

AGRIBANK'S CONTRIBUTION TO JOB CREATION AND NATIONAL ECONOMIC GROWTH

By Amb. Leonard N. Iipumbu

Agribank specializes in financing the entire value chain from land acquisition, production, harvesting, transportation, processing, and marketing of the agricultural products at competitive interest rates.

Despite agriculture contributing on average 5.5% to GDP over the years, it plays a key role in the development of the country as two thirds of the population is dependent on the sector, employs the majority of the total workforce (26.6%) and is crucial in ensuring food security and food self-sufficiency. The agricultural sector has therefore a great potential for expansion to create employment, reduce poverty by increasing the safety-net of the majority of the population and is an anchor for the promotion of rural development.

During 2010, the repo rate remained below 7% reducing the lending rates of Agribank to around 9% making it very competitive and affordable to the farming community. Despite

the extended period of the world recession and the outbreak of the Rift Valley Fever (RFV) in Hardap and Karas regions in May 2010, Foot and Mouth Disease (FMD) in Caprivi and Kavango regions, the loan business portfolio performed exceptionally well, growing by 65% when compared to 2009 (N\$135.9 million). During the period under review (January – December 2010), a total of N\$254 million loans were approved to benefit 892 clients, mostly previously disadvantaged Namibians. In terms of employment, it is expected that 1,000 new jobs and 5,000 temporary jobs would be created while maintaining existing jobs. The overall contribution of the loans approved in 2010 towards the total loan book of Agribank was 18% from N\$1.4 billion in 2009 to N\$1.6 billion in 2010. Taking over of agricultural loans from financial institutions grew astronomically by 534% to N\$41 million from N\$6 million of 2009 indicative of the negative effects of the persistent world economic crisis on the farmers' financial status to influence the



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migration to Agribank because of competitive low interest rates.

The Namibian agricultural sector is historically dominated by livestock production and this is largely true even today. Of

the total loans approved from January to December 2010, livestock loans remained the most preferred product by the farming community. During the year under review, livestock loans approved

amounted to N\$68 million or 27% of the total loans inclusive of the Meatco Ekwatho financing scheme.

Further to that, 13 clients consolidated their existing loans for the total amount of N\$20.4 million in 2010, a decline of 27% from N\$28 million of 2009. With regards to the Green Scheme, a total amount of N\$4.7 million production loan was approved to 29 small scale farmers at Ndongalinea irrigation scheme.

Land Acquisition

Agribank approved a total of N\$57.6 million for the purchase of 26 commercial farmland totaling 111,424.3046 hectares, which indicates a significant improvement of 120% compared to 2009 (N\$26.3 million). The purchase of farms under the Affirmative Action Loan Scheme (AALS) also improved by 67% in total from 6 (N\$12.3) farms purchased in 2009 to 10 farms totaling 42 233.0059 hectares (N\$20.6 million) bringing the total farms purchased under the scheme since its inception to 614 (3.33 million hectares) worth N\$677 million. A total of 16 disadvantaged Namibians bought commercial farmland worth N\$37 million through Agribank commercial loans. The purchase of commercial farmland is expected to create approximately 111 new permanent jobs in the sector in 2010.

Piggery Project

During the year under review, Agribank financed the Halali Piggery project, located between Otavi and Tsumeb, to the tune of N\$24.6 million. The Project has the capacity to produce 200 pigs per month, and is expected to create a total of 20 permanent and 40 temporary employees.

Aquaculture

Agribank signed a Memorandum of Understanding (MoU) with the Ministry of Fisheries and Marine Resources (MFMR) in March 2010 for financing of the Aquaculture. Aquaculture business plays a major role in rural development to fight the alleviation of poverty, unemployment and food security to meet the demand for today and the generations to come. The demand for financing fish farming has been growing steadily and did not have the financial resources to finance the capital-intensive projects, hence the MoU. During 2010, Agribank approved a total of N\$13 million to the aquaculture sector inclusive of the Crocodile business in Otjiwarongo.

Post Settlement Support Fund (PSSF)

During the year under review, Agribank approved N\$15 million loans under the Post Settlement Support Fund (PSSF), a growth of 13% from 2009 (N\$13 million) benefiting 246 farmers resettled in commercial

areas. Since the launching of the Post Settlement Fund in May 2009, a total of 476 resettled farmers have benefitted from the fund. To date, a total amount of N\$28 million have been committed to the resettlement program.

Farmers' Support Project (FSP)

To maintain and sustain the productive capacity and effective use of the farm land which is quite essential if future demand for food and non-food products is to be satisfied, Agribank prioritized training to the farmers in both commercial and communal areas by officially taking over the implementation of the Farmers' Support Project (FSP) since July 2010 with financial support of N\$5 million over 3 years from the Government of the Federal Republic of Germany through Gesellschaft für Zusammenarbeit (GTZ) to augment and strengthen the ongoing training program of farmers by the bank. The Farmers' Support Project (FSP) is operational since May 2007, by focusing initially on resettled and Affirmative Action loan scheme farmers on commercial farmland to the south of the veterinary cordon fence (VCF) in farming practices, record keeping and financial management. To date, 374 farms and villages were visited by mentors, of which 189 are Affirmative Action farms (AA), 151 are resettled farms and 34 are communal villages. There are currently a total of 929 resettled farmers, 530 Affirmative Action farmers and 78 communal farmers trained by mentors. Agribank is allocating resources and efforts to integrate the FSP into its organogram to continue beyond the financial support of the Germany Government in 2013.

Since March 2010, the Agricultural Bank of Namibia availed training funds of N\$2 million to expand the FSP program to the northern communal areas (NCAs) focusing its professional support to farmers in the fields of horticulture and dryland crop production (pearl millet and maize).

To date the FSP has identified 11 mentors in communal areas who are currently busy training and providing advisory services to small-scale farmers this cropping season. It will closely collaborate with ongoing programmes of MAWF, Namibia Agronomic Board, Livestock Producers' Forum mentorship programme and the Community-based Rangeland and Livestock project of the Millennium Development Account (MCAs). The training is aimed at transferring modern farming skills and knowledge of farming to emerging and communal farmers to enable them to meet the daunting challenges of sustainable

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Loans approved January – December 2010.

Loan type	Actuals N\$	% of total loans
Livestock	66,378,210.00	26%
Farm Land	57,644,135.00	23%
Take over of Agricultural loans from Financial Institutions	40,529,436.00	16%
Piggery	24,600,000.00	10%
Post settlement loans	15,122,831.73	6%
Tractor	11,836,647.00	5%
Aquaculture	13,047,895.00	5%
Farm Vehicle	6,413,658.86	2%
Production Loan (inclusive of Green Scheme projects)	6,304,692.50	2%
Debushing	4,249,700.00	2%
Infrastructure	2,631,966.78	1%
Meatco Ekwatho Financing Scheme (Weaners to Oxen)	1,759,819.00	1%
Implements	1,415,950.07	0.5%
Improvements	1,384,339.00	0.5%
Labourers Housing	730,546.51	0%
Farm House	327,000.00	0%
Total Amount Granted	254,376,827.45	100%

