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Rethinking Land Reform in Namibia: Any Room for Economics?

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If land redistribution is defined as the transfer of commercial farmland from whites and foreigners to black Namibians, the available evidence suggests that present policies are leading to about 1% of commercial land being redistributed every year. At this rate it will take another 40 years before half of Namibia's commercial land lies in black hands. This leisurely pace of change means that the "land question" is unlikely to be resolved any time soon and will continue to hold back national economic development by aggravating racial tension and creating uncertainty. Speeding up land redistribution, however, should not mean throwing existing policies out of the window. The Affirmative Action Loan Scheme has already led to more than three-and-a-half times more land being redistributed than Government purchases for resettlement. The process of land reform could be speeded up without causing damage to the wider economy by a greater use of market mechanisms within a clear overall framework in which all parties make a contribution. This will involve setting long-term targets, expanding the Affirmative Action Loan Scheme, subdividing farms, challenging commercial farmers to make a meaningful contribution to the land reform programme, selling dedicated land bonds and sourcing donor funds for land purchases.

The Land Question – A Race Question in Every Sense

Recent events have again highlighted the fact that commercial land reform remains one of the most sensitive issues in Namibia. While some have tried to argue that land reform is important to boost the country's economy and reduce poverty, in their hearts most people know that the land question is about race: black Namibians should own more of Namibia's commercial farmland. In reality everything else – agricultural output, the treatment of farm workers, poverty reduction, environmental sustainability – is very much secondary. Just imagine how much discussion there would be of land reform if most commercial land was owned by black Namibians. How much public discussion does communal land reform generate even though most of Namibia's farmers work in the communal sector?

As well as being primarily about race, land redistribution is also a race against time. The last SWAPO congress in 2002 noted the slow pace of land redistribution "which has the potential to cause civil strife" (*The Namibian*, 27 August 2002). The Prime Minister recently reaffirmed this view on NBC TV stating that "the process [of willing-buyer-willing-seller] has become too slow because of arbitrarily inflated land prices and the unavailability of productive land." (OPM, 2004).

Once the racial rationale for land reform is clear and accepted, economic policy-makers can focus on the key issue: what is the economically most beneficial (or least damaging) way of achieving a politically acceptable racial balance of commercial land ownership within an acceptable period of time? Of course, this begs the questions: what is an acceptable racial balance and what is an acceptable period of time? Would, for example, 50% of commercial land within a generation be enough?

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Government's Two Approaches - Market Versus Bureaucracy?

Since independence in 1990 and the Land Conference in 1991, commercial land reform has been implemented through two main policies: the Affirmative Action Loan Scheme (AALS) and the National Resettlement Policy (NRP). These policies were designed to complement rather than compete with each other.

The legislation underpinning the AALS was passed already in 1991 (Agricultural Bank Amendment Act No. 27 of 1991) and 1992 (Agricultural Bank Matters Amendment Act No. 15 of 1992). The AALS involves granting subsidised Agribank loans to full-time and part-time communal farmers with more than 150 large stock or 800 small stock. The subsidy element of the loan is financed by central government through transfers from the Ministry of Agriculture, Water and Rural Development (Vote 20 Main Division 07), provision for which is made annually in the national budget. Loan recipients have a track record of livestock farming and are self-selecting, choose which farms they wish to buy, and receive title deed to the land they purchase. Borrowers have a strong incentive to repay the loan – either from farming or non-farming income. Thus, the policy is very much a market-based mechanism in much the same way as a bank loan, associated as it is with clear property rights and incentives to perform.

The NRP took much longer to develop than the AALS. The founding legislation, the Agricultural (Commercial) Land Reform Act No. 6 of 1995, was passed three years later and the National Resettlement Policy White Paper was published in 2001 (Ministry of Lands, Resettlement and Rehabilitation, 2001). The 1994 SWAPO manifesto contained a commitment to allocate N\$20 million a year for five years to the NRP for land purchases (SWAPO, 1994). However, it was not until 1996/97 that funds were provided in the budget to implement the policy although Government had already purchased a certain amount of land for resettlement prior to the passing of the Act. Under the Act, farmers wishing to sell their farms must first offer them to Government which must then decide whether or not to purchase the farm at the price being offered (willing-buyer-willing-seller). If Government decides not to purchase the farm, the seller is issued with a waiver which allows him to sell the farm to anyone else. Most farms purchased by Government are advertised and interested people apply to be resettled. People wanting to apply to the programme must show they are in some sense landless but, according to the NRP, applicants may already have livestock and income. Applications are then submitted to the Regional Resettlement Committees (RRC) of the region in which the advertised farm is located. The RRC then considers applicants and makes recommendations to the National Resettlement Committee. Individuals are then allocated certain parts of a farm (camps) and have a 99-year right to use the land under the terms of a contract signed with the MLRR. In theory, successful farmers are encouraged to make use of the AALS and become fully-fledged commercial farmers.

In contrast to the AALS, the NRP involves lengthy bureaucratic procedures to identify the right people for the right farms and to support settlers once they have been resettled. Settlers do not own the land they farm and share facilities and resources with other settlers. Settlers do not have to repay loans. The NRP notes that “the success of the Resettlement Programme does not depend on the settlers alone...Each resettlement project should be provided with appropriate financial and human resources and tools and equipment as may be required...” (MLRR 2001; p7). With these characteristics in mind, the AALS and the NRP can be viewed as representing two contrasting approaches to land redistribution: one based on clear property rights and individual choice, responsibility and incentives, and the other based on less clear property rights and greater bureaucratic allocation and support.

Government's Two Approaches - How Much Have They Cost?

Table 1 shows how budgeted and actual expenditures on the two policies have developed over time. AALS subsidies have risen steadily since 1996/97 as the number of loans has increased. The mysterious lower budgeted expenditure in 2003/04 was the likely reason why the AALS was put on hold in November 2003 due to lack of funds. AALS lending was resumed in February 2004. In later years, subsidies to AALS have tended to exceed spending on land purchases for the NRP.

Since 1996/97 Government has allocated N\$20 million a year for the purchase of commercial land for resettlement purposes in accordance with the 1994 election manifesto (SWAPO, 1994). Following the 2002 SWAPO Congress which recommended an increase in spending to N\$100 million, spending on the programme was stepped up from N\$20 million to almost N\$50 million in the 2003/04 budget. It is likely that the original allocation had failed to keep up with land price inflation. Figures presented in the main budget document suggest that, during the five-year period 1996/97 to 2000/01, only two-thirds of the budgeted amount was actually spent. Actual expenditures on resettlement were below budgeted expenditures for the first five years but year six saw actual expenditure exceed budgeted expenditure. The figures presented in the table take no account of inflation and further research would be necessary to identify how real as opposed to nominal changes in spending has changed over time.

Table 1: Budgeted and actual expenditure on AALS and land purchases (N\$ million)

	'96/97	'97/98	'98/99	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05
AALS*									
Budgeted	3.5**	0.0	8.2	15.7	10.9	15.0	15.0	13.2	26.2
Actual	3.8**	7.0	8.2	21.1	22.7	15.0	15.0	N/a	N/a
Resettlement***									
Budgeted	18.95	20.00	20.00	20.00	20.00	20.00	20.00	44.75	50.00
Actual	18.71	12.36	11.41	3.88	19.76	25.16	20.00	N/a	N/a

*Vote 20 Main Division 07 Item 043

**Item 044 transfers to individuals and non-profit organisations

*** Vote 25 Main Division 10 Item 116

Source: Main budget documents 1996/97 – 2004/05

Government's Two Approaches - How Have They Performed?

What has all this spending brought about in terms of land being brought back into the hands of black Namibians?

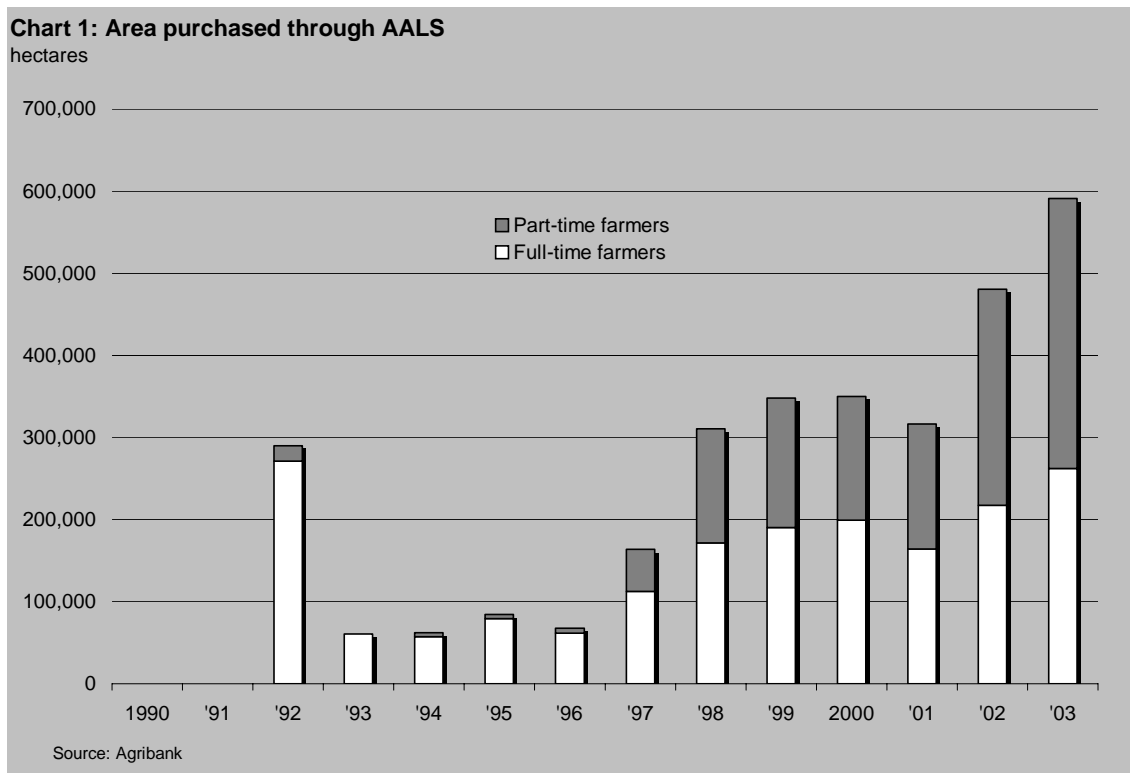
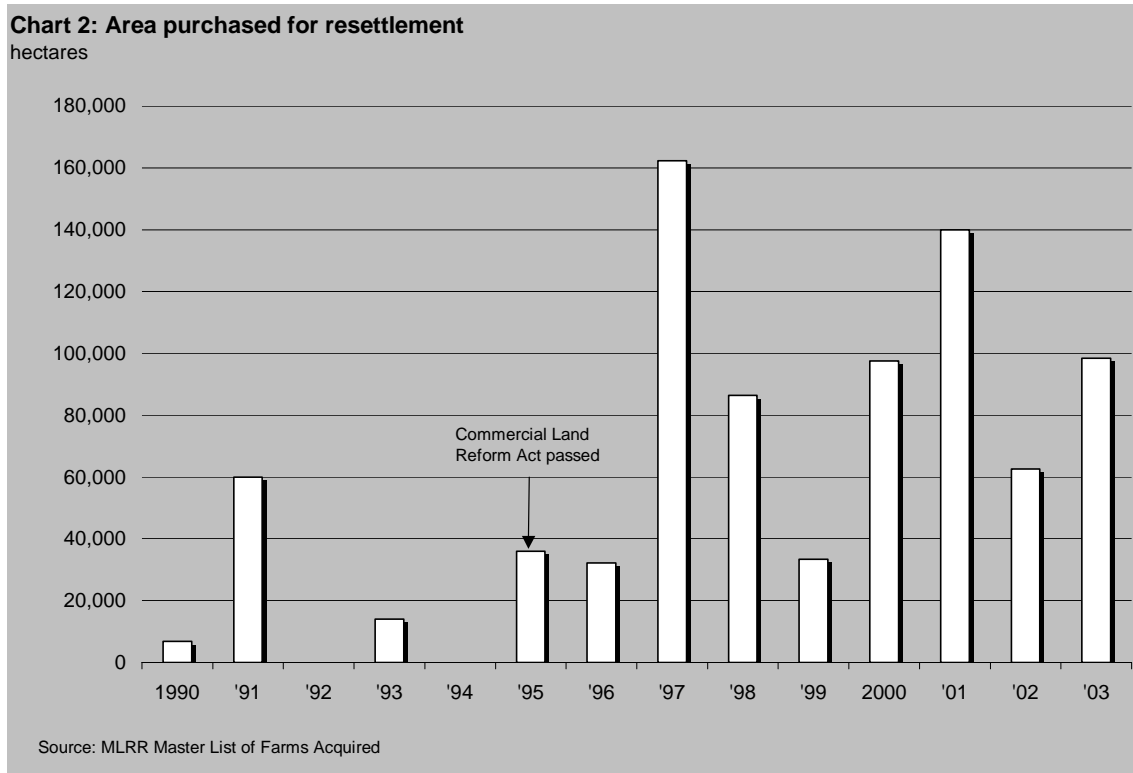


Chart 1 shows the number of hectares that the AALS has redistributed into the hands of previously disadvantaged Namibians. The first year of the AALS saw a large number of loans being made, probably due to the pent-up demand that had built up in the years prior to independence. The following years 1993 to 1996 saw a far lower take-up rate, mainly by full-time farmers. From 1997 a sudden switch took place and an ever larger proportion of land was purchased by part-time as opposed to full-time farmers. Between 1997 and 2003 the amount of land purchased by part-timers was approximately equal to the amount purchased by full-timers. In total an area of 3,125,143 hectares had been purchased under the AALS between 1992 and October 2003 through 528 loans. The estimated cost in subsidies was in the region of N\$106 million, the sum of actual spending between 1996/97 and 2003/04. This excludes the period 1992/93 to 1995/96 for which budget figures are not available.

Chart 2 shows the number of hectares that the NRP had redistributed by the end of 2003. It includes six farms that were donated to Government in 1998 and two farms that were inherited. Land purchases vary considerably from year to year with 1999 a particularly bad year corresponding to the low actual expenditure on land purchases shown in Table 1. In total an area of 829,486 hectares had been purchased by or given to Government by the end of 2003 at a cost of some N\$121 million.



Comparing the two programmes between the same beginning (1995) and end points (2003) shows that the AALS resulted in 2,712,323 hectares being transferred whilst the NRP resulted in 748,838 hectares being transferred. If donations and inheritances are excluded the NRP resulted in 726,233 hectares being transferred. During this eight-year period, therefore, the AALS resulted in more than three-and-a-half times as much land being transferred as the NRP.

Table 2 shows the total amount of commercial land available in Namibia broken down by ownership in 1991. At that time, there were a total of 36,164,880 hectares of commercial farmland some of which lay in the hands of the state, local government and the churches but the vast majority of which was owned by individuals. The National Resettlement Policy (MLRR, 2001) states that commercial farmland covers an area of 35,443,567 hectares.



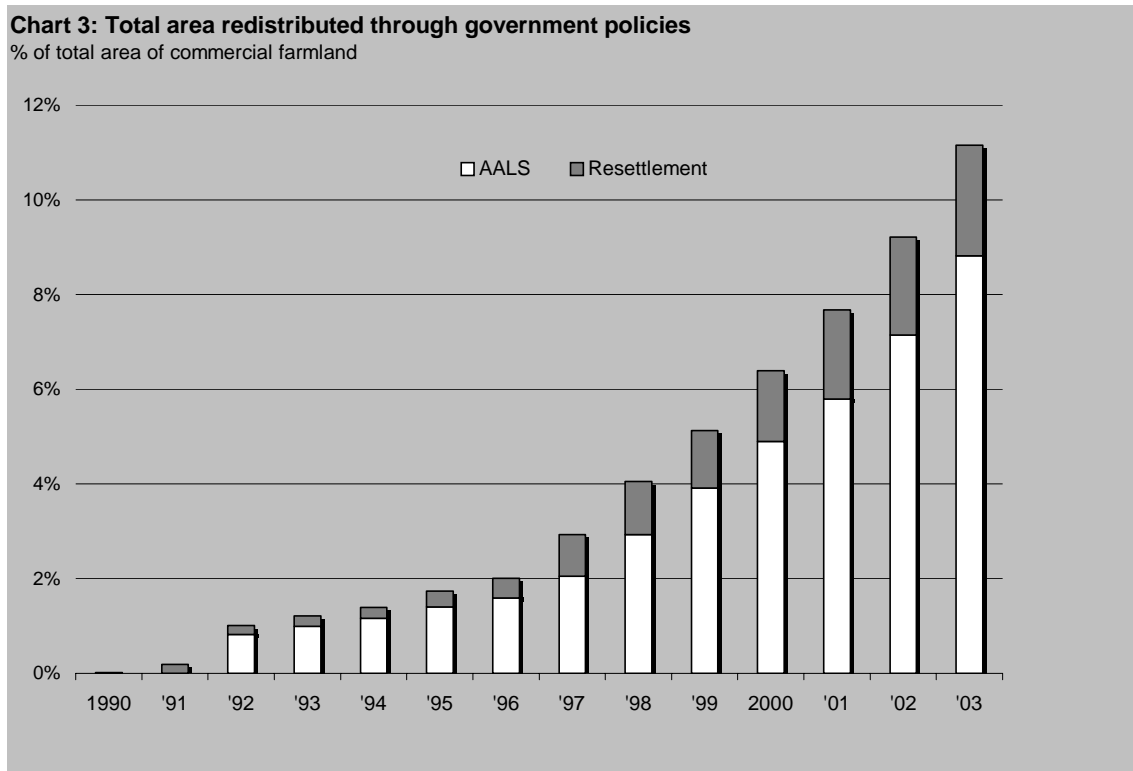
Table 2: Commercial land ownership in Namibia in 1991

<i>Owner</i>	<i>Number of farms</i>	<i>Hectares</i>	<i>Per cent</i>
The State	64	466,913	1.29
Experimental farms	20	169,216	0.47
Other agricultural land	44	297,697	0.82
Municipalities and peri-urban boards	28	349,998	0.97
Churches	22	222,365	0.61
Individuals			
Plots around towns*	681	33,958	0.09
Company farms	55	728,882	2.02
Individuals	6,123	34,362,764	95.02
Black individuals (excl. Rehoboth)	181	n/a	n/a
Foreigners	382	2,965,520	8.20
Total	6,292	36,164,880	100.00

*plots not counted as farms

Source: Ministry of Agriculture, Water and Rural Development

Chart 3 shows the cumulative effect of the two policies on the total amount of land in black hands. It assumes that land which has been bought under AALS or NRP has stayed in the hands of the purchasers (as far as is known no land has been resold). It excludes land purchased by black Namibians without Government support. The chart shows that about 11% of available commercial farmland has been redistributed since 1990. The pace has picked up somewhat since the mid-1990s to about 1% a year.



These figures have been compared with data collected from the Deeds Office on all market transactions in commercial farmland which include private purchases as well as AALS and Government purchases of land. At this stage the IPPR only has complete data up to and including 2000. Since the ethnic identity of people involved in commercial land transactions are not included in the Deeds Office data, the IPPR used surnames as a guide acknowledging that this is likely to underestimate the number of previously disadvantaged Namibians buying land. According to this data, by 2000 approximately 6.2% of commercial



farmland had been redistributed. This compares to 6.4%, which we calculate had come about due to the Government policies mentioned above.

Is 1% a Year Enough?

Whichever source is used the overall picture is clear. At present Government is redistributing about 1% of commercial farmland a year. In terms of hectares, the AALS is resulting in more than three-and-a-half times more land being transferred than the NRP at a far lower cost. This excludes any additional costs which may be associated with the resettlement programme over and above the purchase of land. At the present rate, it will take another 40 years before half of all commercial farmland is owned by black Namibians. This takes Namibia well beyond one generation from 1990 as well as Vision 2030.

Among the resolutions passed at the 2002 SWAPO congress, two in particular made headlines. The first was the resolution to expropriate 192 farms owned by absentee landlords and the second was to increase the funds for land purchases from N\$20 million to N\$100 million a year. Government reacted to the first by stating it would expropriate the 192 farms covering an area of 1,268,911 hectares in accordance with the law. Among the 24 resolutions of the Land Reform Conference of 1991 were resolutions on the issues of foreign-ownership of farmland, underutilised land and absentee landlords. The Conference resolved that foreigners should not be allowed to own farmland, that abandoned and underutilised commercial land be reallocated, and that land owned by absentees should be expropriated (Office of the Prime Minister, 1991). It is unclear whether Government has followed through on these resolutions. Table 2 suggests foreigners owned some 8.2% of commercial farmland in 1991.

Too Much Market or Too Little?

The MLRR records the number of waivers granted to sellers of commercial farmland, that is to say the number of offers it has turned down by those wishing to sell commercial farms because they are in some way unsuitable for resettlement purposes. Interestingly, a waiver may also be obtained if a seller finds an AALS buyer. Table 3 below shows the number of farms waived and the number purchased since 1999. The number of farms actually purchased is generally only a small proportion of those offered to Government.

Table 3: Farms waived and bought by MLRR

	1999	2000	2001	2002	2003
Farms waived	142	118	96	102	125
Farms bought	6	16	24	8	15
Farms bought as % of farms offered	4%	12%	20%	7%	11%

Source: MLRR

In fact, at present, Government intervention in the land market forms only a limited proportion of the market as a whole. Table 4 shows the turnover of the entire commercial farm market in terms of the number of hectares exchanged and the value of these exchanges from 1990. This data is taken from Deeds Office data in the IPPR farms transactions database referred to above. The table shows that AALS transactions have formed over 20% of the market in several years and exceeded 45% in 1992. NRP purchases have never exceeded 13% of the market and have generally been below 10%. More research on the database is needed since many transactions are donations, inheritances and transfers from individuals to corporations. It may also be that people are hanging onto their farms in order to exploit the increase in land prices that seems to have been taking place and which now seems out of all proportion to the productivity of the land. With the coming into force of the Land Tax this year, more land can be expected to come onto the market which the Government should be in a position to exploit.



Table 4: Commercial land market turnover

Year	Hectares	AALS	% of total	NRP	% of total	Value (N\$)
1990	1,177,807	0	0%	6,800	1%	53,107,590
1991	765,047	0	0%	59,904	8%	45,754,840
1992	644,144	290,073	45%	0	0%	54,138,430
1993	1,389,422	60,399	4%	13,944	1%	96,206,940
1994	1,018,239	62,348	6%	0	0%	83,093,700
1995	2,486,735	84,204	3%	35,961	1%	148,409,580
1996	1,685,514	67,483	4%	32,243	2%	122,193,550
1997	1,217,700	163,766	13%	162,324	13%	102,336,440
1998	1,456,922	310,480	21%	86,436	6%	135,858,130
1999	1,468,583	347,966	24%	33,354	2%	164,489,120
2000	1,705,635	349,882	21%	97,476	6%	761,799,850
2001	1,961,278	316,568	16%	139,934	7%	161,185,070
2002*	493,858	480,702	N/a	62,638	N/a	84,983,160
Total	17,470,884	2,533,871		731,014		2,013,556,400

*first quarter only

Source: IPPR farms transactions database

Some More Land Questions Need Answers...

The above analysis simply compares the area of land that has been redistributed by the AALS and the NRP and at what cost in terms of state funds allocated to land acquisition. However, no proper comparison of the success of the two policies can be made without looking at what has happened to the land that has been redistributed. Is it being used productively to add to farming incomes and national output?

Unfortunately, no publicly available data exists on the performance of either AALS recipients or NRP resettlement projects although one study which focused on co-operatives was carried out by NEPRU in 2000 (Werner and Vigne, 2000). Such an in-depth study is beyond the scope of this paper. There seems to be some confusion surrounding the default rate of AA Loans. In contrast to statements made in a recent *Talk of the Nation* programme (NBC TV, 1 March 2004), the Minister of Agriculture was quoted in Parliament recently as saying that 199 loan recipients out of a total of 544 had defaulted on their payments (*The Namibian*, 23 March 2004). To date, no evidence on the agricultural and commercial viability of resettlement schemes has been published. Hopefully, these issues will be investigated by the Permanent Technical Team established by Government in 2003.

The Cost of 50% - A Single Year's Development Budget?

To gain some idea of the cost of redistributing half of all commercial farmland, historical costs can be used as the basis for a back-of-the-envelope calculation. The above analysis suggests that Agribank subsidies of N\$93 million were required to redistribute about 2 million hectares of land between 1996/97 and 2002/03. If 18 million hectares were to be redistributed, this would imply subsidies of approximately N\$835 million. In a similar way, under the NRP some 718,000 hectares have cost N\$121 million (excluding donations and inheritances). If 18 million hectares were to be redistributed this would imply expenditures of approximately N\$3,033 million. If 18 million hectares were to be redistributed in the ratio of 3.5:1, the historical ratio of AALS to NRP purchases (14 million hectares to 4 million hectares) this would imply public expenditure in the order of N\$1,325 million (N\$651 million plus N\$674 million). It should be emphasised that this is a rough calculation based on historical expenditures and takes no account of the future ratio between full-time and part-time AALS farmers, future land prices or the additional costs over and above the cost of land purchases that the NRP might require. In the grand scheme of things, however, none of these costs is unaffordable. The last figure is about what Government spends on the development budget in a single year



and compares to recent statements by the Minister of Lands which put the cost of redistributing a further 8 million hectares of land at some US\$150 million (IRIN, 2004).

What About the Poor?

This opinion piece has tried to argue that the more market-based AALS has led to more land being redistributed at a lower cost to Government than the more bureaucratic NRP. Admittedly, the full economic consequences of either policy in terms of output, incomes and employment are at this stage unknown. However, there are good reasons to believe that the additional costs of the AALS to Government are likely to be lower than the NRP since individual recipients are largely responsible for the success of their farms rather than the taxpayer. This is not to deny that there may well be pressure from AALS recipients for further subsidies as outlined in a recent IPPR publication (Sherbourne, 2003).

However, the problem with the AALS is that it was designed to assist larger communal farmers and therefore the already better-off. Can land redistribution be carried out in a way that caters for the poor? In theory this is what the NRP was designed to do. Land redistribution policies therefore simultaneously benefited both the rich (AALS) and the poor (NRP). Indirectly, of course, the poor were also supposed to benefit from the AALS since it was designed to free up communal land by encouraging large communal farmers onto commercial land.

In practice, however, the chances that the NRP will succeed in delivering sustainable growth in the incomes of the poor are limited because property rights are unclear or pooled, facilities are shared, management structures are unclear and support for settlers is often insufficient. Furthermore, by resettling a number of farmers on commercial farmland, NRP guidelines allow for those with incomes to benefit. We suspect that those with incomes are more likely to succeed than those without. However, this goes against the whole spirit of providing land to those “at the bottom of the social strata”.

Anyone for Economics?

Does economic thinking offer any ways of speeding up the process of land reform? Is there any room for a more economic approach in such an intensely political issue?

The starting point for an accelerated land reform programme would involve clarifying five underlying principles:

- The first is that the fundamentally commercial nature of Namibia’s commercial farmland should be maintained. More specifically, policy should aim above all to create a successful and fully commercial black farming sector rather than aim to resettle as many people as possible on commercial farmland.
- The second is that there is likely to be a limit to the amount of farmland that can be sustainably redistributed to new livestock farmers since much commercial farmland is difficult to farm profitably.
- The third is that commercial farming is a skilled occupation and Namibia’s commercial farmland is a scarce and precious resource which should be used to boost the national economy. Realistically, this means that commercial farming is not for everyone nor is it necessarily a way out of poverty for those with nothing.
- The fourth is that clear ownership rights give settlers the best chance of creating sustainable and productive farms.
- The fifth is that redistribution has to take precedence over production, at least over the short to medium term.



Once these principles are accepted, an upgraded land reform programme may involve the following elements:

The first step is for policy-makers to provide a clear framework on the way forward and stick to it. Radical redistribution is always likely to cause uncertainty and this can damage investment and growth. By setting clear targets and policy criteria, this uncertainty can be minimised. Thus, Government should clearly state the end-point and the intended speed of the land reform process – is 50% of total commercial farmland sufficient within a generation or should it be 75% within ten years? What is a politically acceptable racial balance? Do black Namibians (or anyone else for that matter) really want to own what are after all often rather bleak and unproductive tracts of land?

The second step is to recognise that expropriation has a role to play to accelerate land reform but will create uncertainty in the absence of clear criteria. From an economic point of view, Government's approach to date seemed sensible: to expropriate unproductive land in the hands of foreigners and absentee landlords. By widening the criteria to include just about anyone is clearly counter-productive. The issue of farm workers should be kept separate from land reform since the treatment of workers is a labour issue different to that of land ownership.

The third step is to give up on the idea that people should not own more than one or two farms. Aside from the definitional problems associated with this (what is a farm? is one big farm really better than two small farms? are two adjoining farms really one farm?) and the fact that certain senior politicians and government officials own more than one farm, it is likely that the future of commercial livestock farming in Namibia lies in larger rather than smaller farms. If production is a priority, the future of commercial farming should lie in the hands of those best able to farm.

However, if redistribution is to take precedence over production, the alternative step would be to recognise the increasing importance of part-time or hobby farmers in the agriculture sector. It is possible that the demand for land by part-time farmers would be better accommodated if a greater number of smaller farms were on offer since part-timers do not intend to generate their entire income from farming and probably want to limit their exposure to debt by buying smaller farms.

The fifth step is to recognise that the AALS is essentially a faster and more effective way of redistributing land than the NRP. Policy emphasis should therefore go into upgrading and broadening the AALS which would allow smaller farmers or formalised groups of smaller farmers to benefit from farms they select and own themselves. Skilled farm workers, especially those who had spent much of their lives on particular farms, would also be a target group for this upgraded scheme. Making farms smaller would probably help this initiative.

To finance the accelerated land reform process Government would introduce long-term land bonds, revenues from which would accrue to the Land Development Fund rather than into the State Revenue Fund. Government could offer long-term bonds to land sellers in exchange for land at discounted prices to the market price. Donors and international lending agencies would be requested to contribute to this fund for the purchase of land.

A final step would be for commercial farmers to make a meaningful contribution to the land reform process. A select band of profitable farmers could club together to purchase and transfer a defined area of land to show that all parties are bearing a certain amount of pain in order to reach an acceptable outcome. Aside from economics, this would be more important in terms of making a meaningful political gesture and promoting national reconciliation.

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