



**REPUBLIC OF NAMIBIA**

**Ministry of Finance**

**Responses to Questions posed by Parliament**

**Natangue Ithete, MP**

**Deputy Minister**

*Hon Speaker, Hon. Members*

I have the honour of answering question posed by **Hon. Vipukuye Muharukua** (PDM), unresolved scuffle between previously disadvantaged farmers over non-payment of debts.

*The first question was:*

***1. How many farmers were handed over to debt collectors by the Bank?***

The total number of 2492 accounts was handed over to the external debt collectors valued at N\$254 million. Apart from those handed over to debt collectors, over N\$500 million arrears continue to be collected via the Bank's internal channels. It is important to understand that whether the arrears are collected through internal channels or the employment of debt collectors, failure to honors loan payment will end in repossession or sale of the financed and, if necessary, additional collateralized properties.

*Hon speaker, Hon. Members,*

Not all clients in arrears, are as a result of the drought, and it is therefore misleading to assume so. In as much as we acknowledge that there are those who are genuinely affected by the drought, records shows that majority of these arrear clients simply ignore to pay throughout many years irrespective of climatic conditions. I must also add that many of these clients are professional with managerial and leadership positions, others own flourishing businesses however because their loans are advanced from a public enterprises, they opt not to serviced them until arrears accumulate to high amounts.

The Bank has been very patient with its clients. The Bank's arrear book, 68% of the arrears is older than four years old; with many accounts in this category as old as eight years and some as old as 15 years. This indicates that most of the arrears extend beyond recent droughts.

The decision to sale or repossess the financed properties is not reached lightly. The bank have made numerous calls to the clients in arrears to make repayment arrangement however these calls are never heeded to simply because Agribank is a state owned bank. With these mindset and customer behaviors, we will not sustain the bank. Let those in arrears do the right thing, and repay their dues in order to enable the bank to serve others in the future or unsurprisingly, deal with the consequences.

*Hon. Speaker, I now move to answer the second question:*

***2. These farmers have all contributed to the national land distribution efforts, through either commercial or affirmative action farm purchases. Why should it not be assumed that the Bank's actions are flying right in the face of land distribution efforts?***

They have indeed, which is why Agribank financed the acquisition of land. In fact, the Bank had, based on the last audited financials <sup>Report</sup> ended 31 March 2017, <sup>Agribank</sup> financed 6.1 million hectares of farmland for previously disadvantaged clients.

This translates to 41% of Government's target of putting 15 million hectares of commercial farmland into the hands of previously disadvantaged farmers by the year 2020. However, contributing to national land redistribution efforts does not mean clients do not have to make repayment arrangements with the Bank should they experience difficulties in keeping pace with their installments.

It should therefore not be assumed that the bank is doing anything that can be described as flying right in the face of land distribution efforts, but rather doing their best to sustain the bank and its mandate to reach the 100% of government target by 2020.

**Hon Speaker, Hon. Members**

I need to also emphasize that repossessing the financed properties is not the bank's first choice, and it is not the Bank's objective to repossess any farms. That is why the Bank invites its clients who are experiencing challenges with their loan repayments to come forward to make suitable arrangements. However, if clients do not make such arrangements, the Bank will eventually be forced to take legal steps that might result in the sale of the financed properties.

The third question is:

***3. Has your Ministry considered the possibility of financing the re-stocking of these farmers to allow them to produce profitably, enabling them to finance their loans?***

I wish to draw the Honourable Member's attention to the fact that, historically, the Bank's loan book has been financed by Government through the Ministry of Finance. This means that the loans which farmers received from Agribank, were already financed with funding from the Ministry.

The Ministry therefore cannot refinance Agribank's clients to re-stock their farms when some of those people not only persistently refuse to make any repayment arrangements but can also actually afford to make such arrangements.

For the clients that has genuinely been set back by the drought and has insufficient means to clear their arrears, the invitation stands that they should approach the Bank to explore arrangements that could afford them more time to rebuild their stocks whilst not entirely leaving the Bank in the lurch.

*Hon. Speaker*, I now move to answer the fourth question:

***4. Having been affected by natural causes, what is your Ministry's view on affording these farmers a compromise in terms of which the arrears or part thereof will be written off, allowing them to start afresh?***

The Bank's clients are in arrears for different reasons even though the catch-all reason being widely advanced currently is the drought. This is true for some, but not for all. Some clients have been farming and marketing their animals or produces but not repaying their loans and others have neglected farming. Should they just have their loans written off? *we can't have be better*

The reduced herds will have to rebuild over time but as they do so, clients – especially full-time ones without other income sources - can make corresponding arrangements to repay their arrears in line with stock recoveries. It will take longer to repay but at least it will be a win-win situation for the clients and the Bank. What the Bank needs is cash-flow to be able to fulfill its mandate. By getting something back from its clients, the Bank will at least be able to sustain its operations and continue to fulfill its mandate although on a constrained basis.

We ought to look at this situation with critical and objective eyes.

Why would an Honourable Member of this august house, for example, have their arrears written off? Why would the Bank do the same for a successful business person or a manager in a private company or public enterprise?

Today, these are the people behind the latest lobby to have collections stopped or arrears written off. This is not right.

***5. Should the farmers lose these farms, would Government commit to the Namibian populace that none of these farms shall be sold in any form or way to previously advantaged farmers?***

Should a client decide they will not respond to the call to make any repayment arrangements, the recovery process will eventually culminate in the sale of the financed and collateralized properties. For any farm to be sold in this country, the Ministry of Land Reform has to provide a Waiver. I am sure that Ministry has criteria – and a process – in place to determine whether or not to provide a Waiver.

**Honourable speaker, I thank you.**