

Partnering With the Private Sector in Small-scale Farming

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MANY small-scale farmers in the resettlement sector and communal areas are facing severe obstacles in developing the land on which they live and farm. A key constraint is the lack of capital and access to agricultural credit, technology and training.

For those who do not have regular off-farm income streams through wage or salaried employment, raising capital often means selling off assets they are expected to accumulate, mostly livestock.

To obtain loans from financial institutions is beyond the reach of many for two reasons. Firstly, many small-scale farmers do not have the resources to service a loan. Monthly pensions are frequently the most reliable income streams. Depending on the asset base of farmers, sales of livestock and other produce as well as off-farm wage labour may complement these incomes from time to time.

Secondly, in those cases where farmers are able to service loans, the absence of collateral or the means to provide security for a loan makes it difficult to borrow money. Current land and resettlement policies and corresponding legislation provide for resettlement beneficiaries in particular to obtain long-term lease agreements. These can be registered in the deeds office. Once registered, such leases can be used as collateral.

However, financial institutions are unwilling to accept a lease registered over state land as collateral as they are not permitted to sell the leasehold in the event of a lender defaulting on his/her loan. A revised land policy should legalise the trading of leasehold land and customary land rights. Markets for such rights already operate illegally, and there is a need to regulate transactions.

To keep transaction costs low, the regulations for a land market should have as few impediments as possible. This will take time to develop, and even once a land market is up and running, it is not likely to assist asset-poor farmers to obtain credit.

There are alternatives to provide small-scale farmers with access to finance, technology and training. These are referred to as joint ventures (JVs), and can take several different forms, depending on the nature of the enterprise, target group, etc. In the tourism industry, such JVs are commonplace. In the resettlement sector, however, joint ventures do not feature as a means to improve the scope and efficiency of land reform. However, examples of such JVs exist, as the resettlement farm Ludwigshafen illustrates.

A foreign developer invested approximately N\$6 million to develop 20 greenhouses of 1 400 square metres each on the resettlement farm Ludwigshafen in the Oshikoto region. The possibility exists to expand the greenhouses on another 30 hectares of the farm.

The farm was bought in 2008 by the state and allocated to nine San families, who became members of the Ludwigshafen

Workers Trust. The trust was initiated by a former trade unionist, and the project produces different vegetables for markets at Tsumeb and several other towns in Namibia.

Ten people from the original beneficiaries and an additional 60 workers from neighbouring farms are reportedly employed by the project.

Public reaction to this state of affairs was largely negative. What is not clear is how much of the negative responses related to the nationality of the investor, and how much to the manner in which the project was developed and executed. Whatever the sentiments about the development: it shows that development of small-scale farmers is possible, provided they have access to capital, technology and training. As in conservancies, joint ventures can be useful in providing access to these factors of production.

But the example of Ludwigshafen also shows that access to capital investments and technology are not sufficient to ensure improved livelihoods in an equitable manner which empowers beneficiaries. The immediate beneficiaries of the farm were not involved in planning the project, nor were they benefiting. One of the beneficiaries was quoted as saying "we were given a cup, but are not allowed to drink from it".

It is not clear from the newspaper reports whether the beneficiaries were consulted on the terms and conditions on which they would make a part of their land available to the project, and whether they in fact had the legal rights to enter into any negotiations.

The investor reportedly acknowledged that he was operating on state land, but was not sure whether he had to pay anything to the state. It is likely that the beneficiaries do not have registered lease agreements with the state, and hence have no legal basis to negotiate with any investor.

This would be typical of hundreds of resettlement beneficiaries, whose only official document authorising them to be on a resettlement farm is a letter of allocation. It is against this background that allegations of land grabbing at Ludwigshafen were made.

The potential of joint ventures to support small-scale farmers should be debated more widely with a view to develop a policy framework that, like in South Africa and local conservancies, encourages JVs.

A regulatory framework must ensure that beneficiaries should not become subordinate recipients of a scheme in which they have little power.

They should be active participants in developing and implementing JV projects. Skills training and capacity development needs to be part of any JV agreement to empower beneficiaries.

Above all, formalised long-term land rights are a precondition for JVs to be effective.

Safeguards must be in place to ensure that investments do not impact negatively on the land rights of beneficiaries and the long-term productivity of our land and water resources.

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