

Public Investment Program in Agriculture with Specific Reference to Namibia  
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**Director Ceremonies**

**Ladies and gentlemen,**

I would like to thank the organizers of the Conference for inviting me to make some remarks this morning. This is a very important subject to discuss for a number of reasons. For example world demand for food is forever increasing and we are continuously being challenged to feed the world population. The question we thus need to ask ourselves is whether we are fully utilizing the potential of the agricultural sector to produce the food we need.

Eradicating extreme poverty and hunger is the first Millennium Development Goal (MDG) for a reason. None of the other MDGs can be met without food security and economic development. Because 75 percent of the poor in developing countries live in rural areas, strengthening the agricultural sector can not only improve access to nutritious food, it does more – at least twice as much – to reduce rural poverty than investment in any other sector.

It has been proven that on average, countries with the greatest success in reducing hunger are those with higher net investment rates in agriculture.

In 2009, the number of hungry people in the world reached a record 1.02 billion. This is largely due to complex economic circumstances that affect the poor most of all. Investing in agriculture and rural development – and making those investments as effective as possible – is both the means to provide more food for more people and the way to improve rural livelihoods so the poor can buy the food they need.

Food prices have been rocketing over the past few years and this trend is likely to continue. For most families, there is no way of avoiding these food price increases, and for some, there has been no choice but to make serious spending cuts elsewhere. However, rising food costs do not have to be a one-way ticket to poverty. For investors with some savings to spare, there are now an increasing number of commodity funds in the international financial markets, which are positioned to benefit from the increase in the price of food commodities.

Over the past 30 years, the world's population has grown by more than 50 per cent to over 6 billion, and is expected to increase by the same proportion again by 2050. Yet the world's food supplies are failing to keep up. Many of the farms in developing countries produce small yields, and need help and more modern farming equipment to help them produce larger amounts of produce. Therefore, it is essential to increase the current levels of food production more than the population growth in order to provide most humans with an adequate diet.

And while there is still plenty of undeveloped land around the world, which may be suitable for agricultural expansion, it takes many years to cultivate it so that it will produce a good yield. Meanwhile, the increase in demand for biofuels is also distorting the agriculture market, as increasing numbers of farmers are being incentivised to sell their crops to create biodiesel or ethanol.

All these factors suggest that the fundamentals make for a good investment story in the agriculture sector. The underlying drivers are not going to go away any time soon. People are now eating a lot more meat, and so farmers need a lot more grain to feed their animals. For example, over the last 40 years, the amount of meat being consumed by the average person in some of the fast developing emerging economies has increased by two and a half times, faster than farmers have been able to increase their production.

Technological revolution in agriculture, commonly known as the “Green Revolution”, gave further impetus to development in agriculture. It is now well accepted that public investment in agriculture development is of vital importance in transforming the traditional agriculture through investment in physical and human capital and research and development. Public investment in agriculture will lead to new inputs, productivity increases, agriculture sector transformation towards export oriented industries, self-sufficiency in food production and food-security, employment creation and poverty reduction. Public investment in agriculture has the potential to promote forward and backward linkages that will contribute in accelerating economic growth.

Agriculture has been the foundation for economic growth and development since civilization started. Two thirds of the world’s agricultural value-addition was created in developing countries along with one fifth of public investment in agriculture between 2000-2008. This public sector investment needs to be augmented by private sector investment. For this to happen we need to create conducive environment where private sector investors can invest in financial viable agricultural projects.

Generally, agriculture-based countries where more than half of the poor population live in rural areas, agriculture generates, on average 29 per cent of the world gross domestic product (GDP) and employ 65 per cent of the labour force. Most of the world’s agriculture-based countries are in Sub-Saharan Africa (SSA). However, compared to the other regions, public investment in agriculture is still not significant in SSA. In these

countries, industries and services linked to agriculture value chains often account for more than 30 per cent of GDP.

The vast majority of the poor people, whose lives need to change the most in order to attain the specific targets of the MDGs, depend on agriculture for their livelihoods. Increasing public investment and promoting agriculture is therefore imperative for meeting specific MDGs. While agriculture alone may not be sufficient to vastly reduce poverty, it is equally true that poverty reduction will not happen without substantial public investment in agriculture.

Another reason for the need to invest in agriculture is to find innovative ways when utilising agricultural land in order to avoid potential environmental outcomes. For example, agriculture is by far the largest user of water, contributing to water scarcity. Improper agriculture methods can cause agro-chemical pollution and soil exhaustion. With rising resource scarcity, climate change and concerns about environmental costs, business as usual in the way agriculture uses natural resources is therefore no longer an option. New technologies make it possible to grow crops in ways that conserve water and protect soil fertility.

Let me now say a few words on the public investment program in Namibia. The basic objective of the agriculture investment program is to optimally and sustainably utilize natural resources in enhancing the contribution of the potential of agriculture to economic growth and national development. Accordingly, the program is aimed at improving levels of food security and food self-sufficiency, employment creation, and rural development. The main programs of investment are focused to improve crops, horticulture, livestock, agricultural infrastructure and capacity development.

It is, perhaps, appropriate to here to once again remind ourselves about the Comprehensive Africa Agriculture Development Programme that was developed in 2003 as an AU-NEPAD initiative. The programme provides a framework for the achievement of food security and socio economic development through growth in agriculture. It advocates for sound land and water management, better market access, regular food supply to fight hunger and highlights the importance of agricultural research.

The programme recommended that a minimum of 10% of the national budget should be allocated to agriculture in order to achieve some of the targets of the Millennium Development Goals, which are directly dependent on agriculture. However, Namibia's average public investment from 2005 to 2010 of 8.6% is below the minimum requirement.

The outcome of this low level public investment in agriculture is a contributory factor for the annual growth of about 1.7% which is far below the target growth rate of 6.6%. In relation to GDP, average public investment in agriculture for Sub Saharan African countries is about 2% while Namibia's investment in agriculture is about 0.5%. Furthermore, contribution of the agriculture sector to GDP has been steadily decreasing since independence. Increased public investment in agriculture is essential for transforming it into a dynamic sector that can contribute to accelerated economic growth and diversification of exports.

Let me now turn to some binding constraints in maximizing the potentials of the agricultural sector in Namibia; I shall limit myself to bush encroachment, control of stock disease and property rights in communal areas.

We are all aware that agriculture continues to provide the livelihood for the majority of the Namibian population. Due to its strong back and forward linkages it is proposed that focus of the agricultural sector during the next 10 years should be on increasing livestock production in Namibia. If certain key constraints to livestock production are effectively removed it is estimated that the agricultural sector will create an additional average growth of 1.46 percent per annum during the next 10 years. Some of the key interventions to be undertaken include removal of bush encroachment or invader bush in commercial areas; effective disease control in northern communal areas; market access for agricultural produce; and property rights reform in communal areas.

If bush encroachment is effectively controlled, livestock production in commercial areas could increase by about 60 percent from current levels. Namibia has about 83 million hectares of land. Of that about 68 million is classified as usable land. However, of the 68 million about 26 million is infested with bush encroachment. Prior to the bush encroachment the carrying capacity of land was about 1 cattle per 12 hectares. It has now decreased to 1 cattle per 20 hectares. It is therefore estimated that by addressing bush encroachment, cattle production could increase by 60 percent

Control of stock diseases, i.e. foot and mouth and lung diseases are critical for the development of livestock in Namibia. It is estimated that there are currently between 1 and 1.5 million cattle in the northern communal areas, with a take-off ratio of less than 3 percent compared to 25 percent south of the veterinary cordon fence (VCF). If the Veterinary Cordon Fence is moved, and assuming a conservative take-off ratio of 15 percent, the injection of additional income in the northern communal areas could be between N\$600 million and N\$900 million.

The issue of property rights has been a great stumbling block in the development of the Green Scheme. It is estimated that Namibia has about 40,000 hectares of land that could be put under irrigation but currently only about 9,000 hectares are under irrigation.

Through the green scheme an additional 27,000 hectares could be put under irrigation over a 15 year period; cost and property rights are however, key stumbling blocks in the development of the green scheme. A key factor that caused the delay of the green scheme is that of property rights. According to the land reform Act, leasehold is allowed but is not transferable rendering land in communal areas dead capital. A solution to this complex issue could lead to a massive influx of investment in the green scheme and increase agricultural output.

In this respect and in order to exploit the potential of the agricultural sector there needs to be an enhancement of public sector investment as well as a conducive environment for the private sector to invest in. With respect to the enabling environment there needs to be provision for initial protection, access to capital, and addressing skills deficit in agriculture. The public sector should play an essential catalytic role in fostering innovative institutions and maintaining Namibia's competitiveness in order to encourage agricultural development in the country.

Another important aspect is the promotion of agricultural research and development. Currently agricultural research does not seem to be a priority area of the public investment in agriculture. Without research and development geared towards enhancing the yield from the agriculture sector, it will be difficult to exploit the huge potential for economic growth. Research and development will also lead to improved productivity and the introduction of new information and communication technologies which will allow farmers to be informed and understand the markets they are meant to supply.

In conclusion, I would like to reiterate the fact that recent developments in the world population and the demand for food have made it possible to make investment in the agriculture sector an attractive proposition. To benefit from the opportunity being offered, we need to substantially increase our public investment in the agriculture sector. We also need to promote private sector investment to complement public investment. If we fail in this respect, more and more of the world population will go hungry.

I thank you