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## DEFINITIONS

**“Cabinet decision on the institutional and management model for State owned irrigation projects”** refers to Cabinet decision no. 12/28.05.02/005.

**“Commercial irrigation farming enterprise”** means the irrigation farmer applying for the allocation of a farming unit constituting the commercial irrigation farming enterprise and composing of 50% of the total irrigable area of an irrigation project

**“Communal Land Reform Act”**, refers to the Communal Land Reform Act, Act 5 of 2002.

**“Control or regulating body”** refers to the relevant water or electricity control board to be established under the relevant Act of Parliament.

**“Final project certificate”** refers to the certificate issued by the Ministry of Agriculture, Water and Rural Development upon final authorisation of the project.

**“Financial agreement”** refers to the loan agreement between a selected financial institution and the irrigation farmer for the provision of any debt finance.

**“Green Scheme”** means the initiative of the Ministry of Agriculture, Water and Rural Development to encourage the development of irrigation based agronomic production within the agro-industry in Namibia with the aim of achieving various economic and socio-economic objectives.

**“Irrigation farmer”** means any farmer participating under the Green Scheme.

**“Leasehold right”** refers to the established leasehold right under the Communal Land Reform Act.

**“Leasehold right agreement”** refers to the agreement between the relevant Land Board and an irrigation farmer for a specific farming unit, and which includes the rules and guidelines for the irrigation project determined by the Green Scheme Co-ordinating Commission.

**“Preliminary project certificate”** means the certificate issued by the Ministry of Agriculture, Water and Rural Development upon pre-approval of the irrigation project.

**“Project”** means any irrigation project consisting of a commercial irrigation farming enterprise and small-scale irrigation farmers’ units and in terms of which the subsequent irrigation farmers could apply for registration of such a project under the Green Scheme.

**“Small-scale irrigation farmer”** means the irrigation farmer applying for a smaller farming unit under any irrigation project adjacent to a commercial irrigation farming enterprise. In addition, the small-scale farmer per definition is an irrigation farmer residing and working on an allocated small-scale farm.

**“Development incentive agreement”** refers to the agreement between the freehold title owner, who wants to register an irrigation project under the Green Scheme and the Ministry of Agriculture, Water and Rural Development, and which stipulates the terms and conditions for any allocation of Government development incentives to the applicant.

**“Traditional Authorities Act”**, refers to the Traditional Authorities Act, Act 25 of 2000.

**“Water Board or Agency”** means the relevant Board or Agency to be established under the National Water Policy

# 1 INTRODUCTION

## 1.1 Green Scheme background

- 1.1.1 During the 1996 FAO World Food Summit, commitments were made to increase investment in Africa's agricultural sector. However, during the June 2002 FAO World Food Summit in Rome, a review of the actual results indicated that the investment in Africa's Agricultural sector has declined over the past decade. As a result a regional meeting of African Ministers of Agriculture was convened in Rome. The NEPAD (New Partnership for Africa's Development) secretariat briefed the group, and a proposal to "Expand irrigation by investing in irrigation infrastructure" was accepted.
- 1.1.2 In addition, it was strongly suggested by the President of the Republic of Namibia that the Government of the Republic of Namibia invest N\$1 billion in the agricultural sector. The aim of this investment is to increase local production in order to obtain food security and food self-sufficiency.
- 1.1.3 Against this background, the Cabinet of the Government of the Republic of Namibia, in terms of *Decision number 18<sup>th</sup>/06.08.02/004*, approved an amount of N\$1 billion be made available for investment in the agricultural sector of Namibia over a period of ten (10) years. At this time, a model was adopted whereby a commercial irrigation farming enterprise was tied to a settlement of small-scale irrigation farming units in a joint enterprise. This arrangement was aimed at bringing the private sector to the remote and underdeveloped areas, and therefore building local capacity in terms of production and marketing management.
- 1.1.4 In terms of the decision of Cabinet as mentioned above, the Ministry of Agriculture, Water and Rural Development identified several potential projects that would be suitable for irrigation over the medium term. This included upgrading some existing schemes as well as developing new schemes.
- 1.1.5 The Green Scheme is an initiative conducted by the Ministry of Agriculture, Water and Rural Development to encourage the development of irrigation based agronomic production in Namibia with the aim of increasing the contribution of agriculture to the country's Gross Domestic Product and to simultaneously achieve the social development and upliftment of communities located within suitable irrigation areas, but to also promote the human resource and skills development within the irrigation sub-sector to possibly enhance cross-border investment and facilitate the exchange of relevant and limited resources with neighbouring countries in this regard.

- 1.1.6 The initiative seeks to establish Government's role as the facilitator towards the creation of a favourable, commercially viable environment, which will stimulate private investment and subsequently local employment creation and encourage development of small-scale irrigation farmer settlements.

## **1.2 The Green Scheme policy**

- 1.2.1 The policy document seeks to develop an appropriate strategy to accommodate different stakeholders' requirements and expectation in terms of the initiative, by finding an appropriate balance between the extent of social development needs and any constraints imposed on free market demand factors within a fully commercialised environment. The policy specifies the scope of relevant development incentives to counter any market interventions and imperfections. It is based on relevant National and Agricultural policies, strategic development objectives and is in line with the legal requirements of the Communal Land Reform Act and the Traditional Authorities Act for the purposes of obtaining rights to arable land vested within communal land areas.

## **2 GREEN SCHEME OBJECTIVES**

- 2.1 The Green Scheme was established within the Ministry of Agriculture, Water and Rural Development with the mission to enhance socio-economic development and upliftment of Namibia's rural communities. The key towards achievement of such development was based on the facilitation of an efficient economic environment by the Namibian Government. In principle the strategy entails the creation of an enabling, commercially viable environment through an effective public-private partnership to stimulate increasing private sector investment in the irrigation sub-sector.
- 2.2 In line with the above mission and guiding principles, the Green Scheme objectives constitute the:
  - 2.2.1 Promotion of the objectives of the National Development Plan in terms of achievement towards:
    - 2.2.1.1 Food security;
    - 2.2.1.2 Nutritional improvement at household level;
    - 2.2.1.3 Food self-sufficiency;
    - 2.2.1.4 Employment creation;
    - 2.2.1.5 Diversification of the agricultural economic base as a drought proofing mechanism with attention paid to the development of agro-industrial ventures;
    - 2.2.1.6 Providing a livelihood for the growing rural population;
    - 2.2.1.7 Reducing poverty levels;
  - 2.2.2 To encourage the use of cost-efficient irrigation methods that use low volumes of water to maximum effect, coupled with a water pricing policy based on the scarcity of water and the long- term environmental sustainability.
  - 2.2.3 Support the development of a sustainable and competitive agricultural sector.
  - 2.2.4 Encouraging private sector involvement and stimulating public-private partnerships in terms of the following:
    - 2.2.4.1 Infrastructure and physical development;
    - 2.2.4.2 Effective, efficient and economic resource utilisation and management;
    - 2.2.4.3 Establishment of a free market environment.
  - 2.2.5 Through the development of an efficient economic environment enable the social upliftment of the rural community by:

- 2.2.5.1 Increasing the participation of women and the unemployed rural youth in the operations of irrigation schemes.
  - 2.2.5.2 Providing research, training and extension services to irrigation farmers as well as every commercial establishment participating in the Green Scheme.
  - 2.2.5.3 Minimising adverse health consequences.
  - 2.2.5.4 Enabling the training of planners and irrigation engineers to plan and implement irrigation projects to enhance additional development.
  - 2.2.5.5 Maximising the production of high value horticulture products to local and external markets.
  - 2.2.5.6 Providing small-scale irrigation farmers the opportunity to participate in planning, financing, implementing, operating, and maintaining irrigation systems in anticipation of achieving self-employment and self-sustainability.
- 2.2.6 Promotion of the small, medium and micro enterprise sector within the country.
  - 2.2.7 Promote irrigation development in consideration of National Development, Resources and related Agricultural Policies.
  - 2.2.8 Strengthening of the national capacity within the public and private sector in terms of planning, implementation and management of small-scale irrigation farmers' irrigation farming projects.
  - 2.2.9 Facilitating the empowerment of small-scale irrigation farmers.

### **3 GREEN SCHEME FRAMEWORK**

#### **3.1 Institutional framework**

##### *Scheme initiator*

- 3.1.1 The Green Scheme is initiated by the Ministry of Agriculture, Water and Rural Development. As such, this Ministry will govern and guide the implementation and further development of the Green Scheme Policy on Irrigation Schemes in Namibia. The policy recommends the establishment of a Green Scheme Co-ordinating Commission sub-contracted by this Ministry to promote the facilitation of this process, called the Green Scheme Co-ordinating Green Scheme Co-ordinating Commission”

##### *Background of existing projects*

- 3.1.2 A range of individual irrigation projects have been established by the Ministry of Agriculture, Water and Rural Development, of which some are purely administered within the Ministry of Agriculture, Water and Rural Development, while others are combined initiatives between the Ministry of Agriculture, Water and Rural Development and the Namibia Development Corporation (“NDC”).
- 3.1.3 These projects are managed by project managers, who are responsible for the service provision activities and overall co-ordination of the project to ensure achievement of the set objectives guided under a ministerial “Steering Committee”. Extension and support services are provided through the various departments at the Ministry of Agriculture, Water and Rural Development in terms of engineering, planning, water supply and human resource development.
- 3.1.4 Similar to the objectives of the Green Scheme, the majority of these projects aim at achieving effective agricultural, economic and socio-economic objectives and returns via the introduction of a resettlement program. However, at least initially, small-scale irrigation farmer involvement demands substantial Government support in terms of pre-investment studies and relevant development arrangements, infrastructure set-up and maintenance, capacity building and development, as well as supporting service provisions within the value chain such as production input supply, storage, marketing and distribution.

## **3.2 Legal framework**

### ***Communal Land Reform Act, Act 5 of 2002***

- 3.2.1 The Communal Land Reform Act governs the allocation of rights in respect of communal land areas, the establishment of the communal land boards, the vesting of communal land areas and general issues pertaining to the above. As such it sets the basic legal framework for the attainment of any land tenure agreements within communal areas under the Green Scheme.

### ***Traditional Authorities Act, Act 25 of 2000***

- 3.2.2 The Traditional Authorities Act regulates the establishment and functions of the traditional authorities and members thereof as well as of the chief or head of the traditional community. In terms of the Communal Land Reform Act any payments for the allocation and lease of a leasehold rights will become payable to the Land Boards, who will use the funds for the purpose of regional development. As such the traditional authorities do not receive a direct compensation in terms of communal land released under any leasehold right.

### ***The Institutional and Management Model for State Owned Irrigation Projects***

- 3.2.3 The Green Scheme is complementary to the basic principles of Cabinet's decision on the institutional and management model of state owned irrigation projects in terms of the proposal to establish a commercial irrigation farming enterprise responsible for the management and provision of clearly defined support services to the small-scale irrigation farmer in a joint enterprise. However, the Green Scheme model proposes that both parties, commercial irrigation farming enterprise and small-scale irrigation farmers, operate independently from each other and on commercial terms. Where commercial and free market demand factors are influenced by Government intervention, the Government will provide sufficient development incentives to re-establish the commercial relationships and environment.

### ***National and Agricultural Policies and Initiatives***

- 3.2.4 The Green Scheme is designed in line with the relevant requirements and objectives of the:
- 3.2.4.1 National Development Plan II;
  - 3.2.4.2 Namibia Vision 2030;
  - 3.2.4.3 Strategic Plan 2001 –2006 from the Ministry of Agriculture, Water and Rural Development;
  - 3.2.4.4 National Water Policy 2000;

### **3.3 Green Scheme overview**

#### *Objectives and guidelines for a project*

- 3.3.1 The primary function of the Green Scheme Co-ordinating Commission will be to co-ordinate and facilitated the development of the individual irrigation projects in line with Green Scheme objectives. Each individual project will interact with unique circumstances and environmental factors and as such require the establishment of project specific objectives, which are considerate of these factors, in order to effectively evaluate the project's contributions towards the achievement of overall national Green Scheme objectives.

#### *Overview of Green Scheme objectives*

- 3.3.2 The agreed upon concept to be followed in order to achieve the objectives of the Green Scheme, is based on the facilitation of a mutual partnership agreement between all involved stakeholders to the Green Scheme, to such an extend that the social upliftment, development and production objectives will be obtained with the least possible intervention by the State once a specific project is commissioned.
- 3.3.3 The fundamental aim of the Green Scheme is to enable a commercial irrigation farming enterprise to establish its own commercially viable entity in an area that is optimally suited for enhanced agricultural development, but which would not be accessible to it for development purposes under current conditions in terms securing effective title to that specific arable land. In exchange for creating an environment to enable the commercial irrigation farming enterprise to commercially establish itself within the agricultural sector, it will share certain social development functions and participate towards the achievement of socio-economic development within the region.
- 3.3.4 However, the objective of the Green Scheme is not to burden the commercial irrigation farming enterprise with social costs and development issues, but to rather establish a supporting environment in which the commercial operations of the commercial irrigation farming enterprise will subsequently produce the desired social developments and contributions. As such the Green Scheme will impose certain service and development conditions on the commercial irrigation farming enterprise, but simultaneously offer suitable incentives in the form of controlled access to environmental, infrastructural and financial resources at subsidized rates and tariffs, where the attainment of any social objectives are not viable in terms of truly commercial principles.
- 3.3.5 The Green Scheme will impose two categories of social development obligations onto the commercial irrigation farming enterprise:

- 3.3.5.1 The facilitation of capacity building and skills transfer to the number of small- scale irrigation farmers occupying a stipulated number of arable farming units, which in total equal the size of the productive or arable land of the commercial irrigation farming enterprise.
  - 3.3.5.2 The provision of certain agricultural support services to the small-scale irrigation farmers on a cost recovery bases.
- 3.3.6 In addition, the Green Scheme recommends, but does not prescribe, that the commercial irrigation farming enterprise initiates a profit sharing scheme with the traditional community to account for any social opportunity costs on their behalf for releasing the land to the irrigation development project.

Capacity building and skills transfer

- 3.3.7 In order to achieve the objective of social upliftment and development within the communal and relevant other areas of the country, the Green Scheme foresees the settlement of small-scale irrigation farmers on irrigation farming units adjacent to the commercial irrigation farming enterprise to enhance an effective skills transfer and human resource development process. The commercial irrigation farming enterprise is obliged to engage the small-scale irrigation farmers in effectively designed mentorship programs to convey the required agricultural know-how, best practice and necessary business management skills, which will enable the small-scale irrigation farmers to achieve eventual self-sustainability.
- 3.3.8 The primary education and skills development of the irrigation farmer will be facilitated by the Ministry of Agriculture, Water and Rural Development in collaboration and association with the Ministry of Higher Education and relevant educational institutions.

Provision of agricultural support services

- 3.3.9 The aim of achieving upliftment and self-sustainability of the small-scale irrigation farmers within the least possible timeframe will be enhanced by enabling the small-scale irrigation farmers unrestricted access to the sufficiently developed and maintained supporting infrastructure, irrigation and farming methodology best practices, synergies and economies of scale in terms of production input procurements, mechanisation and farming implements, as well as effectively established marketing and distribution channels.
- 3.3.10 The commercial irrigation farming enterprise will be obliged to facilitate these services to the small-scale irrigation farmers on a continuous and cost recovery basis. The commercial irrigation farming enterprise will not be allowed to charge any risk premium for the provision of these services to the small-scale irrigation

farmers, but will be able to apply for relevant development incentives to cover its risk and opportunity cost.

- 3.3.11 The suggested ratio of commercial irrigation farming enterprise to small-scale irrigation farmers will be left to the discretion of the project applicants, however, in line with the objective of enhancing social upliftment and development, a fair number of small-scale irrigation farmers should be accommodated within the project. The commercial irrigation farming enterprise shall service the number of small-scale irrigation farmers occupying a total farming area of equal size to its own. The economic viability of any farming unit is very dependent on the soil, crop and climatic conditions of the arable land and a proposed range of between 3 and 10 hectares can be considered under each individual project. The definition of economic viability shall be based on the minimum wage and enhancement of household and per capita income within the specific region.

#### Government support

- 3.3.12 The Ministry of Agriculture, Water and Rural Development as initiator and mentor of the Green Scheme will create the enabling environment for the effective implementation of the initiative and the achievement of the Green Scheme Objectives, by way of:

- 3.3.12.1 Engaging human resources to co-ordinate, guide and monitor the implementation of the Green Scheme.
- 3.3.12.2 Providing access to development incentives and loan collaterals to facilitate the non-commercial implications of the social development objectives of the Green Scheme.
- 3.3.12.3 Providing infrastructure developments of sufficient standard and capacity.
- 3.3.12.4 Facilitating an effective training and apprenticeship program to small-scale irrigation farmers intending to participate under the Green Scheme.

- 3.3.13 The extent and scope of Government support is dependent on the individual project circumstances and the strategic business plan of the irrigation farmers, who will apply in a joint initiative and combined plan for certain available Government development incentives.

- 3.3.14 The development incentives considered under the Green Scheme are as follows:

- 3.3.14.1 The financing of the pre-development studies of a certain region proposed for irrigation development.

- 3.3.14.2 The contribution towards the financing of the bulk infrastructure of all “off-land” costs relating to the provision of water and electricity to the particular irrigation project.
- 3.3.14.3 The availability of the relevant water tariff incentive for a restricted period of time and to a level not below the maintenance component charged by the water service provider.
- 3.3.14.4 Interest rate incentives in terms of long-term, medium-term and short-term funding requirements and loan obligations.
- 3.3.14.5 The issuing of a loan guarantee to a value not exceeding 30% of the long- and medium term loan requirements and 80% of the revolving credit facility.
- 3.3.14.6 In instances of extreme capital-intensive circumstances, the consideration of financing a portion of required “on-land” capital for the initiation of a project.

#### Leasehold right

- 3.3.15 Green Scheme participants will be able to obtain a registered leasehold deed for their farming unit to be registered at the relevant Land Board office. Leasehold rights will be allocated by the relevant Land Boards in terms of the Communal Land Reform Act. Leasehold rights allocated under an approved irrigation project by the Minister of Lands, Resettlement and Rehabilitation will be allocated according to uniform terms and conditions for each irrigation project, subject to relevant recommendations by the Green Scheme Co-ordinating Green Scheme Co-ordinating Commission.
- 3.3.16 Annual lease payments will be collected by the relevant Land Board and allocated to a fund established to foster the regional development as constituted under the Communal Land Reform Act. The recommendation to involve the Traditional Community in a profit sharing scheme of the commercial irrigation farming enterprise arises from this constraint in terms of the Communal Land Reform Act, which excludes the Traditional Community from any direct financial return for releasing the land within their dedicated communal area.
- 3.3.17 The objectives of the Green Scheme will thus seek to reduce the annual lease charge to the least possible value acceptable to the Land Board, and promoting a higher profit sharing percentage distributable by the commercial irrigation farming enterprise to the Trust Fund of the Traditional Community, administered under the Traditional Authorities Act.

#### Freehold title owners

- 3.3.18 Freehold title owners, who would want to register under the Green Scheme will not be bound to any leasehold right agreement nor any stipulations of the Communal Land Reform Act. To register under the Green Scheme, they will have

to engage into a separate development incentive contract with the Ministry of Agriculture, Water and Rural Development, which will lay out the rules and conditions of the project and the subsequent requirements for the qualification towards any Government development incentives under the Green Scheme.

### Contractual obligations

3.3.19 Contractual obligations to the irrigation farmers (both commercial irrigation farming enterprise and small-scale irrigation farmers) within communal land areas, are twofold in terms of the:

3.3.19.1 Leasehold right agreement, and the

3.3.19.2 Financial loan agreement

3.3.20 Regarding the freehold title owner, the leasehold right agreement will be substituted with the development incentive agreement, between the owner and the Ministry of Agriculture, Water and Rural Development.

3.3.21 The leasehold right agreement will be established between the relevant Land Board and the irrigation farmer, but subject to the regulations of the Communal Land Reform Act and the Green Scheme project rules and guidelines.

3.3.22 The financial loan agreement will not involve any contractual obligations outside the financing requirements in terms of the Green Scheme, and will as such not have any reference to the Green Scheme with the exception of the offered pre-determined development incentives under the Green Scheme.

## **3.4 Broad overview of the project development phases**

3.4.1 Any anticipated irrigation development under the Green Scheme will follow a phased project initiation and development approach, which consists of the following phases:

- I. Project initiation
- II. Project pre-approval
- III. Project authorisation
- IV. Project implementation
- V. Project evaluation

### I. Project initiation

3.4.2 The initiative for the development of any suitable area for irrigation purposes may be conducted through a joint initiative by the commercial irrigation farming enterprise and small-scale irrigation farmers. They will apply for the allocation of

an identified area for irrigation farming development initially with the support of the local Land Boards and Traditional Authorities by way of:

- 3.4.2.1 A letter of goodwill of the local Land Board indicating pre-approval of the applicants;
  - 3.4.2.2 A full description and background of each of the applicants.
- 3.4.3 The Green Scheme Co-ordinating Commission shall compose a recommendation to the Ministry of Agriculture, Water and Rural Development for an evaluation of the suitability of the land area to be conducted in terms of the following:
- 3.4.3.1 Land survey and demarcation;
  - 3.4.3.2 Soil survey;
  - 3.4.3.3 Environmental impact assessment;
  - 3.4.3.4 Water resource availability and sustainability;
  - 3.4.3.5 Social and economic impact assessment
- 3.4.4 The Ministry of Agriculture, Water and Rural Development shall facilitate the above pre-investment studies if convinced of the development potential of the area, the availability of sufficient water resources and the qualification of the project applicants in terms of the proposed selection criteria.

## II Project pre-approval

- 3.4.5 The Ministry of Agriculture, Water and Rural Development shall provide project pre-approval through the issuing of a preliminary project certificate. This certificate will provide the applicants first option on the identified land area subject to final approval of the application after the evaluation of the submitted business plan and feasibility study by the relevant Land Boards and upon recommendation of the Green Scheme Co-ordinating Commission.
- 3.4.6 The preliminary project certificate will be valid for a period of 12 months. Within this period the applicants will have to submit a combined application to the Green Scheme Co-ordinating Commission in the form of a feasibility study, and a broad strategic development or business plan supportive towards achievement of overall Green Scheme objectives.
- 3.4.7 Applications of irrigation farmers for leasehold rights relating to the Green Scheme will be facilitated according to the stipulations of the Communal Land Reform Act, but in accordance with the Green Scheme selection criteria and incorporation of the project rules and guidelines into the leasehold right agreement.

### III Project authorisation

3.4.8 The Green Scheme Co-ordinating Commission will review the application documents of the applicants and issue a recommendation report to the Ministry of Agriculture, Water and Rural Development. The Green Scheme Co-ordinating Commission will only recommend the approval of the project by the Ministry of Agriculture, Water and Rural Development if the Green Scheme Co-ordinating Commission is convinced that the project proposition of the applicants seems viable. Based on the recommendation report by the Green Scheme Co-ordinating Commission, the Ministry of Agriculture, Water and Rural Development will either authorise or deny the submitted proposal and the consecutive development project. Upon approval by the Ministry of Agriculture, Water and Rural Development, the Green Scheme Co-ordinating Commission will set out in writing for each individual project the:

- 3.4.8.1 Project objectives in line with overall Green Scheme objectives;
- 3.4.8.2 Financial constraints in terms of the available Government incentives and contributions;
- 3.4.8.3 The rules and regulations applicable for the project to be included in the leasehold right agreement.

3.4.9 A final project certificate shall be issued by the Ministry of Agriculture, Water and Rural Development in the name of the applicants should they agree with the above terms and conditions.

3.4.10 The Green Scheme Co-ordinating Commission will then assist the applicants to approach the Ministry of Lands, Resettlement and Rehabilitation to authorise the identified land area as a designated area for agricultural purposes under the Green Scheme as well as the Land Boards for the allocation of the leasehold rights subject to the stipulations of the Communal Land Reform Act.

### IV Project implementation

3.4.11 As soon as the Ministry of Lands, Resettlement and Rehabilitation provide their blessing to the project, the applicants will engage into leasehold right agreements with the relevant Land Board. These leasehold right agreements will incorporate all the project requirements, guidelines and rules drafted by the Green Scheme Co-ordinating Commission prior to issuing the final project certificate.

3.4.12 Consecutively to the land tenure arrangements, the final project certificate and registered leasehold right will enable the applicants to approach financial institutions and to be allowed utilisation of the State development incentives as

authorised by the Ministry of Agriculture, Water and Rural Development after consultation with the Ministry of Finance, under the specific project.

#### V Project evaluation

- 3.4.13 The only evaluation requirement imposed on the commercial irrigation farming enterprise will be the submission of an annual progress report to the Green Scheme Co-ordinating Commission, highlighting key financial results, achievement of project objectives, implications of unforeseen events, identification of problem and potential risk areas for both the commercial irrigation farming enterprise as well as the small-scale irrigation farmers. Based on these reports the Green Scheme Co-ordinating Commission will submit its own progress report to the Ministry of Agriculture, Water and Rural Development, which will include an evaluation of the Green Scheme's contribution towards socio-economic and economic development objectives as well as relevant recommendations on how to address identified problem areas, realign project rules and guidelines, within the contractual agreements, to enable attainment of strategic objectives and reduce the impact identified risks areas.

### **3.5 Overview of stakeholder involvement and relationships**

#### ***Ministry of Agriculture, Water and Rural Development (“MAWRD”)***

- 3.5.1 The Ministry of Agriculture, Water and Rural Development will facilitate the governance and mentorship functions of the Green Scheme. It will set the framework and create the enabling environment, which is required by the Green Scheme to achieve the desired objectives.
- 3.5.2 The role of the Ministry of Agriculture, Water and Rural Development will entail:
- 3.5.2.1 The initiation and governance of the Green Scheme;
  - 3.5.2.2 The appointment of a Green Scheme Co-ordinating Commission to govern and maintain the implementation of the Green Scheme;
  - 3.5.2.3 The approval of individual irrigation projects based on recommendations submitted by the Green Scheme Co-ordinating Commission;
  - 3.5.2.4 The allocation of water rights and the subsequent issuing of water permits until the establishment of the relevant Water Board;
  - 3.5.2.5 The arrangement of required incentives, loan guarantees and capital contributions with the Ministry of Finance for the support to the individual projects;
  - 3.5.2.6 The development and funding of bulk infrastructural requirements under specific projects;

- 3.5.2.7 The facilitation of agronomic and irrigation tailored educational programs in association with the Ministry of Higher Education and relevant educational institutions to ensure adequate skills development within the agricultural sector on a national scale;
- 3.5.2.8 Obtaining Cabinet approval for, redesign and amendments of the Green Scheme.

### ***Ministry of Lands, Resettlement and Rehabilitation (“MLRR”)***

- 3.5.3 The Ministry of Lands, Resettlement and Rehabilitation will provide final authorisation regarding the utilisation of land for the development of an irrigation project within any communal area. Subject to the stipulations of the Communal Land Reform Act, rights of leasehold for agricultural purpose may only be granted once this Ministry, after consultation with the Traditional Authority and the relevant Land Board concerned, has designated by notice in the Gazette, in respect of the communal area of each Traditional Authority an area for such purpose.
- 3.5.4 The subsequent application for leasehold rights within this area will be authorized by the Land Boards, with approval from the relevant Traditional Authorities.

### ***Traditional Authorities***

- 3.5.5 The Traditional Authorities play a consenting role regarding the specifications of the terms conditions and the allocation of the leasehold rights and should be approached by the applicants prior to submitting an initial application to obtain the necessary goodwill for the anticipated project on their behalf. The Communal Land Reform Act implies that the Land Board may grant a right of leasehold only if the Traditional Authority of the traditional community in whose communal area the land is situated consents to the grant of the right. In the case of disagreement or consent being withheld by the Traditional Authorities the Land Board may submit the matter to an arbitrator, who may be appointed by the Ministry of Lands, Resettlement and Rehabilitation subject to the stipulations in the Act.

### ***Regional Councils***

- 3.5.6 A representative of the Regional Council will serve on the relevant Land Boards for any defined region and any matter of concern regarding the Green Scheme can be brought to the attention of the relevant Land Boards and the Green Scheme Co-ordinating Commission through the Regional Councils.

### ***Land Boards***

- 3.5.7 The relevant Land Boards will govern the application and cancellation of leasehold rights and determine the terms and conditions attached to these. They

will have to obtain the consent of the Traditional Authorities to perform this function, while under certain conditions (when the area concerned is more than 50 hectares as stipulated in the Communal Land Reform Act) the leasehold rights will have to be approved by the Ministry of Lands, Resettlement and Rehabilitation.

3.5.8 The Communal Land Reform Act requires the establishment of a Land Board for the whole of any region, or a defined part of such a region or an area comprising defined parts of two or more such regions.

3.5.9 The composition of the Land Boards provides for:

- 3.5.9.1 One representative of each traditional authority;
- 3.5.9.2 One person to represent the organised farming community;
- 3.5.9.3 The regional officer of the regional council concerned;
- 3.5.9.4 Four staff members in the public service;
  - 3.5.9.4.1 One for regional government;
  - 3.5.9.4.2 One for land matters;
  - 3.5.9.4.3 One for agriculture;
  - 3.5.9.4.4 One for environment;
- 3.5.9.5 One person representing the relevant conservancy concerned;
- 3.5.9.6 Four women –
  - 3.5.9.6.1 2 who are engaged in farming operations;
  - 3.5.9.6.2 2 who have expertise in functions of a board.

3.5.10 Once a project is approved by the Ministry of Lands, Resettlement and Rehabilitation, the functions of the Land Boards in terms of the Green Scheme will entail:

- 3.5.10.1 The allocation of leasehold rights in line with Green Scheme objectives;
- 3.5.10.2 The enforcement of the contractual obligations under the leasehold right;
- 3.5.10.3 The incorporation of project specific rules and conditions under the Green Scheme into the leasehold right agreement.

### ***Green Scheme Co-ordinating Commission***

3.5.11 The Green Scheme Co-ordinating Commission will be appointed by the Ministry of Agriculture, Water and Rural Development and act in a purely advisory and co-ordinating capacity to all stakeholders within the Green Scheme. In broad terms its functions will entail the:

- 3.5.11.1 The co-ordination of the project approval process;
- 3.5.11.2 The establishment of project objectives, rules and guidelines within the overall Green Scheme objectives;
- 3.5.11.3 The evaluation of the strategic development of all projects under the Green Scheme;
- 3.5.11.4 Recommendations towards re-alignment of rules and guidelines to achieve the set strategic objectives;
- 3.5.11.5 Recommendations on the re-alignment of Green Scheme policies and rules.

### ***Service Provider***

3.5.12 The definition and functions of the service provider under the Green Scheme are in line with the concept established under the Institutional and management model for state owned irrigation projects in this regard. The broad scope of the functions of the service provider entails the delivery of agricultural support services to the small-scale irrigation farmer at cost recovery based pricing mechanism.

3.5.13 Services include:

- 3.5.13.1 The provision of irrigation water;
- 3.5.13.2 The provision of crop production inputs;
- 3.5.13.3 The provision of mechanisation services;
- 3.5.13.4 The provision of marketing and distribution services.

3.5.14 The service provider will be able to utilize pre-determined Government development incentives in order to account for risk and opportunity costs incurred for the facilitation of these requirements. Its relationship with the small-scale irrigation farmers will be strictly business related.

### ***Commercial Irrigation Farming Enterprise***

3.5.15 In terms of the propositions under the Green Scheme and in line with the institutional and management model for state owned irrigation projects, the commercial irrigation farming enterprise will facilitate all the functions of the service provider. It will also support the Ministry of Agriculture, Water and Rural Development's effort in facilitation of the human resource development functions, by supporting the small-scale irrigation farmers with skills transfer and mentorship programs.

3.5.16 The commercial irrigation farming enterprise and small-scale irrigation farmers in a joint enterprise will be the initiators of any irrigation project, rendering a proposition for the set-up and strategic development of the project and applying for the pre-determined Government development incentives in terms of their

substantiated development plan. Directly attributable social obligations to the commercial irrigation farming enterprise under the Green Scheme will be the provision of services to the small-scale irrigation farmers at cost, the facilitation of skills transfer and mentorship programs to the small-scale irrigation farmers and the application of affirmative action principles in terms of the employment of human resources within its farming activities. In addition, it is recommended that the commercial irrigation farming enterprise offer an additional and measurable incentive to the local Traditional Authority to facilitate a direct plough-back to them in terms of the project.

### ***Small-scale Irrigation Farmer***

- 3.5.17 The small-scale irrigation farmer will preferably be a representative of the local community, low-income household earners and previously disadvantaged group members, who will apply for the registration of an irrigation project under the Green Scheme in a joint initiative with the commercial irrigation farming enterprise under any form of association. They will be able to obtain the same Government funded development incentives as the commercial irrigation farming enterprise and will be subject to the rules and conditions of the irrigation project as stipulated under the leasehold right agreement, which will in general bind them to adhere to the project's code of conduct, and ensure that they do not engage in any undesirable behaviour or farming practices. These obligations under the leasehold right agreement will be enforceable by the Land Boards as second party to the agreement.

### ***Financial Institutions***

- 3.5.18 Any financial agreement entered into by the irrigation project participants will be administered under the terms and conditions of the selected financial institution. The Green Scheme Co-ordinating Commission will act as point of reference and recommending institution to support the loan applicants, but any financial agreement entered into by the irrigation project participants will be conducted on an individual basis and according to the discretion and terms and conditions of the financial institution.

### ***Water Board or Agency***

- 3.5.19 In terms of the National Water Policy 2000, the establishment of regional Water Boards and Agencies will ensure implementation of effective water management principles spelled out within this policy. To date the Ministry of Agriculture, Water and Rural Development is responsible of the allocation of water rights and subsequent water permits. With establishment of the Water Board or Agency these responsibilities will be relocated to this institution. Subsequently, the applicants will have to apply for the allocation of initial water rights to the anticipated project, and upon approval of the project by the Ministry of

Agriculture, Water and Rural Development will have to apply for the required water permit for the project and adhere to the terms and conditions attached thereto.

***State-owned Bulk Water and Electricity Suppliers***

- 3.5.20 In circumstances where the bulk infrastructure is not developed by the applicants, the State should assign this task to the relevant established public sector entities such as Namibia Water Corporation Limited and Namibia Power Corporation (Pty) Ltd. These institutions will impose their relevant tariffs on project participants, but their tariff structure will be reviewed by the Green Scheme Co-ordinating Commission in collaboration with the relevant established Water or Electricity Control Board or Regulating Body.

***Ministry of Higher Education and National Educational Institutions***

- 3.5.21 The Ministry of Agriculture, Water and Rural Development anticipates to establish the development of a national curriculum and educational program specifically designed for the irrigation sub-sector. The objective is to make the possession of this specific educational certificate a prerequisite for participation to any irrigation project under the Green Scheme. The design of such an educational program should ensure that applicants who meet the Green Scheme selection criteria will obtain sufficient knowledge and skill within the first two-to three months prior to being settled on the farming units.
- 3.5.22 Subsequent to this process the aim of the Ministry of Agriculture, Water and Rural Development is to promote the tertiary educational development of relevant professionals within the field of irrigation in association with Namibia's educational institutions. The achievement of this could allow Namibia to promote its obtained and developed irrigation skills to be promoted, offered and exchanged with neighbouring countries.

## **4 “GREEN SCHEME CO-ORDINATING COMMISSION”**

### **4.1 Institutional set-up**

#### ***Requirement for the establishment of the Green Scheme Co-ordinating Commission***

- 4.1.1 The need for the establishment of the Green Scheme Co-ordinating Commission arises due to the complexity of the objectives under the Green Scheme. The aim of achieving social upliftment and development is difficult to incorporate into a purely commercial environment, which has to operate in the most efficient and effective manner based on considerable resource constraints. The Green Scheme is structured to provide sufficient incentives to the commercial irrigation farming enterprise to facilitate social upliftment activities, but the effectiveness of these need to be monitored and evaluated on a constant basis. There is a need for a neutral panel to set irrigation project objectives, to measure and evaluate the achievement towards these objectives and to realign guidelines and regulations where activities are not on track to achieve the desired objectives.

#### ***Green Scheme Co-ordinating Commission framework***

- 4.1.2 The Green Scheme Co-ordinating Commission will be appointed by the Ministry of Agriculture, Water and Rural Development on a 5-year contractual agreement and will act in a purely advisory and co-ordinating capacity to this Ministry regarding the Green Scheme.

### **4.2 Objectives of the Green Scheme Co-ordinating Commission**

- 4.2.1 The mission of the Green Scheme Co-ordinating Commission will be to facilitate the establishment of a suitable environment, which will enable the achievement of the objectives of the Green Scheme.
- 4.2.2 As such the Green Scheme Co-ordinating Commission should strive to:
- 4.2.2.1 Assist the commercial irrigation farming enterprise as well as the small-scale irrigation farmers to identify and promote the establishment of irrigation projects within Namibia;
  - 4.2.2.2 Ensure that the project guidelines and activity frameworks are conducive towards achievement of overall Green Scheme objectives;
  - 4.2.2.3 Act as independent and neutral advisory board to all involved stakeholders, including the State, and effectively manage stakeholder relationships;
  - 4.2.2.4 Conduct its activities in the most effective and efficient means available.

## 4.3 Functions and responsibilities

### *Functions*

4.3.1 The Green Scheme Co-ordinating Commission will be appointed with the following tasks:

- 4.3.1.1 Act as point of contact for irrigation farming applicants, who want to apply for the development of suitable irrigation project area;
- 4.3.1.2 Establish clearly defined project objectives, rules and guidelines within the overall Green Scheme objectives and guidelines;
- 4.3.1.3 Evaluate the submitted feasibility study and business plan of the applicants;
- 4.3.1.4 Assistance and recommendation towards selection of project participants;
- 4.3.1.5 Collaboration with the Ministry of Agriculture, Water and rural Development for the promotion and go-ahead of a project under the Green Scheme;
- 4.3.1.6 Promote an authorised irrigation project with the Ministry of Lands, Resettlement and Rehabilitation, the relevant Land Boards, Regional Authorities and Traditional Authorities;
- 4.3.1.7 Assess and recommend to the Ministry of Agriculture, Water and Rural Development in terms of the required development incentives and loan guarantee requirements;
- 4.3.1.8 Act as independent advisor to any established appeal tribunal in circumstances where disagreement or grievances in terms of, or even outside, any contractual obligations may arise;
- 4.3.1.9 Monitor and evaluate the strategic development of each project in terms of the set objectives on a continuous basis and submit a summarised results report to the Ministry of Agriculture, Water and Rural Development on an annual basis. The report should also include an assessment of Government spending utilized by the projects to date and an appropriate assessment of funding requirements for the next financial year. It should also assess the implications of any National Policy or Development Plan amendments and point out any risk factors that might impact the viability and strategic development of the projects;
- 4.3.1.10 Determine budget requirements for the Ministry of Agriculture, Water and Rural Development in terms of the capital incentives and development incentives;
- 4.3.1.11 Act as point of contact for any stakeholder for any concerns or discrepancies;

- 4.3.1.12 Review the tariff structure of bulk water and electricity providers and collaborate with the relevant control or regulating body in this regard to ensure an effective and realistic tariff structure;
- 4.3.1.13 Monitor the costs of agricultural support services to small-scale irrigation farmers by the commercial irrigation farming enterprise;
- 4.3.1.14 Monitor accounting records of existing and newly established irrigation projects specifically with regard to any profit sharing schemes with third parties or the Government;
- 4.3.1.15 Monitor the development of existing projects and facilitate the transfer of these projects to the Green Scheme;
- 4.3.1.16 Monitor skills transfer and mentorship programs implemented by the commercial irrigation farming enterprise.

### ***Reporting requirements***

- 4.3.2 The Green Scheme Co-ordinating Commission will evolve as an initiative of the Ministry of Agriculture, Water and Rural Development and will as such be funded from within the budget vote of this Ministry. The Green Scheme Co-ordinating Commission will be appointed in terms of a contractual agreement and the funding requirements for the administration and facilitation of its functions will be determined in terms of the contract conditions.
- 4.3.3 The Green Scheme Co-ordinating Commission will furthermore submit an annual progress and evaluation report to the Ministry of Agriculture, Water and Rural Development, which will also include an initial estimate of additional funding requirements in the form of the available development incentives and loan guarantees for each anticipated project during the year.
- 4.3.4 Even though the Green Scheme Co-ordinating Commission will be composed of independent industry stakeholders, specialists and economist, it will be established as an extension service of the Ministry of Agriculture, Water and Rural Development and as such liable to this Ministry as contracting party for the fulfilment of any agreed contractual obligations and reporting requirements.

### ***Authorisation levels***

- 4.3.5 The Green Scheme Co-ordinating Commission will act purely in an advisory and co-ordinating capacity in terms of all its functions. It will not have any decision-making powers and authorities under any law or regulation, but will merely act as a facilitator in steering the irrigation sector into the right direction, by managing stakeholder relations and setting a framework of guiding principles and objectives.

## **4.4 Composition of the Green Scheme Co-ordinating Commission**

### ***Composition of Green Scheme Co-ordinating Commission members***

- 4.4.1 The Green Scheme Co-ordinating Commission shall be composed of independent industry and relevant supporting functional specialists in the fields of law, finance and auditing, agricultural engineering and economics, as well as one public officer of the Ministry of Agriculture, Water and Rural Development. It will initially be established at a national level with a centrally administered secretariat.

### ***Responsibilities and***

- 4.4.2 The members of the Green Scheme Co-ordinating Commission will perform the functions as indicated above and as agreed upon in terms of the contractual agreement. The members will be under the strict obligation to:

- 4.4.2.1 Disclose all relevant conflicts of interest in terms of their function and position as Green Scheme Co-ordinating Commission member;
- 4.4.2.2 Act in an objective and unbiased capacity to the best interest of the Namibian country and its citizens;
- 4.4.2.3 Fulfil their functions with due diligence and care.

### ***Terms of service***

- 4.4.3 The Green Scheme Co-ordinating Commission will be appointed for an initial period of five years, after which the contract will be renegotiated.
- 4.4.4 The Green Scheme Co-ordinating Commission will appoint one member as chairperson who will hold office in that capacity for the period of his or her office term as member of the Green Scheme Co-ordinating Commission.

### ***Service Fee***

- 4.4.5 The service fee of the Green Scheme Co-ordinating Commission will be determined in terms of the contractual agreement between the Ministry of Agriculture, Water and Rural Development and the Green Scheme Co-ordinating Commission and to be budgeted within the relevant vote of this Ministry.

## **5 LAND TENURE ARRANGEMENTS**

### **5.1 Legal background**

#### ***The Communal Land Reform Act, Act 5 of 2002***

- 5.1.1 The Communal Land Reform Act governs the establishment of the Land Boards, the establishment of new communal land areas and the allocation of rights in respect of communal land.
- 5.1.2 Land may not be withdrawn from any communal land area unless all rights held by persons under the Communal Land Reform Act in respect of such land or any portion thereof have been acquired by the State and just compensation for the acquisition of such rights is paid to the persons concerned. Furthermore, all communal land areas vest in the State for the benefit of the traditional communities and for the purpose of promoting economic and social development and therefore no right conferring freehold ownership is capable of being granted or acquired by any person in respect of any portion of communal land.
- 5.1.3 The functions and responsibilities of the Land Boards vest in the control over the allocation and cancellation of rights in respect of communal land and the maintenance of a register of any such land or leasehold right allocations, while the traditional authorities will be the initial authority to accept and review any applications in terms of the allocation of any right towards communal land.

#### ***Interpretation***

- 5.1.4 The Communal Land Reform Act makes provision for two different rights in respect of communal land.
- 5.1.5 A customary land right consists of a right to a farming unit, a right to a residential unit, or a right to any other form of customary tenure recognised by the Ministry of Lands, Resettlement and Rehabilitation. The primary power to allocate or cancel any customary land right vests with the Chief or Traditional Authority of the relevant traditional community.
- 5.1.6 A right of leasehold in respect of a portion of communal land may be granted by the Land Board, but a right of leasehold for agricultural purposes may only be granted in respect of land, which is situated within the designated area for such purposes. The Ministry of Lands, Resettlement and Rehabilitation, after consultation with the Traditional Authority and the Land Board concerned, must designate by notice in the Gazette, in respect of the communal area of each traditional community, an area within which that Land Board may grant rights of leasehold for agricultural purposes. However, the Land Board may only grant a

right of leasehold if the Traditional Authority in whose communal area the land is situated consents to the grant of the right.

- 5.1.7 In terms of the project initiation and application procedures the applicants will need to ensure sufficient buy-in from the Traditional Authorities and should approach these as a matter of goodwill prior to lodging of any official application to the Green Scheme Co-ordinating Commission.

## **5.2 Conditions of leasehold rights**

### ***Application***

- 5.2.1 Applications for leasehold rights must be submitted to the Land Boards and displayed on a notice board for at least seven days, inviting interested parties to lodge any objections regarding the application with the Chief or Traditional Authority. The Board may then, subject to approval by the Chief or Traditional Authority, allocate and register the leasehold right.

### ***Duration***

- 5.2.2 Leasehold rights are granted for a period not exceeding 99 years and for such a term as agreed by the Land Board and the grantee of the right. However, any period exceeding ten years is not valid unless approved by the Minister of the Ministry of Lands, Resettlement and Rehabilitation. Renewals of leasehold rights are subject to the same conditions.

### ***Size***

- 5.2.3 Similarly the maximum size of land that may be allocated in terms of leasehold right is set at 50 hectares, while any allocation in excess thereof needs to be granted through the written approval by the Minister of the Ministry of Lands, Resettlement and Rehabilitation.

### ***Consideration***

- 5.2.4 A right of leasehold may only be granted by the Land Board if an amount in respect of that right and any improvements on the land in question is paid to that Land Board and the moneys received in terms of this must be deposited in the fund established for the purpose of regional development. As such, the Land Boards need to determine the amount payable in terms of the leasehold right by the grantee.
- 5.2.5 The Communal Land Reform Act stipulates that any amount payable in terms of a leasehold right must be determined with regard to:

- 5.2.5.1 The particular use or purpose for which the right is required;
  - 5.2.5.2 The value of the improvements on the portion of the land;
  - 5.2.5.3 The size of the portion of the land in respect of which the right has been granted;
  - 5.2.5.4 The period for which the right has been granted.
- 5.2.6 While the Act allows the Land Board to use the services of a valuator to determine such an amount, the Green Scheme require the use of such services as a prerequisite to allow a fair value to be attained.

### ***Transfer***

- 5.2.7 Subject to the Act, a right of leasehold may only be transferred with the written consent of the Land Board concerned. This stipulation will allow an exiting holder to transfer his or her right and to receive compensation for the right and the improvements made in terms of the land area. Even though the transfer is governed by the Land Board (with consultation of the Green Scheme Green Scheme Co-ordinating Commission), and the allocation of leasehold rights under a designated area subject to established rules and selection criteria under the proposed Green Scheme, free market demand factors should allow the existing right holder to recoup his or her capital investment at a fair market price. The selection criteria and Green Scheme guidelines should thus be considerate of the financial implications to the transferor. If a willing buyer has been found, and the transfer of the right is hampered only due to the selection criteria of the Green Scheme not being met by the transferee, application of section 40(3) of the Communal Land Reform Act should be considered in order not to impose a financial strain and opportunity cost on the transferor.
- 5.2.8 Section 40 (3) determines that the Ministry of Lands, Resettlement and Rehabilitation may, after consultation with the relevant Land Board concerned, upon the determination of a leasehold right, pay the person whose right was terminated compensation in respect of any necessary improvement effected by that person on the land concerned. The amount of compensation payable must be determined by agreement between the Land Board and such person concerned, subject to the approval by the Minister of the Ministry of Lands, Resettlement and Rehabilitation. In terms of the Act, compensation in terms of this stipulation must be paid from moneys appropriated by parliament for the purpose. Upon reallocation of the right to another person, the grantee is required to pay the determined consideration to the Land Board, who then would have to refund the State Revenue Fund with this amount.

- 5.2.9 The leasehold right owner will however also be bound to the terms and conditions of any bond registered against the leasehold right relating to the transfer of the right.

### ***Termination***

- 5.2.10 Similarly, in the case of termination of a leasehold right, the Land Board will have to refund the right holder in terms of any improvements to the land, either through the compensation received by the new leasehold right owner, or via the State Revenue Fund as indicated above.

- 5.2.11 The Land Board may cancel any leasehold right if:

- 5.2.11.1 The right was granted in error;
- 5.2.11.2 The right was obtained by fraud or misinterpretation;
- 5.2.11.3 The holder of that right:
  - 5.2.11.3.1 Fails to comply with any conditions subject to which that right was granted.
  - 5.2.11.3.2 Fails to pay two consecutive instalments in terms of the compensation required for that right, if payment in instalments has been approved by the Land Board.
  - 5.2.11.3.3 Defaults in paying an amount in respect of the periodic rental payable in terms of the deed of leasehold within 30 days after having been given a written demand for such a payment by the Land Board.
- 5.2.11.4 The land is no longer used for the purpose for which it has been granted;
- 5.2.11.5 The holder of the leasehold has been convicted of an offence of treason or sedition.

### ***Appeals***

- 5.2.12 Any person aggrieved by a decision of a Chief or a Traditional Authority or any Land Board under the Communal Land Reform Act, may appeal in the prescribed manner under the Act against that decision to an appeal tribunal appointed by the Ministry of Lands, Resettlement and Rehabilitation for the purpose of the appeal concerned.

## **5.3 Green Scheme Co-ordinating Commission**

- 5.3.1 The Green Scheme Co-ordinating Commission will act in advisory capacity towards the establishment of the terms and conditions of the leasehold rights through the submission of a recommendation proposal to the Ministry of Lands,

Resettlement and Rehabilitation in terms of the project. Recommendations will be made relating to the proposed farming unit size and the consequent ration of commercial irrigation farming enterprise to small-scale irrigation farmers, as well as for the duration of the lease agreements. There is a consideration of linking the duration of the leasehold right to the anticipated amount of owner capital to be invested on the irrigation farming units to stimulate private sector investment.

## **5.4 Freehold title land**

- 5.4.1 Freehold land title owners, who wish to participate under the Green Scheme, will enter into a separate agreement with the Ministry of Agriculture, Water and Rural Development regarding the available development incentives. The development incentive agreement will clearly spell out the required project rules and guidelines and the requirements for the qualifications of any Government incentives and loan guarantees as there will be no leasehold right agreement in this regard.
- 5.4.2 The project initiation and application process is similar, but less complex than for an entrepreneur applying for a communal land area, the selection and evaluation criteria will however remain the same.

## **5.5 Development incentive requirements under the Green Scheme**

- 5.5.1 The Green Scheme compels the repayment of all received Government development incentives by the irrigation farmer, who for any reason other than incurred circumstances beyond his or her control, exits the project within a 10 year period of initial project start-up. This obligation will be clearly defined in the relevant leasehold right or development incentive agreement.
- 5.5.2 Similarly, the leasehold right or development incentive agreement will entail a clause that warrants the repayment of any Government incentives by the irrigation farmer in severe cases of misconduct and breach of contract.

## **5.6 Key role players, their responsibilities and requirements**

### ***Ministry of Agriculture, Water and Rural Development (“MAWRD”)***

- 5.6.1 The Ministry of Agriculture, Water and Rural Development is the initiator of the Green Scheme and as such the overall governor of the facilitation and implementation thereof. The Green Scheme Co-ordinating Commission will be initiated under the supervision of the Ministry of Agriculture, Water and Rural Development and even though it is representative of different and independent stakeholders, its objectives and tactical solutions need to be in line with National Development Plans and Policies. As identified Ministry, the Ministry of Agriculture, Water and Rural Development will be responsible for incorporating

any financial resource requirements for any irrigation project in the form of capital injections and development incentives, and as determined by the Green Scheme Co-ordinating Commission, within its national budget requests and allocations.

### ***Green Scheme Co-ordinating Commission***

- 5.6.2 In terms of the allocation of leasehold rights the Green Scheme Co-ordinating Commission will have to guide the approval and allocation process to be in line with the Green Scheme objectives. The Communal Land Reform Act prescribes the composition and functions of the Land Boards in terms of this process. Even though no additional member to the Land Board would be allowed in terms of the Act, the Green Scheme Co-ordinating Commission will act in an advisory and supporting capacity to the Land Boards in promoting the various irrigation schemes. Furthermore the public service staff member, responsible for agriculture on the Land Board, should be delegated by the Ministry of Agriculture, Water and Rural Development to acts as representative of the Green Scheme Co-ordinating Commission.
- 5.6.3 The initial identification of a suitable irrigation area and the application for the development of such an area will be initiated through a joint initiative by the commercial irrigation farming enterprise and the small-scale irrigation farmers. The Green Scheme Co-ordinating Commission will be responsible to review the submitted application, business plan and feasibility study and issue a recommendation to the Ministry of Agriculture, Water and Rural Development in terms of acceptance and go-ahead of the project.
- 5.6.4 The submission be made to the Minister of Agriculture, Water and Rural Development for final approval and support of the project's implementation process should clearly spell out the following:
  - 5.6.4.1 The financial implications to the Government in terms of establishing any bulk infrastructure required for the project.
  - 5.6.4.2 A clear definition and quantification of the relevant development incentives and loan guarantees required to support the scheme under a best case, worst case and most likely scenario.
  - 5.6.4.3 The likely economic and socio-economic impact of the project.
  - 5.6.4.4 The identification of any risk areas that could jeopardize the successful implementation of the project, including environmental and social concerns.
- 5.6.5 The Ministry of Agriculture, Water and Rural Development will have to give final written approval to the applicants to continue with the initiation of the project and thereby secure the funds required to facilitate this process. If convinced that the

allocated Government funds and support will ensure viability of the project, the Green Scheme Co-ordinating Commission will assist the applicants to submit a proposal to the Ministry of Lands, Resettlement and Rehabilitation.

5.6.6 This proposal should include:

- 5.6.6.1 A summary report on the feasibility of the project, including the economic and socio-economic implications thereof;
- 5.6.6.2 Subject to the above, the proposal should include recommendations on the project set-up in terms of the proposed ratio between commercial irrigation farming enterprise and small-scale irrigation farmers, the size of an economic farming unit and the terms and conditions attached to the leasehold right agreement in terms of the duration of the lease.

***Ministry of Lands, Resettlement and Rehabilitation (“MLRR”)***

- 5.6.7 The Minister of Lands, Resettlement and Rehabilitation, once being submitted with an irrigation project request by the applicants with the recommendation of the Green Scheme Co-ordinating Commission, shall give final written approval of such a project after consultation and consent with the relevant Traditional Authorities and Land Boards.
- 5.6.8 Of critical importance here would be to ensure that the project is not only approved in terms of its agricultural purposes, but that the facilitation of such a project would be made subject to the Green Scheme guidelines and principles. As such the Traditional Authorities and Land Boards will have to assure their support in terms of the allocation and cancellation of leasehold rights to be in line with Green Scheme objectives.
- 5.6.9 In terms of the project initiation and application process, the applicants will need to ensure strategic buy-in and support for the anticipated project from the Traditional Authorities and relevant Land Boards. The promotion of this project should thus, incidental to any official application to the Green Scheme Co-ordinating Commission, be conducted at the local authority level to ensure the goodwill of these authorities. However, the Green Scheme Co-ordinating Commission can assist in this process if approached by the applicants.
- 5.6.10 A Preliminary Project Certificate will be issued by the Ministry of Agriculture, Water and Rural Development, which will provide the applicants the first option on the identified land area upon final approval of their applications. The certificate will only be issued if, among other criteria, the Ministry of Agriculture, Water and Rural Development is convinced that the relevant Traditional Authorities and Land Boards have indicated their approval in terms of a letter of goodwill. Even though this is not a legal and enforceable document it ensures

awareness and consent to ease the following application process and ensure that Government spending on pre-investment studies will not be opposed.

- 5.6.11 A final Green Scheme Irrigation Project Certificate will be issued by the Ministry of Agriculture, Water and Rural Development after final consultation with the Green Scheme Co-ordinating Commission and approval of the designated land area by the Minister of Lands, Resettlement and Rehabilitation. Project approval by the Minister of Lands, Resettlement and Rehabilitation would ensure that the allocation of leasehold rights and any consequent issues relating to the project will be administered under the scheme rules. The rules provide detailed guidelines of the functions and responsibilities of each stakeholder and intend to offer equal opportunities to all relevant stakeholders to contribute and benefit from the scheme.

### ***Land Boards***

- 5.6.12 Subsequent to the above process, and the confirmation by the Land Boards and Traditional Authorities that such designated area is to be administered under the Green Scheme, the Land Boards, on recommendation and in collaboration with the Green Scheme Co-ordinating Commission will scrutinise each application for a irrigation farming unit under the designated area in regard to the specified usage of the land and the relevant Green Scheme selection criteria.
- 5.6.13 The Green Scheme Co-ordinating Commission shall review the applications received by the Land Board and make recommendations to the Land Board regarding the acceptance or denial of such an application. The public services officer for agriculture as member of the Land Board will as such act as a delegate of the Green Scheme Co-ordinating Commission in this regard.
- 5.6.14 The powers of the Land Boards in terms of the allocation and cancellation of leasehold rights are upheld by the Communal Land Reform Act and valid as such. However, should the selection of an irrigation farmer be conducted contrary to the recommendations made by the Green Scheme Co-ordinating Commission, the Green Scheme Co-ordinating Commission will have the right to appeal to such a decision in terms of the appeal procedures under section 39 of the Communal Land Reform Act.

### ***Traditional Authorities***

- 5.6.15 Consent of the Traditional Authorities is required initially in terms of approval for the designated area for the irrigation project as well as in terms of the allocation of leasehold rights for the commercial irrigation farming enterprise and small-scale irrigation farmers' units.

## **5.7 Contractual Obligations**

- 5.7.1 The resulting contractual obligations in terms of the land tenure arrangements will arise in terms of the leasehold right agreements between the irrigation farmers and the Land Boards and the consequent deed of leasehold registered at the relevant Land Boards.

### ***Preliminary project certificate***

- 5.7.2 The preliminary project certificate is merely issued to provide the applicant with a pre-approval of the anticipated project subject to the formalities of the application requirements and evaluation by the Green Scheme Co-ordinating Commission. It is not in any way binding nor enforceable, but rather assures the applicants first option on the identified land area subject to approval and authorisation of their submitted business plan and feasibility study, as well as the required land tenure arrangements. The certificate will be valid for a period of 12 months within which all application requirements in form of the feasibility study and business plan will have to be submitted to the Green Scheme Co-ordinating Commission. Non-compliance will result in the lapse of the option on the specified land area after this period.

### ***Final Green Scheme Irrigation Project Certificate***

- 5.7.3 The final Green Scheme Irrigation Project Certificate will be issued by the Ministry of Agriculture, Water and Rural Development, after consultation with the relevant Land Boards and Traditional Authorities, to approve and designate a specific communal land area for irrigation purposes under the Green Scheme.
- 5.7.4 The certificate will not bind any party to any contractual obligations or regulations, but will act merely as an indication of assurance by the Traditional Authorities, the Land Boards and the Ministry of Lands, Resettlement and Rehabilitation, that they are supportive of the Green Scheme objectives and that they will act according to and enforce, where applicable, the guidelines and spirit of the Green Scheme.
- 5.7.5 The certificate will be issued to the commercial irrigation farming enterprise and small-scale irrigation farmers, and will be valid for a period of 6 months, after which the applicants will have to re-apply for the development project and area should no development activity have been conducted on the area within that period.
- 5.7.6 The certificate will be issued per project in sequential order and specify the following:

- 5.7.6.1 The description and land demarcation details of the area;
- 5.7.6.2 The division of the various farming units within the area;
- 5.7.6.3 The project identification number;
- 5.7.6.4 The expiry date for construction and development of agricultural activities.

***Right of leasehold contract***

- 5.7.7 Upon approval of the leasehold right, the deed of leasehold will have to be registered with the Land Board and the contractual rights and obligations arising in terms thereof will be enforceable between the two contracting parties, consequently the Land Board and the irrigation farmers.
- 5.7.8 Unlike a right of leasehold contract granted by the Land Board outside a designated irrigation area, the contractual agreement will entail specific requirements relevant to achieving the Green Scheme objectives and dovetailed to meet the individual project objectives.
- 5.7.9 General guidelines for the right of leasehold contract are included under appendix A.

## **6 PROJECT INITIATION AND DEVELOPMENT**

### **6.1 Project initiation requirements**

#### *Initiation and pre-approval process*

- 6.1.1 The incentive and project development initiation must be brought forward by the applicants as a joint initiative between the commercial irrigation farming enterprise and small-scale irrigation farmers, who will approach the Green Scheme Co-ordinating Commission for the application to develop an identified area under the Green Scheme.
- 6.1.2 The applicants should approach the Traditional Authorities and relevant Land Boards initially to promote their idea, create awareness and obtain initial consent by the Authorities in form of letter of goodwill. Even though this is not an enforceable document it will ensure participation of the Traditional Authorities from the start of the initiation process and enhance the final consent for the allocation of the leasehold right.
- 6.1.3 The Green Scheme Co-ordinating Commission may be approached by the applicants to facilitate this initial contact and awareness creation. The letter of goodwill as well as the personal details and background of each prospective participant to the project shall be submitted to the Green Scheme Co-ordinating Commission, who shall then issue a recommendation report for the pre-approval of the project to the Ministry of Agriculture, Water and Rural Development.
- 6.1.4 The recommendation report shall include:
  - 6.1.4.1 The letter of goodwill by the Traditional Authorities or relevant Land Board;
  - 6.1.4.2 An assessment of the applicants in terms of the Green Scheme selection criteria;
  - 6.1.4.3 The exact location of the identified area and the assessment of its potential on a very broad scope.
- 6.1.5 Pre-approval by the Ministry of Agriculture, Water and Rural Development will be based on the recommendation report of the Green Scheme Co-ordinating Commission and engage in the facilitation of relevant pre-investment studies and activities such as:
  - 6.1.5.1 Land survey and demarcation;
  - 6.1.5.2 Soil and climate survey;
  - 6.1.5.3 Application for water rights;
  - 6.1.5.4 Conduction of required environmental impact assessment studies.

- 6.1.6 The preliminary project certificate will be issued to the applicants to provide them with the first option for the application to the specified land area. The pre-investment studies will form the basis of the feasibility study and business plan to be submitted by the applicants to the Green Scheme Co-ordinating Commission within the next 12 months, after which the first option for the application of the specified land area will lapse.

***Allocation of water rights and permits***

- 6.1.7 With the establishment of the regional Water Boards or Agencies as stipulated under the National Water Policy 2000, each region and subsequent irrigation project within the regions will have to be allocated with an available water right by such a Board or Agency.
- 6.1.8 The initial application for the Water Right will be conducted by the Ministry of Agriculture, Water and Rural Development as part of the pre-investment studies under the project pre-approval process and result in a clear specification of the available water quota for the project.
- 6.1.9 The application for water permits within these water rights shall be conducted by each applicant and submitted as part of the project feasibility study to the Green Scheme Co-ordinating Commission.
- 6.1.10 The terms and conditions of the water rights will be enforceable by the Water Board or Agency and stand in isolation to any other agreement under the Green Scheme.

***Application and project approval***

- 6.1.11 The official application for the development of the irrigation project will be lodged with the Green Scheme Co-ordinating Commission by the applicants, again as a joint initiative between commercial irrigation farming enterprise and small-scale irrigation farmers, and subsequent to the release of the pre-investment study data in form of a feasibility study and business plan, which should give reference to the following:
- 6.1.11.1 Soil and water suitability and availability;
  - 6.1.11.2 Infrastructural requirements;
  - 6.1.11.3 Agronomic environment;
  - 6.1.11.4 Marketing environment;
  - 6.1.11.5 Environmental examination and impact assessment;
  - 6.1.11.6 Social impact assessment and public participation;
  - 6.1.11.7 Financial and economic assessment.

- 6.1.12 The business plan must give specific details regarding the anticipated Government development incentives required by the applicants to achieve the viability of the project. These applications will be reviewed by the Green Scheme Co-ordinating Commission and forwarded to the Ministry of Agriculture, Water and Rural Development in terms of a recommendation document for the approval of the implementation of the project.

***Recommendation report - project implementation plan***

- 6.1.13 The aim of the recommendation report by the Green Scheme Co-ordinating Commission to the Ministry of Agriculture, Water and Rural Development is to grant project approval by the Ministry of Agriculture, Water and Rural Development and sufficient financial resources in the form of development incentives and loan collaterals to enable the applicants to successfully implement the project.

- 6.1.14 The report will be a promotional document submitted by the Green Scheme Co-ordinating Commission, with specific reference to the following:

- 6.1.14.1 A summary of the findings of the feasibility study and development strategy within the business plan submitted by the applicants;
- 6.1.14.2 An evaluation of the financial implications for the Ministry of Agriculture, Water and Rural Development in terms of;
  - 6.1.14.2.1 Bulk infrastructure and relevant “off-land” development costs;
  - 6.1.14.2.2 Any “on-land” developments that are proposed to be financed by the Government;
  - 6.1.14.2.3 Required start-off Government development incentives and loan guarantees;
  - 6.1.14.2.4 Identification of risk factors and the impact of sensitivities thereof on the project and to the Government.
- 6.1.14.3 Contribution of the product to National Development Plans and Policies;
- 6.1.14.4 Water rights acquired by the applicants;
- 6.1.14.5 Environmental impact assessment risks;
- 6.1.14.6 Recommendations on the submitted business plan in terms of the implementation and project plan, which includes details regarding:
  - 6.1.14.6.1 The total project size;
  - 6.1.14.6.2 The ratio of commercial irrigation farming enterprise to small-scale irrigation farmers’ units

- and the layout thereof in terms of the total project area;
  - 6.1.14.6.3 A proposed crop production program in terms of current market conditions and agricultural initiatives;
  - 6.1.14.6.4 An evaluation of additional on-land infrastructural developments requirements such as storage and cooling facilities;
  - 6.1.14.6.5 Recommended irrigation technology;
  - 6.1.14.6.6 The proposed bulk infrastructure set-up and management thereof;
  - 6.1.14.6.7 An initial assessment of the likely water tariff;
  - 6.1.14.6.8 Sufficient funding is appropriated by the Government where required in terms of the proposed development incentives.
- 6.1.15 The final project go-ahead and implementation plan approval shall be given by the Ministry of Agriculture, Water and Rural Development in the form of the Green Scheme Irrigation Project Certificate, which shall be of sufficient proof that:
- 6.1.15.1 The project and the anticipated financial implications for the Government in terms thereof have been approved by the Ministry of Agriculture, Water and Rural Development after consultation with the Ministry of Finance;
  - 6.1.15.2 The project will be allocated with sufficient quotas in terms of the obtained water right;
  - 6.1.15.3 The project has been authorised in consideration of the relevant environmental impact assessment study.
- 6.1.16 Once this process is complete, the Green Scheme Co-ordinating Commission will be able to assist the applicants to proceed in submitting the project proposal to the Ministry of Lands, Resettlement and Rehabilitation for authorisation of a designated area within any communal land area for agricultural purposes as stipulated by the Communal Land Reform Act.

## **6.2 Categorisation of infrastructure requirements**

### ***Classification of “off-land” infrastructure and development costs***

- 6.2.1 In terms of the financial evaluation of existing as well as various proposed irrigation schemes under the proposed objective of the Green Scheme, it has been found that the bulk infrastructure requirements considerably strain the viability of the project in terms of the initial required capital outlay.

6.2.2 Bulk infrastructure is mainly composed of the bulk water and electricity supply infrastructure, as well as road developments and may, depending on the individual circumstances of each project include items such as:

- 6.2.2.1 Pump stations;
- 6.2.2.2 Siphons and water canals;
- 6.2.2.3 Water storage dams;
- 6.2.2.4 Pipe lines and reticulation networks to farm gate;
- 6.2.2.5 Potable water reticulation system;
- 6.2.2.6 Electrical network and supply lines;
- 6.2.2.7 Other civil and related infrastructure;
- 6.2.2.8 Professional fees;
- 6.2.2.9 Road development.

6.2.3 The capital outlay for these developments will vary in relation to each individual project and costing of these items will have been established during the feasibility study.

6.2.4 Thus, depending on the circumstances of each individual project and the initial assessment of the viability of the project the implementation plan will evaluate the implications of alternative possibilities in terms of:

- 6.2.4.1 The party responsible for the infrastructure development;
- 6.2.4.2 The party responsible for financing the development costs;
- 6.2.4.3 The party responsible for the maintenance of the infrastructure.

6.2.5 The following guidelines should be considered under the alternatives available:

- 6.2.5.1 If the infrastructure development is contracted to an independent water or electricity supplying institution such as Namibia Power Corporation (Pty) Ltd or Namibia Water Corporation Limited, the Government, depending on the subsequent water and electricity charges, might have to subsidize the effective water costs to the irrigation farmers under the specific scheme for an initial time period to relieve the irrigation farmers of a cash flow burden.
- 6.2.5.2 Another alternative would allow or require the irrigation farmers to develop and finance the bulk infrastructure requirements on their own behalf. As this is an extremely costly exercise to be incurred by the farmer, this option might only seem worthwhile if the off-land development costs are fairly minimal and the irrigation area of the project fairly small so that the realisation of economies of scale in terms of the bulk infrastructure seem limited or non-realisable.

- 6.2.6 The ultimate objective in terms of the off-land development costs of any irrigation project, should be to recoup at least some of the bulk infrastructure expenditures from the irrigation farmers, due to the fact the irrigation farmers will be able to realize a capital gain on their farming units upon transferral of their leasehold rights. This capital gain will be at the expense of Government investment unless at least some of it is recouped either through the water tariff or as a part repayment in terms of a subsidized long-term loan agreement.
- 6.2.7 The Ministry of Agriculture, Water and Rural Development must however account for unforeseen circumstances beyond the control of the irrigation farmers during the course of the project as well as for differential project set-ups, structures and resources, which might render the recoupment of any bulk infrastructure impossible without jeopardising the viability of the project.
- 6.2.8 The potential socio-economic and semi-urban planning and developments (schools, clinics, etc.) that may realise from the initiation of the project are a key criteria for approval of the project by the Ministry of Agriculture, Water and Rural Development and as well as the Ministry of Lands, Resettlement and Rehabilitation. However, these are socio-economic spin offs of the project that do not form part of any obligation to the commercial irrigation farming enterprise.

***“On-land” development and operational infrastructure***

- 6.2.9 On-land pre-investment development cost such as the initial land and soil survey as well as the environmental impact assessment study are a prerequisite for final approval of the project and shall be facilitated and funded by the Ministry of Agriculture, Water and Rural Development as part of the pre-approval process.
- 6.2.10 The general guideline is that Government will not fund the following:
- 6.2.10.1 Soil preparation – clearing and de-bushing;
  - 6.2.10.2 Irrigation equipment;
  - 6.2.10.3 Commercial housing requirements, e.g. storage and cooling facilities;
  - 6.2.10.4 Residential housing requirements.
- 6.2.11 These developments should be initiated and financed by the irrigation farmers on their own account. This should facilitate ownership and effective maintenance and management of the infrastructure. However, the Government should evaluate the necessity of providing financial support in the form of interest rate incentives and loan guarantees for the initial start-off period based on the initial project evaluation and the business plan submitted by the irrigation farmers.

- 6.2.12 Recommendations in terms of financial support and development incentives are addressed under section 10 of this document.
- 6.2.13 Any “on-land” development will be the responsibility of the individual irrigation farmer. The commercial irrigation farming enterprise is under no obligation to facilitate this process, but as part of its mentorship program towards the small-scale irrigation farmers, should assist them with advice on how to effectively and economically develop their farming units for purposes of the project.

### **6.3 Legal constraints or obligations**

#### ***National Water Policy 2000***

- 6.3.1 Rights to use public water under the current Water Act requires the user of public water for irrigation purposes on land in excess of one hectare in size to obtain a permit from the Ministry of Agriculture, Water and Rural Development. Permits are issued on specified conditions, including that the holders should install water meters and submit monthly returns. As indicated above, the issuing of a water permit should be a prerequisite for the initial project approval by the Minister of Agriculture, Water and Rural Development and as such addressed on a project-by-project basis. However, individual water rights should also be issued to the individual irrigation farmers subsequent to the overall approved permit the terms and conditions thereof as such enforceable on the irrigation farmers.
- 6.3.2 In terms of the National Water Policy 2000 approval was given to implement a policy of Community-Based Management of rural water supplies in accordance with the Water Supply and Sanitation Sector Policy. Responsibility for managing and paying for water services will progressively be devolved to Water Associations and Water Point Committees based on water point installations. Water Point Committees will be recognised by law and will be able to control consumers’ access to water points and organise payment for water use.
- 6.3.3 The National Water Policy 2000 provides for principles and objectives relating to water management, which include:
- 6.3.3.1 The adoption of cost effective and flexible policy instruments in terms of valuation, pricing, technical and incentive mechanisms to conserve water.
  - 6.3.3.2 The management of water resources and services according to principles of financial efficiency and sustainability.
  - 6.3.3.3 The allocation of water between users so that its value in different uses is recognised and benefits to society maximised. All

management and investment decisions will be subject to an economic and social Cost-Benefit analysis.

6.3.3.4 The usage of water in the most efficient and productive manner with full consideration of all demand and supply options.

6.3.3.5 Actual costs, environmental degradation and opportunity costs will be taken into consideration in establishing pricing policies.

6.3.4 Some of the strategies that will be engaged in to achieve these objectives include:

6.3.4.1 The establishment of a special institutional home with appropriate expertise devoted to shared watercourse issues and negotiations.

6.3.4.2 Ensuring that the water quality and quantity required by international agreements are met.

6.3.4.3 The introduction of abstraction fees to enforce economic efficiency and create incentives for the most beneficial usage of water. Charging will be phased in gradually with due regard for equity considerations.

6.3.4.4 Regulations concerning metering and reporting obligations for large surface and groundwater withdrawals.

6.3.4.5 The introduction of a new legislative framework for managing the nation's water resources, which will include making it obligatory that integrated planning principles are followed when planning new water supply schemes or augmenting existing schemes.

6.3.4.6 Send clear economic signals about the true value of the resource to its users and consumers. Where it is cost effective, promote metering and the adoption of volumetric pricing policies particular for industry and agriculture to reflect the marginal cost of water services and discourage low-value high volume users.

6.3.4.7 Ensure that water tariffs for industry and agriculture reflect the full social and environmental cost of water abstraction and depletion.

6.3.5 The implementation of the key recommendations of the National Water Policy 2000 highlights the following key issues:

6.3.5.1 "Paying for water" should ensure that value is placed on it as an economic good.

6.3.5.2 Water allocation should be based on socio-economic analysis and the principle of equity.

6.3.5.3 Price setting and cost recovery should be transparent and a participatory approach should be adopted.

6.3.6 In order to determine the real cost of water, in consideration of the National Water Policy guidelines, the water tariff under any project should be established by considering:

- 6.3.6.1 The charge imposed by Namibian Water Corporation Limited or the relevant water service provider for the recoupment of the bulk infrastructure development costs;
  - 6.3.6.2 The subsequent electricity requirements for the pump stations imposed by Namibia Power Corporation (Pty) Ltd, or the relevant electricity supplier;
  - 6.3.6.3 The relevant maintenance charge imposed by the water service provider, which represents a material, labour and direct and indirect overhead cost component;
  - 6.3.6.4 The value of water, which should account for the environmental and social costs of different water usages.
- 6.3.7 Subsidization requirements of the water tariff will depend on the real value of the water costs, the irrigation methods used, the crop production program as well as the size of project area and the climatic conditions within that area. The objective in determining a water incentive should strive to achieve a gradual decrease in the incentive after the initial start-up period of 5 to 10 years.
- 6.3.8 Subject to the above, the Green Scheme rules must guide the provision of water services to accommodate the principles and recommendations of National Policies in this regard. This requires that the Green Scheme Co-ordinating Commission should govern and monitor:
- 6.3.8.1 The pricing of the water supply services by the service provider;
  - 6.3.8.2 The reporting of water usage,
- 6.3.9 Principles under the National Water Policy will be enforced by the relevant Water Board or Water Committee through the terms and conditions attached to the issued water rights and water permits.

***Namibian Environmental Assessment Policy***

- 6.3.10 The Namibian Environmental Assessment Policy requires environmental impact assessments to be conducted, among others, in terms of:
- 6.3.10.1 The construction of canals and water transfer schemes;
  - 6.3.10.2 The drilling of boreholes;
  - 6.3.10.3 The construction of dams;
  - 6.3.10.4 The abstraction of ground or surface water.

6.3.11 The policy places a high priority on:

- 6.3.11.1 Maintaining eco-systems and related ecological processes, in particular those important for water supply, food production, health, tourism and sustainable production;
- 6.3.11.2 Observing the principle of optimum sustainable yield in the exploitation of living natural resources and ecosystems, and the wise utilisation of non-renewable resources;
- 6.3.11.3 Maintaining representative examples of natural habitat;
- 6.3.11.4 Maintaining maximum biological diversity by ensuring the survival and promoting their conservation in the natural habitat of all species of fauna and flora, in particular those which are endemic, threatened, endangered and of high economic, cultural, educational, scientific and conservation interest;
- 6.3.11.5 Whether the abstraction of water from the river will require additional flows and result in:
  - 6.3.11.5.1 Land preparation methods, which might impose erosion;
  - 6.3.11.5.2 The development at the vicinity of the river bank and its intervention with the river bank;
  - 6.3.11.5.3 The use of herbicides, pesticides and fungicides whereby agrochemicals might reach the river through ground water flows;
  - 6.3.11.5.4 Negative impacts on water quality and salinisation;
  - 6.3.11.5.5 Increased density of population.

6.3.12 The execution of an environmental impact assessment study is a prerequisite for the establishment of the feasibility of the irrigation project and as such addressed within the project initiation process. The irrigation farmers are bound to the adherence of relevant national environmental legislation and regulations and the Green Scheme Co-ordinating Commission, in terms of the Green Scheme rules and guidelines, will enforce the concept that any harmful practices to the environment must be reported, repaired and paid for by the relevant responsible party.

## **6.4 Service standards and guidelines**

### ***Evaluation of capital requirements and financial implications to the Government***

6.4.1 The feasibility study of the project and the subsequent recommendation document by the Green Scheme Co-ordinating Commission should establish an initial assessment of the required Government involvement in terms of the

- infrastructural development and the required development incentives, loan guarantees and capital contributions.
- 6.4.2 The submitted business plans by the commercial irrigation farming enterprise and small-scale irrigation farmers will need to be evaluated in relation to the existing feasibility study to ensure that relevant criteria are met by the applicant with specific reference to the:
- 6.4.2.1 The calculation of the water tariff;
  - 6.4.2.2 The maintenance practices and related cost of non-personal owned infrastructure;
  - 6.4.2.3 Environmental practices;
  - 6.4.2.4 Skills transfer, training and capacity building;
  - 6.4.2.5 Any anticipated profit share distributable to the traditional community.
- 6.4.3 Apart from evaluating the business plan in terms of the established project objectives, the Green Scheme Co-ordinating Commission needs to assess whether the initial financial implications for the project to the Government need to be reassessed in terms of the submitted business plan.
- 6.4.4 This requires that, after the selection process of the relevant applicants has been completed, the Green Scheme Co-ordinating Commission would need to communicate the development incentive requirements and loan guarantee values, required by the selected applicants to the Ministry of Agriculture, Water and Rural Development in the form of a recommendation report.
- 6.4.5 The Ministry of Agriculture, Water and Rural Development will give final written authorisation of the development incentives and guarantees available to the applicants, after consultation with the Ministry of Finance.

***Standards and guidelines in terms of maintenance of bulk infrastructure and the resulting water price determination***

- 6.4.6 In consultation with the bulk infrastructure development institutions regarding water, electricity and road developments, the Green Scheme Co-ordinating Commission will establish clear maintenance and service standards for the bulk and any state-owned assets for each approved irrigation project. These will form part of the contractual obligations of the entrepreneur for the supply of water services to the project in terms of the leasehold right agreement.

## **7 SERVICE PROVIDER**

### **7.1 Definition of the Service Provider**

- 7.1.1 There are various possibilities regarding the role of the service providers within any irrigation project. The generally agreed concept of the Green Scheme foresees the commercial irrigation farming enterprise to facilitate the majority of service provision requirements to the small-scale irrigation farmers. However, in terms of bulk water and electricity supply the service provider might most probably be an outside party contracted by the Ministry of Agriculture, Water and Rural Development. This is however dependent on the choice opted by the Ministry of Agriculture, Water and Rural Development regarding the initial bulk infrastructure development explained under section 6 and will not fall under the definition of a service provider under the Green Scheme.
- 7.1.2 Similarly, depending on the size of the project and the composition of commercial irrigation farming enterprise and the number of small-scale irrigation farmers' units, there might be a realizable synergistic benefit in allowing the establishment of co-operatives, which could facilitate the procurement, storage, marketing and distribution functions more economically based on achieved economies of scale. Should such an establishment prove to be desirable, the Green Scheme Co-ordinating Commission will have to evaluate the establishment of pre-set restrictive criteria to avoid undesired economic inefficiencies through imperfect market conditions.
- 7.1.3 The broad principles of the Green Scheme require a pre-determined set of services to be made available throughout any project to the small-scale irrigation farmers. The small-scale irrigation farmers must be provided with the opportunity to express his or her choice in terms of the selection of the available services among available service providers, but the commercial irrigation farming enterprise is compelled to provide its services at cost in order to uphold the objective of achieving social upliftment and thus to avoid exploitation of the small-scale irrigation farmer.
- 7.1.4 Subsequent to the above, the service provider will be:
- 7.1.4.1 “an entity or person, who provides agricultural support services of acceptable standard and quality to the irrigation farmers at cost-recovery prices, as established under the project rules, and who has the obligation to ensure that these services remain available on a continuous basis.”

## **7.2 Responsibilities and obligations of Service Provider**

### ***Definition of services***

- 7.2.1 There are range of minimum service needs required under any irrigation project such as the:

### **Maintenance of bulk infrastructure developed for the project**

- 7.2.2 Maintenance and service standards will be established by the Green Scheme Co-ordinating Commission in consultation with the developing institution of the bulk infrastructure and included under the relevant scheme rules to be incorporated under the contractual leasehold right agreement.

### **Regulating of the water supply mechanism**

- 7.2.3 The service provider will be responsible to ensure sufficient availability and pressure of water at individual farming units at the required times. Criteria in terms of this will have to be set within each individual project.

### **Reporting of monthly water and electricity usage**

- 7.2.4 This will be a prerequisite from the water and electricity supplying institution and will also include household electricity and probable water usage, which must be reported to the bulk supplier or relevant local authority on a monthly basis.

### **Procurement and storage of production inputs**

- 7.2.5 The service provider will be obliged to acquire and provide the small-scale irrigation farmer with the relevant required production inputs. Due to the fact that the small-scale irrigation farmer will not be obliged to follow a pre-determined crop production program, a limit should be imposed on the required product range and availability offered by the service-provider, if the procurement function is not a core activity of the service provider as in the case of the commercial irrigation farming enterprise. In these circumstances the available product range will be stocked according to a pre-determined product list, while additional products can be ordered through the service provider on special request. Product items will be limited to agricultural production inputs.

### **Leasing of mechanisation equipment and implements**

- 7.2.6 The provision of this service requires the service provider to incur considerable capital investments for the acquisition of the required assets. The small-scale irrigation farmers will have the option to make use of these services at a pre-

determined lease rate, acquire similar services from another source, or engage in more labour intensive working methods.

- 7.2.7 The service provider bears a considerable risk in that the usage of its assets by the small-scale irrigation farmers might not be sufficient to cover the operational and financing costs of providing such services. Depending on the project circumstances, the social benefits obtained by the small-scale irrigation farmers through effective use of mechanised farming practices and implements, may outweigh the cost of an additional Government development incentive to the service provider to support the acquisition of the assets, and consequently reduce the lease rate to the small-scale irrigation farmers.

#### Post harvest storage

- 7.2.8 It is the obligation of the commercial irrigation farming enterprise to ensure that sufficient storage and cooling facilities are available for the harvested crop in that sufficient infrastructure is put in place to accommodate this need. It will be able to fee the small-scale irrigation farmers for the operational and financial costs incurred to erect, maintain and operate such a facility based on the usage of the facility.

#### Marketing and distribution of production outputs

- 7.2.9 The marketing and logistics function require considerable financial and human resources if conducted on an effective national scale. The commercial irrigation farming enterprise will most probably have established its own preferred distribution methods and marketing plan in terms of its produce and should allow the small-scale irrigation farmers to piggy back on its strategy as part of the capacity building and development objectives of the Green Scheme. Even though the distribution of any production inputs as well as outputs is not an obligation to be conducted by the commercial irrigation farming enterprise, the small-scale irrigation farmer should be given access to the same distribution channel used by the commercial irrigation farming enterprise.
- 7.2.10 Storage, cooling, distribution and sales commission expenses will however need to be recouped from the small-scale irrigation farmers.

#### ***Human resource development***

- 7.2.11 The facilitation of skills transfer, training and capacity building is one of the major objectives and requirements under the Green Scheme. There needs to be a clear distinction between basic training and development requirements of the small-scale irrigation farmer and the more sophisticated and strategic level training needs of the commercial irrigation farming enterprise.

- 7.2.12 The Ministry of Agriculture, Water and Rural Development anticipates to establish the development of a national curriculum and educational program specifically designed for the irrigation sub-sector. The objective is to make the possession of this specific educational certificate a prerequisite for participation to any irrigation project under the Green Scheme. The design of such an educational program should ensure that applicants who meet the Green Scheme selection criteria will obtain sufficient knowledge and skill within the first two-to three months prior to being settled on the irrigation farming units.
- 7.2.13 Subsequent to this process the aim of the Ministry of Agriculture, Water and Rural Development is to promote the tertiary educational development of relevant professionals within the field of irrigation in association with Namibia's educational institutions. The achievement of this could allow Namibia to promote its obtained and developed irrigation skills to be promoted, offered and exchanged with neighbouring countries.

*Small-scale irrigation farmer skills transfer and mentorship programs*

- 7.2.14 There is a general perception that the commercial irrigation farming enterprise will be the most valuable source to offer appropriate practical advice, relevant skills and knowledge transfer, operational and management support as well as on-hand guidance and support to the small-scale irrigation farmers.
- 7.2.15 The Green Scheme guidelines will require the facilitation of a mentorship program by the commercial irrigation farming enterprise to facilitate this function and to support the Ministry of Agriculture, Water and Rural Development's national human resource development efforts.

*Training and support assistance for the commercial irrigation farming enterprise*

- 7.2.16 Technical support and assistance programs to the commercial irrigation farming enterprise could be initiated and co-ordinated by the Green Scheme Co-ordinating Commission to support and guide the strategic development within each project. This function would however be constituted from outside any set project parameters and facilitated at the discretion of the Green Scheme Co-ordinating Commission and the final authorisation of the Ministry of Agriculture, Water and Rural Development.

***Contractual arrangements***

- 7.2.17 The commercial irrigation farming enterprise will be bound by the contractual agreements between itself and the Land Board in terms of the leasehold right agreement and between itself and the financial institution in terms of any required financing agreements. There shall be no contractual arrangement between the commercial irrigation farming enterprise or small-scale irrigation farmer. Should

the commercial irrigation farming enterprise or small-scale irrigation farmer chose to contract with a separate service provider, contractual obligations will result between the service provider and the commercial irrigation farming enterprise and the small-scale irrigation farmers respectively.

- 7.2.18 Project objectives, rules and guidelines will be individually established for each project, but based on the broad scheme guidelines and overall Green Scheme objectives. These will be incorporated into all leasehold right agreements or the development incentive agreement in terms of a freehold land title owner. The overall objective regarding any service provision to the small-scale irrigation farmers is to bind the service provider to continuously provide the required services most probably at a sub-market price, but to also ensure that its opportunity costs for providing these services do not restrict the viability of its operations.

### **7.3 Proposed positioning of Service Provider within the Green Scheme**

- 7.3.1 The generally accepted principle is that the commercial irrigation farming enterprise will be responsible and obliged to undertake the functions and responsibilities of the service provider in all possible functional areas.

### **7.4 Financial implications**

#### ***Costing of services***

- 7.4.1 The pre-set principle of the Green Scheme in terms of the service provision requirement is to enable the small-scale irrigation farmers to effectively start off his or her farming operations from scratch, but simultaneously being placed in the preferential position of obtaining all the skills, know-how, technology, infrastructure and synergies of an effective and fully functional irrigation farming practice. The objective hereby is to drastically reduce the learning curve effect of the participants and to transform the irrigation farming unit into a fully commercially viable enterprise within the shortest possible time frame.
- 7.4.2 The means identified to achieve this is by way of offering with a range of development incentives to all irrigation farmers, which will support the general principle of reducing any service fee charges to a purely cost recovery rate.
- 7.4.3 The tariff structure of any supplied agricultural support services by the commercial irrigation farming enterprise farmer will have to be submitted to the Green Scheme Co-ordinating Commission on an annual basis for review. Similarly, any tariff increases will have to be submitted to the Green Scheme Co-ordinating Commission prior to the imposition thereof on the small-scale

irrigation farmers for final approval by the Green Scheme Co-ordinating Commission.

- 7.4.4 The relevant charges of the various services should thus be based on the following guidelines:

Water supply services

- 7.4.5 The water tariff will be charged by the service provider and be constituted of the following:

- 7.4.5.1 The relevant bulk water supply charge by the bulk water service provider (e.g. Namibia Water Corporation Limited).
- 7.4.5.2 A cost component for the monthly electricity bill in terms of electricity utilised for the pumping of water.
- 7.4.5.3 A off-land infrastructure maintenance component incurred by the service provider and made up of cost components of:
  - 7.4.5.3.1 Material;
  - 7.4.5.3.2 Labour;
  - 7.4.5.3.3 Direct and indirectly allocated overheads.
- 7.4.5.4 Any additional charge imposed by the anticipated Water Boards in line with the National Water Policy 2000.

- 7.4.6 The bulk water and electricity charges will depend on the scope of available and required bulk infrastructure developments. The Green Scheme Co-ordinating Commission is tasked with reviewing and negotiating a realistic and favourable water and electricity tariff with the supplying institution in collaboration with the relevant controlling or regulating body to ensure minimal exposure by the Government in terms of any water incentive. Any considered water incentive by the State should not be in excess of the bulk supply charges and any other charge imposed by a future outside institution.

Procurement and storage of production inputs

- 7.4.7 The relevant cost price of each production input item will include the following cost components:

- 7.4.7.1 Obtained wholesale or retail price;
- 7.4.7.2 Transportation;
- 7.4.7.3 Direct labour cost for personnel administering this function;
- 7.4.7.4 Direct overheads (insurance, water, electricity, maintenance and depreciation in terms of sheds and buildings used for storage purposes);

- 7.4.7.5 Allocated indirect overheads (administrative expenses);
- 7.4.7.6 Finance costs of the capital expenditure in terms of required buildings and sheds for this purpose.

7.4.8 The cost price calculation and overhead allocation methods require exact determination of the relevant cost components on behalf of the service provider, and must be made available for review to the Green Scheme Co-ordinating Commission.

#### Leasing of mechanisation equipment and implements

7.4.9 Similar to the above principle the lease rate determination will be based on cost recovery basis considering the following components:

- 7.4.9.1 Fuels, oils, lubricants;
- 7.4.9.2 Direct materials;
- 7.4.9.3 Direct labour;
- 7.4.9.4 Direct overheads (insurance, repairs & maintenance, licenses, depreciation);
- 7.4.9.5 Allocated indirect overheads (administration expenses);
- 7.4.9.6 Real finance costs of the capital investment of the assets.

7.4.10 Again, the service provider must be able to substantiate the individual cost items.

#### Marketing and distribution of production outputs

7.4.11 Direct marketing expenditures should be recouped from the small-scale irrigation farmers as such as these can be directly traced to a certain trade agreement or sale.

7.4.12 Similarly, storage, cold storage and distribution costs must be recouped on a full cost-recovery basis.

#### ***Credit scheme arrangements***

7.4.13 As indicated earlier, there will be no contractual relationship between the commercial irrigation farming enterprise and the small-scale irrigation farmers in terms of any trading activities. Both commercial irrigation farming enterprise and small-scale irrigation farmers will be able to apply for a revolving credit scheme (i.e. overdraft facility) with any preferred financial institution. The terms and conditions of such a credit scheme will be determined for each individual case by the financial institution following a recommendation from the Green Scheme Co-ordinating Commission.

7.4.14 A more detailed analysis of financial arrangements and requirements will be addressed under section 11.

## **8 COMMERCIAL IRRIGATION FARMERING ENTERPRISE**

### **8.1 Role of the commercial irrigation farming enterprise**

- 8.1.1 The general principle of the Green Scheme is to offer the interested applicant the opportunity to obtain and develop a fertile arable farming unit for his or her personal benefit in exchange for a minimum financial plough back towards the social development of the local community.
- 8.1.2 The direct contribution of the commercial irrigation farming enterprise towards the social development of the traditional community will be realized through the mentorship and skills transfer requirement to small-scale irrigation farmers, the obligation to fulfil the service provider requirements as discussed in the previous section and preferably the distribution of a profit share or other financial incentive to the Trust fund of the relevant Traditional Authority.
- 8.1.3 The objective of the Green Scheme is to create an environment that will enable the commercial irrigation farming enterprise to achieve a sufficient return on its operations after the deduction of any social cost contributions by it towards the project in order to make it worthwhile for it to enter into a project under the Green Scheme. The challenge herein lies in finding the suitable balance between the social obligations imposed on the commercial irrigation farming enterprise and its perceived acceptable required rate of return.

### **8.2 Rights and obligations**

- 8.2.1 The commercial irrigation farming enterprise will need to submit an application for the development of a suitable area for irrigation purposes, substantiated by a feasibility study and business plan for the implementation of the project and will be given the opportunity to negotiate the contract terms regarding the leasehold right and financial agreements with the relevant contracting party concerned and in consultation with the Green Scheme Co-ordinating Commission.

#### ***General overview of contractual rights and obligations***

- 8.2.2 The guiding principles in terms of the obligations of the commercial irrigation farming enterprise will include the following:
  - 8.2.2.1 Adherence to the overall pre-determined code of conduct and general Green Scheme rules;
  - 8.2.2.2 Provision of agricultural support services according to the terms and conditions set out in the leasehold contract;

- 8.2.2.3 Providing documentary proof and insight into the financial accounts of his operations to the Green Scheme Co-ordinating Commission upon request;
- 8.2.2.4 Engaging in best practice and sustainable farming practices in line with Green Scheme objectives and environmental regulation requirements;
- 8.2.2.5 Strict adherence to the maintenance standards of non-owned infrastructure as stipulated in the leasehold contract;
- 8.2.2.6 Accommodate affirmative action and employment equity principles into the selection of employees and labourers within its operation. In effect this requires the commercial irrigation farming enterprise to accommodate members of the local community, and within this group the previously disadvantaged and unemployed, prior to targeting individuals outside the community, but on the condition that local community members have the relevant required skills base;
- 8.2.2.7 Issue an annual report to the Green Scheme Co-ordinating Commission on the strategic development of the project in terms of its own performance as well as the performance of the small-scale irrigation farmers, highlighting key results as well as problem and potential risk areas.

### **8.3 Financial implications**

- 8.3.1 The business plan of the applicants must include a conclusive financial plan in terms of which the applicants anticipate to be granted access to certain development incentives and loan collaterals. Upon review of the submitted business plan and evaluation of the applicants in terms of the pre-set selection criteria, the Green Scheme Co-ordinating Commission will issue a recommendation to the Ministry of Agriculture, Water and Rural Development on the extend and terms to which access should be granted to applicants to a defined interest rate incentive, water incentive, capital contributions for certain on-land expenditures, loan guarantee and training incentive schemes.

### **8.4 Performance evaluation**

- 8.4.1 The commercial irrigation farming enterprise will be obliged to submit an annual progress report to the Green Scheme Co-ordinating Commission regarding the strategic development of the project in terms of the established project objectives. This report will be used by the Green Scheme Co-ordinating Commission to submit the annual progress report to the Ministry of Agriculture, Water and Rural Development and which will have to contain an analysis of Government incentives utilized by the project to date, as well as a financial forecast on required incentives for the coming financial year.

- 8.4.2 The Green Scheme Co-ordinating Commission will review any material deviations and identified risk areas of the project and will include appropriate recommendations in its report to the Ministry of Agriculture, Water and Rural Development on how to resolve or address these.

## **8.5 Selection**

- 8.5.1 Applications for any irrigation development project will be treated on a first come, first serve basis. The commercial irrigation farming enterprise and the small-scale irrigation farmers as a joint initiative will be the initiators of any development project and as such evaluated in terms of their submitted development proposal, which will be evaluated regarding:
- 8.5.1.1 The objectives of the applicants compared to overall Green Scheme objectives;
  - 8.5.1.2 The social development strategies and anticipated affirmative action plan;
  - 8.5.1.3 The devised mentorship program;
  - 8.5.1.4 The inclusion of the local Traditional Authority within any incentive or profit sharing scheme;
  - 8.5.1.5 The anticipated utilisation of Government development incentives and loan guarantees by the project participants to which they apply in terms of the submitted business plan.

## **8.6 Exit procedures of participants leaving the scheme**

- 8.6.1 There are four scenarios under which the commercial irrigation farming enterprise can exit the scheme. These are:
- 8.6.1.1 The transfer its leasehold right;
  - 8.6.1.2 The termination of the leasehold right agreement for any other valid reason than to transfer its right;
  - 8.6.1.3 Expiry of its leasehold right;
  - 8.6.1.4 Termination of the agreement due to breach of contract of the leasehold right agreement.
- 8.6.2 In terms of the transfer and termination of the leasehold right agreement for any other reason beyond a breach of contract on behalf of any of the contracting parties, the procedures under the Communal Land Reform Act and as explained under section 5 shall become applicable.

- 8.6.3 Regarding the termination of the agreement due to breach of contract, the relevant stipulations of the contract agreement shall become applicable as indicated in Appendix A.
- 8.6.4 The exit by any participant from any registered irrigation project under the Green Scheme within a period of 10 years of initiation and establishment of such a project for any reason other than due to the occurrence of any unforeseen event beyond the control of the irrigation farmer, will result in the obligation to repay any utilised Government development incentives during this time frame to the State. This stipulation shall also be applicable in cases of severe breach of contract on behalf of the irrigation farmer in terms of the leasehold right or development incentive agreement.

## **9 SMALL-SCALE IRRIGATION FARMERS**

### **9.1 The role of the small-scale irrigation farmer**

- 9.1.1 The small-scale irrigation farmer should consist of the low income earner, unemployed or underemployed, previously disadvantaged group member, who has some agricultural knowledge and experience and who has sufficient understanding of the responsibilities and obligations attached to the concept of self-sustainability as self-employed irrigation farmer.

### **9.2 Rights and obligations**

- 9.2.1 Rights and obligations of the small-scale irrigation farmer will be determined within the individual project rules and guidelines as incorporated into the leasehold right agreement. Apart from any project specific guidelines he or she will have to adhere to the Green Scheme Code of Conduct applicable for all projects, which will guide standard behaviour and ethical standards.
- 9.2.2 The small-scale irrigation farmer is under no stringent obligations in terms of the farming activities and operations of his farming unit, with the exception in that he or she may not engage in any non-agronomic farming practices on a commercial scale. His or her main focus will be to comply with the loan obligations under the financial agreement and to ensure that he or she will not engage in any undesirable farming practices or behaviour that might be in breach of the leasehold right agreement.

### **9.3 Selection**

- 9.3.1 The initiation of any irrigation project is a joint initiative between the commercial irrigation farming enterprise and small-scale irrigation farmers, who submit a joint proposal for the development of the identified land area.
- 9.3.2 The obligation on behalf of the small-scale irrigation farmers subsequent to the selection criteria will be that:
- 9.3.2.1 He or she will have to reside and work on the allocated farming unit;
  - 9.3.2.2 He or she will have to attend the initial pre-settlement training period and obtain the relevant educational irrigation certificate.
- 9.3.3 The approval of leasehold right applications to the small-scale irrigation farmers for a irrigation farming unit, which will be registered under the Green Scheme and in terms of which a project certificate has been issued by the Green Scheme Coordinating Commission, will be subject to the laid down selection criteria.

9.3.4 The selection criteria require the small-scale irrigation applicants to:

- 9.3.4.1 Be interested to attain self-development and self-sustainability;
- 9.3.4.2 Be in possession of Namibian citizenship;
- 9.3.4.3 Be able to read and write;
- 9.3.4.4 Have obtained a basic knowledge and experience in agronomy, either by way of previous employment or through a family operated farming unit;
- 9.3.4.5 Have a basic understanding of the principles and responsibilities of operating a farming unit independently;
- 9.3.4.6 Expresses a basic understanding about the commercial environment and general business practices.

9.3.5 In circumstances where more than one applicant apply for the same farming unit and both meet the above criteria to the same extend preference shall be given to:

- 9.3.5.1 A local community member, with specific reference to a member who has offered his or her current land area to be incorporated under the project;
- 9.3.5.2 A previously disadvantaged group member;
- 9.3.5.3 The person with the lowest household earnings.

## **9.4 Performance evaluation**

9.4.1 All relevant behavioural standards and activities are coupled to the project rules and guidelines and enforced in terms of the leasehold right agreement. The small-scale irrigation farmer is under no obligation to attain to any social development objectives, besides the accomplishment of his or her personal financial independence and self-sustainability.

## **9.5 Financial implications**

9.5.1 The small-scale irrigation farmers will have access to all services provided by the commercial irrigation farming enterprise at cost price, but are under no obligation to make use of these services. Similarly, they will receive access to all development incentives and Government contributions approved under the project and as applied for.

## **9.6 Exit procedures of participants leaving the scheme**

9.6.1 The same scenario's and conditions set for the commercial irrigation farming enterprise in this regard, apply for the small-scale irrigation farmers.

## **10 CAPITAL INVESTMENT AND FINANCIAL INCENTIVES**

### **10.1 Financial requirements**

10.1.1 The Green Scheme may under certain conditions provide for the availability of the different financial incentive schemes:

10.1.2 Incentive schemes available for all projects under Green Scheme:

10.1.2.1 Interest rate incentives

10.1.2.2 Loan guarantee collateral

10.1.3 Incentive schemes available for projects under Green Scheme at the discretion of the Ministry of Agriculture, Water and Rural Development:

10.1.3.1 Bulk infrastructure

10.1.3.2 Capital contribution to “on-land development”

10.1.3.3 Water tariff incentives

10.1.4 The interest rate incentives and loan collateral are available on a pre-determined basis to all participants of the Green Scheme, while all the other development and capital incentives of the Government are subject to the discretion of the Ministry of Agriculture, Water and Rural Development and will be reviewed on an annual basis.

### **10.2 Water tariff incentives**

10.2.1 As explained in section 7.4.1 the correct composition of the water tariff requires the inclusion of the social and opportunity cost component of the water usage. Depending on the infrastructure and maintenance required to supply this resource as well as the climatic conditions and crop production program followed, water usage will remain a fairly fixed and major input cost component.

10.2.2 Water tariff incentives should not reduce the rate below the physical maintenance charge of the water infrastructure by the service provider. In effect the maximum amount of subsidised charges will be the total of the water charge by the bulk water supplier, the electricity component of the bulk electricity supplier and the social opportunity cost charge imposed by any Water Regulating Body.

10.2.3 However, the Green Scheme Co-ordinating Commission will be tasked to review the imposed water and electricity tariff imposed by the bulk service provider and to ensure, with collaboration of the relevant Control or Regulating Body, that the tariff is based on economic and market related terms. The objective will remain to

collaborate a fair water and electricity tariff that will reduce any required Government development incentive in this regard to the utmost minimum.

- 10.2.4 Water incentives shall furthermore only be approved for the initial start-up period of a project for a maximum of 10 years after which it should be phased out, but to be extended at the discretion of the Ministry of Agriculture, Water and Rural Development and based on the recommendation by the Green Scheme Co-ordinating Commission, depending on the crop production program and on any unanticipated changes in the climatic conditions of the region.

### **10.3 Interest rate incentives**

- 10.3.1 The anticipated capital requirements of any irrigation project are divided into the three categories, namely long-term, medium-term and short-term debt.

#### **Long-term finance**

- 10.3.2 Long-term financial requirements constitute investments into immovable property, infrastructure and pre-development studies such as:

- 10.3.2.1 Initial soil survey and preparation;
- 10.3.2.2 Environmental impact assessment study;
- 10.3.2.3 Feasibility study;
- 10.3.2.4 Irrigation equipment;
- 10.3.2.5 Housing and buildings.

- 10.3.3 These loans will be repayable under normal conditions within a period of between 15 to 20 years.

- 10.3.4 The proposed interest rate incentive available under the long-term loan agreement with the financial institution is accounted for over a period of six years to the following percentages of charged interest rates by the relevant financial institution:

- |          |        |      |
|----------|--------|------|
| 10.3.4.1 | Year 1 | 100% |
| 10.3.4.2 | Year 2 | 100% |
| 10.3.4.3 | Year 3 | 100% |
| 10.3.4.4 | Year 4 | 70%  |
| 10.3.4.5 | Year 5 | 50%  |
| 10.3.4.6 | Year 6 | 20%  |
| 10.3.4.7 | Year 7 | 0%   |

- 10.3.5 The Government will furthermore warrant a loan guarantee collateral up to a maximum of 30% of the loan amount. The guarantee will be gradually reduced at

equal intervals, representing 10% of the original loan guarantee percentage, over a ten (10) year period.

#### Medium-term capital requirements

10.3.6 Medium-term loans for capital requirements will be available for funding:

- 10.3.6.1 Movable assets relating to the mechanisation units and implements;
- 10.3.6.2 Moveable irrigation and other operating equipment;
- 10.3.6.3 In certain circumstances the development and implementation costs of long-term crops.

10.3.7 The repayment period in terms of medium-term loans will have a range of between 5 and 10 years.

10.3.8 The same incentives and loan collateral will be offered to irrigation farmers as under the long-term loan incentive scheme.

#### Working capital requirements

10.3.9 The Green Scheme makes provision for a subsidized interest rate in terms of an overdraft or revolving credit facility over a period of five years as follows:

|          |        |     |
|----------|--------|-----|
| 10.3.9.1 | Year 1 | 20% |
| 10.3.9.2 | Year 2 | 20% |
| 10.3.9.3 | Year 3 | 20% |
| 10.3.9.4 | Year 4 | 10% |
| 10.3.9.5 | Year 5 | 5%  |

10.3.10 The revolving credit facility and concurrent interest rate incentive will be reviewed on an annual basis and allowed for another year based on the above structure at the discretion of the Ministry of Agriculture, Water and Rural Development. Effectively, the Ministry of Agriculture, Water and Rural Development will make a discretionary call at the end of each year on whether the development incentives will continue or not. This will also be based on the rate offered to the applicant by the financial institution.

10.3.11 Relevant collateral required for this facility shall be determined by the relevant financial institution and may entail the engagement of a seasonal crop insurance to be undertaken by the irrigation farmer. The Government may, to its discretion, offer a collateral in form of an additional loan guarantee for this facility, to a maximum of 20% of the existing long- and medium term loan obligations of the irrigation farmer.

## **10.4 Loan application requirements**

- 10.4.1 The terms and conditions of the loan agreements will be set according to the specifications of the financial institution. Loan collaterals for the long- and medium term loans will be substantiated by a Government guarantee, not to exceed 30% of the loan amount and gradually reduced over a ten-year period. In terms of the revolving credit facility, the crop will serve as collateral, while Government may issue an additional loan guarantee to its discretion. The Green Scheme guidelines require the irrigation farmers to take out sufficient insurance cover on the crop production outputs. In terms of all other assets, the required insurance cover will most probably be included as a prerequisite for any loan agreement.

## **10.5 Capital contribution to “on-land” development**

- 10.5.1 In exceptional and highly capital-intensive project circumstances, the Government may consider to finance a limited portion of the “on-land” capital requirements to facilitate the start-off of the project. The financial implication in terms of this contribution must be clearly motivated and substantiated by considerably favourable outcome of a cost-benefit analysis of the project and the maximum value of this contribution determined as such.

## **10.6 Financing options**

### ***Availability of development incentives***

- 10.6.1 The interest rate incentives shall be applicable under the Green Scheme, regardless of any equity contribution to the project by the commercial irrigation farming enterprise or small-scale irrigation farmer. Even though equity finance is generally less expensive than debt finance, the project needs to generate a sufficient return for the irrigation farmers and investors after profit share has been distribution to the traditional community.
- 10.6.2 Subject to the above and due to the distinctive circumstances and capital requirements of each project, the water tariff incentive should be determined on individual project basis and in consultation and negotiation with the bulk service provider, relevant Regulating or Control Body and the irrigation farmer.
- 10.6.3 As indicated above, any capital contribution by the Government will only be considered in exceptional circumstances.
- 10.6.4 Any grants received from donor organisations shall be allocated and administered under the Government incentive scheme and solely utilised for these purposes.

### ***Terms and conditions of the development incentives***

- 10.6.5 The terms and conditions of the water incentive and capital contributions by Government will be stipulated within the leasehold right agreement, or the development incentive agreement in terms of a freehold title holder, which will clearly spell out the relevant detail in terms of the duration of the incentive and the incentive amount. Generally the Green Scheme rules and guidelines will be tailored to meet the objectives of each individual project and any terms and conditions attached to the incentive will be incorporated within these.
- 10.6.6 Application for the qualification to the interest rate incentive will require the submission of the project certificate as proof of registration of the project and the signed leasehold right agreement.

### ***Contractual implications***

- 10.6.7 Upon failure of meeting the contractual obligations under any financial agreement, the financial institution will call up its collateral and realize the assets under the agreement. A bond for the financing of immovable property or assets will be registered against the leasehold right and ceded to the financial institution upon breach of contract. Even though the Land Boards will have to approve the transfer of any leasehold right, the leasehold right contract will make provision for such cessation clause once the area is registered as an authorised irrigation project under the Green Scheme. The financial institution consequently will be able to transfer the leasehold right in line with termination and transfer stipulations under the Communal Land Reform Act. Any disagreement or conflict in this regard will be addressed in terms of the appeal procedures regulated within the Communal Land Reform Act.