

**Government of the Republic of Namibia**

**Ministry of Lands and Resettlement**

**Draft Report:**

**Access to Credit for Communal Land  
Residents**

January 2010

Windhoek, Namibia

*“Every ceiling, when reached, becomes a floor, upon which one walks as a matter of course and prescriptive right.”*

*Aldous Huxley*

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## **1 Introduction**

Poverty reduction, especially in the communal areas, in Namibia has been one of the main aims of the Government of Namibia. Small scale land users in the communal areas of Namibia, account for almost half the population of this country. Small scale farming provides the livelihoods for these people and improving their standard of living will contribute greatly to poverty alleviation in Namibia.

The land tenure relationships in these areas have been characterized by communal forms of “ownership”, and strong emphasis on group rights. Typically a small plot is allocated for residential purposes and crop production while grazing is generally communal. These rights have been formalized with the introduction of the Communal Land Reform Act, Act No. 5 of 2002.

Namibia is the most sparsely populated country in Africa. About 70% of Namibia’s total population of 2.0 million lives in rural environments. The majority of this rural population derives their livelihood from subsistence agriculture and commercial activities as self-employed micro-entrepreneurs. A large percentage of rural households are headed by women. They provide income, employment and food for their families through these activities. However they have no access to credit and savings opportunities, or any other form of microfinance and little or no access to formal markets. Generally, the poorer segments of the population have little opportunities for income generation, perpetuating a cycle of poverty. Studies financed by GTZ show that the lack of access to financial services is a key constraint for self-reliance of low income groups in Northern Namibia (Kalle 2006). They show, in an impressive way, that poverty does not mean inability but lack of choice.

The Rural Poverty Reduction Program (RPRP) has been assisting the Ministry of Lands and Resettlement (MLR) in developing a land registration process for the communal land rights that is effective, efficient and acceptable to the local communities.

However the registration of communal land rights is only the first step in the dismantling of the apartheid legacy that is the current two tiered land registration process in Namibia. This separation is symbolized by the veterinary cordon fence or Red-Line separating the largely communal land in the north from the commercial land in the south. Commercial land, with their freehold title deeds, are used as collateral for loans while the limited institutional representations (Searle 1995) of the communal land rights are not currently able to be used as collateral for loans (de Soto 2000). The evidence of the impacts that land titling reforms have had on poverty reduction and increased economic development in developing countries has not been conclusive (Zevenbergen 1998).

Increasingly there has been support for the reform of communal land tenure in order to increase and promote development in the region. It is anticipated that such reforms need to critically address the institutions of ownership in order to facilitate access to credit as well as to ensure equality with regards to the application of such institutions in all parts of the country.

Numerous activities are being carried out in Namibia in support of rural land development and communal land reform.

## 2 Methodology

The primary focus of this study will be to conduct interviews with the commercial banks of Namibia. Three key questions will be addressed during these interviews with the commercial banks. They are:

1. *What are the existing credit lines available to communal land residents?*
2. *What are the reasons for the current level of access to credit?*
3. *What can be done to achieve an increase in the levels access to credit for communal land residents?*

Interviews have also been conducted with other senior staff from the Ministry of Lands and Resettlement as well as well as members of parliament who serve on the Parliamentary Standing Committee on Economics, Natural Resources and Public Administration (PSCENRPA).

Conducting interviews is an inter-subjective process, a product of a dynamic process between two people. Hence various factors influence the final outcome. The semi-structured interview methodology was found most suitable for the project. It allows space for exploration of emergent themes, ideas and concepts, just as it creates a scope for pursuing and probing for novel and relevant information.

The questions were asked in a similar order and format to make a form of comparison between the answers in analysis, and were based on topics discussed with the Ministry of Land and Resettlements. After each question the consultant summoned up the answers to validate the points stated by the interviewee. This allowed the interviewee verify, add to the statement, or reject the interpretation. In doing so, all statements were interpreted by the end of interviews, and no further interpretation was necessary.

The interviews were conducted during August and November 2009 in Windhoek. The consultant briefly explained the aim of the interview to avoid any misunderstandings and at the same time indirectly encouraging reflections on the topic. The

interviewees chose the venue for the interview. Before starting the interview the aim was explained again and the interviewees were informed that they could opt out any time during the interview or not to comment on the asked question. An hour was set off for each interview, and the consultant took notes during the interview. The interviews were conducted in English.

### **3 Review of PSCENRPA**

On 29th June 2006 Hon. McHenry Venaani moved the National Assembly to debate on the modernisation of the property rights in Namibia aimed at allowing properties situated in communal areas to obtain title deeds. The debate continued on the 5<sup>th</sup> and 12<sup>th</sup> July 2006. The argument is that only with title deeds would communal land residents have access to credit.

With reference to the historical reasons for the design of communal land areas, and its consequences on the distribution of wealth in Namibia, it was argued that enhancing existing property rights will unlock wealth, redress inequalities of the past and empower the citizens in the communal areas through using that which they already own. Today people in communal areas are treated as though they own nothing due to the fact that their property does not hold a value as collateral for loans. Without title deeds, a high number of people in the communal areas are excluded from participating in the national economy on an equal basis with people outside the communal land areas. Hence an integration of the fiscal market and the informal market is necessary, if Namibia is to transform into a modern society.

It thought that secret behind Western economics lie in its 200 years of continuous reform of the private property market so that today almost everyone in North America and Europe has their property in the official market. However, allowing ownership of land in communal areas is not without challenges. Property with collateral value requires knowledge and financial discipline. Thus setting up a legal framework will be absolutely necessary to ensure that the long term expected benefits materialise.

The modernisation of property in urban areas in communal areas is not questioned. Rezoning of communal land would need several financial investments, since the suggested scheme would need a large numbers of town planners and land surveyors. This includes the prospect that the required human resources might have to be sourced from outside Namibia.



Public hearings were held but no clear consensus was reached with regards to titling of land to be used as security for credit. Opinion generally revolved around the following lines: those who believed titling of communal land could lead to further development, and those who disagreed as they believed it would disturb present family set-ups, deprive the poorer people further, and enrich a few.

Another challenge is the cost involved in giving loans to first times borrowers. Many of these people will have little financial experience and will require assistance and support. Most commercial lending institutions may find that adding those costs to a loan program are in conflict with their obligations to their shareholders.

### **3.1 Findings by PSCENRPA**

#### *3.1.1 Capacity is Important.*

Reviews of the programs in Mozambique, Botswana and Tanzania all indicated that capacity of local administrators was crucial to the success of titling. Local officials assist in the processing of the applications. They verify and measure boundaries of proposed land claims as well as assisting local administrative bodies, such as Land Boards, in approval of a title applications. Furthermore, they must also maintain records in locally based registries. In all three countries, the lack of capacity among local officials is noted as a barrier to bringing the benefits of property rights reform to the people.

#### *3.1.2 Providing Title can Create Barriers to the Participation of the Poor.*

In both Botswana and Mozambique, the applicants bear the costs required to register a title. This presents serious challenges to low income and rural poor people, and limits issuance of titles and thereby potential credit to people without an income or other assets.

#### *3.1.3 Lending Institutions are Important Partners*

In Tanzania, the banks lack enthusiasm to lend to rural residents even with their titles. The reasons are not apparent, and it is also not clear what level of consultation that took place in the run up to the legislation to provide title.

Clearly the concerns of banks and other lending institutions need to be addressed.

#### *3.1.4 Conflicts with the Provision of Credit under Property Rights Reform Programmes*

In Namibia efforts to ensure extensive consultation with lending institutions before legislation are recommended. Credit is only the first step. Poverty and underdevelopment have a complicated web of causes; likewise they have a complicated web of solution. Property right reform and credit must be seen as one among many activities which are needed to address rural poverty.

For example, an important issue associated with giving title and credit to rural producers is the need for market opportunities. Ideally, under property rights reforms, rural title holders will obtain loans to increase their productivity and their livelihood. Taking a loan requires repayment. Repayment of a loan assumes income. Obtaining income means access to a market to sell produce. Yet, it is often the case among the rural poor that access to the markets is limited. Thus without a comprehensive view of the links between credit and markets, title holders might become loan defaulters.

## 4 Review of Commercial Bank Interviews

The perspective on credit can be viewed according to the following two main criteria:

- Willingness to Pay
- Ability to Pay

Willingness to pay can be understood to mean someone who has a credit history, has not defaulted on loans and this is generally verified with a credit history check.

Ability to pay can be understood to mean the relationship of the person's income in comparison to the expected cost of servicing the loan. A person should be earning an income that will allow him to be able to pay the installments on the loan, in addition to the usual costs of living.

After it has been determined that if a person is willing and able to pay the loan, security for the loan must be provided. This is in case the willingness or ability to pay of the lender is compromised for some reason.

Typically two forms of security for loans will be considered:

- Property
- Pensions/Policies

Livestock are not considered as collateral for loans in a communal area.

Unsecured loans, although unlikely, might also be considered by commercial banks if the applicant is considered very reliable and has the ability to pay. This will usually only happen in cases where the applicant is known to the bank or has had previous dealings with that particular bank.

It seems that generally the commercial banks are not familiar with the communal land boards, their functions or composition. The commercial banks are not aware of

the communal land certificates or the rights that can be registered under the Communal Land Reform act of 2002. Where there is awareness it is very vague and included no substantive knowledge about the certificates, the communal land rights. A lot more work can probably be carried out in order to communicate the intent of the communal land certificates to other stakeholders, including the commercial banks.

#### **4.1 Credit Lines Available to Communal Land Residents**

A variety of credit lines were defined as being available to communal land residents by the commercial banks. While this might be true in a narrow technical sense, it is likely that many, if not most communal land residents would not be able to access the credit lines mentioned as being available.

##### *4.1.1 Micro Loan Schemes*

The bank has a micro loan scheme that is available, but it is not targeted at communal land residents specifically. This loan facility has a maximum limit of N\$ 30 000.00 and there is requirement that must be provided. However an unsecured loan will only granted if the applicant is very willing and able to pay. This can be taken to meant that in order to receive credit with no security; the value of the loan will generally be very low, certainly compared to the ability to pay. Therefore applicants would need to have a banking and credit record as well as demonstrate a level of income that is commensurate with the expected repayment rate of the loan.

##### *4.1.2 The MEATCO Loan Scheme*

Some commercial banks are participating in the MEATCO cattle weaner<sup>1</sup> scheme. This is a scheme whereby credit is made available to the applicant to purchase weaner's on the auction market. The cattle themselves then serve as collateral for the loan. After the weaner's have been raised and fattened

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<sup>1</sup> Weaners are young calves that have jsut been or are in the process of being weaned from the mothers milk. This happens at an age of around six to nine months. These weaners are sold at auctions in Namibia with a large number of the buyers being feedlots in South Africa. MEATCO typically desires more oxen (between the ages of eighteen and twenty four months) for slaughter for their markets.

enough after a period of at least six to twelve months, the cattle are then expected to be marketed and slaughtered through MEATCO as oxen. MEATCO will then subtract the credit owed to the bank, including all interests and cost, and the difference is then paid to the producer. This facility is only available to persons with a farm or a long lease agreement for farmland. This is to ensure that the producer is able to raise the weaner's on natural grazing so as to lower the cost of producing the increased muscle mass. In theory communal land residents would be able to participate in this scheme but the question remains as to how many residents have access to lease agreements in the communal areas. The NNFU and RISE Namibia see the scheme as only serving to exclude communal land residents as their land rights are not registered in the deeds office even when they have valid rights over communal land parcels. This also applies to communal farmers south of the veterinary cordon fence.

#### *4.1.3 Business Financing*

The commercial banks do make credit available to finance businesses in communal areas. Some commercial banks have a specific focus on agricultural business in communal areas for which they make credit available. However this is dependent on the existence of leasehold rights over the land on which the business is situated. Additionally the leasehold should be registered in the office of the Registrar of Deeds. This is the normal practice for commercial leaseholds but again one should determine what is the number of leaseholds in communal areas and additionally, what percentage of these leaseholds are actually registered in the office of the Registrar of Deeds. It would also be of interest to determine if many of these leaseholds being referred to are in fact within proclaimed town lands in the communal areas.

#### *4.1.4 Agricultural Loans*

FNB has four types of loans available that can be characterised as agricultural loans.

<b>First National Bank Agricultural Loans</b>	
Livestock Loans	Available for the purchase of livestock.
Farm Loans	These are credit facilities available for the purchase of farm land in the commercial agricultural areas.
Infrastructure Loans	Loans for the development and erection of infrastructure on farms such as windmills, fences and dams.
Implement Loans	These are loan facilities to be used for the purchase of farm implements such as livestock scales, tractors ploughs etc.

For all of the above credit facilities, security must be provided in the form of registered bonds on property, investments and pensions/policies. The level of security required can range from 50% - 100% depending on various factors. This would effectively rule out most, if not all, communal land residents from having access to these credit facilities. Livestock would not be considered as adequate security for a loan from FNB, even for an agricultural loan. Residential housing can also be used as security for these agricultural loans, which is why they can be said to be available to people in communal areas.

#### *4.1.5 Okamatapati Pilot Project*

FNB has a pilot project based at Okamatapati for the purchase of livestock. The livestock may be kept for up to eight months and the bank also provides bridging capital for that period. Upon the sale of the livestock the loan amount is repaid to the project. Mr. Mate is confident that the project will be

established but it is still a very young project. In 2009 N\$ 1 000 000.00 was provided to about nine farmers. This amount is expected to increase to about N\$ 5 000 000.00 in 2010. The bank has also installed an automatic teller machine (ATM) at Okamatapati to facilitate access to finance.

#### *4.1.6 Social Funds*

Nedbank has a special Social Fund with which they intend to engage in activities that are unique and contribute to social upliftment of communities<sup>2</sup>.

There is also a special fund for women's projects, again there was no further information as to the extent of this fund and its availability to women from communal areas.

Additionally a pension backed home loan scheme has contributed 7.7 million Namibian dollars as of September 2009. The pension backed scheme assumes that the applicants are members of pension funds. A person typically a member of such a pension fund is probably permanently employed in the private and public sector and therefore it would seem safe to assume that this form of credit is available to persons in the major towns rather than in the communal areas.

The availability of all three of the above activities to rural communal land residents is probably very low seeing as banks lack a presence in the rural communal areas in the first place.

#### *4.1.7 RISE Namibia*

The Rural People's Institute for Social Empowerment (RISE) offers credit to communal land residents in partnership with regional farmer's cooperatives. These are typically persons who would not normally qualify for credit from commercial banks because of lack of collateral. RISE uses donor funding only for administration costs and has N\$ 2 000 000.00 of savings. There are limiting

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<sup>2</sup> Mr. Gernod de Klerk  
Contact Details: Nedbank, 061-2952140, 0811222318

factors however for RISE Namibia to expand its activities and increase its reach. It has not been able to get a banking license to expand its operations in Namibia as much as it would like to.

#### *4.1.8 FIDES Bank Namibia*

Fides Bank Namibia does not claim to be targeting communal land residents directly, but its target market is the un-banked, which includes the large majority of communal land residents. It therefore does more to reach the communal land residents than all the other products that we have seen listed so far.

The bank has made an effort to promote and support self-employment strategies and income-generating activities through market-driven supply of financial products and services. For FIDES Bank Namibia to be able to offer a broader range of customized financial products to the target group instead of “micro-credits only”, as specified under the Namibian Banking legislation, it has become necessary to obtain a full banking license<sup>3</sup>. A broader product portfolio will serve to increase the initiatives possibilities to better structure and manage financial risks, its access to refinancing and thereby its overall potential for further growth and client outreach.

FIDES Bank Namibia accepts unconventional security for their loans. Anything from livestock to furniture can be accepted as security for a loan. This provides the versatility required in order to allow residents to use what they have to access credit lines. In a running business, even the inventory can be used as collateral for a loan. Typically small loans are granted, with the average size of a loan being around N\$ 1 000.00 FIDES Namibia has a default rate of around 1%, which is considered to be very low in any market. In order to register a mortgage, a very expensive and cumbersome procedure has to be followed. Therefore FIDES Bank Namibia very rarely bothers with registering fixed

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<sup>3</sup> A full banking license has not been granted to Fides Bank Namibia by the Bank of Namibia.



property as security for a loan. Once again it was pointed out that the most important criteria with regards to the awarding of credit come down to the willingness and the ability of the client to service the debt. The methodology used by FIDES is what allows them to do business in a very different way from the current crop of commercial banks in Namibia.

The bank is operational in the north central parts of the country and already has enabled the creation of financial services for a growing number of economically active but poor people.

The clients are typically residents of the communal areas where more than five thousand credits have been granted by the beginning of 2009. Many of the applicants go back to the banks for second and third loans which get progressively bigger depending on the ability and willingness to pay. As a result more than twenty thousand loans have been processed amounting to three million euro's or thirty million Namibian dollars. A typical loan would be anywhere from N\$ 500.00 to N\$ 20 000.00 depending on the application.

Appropriate financial products have been developed, most of them being based on small amounts with a weekly repayment. The demand for savings services is surprisingly strong. People have well understood that a progressive accumulation of savings, enabled by products taking cash flow constraints of the rural poor into account, will allow them to accumulate meaningful amounts for investments and is at the same time the best strategy to reduce their vulnerability.

Fides BANK Namibia intends to serve approximately 80 000 saving clients and 40 000 credit clients within five years. By 2015 a network of 12 branches is expected to be established across the country.

## **4.2 *Reasons for the Current Level of Access to Credit***

It would appear that the current approach is one of extending the existing practice off the commercial sector to the informal sector and communal land residents. This approach has had limited success due to the fact that the current practice, is based principally on using land or pensions/policies as security for the loans. Unfortunately many communal land residents probably have neither property (in the form of registered leaseholds, or pensions and policies), which would exclude them from the traditional means of accessing credit. They probably also do not have access to banking facilities thereby preventing them from being able to demonstrate their willingness or ability to repay loans as required. This results in a self perpetuating cycle of inaccessible credit.

### *4.2.1 Property Rights*

In order to be able to access credit in the traditional way where property rights are used as security for the loan, the following is required. Erven should be identified in a suitable manner, and linked to the owner. In the current framework this would entail a legal cadastral survey of the property boundaries. Additionally the cadastral parcel would have to be linked to the right holder by means of a registered (in the deeds office) title deed or leasehold.

However it is not sufficient that a clear spatial boundary is demarcated and linked to the right holder. Where this information is known it is also required that a market value for the land right can be determined. This market value is typically established through sale on the open market. This demand and supply of the rights will determine the value that will be assigned to the tradable right. The tradability of the right, which affects the value of the right, is determined by the size and mobility of the market. Clearly there can be some constraints on the market but increasing the constraints is likely to affect (probably

negatively) the value of the land right and by implication the value of the loan for which the right can be used as security<sup>4</sup>.

A further constraint on the value of the right is the cost of retaining the right, and one of the reasons for the requirement that rights need to be registered, against the risk of competing interests. The registered right makes public (ideally) all competing interest in order to ensure that the creditor can reduce the chances of the same right being used for security to access credit from two different, but ignorant (of each other) creditors. Other competing interests in the right could be servitudes holders etc.

Communal land rights, for the most part, do not meet these criteria and are therefore excluded from being used as security for credit.

It seems that even if steps were taken to define the communal land parcels and register them with the land boards it would not make a difference at this point in time. The commercial banks seem to recognize and value only the survey procedures of the office of the surveyor general and the registration of the property rights within the directorate of deeds.

#### *4.2.2 Theft of Livestock*

The reluctance to provide credit to communal land residents also is given as the high risk of theft of livestock and the lack of controls in the communal areas. This amounts to the bank being unable to trust the customer's agribusiness activity based on the fact that there are too many variables that are beyond the control of the communal farmer, such as unreasonable high levels of theft<sup>5</sup>.

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<sup>4</sup> A comparison was made to fishing rights concessions. Initially they were not tradable and as such bank did not use these rights as security for credit. It appears that this changed when the rights were made tradable.

<sup>5</sup> This statement becomes even more interesting considering the the recent discovery of an extensive and very professional cattle rustling operation uncovered in the commercial farming areas.

#### *4.2.3 Status of Communal Land Residents*

There is a perception, held by banks and financial institutions, that the communal land residents are not trustworthy recipients of credit. It seems that the impression is that they are unwilling or unable to repay loans. It was also stated that communal land residents are considered unbankable and that they generally do not have assets to use as collateral for loans. The NNFU and RISE Namibia do not share this view and believes that this perception needs to change, and that the assessments used so as to determine the willingness and ability of communal land residents to repay loans, needs to change. It is also not true that the communal land residents do not have assets, but rather that their assets are not registered or supported by the institutional frameworks that govern assets. Therefore a change in the institutional arrangements will make the assets of communal land residents visible. Communal land residents have cattle and property but their property is not registered in the deeds office and therefore it does not exist and cattle are not considered an appropriate asset for security for credit. On face value this statement is supported by the evident success of FIDES Bank Namibia in targeting the previously un-bankable.

#### *4.2.4 Reluctance of Commercial Banks*

Banks are perceived to be reluctant and not receptive to extend banking services to the communal land residents. The commercial banking sector is considered to be unfriendly to the poor. Poor people, if they attempt to engage the banking activities, are often confronted by many forms for completion and this often leads to people being discouraged from continuing their engagement. This reluctance is partly due to the fact that banks currently see to many risks for themselves and their shareholders, and that government is not being seen as trying to provide incentives for that sector of the market.

#### **4.3 Possible Actions to Achieve an Increase in the Levels of Access to Credit for Communal Land Residents**

Agricultural loans, urban and rural, are a future activity that some banks are planning to engage in but as of yet not all are servicing that particular market. It was stated that the bank is very willing to finance agricultural activities in the communal and commercial sectors provided that the circumstances are conducive to do so. We can take that to mean that those banks that are not yet according to their own perception at least engaged in the agricultural and communal sector, stated that they intend to do so in the future. Not all banks could point to specific plans for the future. The commercial banks, it seems, would like to get more involved in the communal land sector but are not sure how that is possible at the moment. Not everyone viewed the intentions of the banks as good news and seemed to suggest that this was sometimes a cynical ploy only so as to be seen to do something.

There seems to be consensus that an initiative from the Bankers Association of Namibia (BAN) would be well received by most parties. The commercial banks seem to be looking for some guidance from BAN and their colleagues. Perhaps collective action would mobilize the banks into serious action on behalf of communal land residents.

All parties, including commercial banks, would welcome it if there were efforts introduced to publicise the communal land rights to banks and financial institutions specifically in order to create more awareness about the communal land rights. It is possible to use the communal land rights as security for credit, if that is desired by government, but such decisions and discussions would have to involve the banks and financial institutions. This is an area where BAN would have a large role to play.

FIDES BANK Namibia uses a model which is specifically targeted at the informal sector. It was stated that their risk management strategies and practices are unique. These practices seem unfamiliar with the current practices of Nedbank and as a result there is a certain reluctance to enter that market as they do not feel equipped

to deal with it. It would appear as though some commercial banks wanted to engage with FIDES Bank Namibia in their activities but were ultimately scared off by the methodology of FIDES. Introducing the FIDES technology and methodology could increase participation by other banks or lead to the adoption of similar methodologies.

#### *4.3.1 Cattle Traceability System for NCA's*

A livestock traceability system should be implemented in the communal land areas. This is seen as acting as counterfoil to theft as well as protecting the investment of the residents and the banks. It is suggested that cattle of communal land residents should be registered so as to be able to serve as collateral for loans. We have seen that this is possible to implement in the communal areas as it has been done in communal areas south of the veterinary cordon fence.

#### *4.3.2 Fencing in Communal Areas<sup>6</sup>*

If fencing were to be allowed in communal areas it would go a long way to towards protecting and managing livestock resources in the communal areas. Additionally if the fencing of communal areas were to be legalized it would, I assume, coincide with enforceable property rights. This would go some way to allowing banks to consider extending credit to those residents owning legally defined and fenced parcels. It is also argued that the fences are needed in order to be able to manage the grazing, the livestock and apply other sustainable practices which have an impact on the success of the business, and therefore reduce the risk of defaulting on a payment.

#### *4.3.3 Bankers Association of Namibia*

The banks do not really see other banks as its competitors and prefers to think of their actions as being complementary. The opinion is that there is more than enough business for all the banks currently operating in Namibia and that their needs are better served by cooperating to open up new markets. This would

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<sup>6</sup> Fencing off parts of communal areas is an illegal practice even if it is a commonly occurring one. Currently it is not really clear if the practice can actually be stopped or reversed or if it is desirable to even attempt to do so.

probably also serve to share the risk and the cost of venturing into a new market, such as that of communal land residents. Is this an indication of an unhealthy lack of competition amongst banks in Namibia, or even an indication of unhealthy cooperation between banks is not clear at this stage. As much as cooperation is good, one is left to wonder why there is no bank interested in taking the lead locally in what seems to be a fairly large untapped market. In this spirit of cooperation it would seem that only a combined and cooperative effort, probably spearheaded by the Bankers Association of Namibia would be able to mobilize the banks into a comprehensive initiative to offer credit to communal land residents.

#### *4.3.4 GOV Intervention*

It was felt that government could do a lot more to enable banks to assist communal land residents. This could be done in a variety of ways. It was suggested that if government could act to provide security for loans to communal land residents then the banks would be more willing to provide credit. Government could also provide money in order to subsidise the interest rates in order to make the provision of credit more affordable for communal land residents and at the same time increase the profitability for the banks. Guarantee funds to minimize the risk for the banks and would allow them to engage more actively in the communal land areas.

#### *4.3.5 Linkage Banking<sup>7</sup>*

There is a school of thought that linkage banking is one potential solution to increase the access to credit for communal land residents. Namibia has a strong formal banking sector but with limited reach in terms of the communal land residents. The commercial banking sector in Namibia is regulated, has

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<sup>7</sup> The experience of Linkage Banking in India has proved that entire sectors of the population such as women, small-scale farmers outside the cash-crop farming circles, small-scale craftsmen, and small business owners are an enormous potential which was not served by the banking sector in the past. Linkage Banking makes it possible for many of them to get access to financial services from the banking system in India.

**Hannover, W., 2005, *Impact of Microfinance Linkage Banking in India on the Millennium Development Goals (MDG): Summary of Major Results from Existing Studies*, GTZ**

adequate capital and a national network of branches in major towns. They also have sound financial control and mechanisms and good administrative systems. On the other hand there are small informal financial organizations that have good networks on the ground and relationships with many small producers, but lack financial skills, capital, knowledge and administrative systems. The cooperation of the formal and informal sector organizations, such as RISE Namibia, could enable a large number of communal land residents that previously were unable to access credit facilities to now be reached.

#### *4.3.6 RISE Namibia*

RISE Namibia stated that they have implemented a new management information system (MIS) at a cost of N\$ 200 000.00 in order to improve their administration. Their expansion is hampered by what they consider to be restrictive banking legislation.

#### *4.3.7 Restrictive Banking Legislation*

There needs to be long terms discussion and analysis of the banking sector in Namibia with all stakeholders including government to review the banking legislation. This would include the granting of licenses to small banks to service sectors of the community whose needs are not currently addressed. The required deposit of N\$ 10 000 000.00 for a banking license is too high according to RISE Namibia and should be reviewed.

#### *4.3.8 Other Actions*

Efforts to change the attitudes of commercial banks are required, probably through BAN, in order to engage the poorer sector of society. It was not elaborated on how such a “culture shift” would take place. Banks should be encouraged to reach out to the many potential customers that they are not reaching.

It was suggested that the responsibility for the repayment of loans and the handling of an individual’s financial matters also comes with practice and experience, which a lot of people lack. This was said in the context that poorer



members of society are not necessarily more likely to default, but that if there are defaulters it is a matter of training rather than being perennial defaulters.

Other recommended steps are:

- Demystify the fear of losing assets.
- The granting and recognition of permanent land tenure rights for farmers on communal land.
- These rights need to be formally recognized and registered.
- Reduce the product and Information gap. According to the interviewee there is very little information and communication by banks on products that are targeted towards the poorer sections of the community. Developing product that meet the requirements of the poorer communities.
- People should engage in banking activities and establish relationships and track records with the banks. Banking should not be seen as the preserve of the rich only.
- Civil action by the people in order to drive home their point and to demand services from banks, especially the Agricultural Bank of Namibia.

#### **4.4 Additional Comments**

Not everyone is sure that the issuing of communal land rights certificates will be useful to the bank in with regards to the provision of credit. This is based on the assumption that the communal land right certificates are not freely tradable. Also the certificates are not registered in the deeds office and as such it appears that as far as the bank is concerned they might as well not exist. Titling of communal land was never very explicitly mention as a measure that will allow communal land residents to access credit. Instead it was mentioned as a limiting condition but not a sufficient condition. In fact it was stated by one respondent that that *“titling is not the answer”*.

## 5 Summary

## **6 Conclusion**

## 7 Recommendations

In order to support mechanisms that will allow increasing access to credit for the poor is not a question of titling property only. A comprehensive program of action will be needed to bring to fruition a number of complementary and interrelated actions in order to gradually increase access to credit for communal land residents. This ranges from the support of community banks and savings schemes such as RISE Namibia to engaging the commercial banks to accept increases in perceived risk in order to broaden their client base.

1. Increase publicity on the current options with regards to obtaining access to credit and microfinance.
  - a. Research and consult with stakeholders (financial and micro-institutions) to determine what would be required in order to use the current communal residential land rights as security for credit.
  - b. Investigate the possibility of establishing new institutions of credit that specialize in providing access to financial support to communal land rights holders.
  - c. Investigate the possibility of existing institutions, or establishing new institutions of credit, that specialize in providing access to financial support to communal land rights holders based on their livestock holding rather than the land rights.

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