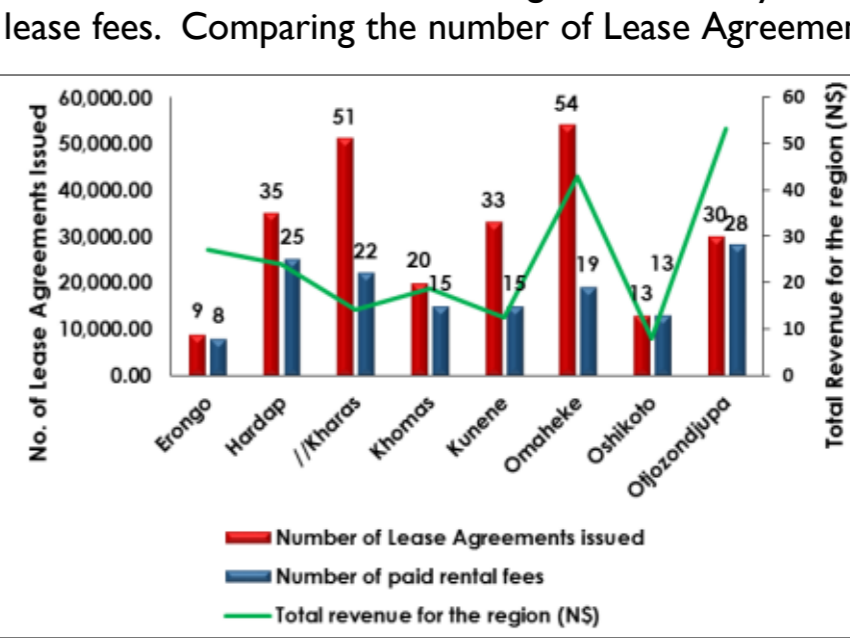


Figure 6: Lease fee collection for the 2015/2016 FY

## 5. Conclusion and Recommendations

The study observed a positive growth in terms of agricultural production among the surveyed farmers over the years since resettlement. A Lease Agreement did not act as a requirement for farmer's access to agricultural credit from private financial institutions, but is key in the formalization of property right. Credit was obtained from Agribank, and enabled farmers to increase their farming operations mainly to purchase livestock. Agribank's loan facility did not discriminate between leaseholders and non-leaseholders. This loan facility is a special arrangement between the Ministry and Agribank. The fact that the process of Lease Agreement issuance and registration is very slow is one of the most significant findings of this study whereby only 300 Leases Agreement were issued by the Ministry in the years 2008 - 2017. Several factors contributed to this low number of Lease Agreements issued and registered. The key factors are as follows: non-functional water infrastructures that hinders farm occupation or lease agreement signing; weak coordination processes between Ministerial Directorates; a limited labour force in the specialized areas of survey and valuation; and the limited knowledge of farmers regarding the process of registering a Lease Agreement. Regarding the collection of rental fees, Ministerial statistics for the 2015/16 financial year shows that a total revenue of N\$200,481.47 was generated from about 60% of lease holding farmers.

### This study hereby provides possible recommendations as a way forward:

- ⇒ Rigorous monitoring and evaluation of the carrying capacity of farm units and other stipulations in the Lease Agreement are crucial for ensuring sustainable productivity and for sustaining the natural resources on the farms.
- ⇒ The Ministry, through the LRAC, reviews the current rental fees in relation to the government's level of investment, the production capabilities (carrying capacity) of farming units and financial standing of farmers.
- ⇒ The issuance of Lease Agreements and registration in the Deeds Office should be seen as a single function, and should be carried out as a single process.
- ⇒ Financial institutions should be called upon to ensure, as a social responsibility, that they come up with products that are affordable and sustainable for farmers, so that peace and stability can be further cemented and business can thrive.

## 3. Methodology of the study

The study commenced with a desktop review, from which a research guide and questionnaire to evaluate the impact of holding a Lease Agreement were developed and submitted for review and approval by the Ministry. A two-stage stratified random sampling technique was applied where the first stage involved the random selection by region of formerly commercial resettlement farms from the Master Sample Frame. Hence, a total of 60 farms and 120 households based on regional distribution for face-to-face interviews.

Locating and arranging interviews with farmers was a major challenge. Nonetheless, 70 of the 122 selected beneficiary households were interviewed, and 38 were replaced with farmers residing on another farm unit on the same farm or another selected farm within the same region. The actual data collection was carried out between 13 March 2016 and 14 April 2016. Although the study was conducted in eight regions, the vastness of the country was one of the challenges that the research team encountered.

To acquire a holistic understanding of the impact of Lease Agreements on the resettled farmers' livelihoods and access to credit, a total of 14 key informants comprising of: