

CHAPTER 3

The National Land Reform Programme and Rural Development

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3.1 Introduction

In South Africa, challenges of unemployment and poverty are largely concentrated in rural areas, especially among households residing in the previous homelands. In response to historical practices of economic exclusion, government has pursued redistributive policies, such as land reform, to broaden access to land, especially in rural areas where land access is seen as a vital source of livelihood support. Much of the development literature supports the view that asset inequality undermines economic growth, while well-targeted asset transfer (provided the beneficiaries use the land productively) enhances economic development (Stewart, 1965; Obeng-Odoom, 2012).

Introduced in 1994, South Africa's land reform programme is based on both equity and economic grounds, and originates from Section 25 of the Constitution. It consists of three main pillars: land restitution, land redistribution and land-tenure reform. Since 1996, government has transferred a considerable amount of land and settled nearly all restitution claims lodged prior to the 1998 cut-off date (DRDLR, 2015). Yet, despite these achievements, the land reform programme has failed to achieve its policy objectives.²² The programme has been criticised for the slow pace of land transfers relative to the goal of transferring 30% of agricultural land to the previously disadvantaged by 2014 (Kariuki, 2009; Lahiff and Cousins, 2005). Most of the transferred land has either remained fallow or been used for productive activity that has not been profitable (Lahiff, 2007). Therefore, much of the potential of land reform, especially as a mechanism for agrarian change and rural development, has gone unrealised (Deininger and May, 2000; Lahiff and Cousins, 2005). In the case of land restitution and redistribution programmes, significant amounts of public funds have been spent, but the quality of spending remains a concern.

The study assesses how the intergovernmental implementation of the land reform programme can be strengthened in order to play the catalytic role envisioned in policy. The specific objectives are:

- To examine the impact of the land reform programme on critical policy outcomes in rural areas, such as food security, job creation and agricultural productivity.
- To assess whether provincial and local governments are adequately supporting land reform projects in rural areas in order to achieve policy outcomes.

- To determine whether provincial and local governments have access to the necessary financial instruments to achieve the policy outcomes.

The assessment is only of the land reform programme, which encompasses land redistribution, funding instruments and services offered to restitution projects, and does not include land tenure reform and basic infrastructure. Tenure reform has the potential to unlock significant investment and production in rural areas and, consequently, stimulate rural development. Individuals and households are generally less inclined to invest in agricultural production and other forms of enterprise if the land tenure is insecure. Policy measures to reform land tenure in rural areas are currently underway, but the new policy framework (the Communal Land Tenure Policy) is being contested because it seeks to turn traditional leaders into the owners of communal land. This could increase the level of conflict in communal areas by enforcing an inappropriate level of individual entitlement on tenure systems premised on jointly managed land (Du Toit, 2014).

The National Development Plan (NDP) includes the goal of increasing employment in agriculture by 643 000 direct jobs and 326 000 indirect jobs by 2030, as well as increasing export of agricultural products (NPC, 2011). A well-designed land-reform programme is critical for revitalising the agricultural sector, leading to employment and output growth that would improve food security, and poverty and inequality levels in rural areas (Lahiff and Cousins, 2005). While many studies have focused on land reform, very little work has been done on the impact of land reform on rural development, especially in relation to food security and job creation. Furthermore, the Constitution calls for historical redress of land by enabling citizens to obtain land on an equitable basis, and an effective land-reform programme should give effect to this key constitutional provision.²³ Implementation of the land reform programme involves stakeholders across all three spheres of government, and any recommendations emanating from the research are subject to South Africa's intergovernmental relations framework, thus warranting the involvement of the Financial and Fiscal Commission (the Commission).

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²² Approximately 97% of all the land claims lodged before the December 1998 cut-off date were finalised by 30 March 2014 (Mail and Guardian, 2014).

²³ This provision is contained in Section 25(5) of the Constitution. The Land Reform programme also addresses – more broadly – some of the other provisions in Section 25.

3.2 Background

The Natives Land Act (1913) and subsequent discriminatory land policies relocated Africans from fertile rural areas and confined them to reserves where land was least arable, and environmentally degraded (Du Toit, 2014). The land reform programme introduced in post-apartheid South Africa is an attempt to reverse this historical de-agrarianisation process, which resulted in skewed ownership patterns and social exclusion of Africans from the rural economy. The land reform programme, especially the redistribution policy, is closely tied to revitalising smallholder agriculture in rural areas. Land is a principal source of wealth in rural areas, and transferring land assets to the poor provides security, while using the land productively can reduce unemployment, improve food security and increase economic growth (Stewart, 1965; Lahiff and Cousins, 2005).

According to economic theory, as a country modernises, the agricultural sector declines over the long-term and greater dependence grows on secondary and tertiary industries. In South Africa, the long-term decline of the agricultural sector has been quite noticeable. The gross domestic product (GDP) of agriculture fell from 9.1% in 1965 to 2.3% in 2013 (Greyling, 2012; Stats SA, 2014). Employment in the agricultural sector also declined, from 1.8 million in 1962 to 742 000 in 2014 (Stats SA, 2015). The long-term downward decline of agriculture is structural in nature, and yet land reform policy continues to be formulated almost exclusively around agriculture as a mechanism for rural development. However, there are arguments for continuing to invest in the agricultural sector. Agriculture is labour-intensive and so could be leveraged to create much needed employment, especially given the high unemployment levels in rural areas. The sector is also an important earner of foreign exchange, contributing 8% of South Africa's total exports. Lastly, the agricultural sector's strong production and consumption linkages makes its overall contribution to the economy even more significant (Greyling, 2012).

Despite the strong agricultural bias in policy, land reform beneficiaries have struggled to convert the acquired land into productive use. This is because they often have insufficient access to credit, equipment and technical assistance, and only a small percentage of the land owned is irrigated – irrigated farmland is far more productive than non-irrigated land. In addition, agriculture depends on good infrastructure, but rural areas are still characterised by significant backlogs, despite progress made since 1994. These are some of the reasons why the land reform programme has not achieved its initial policy goals.

In recent years, government has introduced various new policies designed to address some of the previous shortcomings in the land reform programme. These include the Recapitalisation and Development Programme (RADP) which is aimed at turning around unproductive land reform projects, and the reopening of the land claims process while some old claims are still outstanding. A concern is whether this new policy proposal is affordable and whether appropriate funding has been identified (SAHRC, 2013). In addition, the Proactive Land Acquisition Strategy (PLAS) allows land reform beneficiaries to lease land from the state under stringent conditions, which means that it is unlikely that the land will be transferred to beneficiaries anytime soon – instead the land will remain in the ownership of the state.

At present, what is not known is the number of land reform projects that have failed and the proportion of these failed projects that were recapitalised under the RADP. It is likely that the vast majority of farms acquired through Settlement Land Acquisition Grant (SLAG) and Land Redistribution and Agricultural Development (LRAD) grants are no longer functional or are struggling to survive (Lahiff and Cousins, 2005). And, as the RADP funds farms over an initial five-year period, the chances are that only a small percentage of failed land reform farms would be part of the RADP programme. Therefore, it is unclear on what basis participating farms are selected and, more importantly, what is going to happen to the remaining land reform farms that did not succeed under previous funding regimes.

The DRDLR is the main driver of the land reform programme but has overlapping duties with the Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Human Settlements (DHS), among others. Municipalities are also expected to provide basic services to land reform beneficiaries, although infrastructure planning to support land reform beneficiaries may be lacking in municipal integrated development plans, and rural municipalities are constrained by capacity challenges that hamper effective infrastructure roll-out in rural areas.

3.3 Literature review

3.3.1 Benefits of land reform in rural areas

The rationale for land reform in rural areas often goes beyond equity considerations. Benefits of land reform include outcomes that are crucial for rural development, i.e. poverty reduction, food security, employment and agricultural productivity. The question is whether or not land reform can in fact achieve these outcomes.

Poverty and food security

Land policy in South Africa makes a strong claim that land reform can decrease poverty levels and improve food security in rural areas. Making land available allows family units to grow crops and support livestock, which results in a more continuous flow of food to households, as well as potential cash income for the purchase of other necessary consumables. This decreases the overall level of poverty and allows for enhanced nutrition and human development (DLA, 1997).

A study in India found that land reform was associated with lower rural poverty, which benefitted the landless, as agricultural wages increased (Besley and Burgess, 2000). These results suggest that reforms aimed at production relations in agriculture can play a significant role in reducing poverty. In West Bengal, the Nijo Griha Nijo Bhumi land-allocation programme improved the food security of rural households (Santos et al., 2013), and these households were also more likely to access credit and invest in agriculture. Women reported significantly improved tenure security, as a result of being granted land titles, which is likely to lead to long-term food security, even though food security itself was not initially realised. The programme's weakness was that financial constraints meant that many families did not move to the larger plots provided, which prevented the full benefits of the allocated land from being realised.

In South Africa, only a handful of studies have examined the impact of land reform on food security and poverty. A survey carried out in 1999 concluded that 80% of land-reform beneficiaries expected to plant crops, although only 22% actually did. It found that land reform households had not used or had under-used labour, suggesting significant potential for improving household nutrition and welfare from own production (Deininger and May, 2000). A review of the LRAD programme, which makes land-purchase grants to landless farm workers and labour tenants,²⁴ found that living standards initially dipped with land transfers but improved by 50% over the medium term (Keswell and Carter, 2014). Kepe and Tessaro (2014) investigated

what happened when households in two rural villages in the Eastern Cape participated in government-led food security programmes being implemented by quasi-private agencies. They found that a significant number of households preferred to leave the land fallow rather than participate in the food-security project, while households that did participate in the programme soon lost interest. Villagers feared losing control of the management of the land, suggesting a lack of compatibility between land-tenure reform programmes and food-security strategies. In a study of households receiving grants, Valente (2009) found that beneficiaries receiving land grants were more likely to report difficulties in satisfying food needs than non-land grantees by between 2.1% and 2.2%. Households receiving grants were also more likely to report children or adults in the household having gone hungry at least some times in the 12 months preceding the survey compared with non-land grantees with similar socio-economic backgrounds.

Employment

Another proposed benefit of land reform is increased employment in rural areas, especially with the development of smallholder agriculture, which has a high elasticity of employment. As more smallholder farms become productive and profitable, agricultural employment will increase. This argument also applies to large commercial farming operations, which also display a high elasticity of employment. An employment multiplier effect will also occur, as an increase in agricultural activity will result in a higher demand for inputs and support services.

In Mexico, land reform beneficiaries were found to use less fertiliser and more manpower to achieve the same overall crop yields as private-sector farms, suggesting that land reform has a positive impact on employment, as beneficiaries use more labour-intensive production methods (Nguyen and Saldivar, 1979). A study of land reform in Taiwan found that land reform policies led to a reduction in unemployment in agriculture and other industries, and increased profitability in the manufacturing sector, while farmer associations were important institutional partners in providing critical services to land reform beneficiaries (Dorner and Thiesenhusen, 1990).

Surprisingly, no published study into the impact of land reform on employment in South Africa could be found. This may be because of a lack of data on land reform projects and household employment.

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²⁴ In order to accelerate land redistribution, government introduced the proactive land acquisition strategy (PLAS) which aims to acquire high potential agricultural land and ensure maximum productive use of the land acquired (PLAAS, 2011).

Agricultural productivity

Land reform is often based on the assumption that small-scale farms are more productive than large-scale farms. This is because small-scale operations are generally owner-operated rather than managed by wage labour, resulting in lower supervision and management costs, and more productive labour (Adams, 2000). Another reason for small-scale farms being more productive is that they tend to have greater application of productive inputs such as fertiliser and seed, and use the land more intensively (Fan and Chan-Kang, 2005). Overall, land reform policies in Asian economies have resulted in increased productivity and profitability for small-scale farmers, but this is contingent on the type of farm production as well as the associated security of property rights and institutional support.

However, the traditional view of an inverse relationship between farm size and productivity has been challenged. The traditional view has been found to be true only for certain types of farming operations (Fan and Chan-Kang, 2005). The Green Revolution resulted in increasing economies of scale for some types of agricultural production, with a greater reliance on capital inputs and sophisticated production procedures (Adams, 2000). In addition, small-scale farmers face significant barriers to entry, particularly in high-value export products, which require large inputs, such as herbicides, fertilisers and chemical pest control. These costs, together with the high costs of credit and substantial production risks, present difficulties to new entrants in agriculture, particularly the small-scale producer. Such costs can be mitigated by state institutions employing reforms to assist small-scale farmers with access to credit, technology and market linkages (Fan and Chan-Kang, 2005). In some instances, agricultural production remained the same after implementing land reform, such as in Peru and Japan. In Japan, this was partly a result of investment in infrastructure and the provision of support services to land-reform beneficiaries (Weideman, 2004).

In South Africa, Lyn and Ortmann (1996) found that livelihoods increased moderately when redistribution occurred from large to small farms, with no change in the quantity and extent of crop production in KwaZulu-Natal (KZN).

The varied empirical results from the literature demonstrate the nature of the land reform policy, and that the economic and social contexts are critical factors determining the effect of a land-reform programme on agricultural production (Weideman, 2004).

3.3.2 Constraints on effective land reform

Various critical factors lead to the failure of land reform. In India, land reform post-independence achieved limited success (other than in Kerala and West Bengal) largely as a result of loopholes in legislation, lack of political will, delays in implementation, and poor execution of plans (Ghosh, 2007). In Botswana, land reform was implemented to achieve agricultural productivity, to conserve range resources and to establish social equity. While the country managed to attain moderate success in the first two objectives, social equity was severely compromised, as land ended up being sold to a limited number of individuals with access to capital. The poor lost out and did not benefit because of constraints such as high development costs, lack of cattle ownership, insufficient human capital and an absence of any loan and grant-funding programme from government (Malope and Batisani, 2008).

In South Africa, several barriers to land reform exist, including limited fiscal allocations and institutional capacity, and bureaucratised state machinery (Kariuki, 2009). In addition, the land acquired is often a long distance from the place of residence of beneficiaries, resulting in the land not being put to productive use (Valente, 2009). The grants issued to beneficiaries are small, and so beneficiaries can only purchase land as a collective, which leads to the formation of dysfunctional groups that are driven by the need to make up the numbers rather than to bring together individuals with the know-how, complementary resources and similar objectives. In addition, policy emphasises support for emerging farmers with their own resources and access to credit, while the lack of post-transfer support and the failure to integrate land reform into broader rural development is limiting the impact of policy on the rural economy (Lahiff and Cousins, 2005). Other weaknesses that need to be addressed include the many commercially unviable projects, high transaction costs, scattered projects that do not meet people's needs, and inadequate infrastructure provision by provincial governments and municipalities (Deininger and May, 2000).

In addition, the conceptual divide between land reform and agricultural policies has encouraged the lack of integration on the ground. This conceptual divide arises from the separation of land reform and agriculture functions at a national level, resulting in poor coordination and creating additional layers of bureaucracy in an already fragmented rural space (Du Toit, 2014).

Water is a limited resource in South Africa and one of the major constraints to successful land reform. Furthermore, the pace of establishing water-users' associations has been very slow, which has essentially maintained the status quo in water allocation for agriculture (Lahiff and Cousins, 2005).

3.3.3 Enabling factors for land reform to succeed

International studies have identified various factors that enable successful land reform. In Mexico, income transfer can only take place with financial support from government (Nguyen and Saldivar, 1979). In India, success depends on political factors, for example in West Bengal where a left-wing government was in power, there was a strong correlation with successful land-reform implementation, although this was largely tenancy-related (Ghatak and Roy, 2007). In Taiwan, policy measures that aid agricultural performance include decentralising industrial development, choosing appropriate factors of production, promotion of research, extension services, credit, input and product marketing (Dorner and Thiesenhusen, 1990).

Based on evidence in 19 countries, including South Africa, Weideman (2004) confirms that land reform through small-scale farming can succeed if supported by a package of appropriately coordinated support and enabling conditions. The package of support includes state investment in appropriate technology, agricultural research, social services in rural areas, infrastructure, education and training, extension services, cheap credit, transport, and water. Land reform farmers also require access to quality land, the necessary management and entrepreneurial skills, and agricultural equipment and supplies such as seeds, fertiliser, fencing materials and insecticides. In addition to state support, land reform is also more likely to succeed in a politically stable environment and where favourable economic conditions prevail, such as good prices for agricultural produce and well-functioning and accessible markets.

3.3.4 Measuring the impact of land reform

Studies investigating the impact of land reform include various potential outcomes. At a macro level, developmental outcomes of land reform include food security (Ghosh, 2007; Santos et al., 2013; Valente, 2009), agricultural output and productivity (Deininger et al., 2014; Grega et al., 2015; Nguyen and Saldivar, 1979), and growth (Besley and Burgess, 2000). Studies have also sought to measure the socio-economic effects, particularly related to poverty and inequality (Aliber and Cousins, 2013; Chitiga and Mabugu, 2008; Nene et al, 2014;), while other studies have looked at the general equilibrium impacts (Juana, 2006). The South African literature on the developmental impacts of land is surprisingly limited. Most studies are focused at a micro-level (Aliber and Cousins, 2013; Anseeuw and Mathebula, 2008), with only a few at a macro level (Keswell and Carter, 2014; Valente, 2009). No study could be found on the effects of land reform on job creation, although policy in South Africa emphasises economic development as a key outcome of land reform.

The approaches used to measure the impact of land reform on developmental outcomes are selected based largely on data availability. For example, some studies adopted econometric models, using a panel dataset to compare the impact of land reform pre-implementation and post-implementation (Besley and Burgess, 2000; Deininger et al., 2009; Deininger et al., 2014; Nguyen, 2012). Santos et al. (2013) used an inverse-propensity score-weighted regression to assess beneficiaries of a land-reform programme in West Bengal (Santos et al., 2013), while Grega et al. (2015) used chi-square tests in Ghana – both studies were cross-sectional surveys. In South Africa, national survey data on land reform is generally unavailable, and so most studies adopted a case study approach (Aliber and Cousins, 2013) or conducted micro surveys (Anseeuw and Mathebula, 2008; Hart, 2012; Kepe and Tessaro, 2014). The present study conducted a micro survey administered in three provinces with a significant rural population.

3.4 Methodology

The study used a combination of methodological tools to measure the impacts of land reform. A field-based, area-specific participant approach was adopted at sites in three provinces, focusing particularly on low-income rural households. In addition, interviews were held with national, provincial and local government officials, as well as with support institutions.

3.4.1 Field survey

Each site evaluated was a land reform area that was compared to a commercial area. This fieldwork provided an accurate estimation of current poverty, employment and food-security issues within these communities. The sites that were compared had similar climatic, physical and commodity characteristics. Overall, 850 interviews were conducted across the three sites, which fell slightly short of the target of 900 individuals because of complications in the enumeration process, particularly in the Eastern Cape. The propensity score matching (PSM) technique was used to identify appropriate counterfactuals to land reform beneficiaries in the community where beneficiaries were based.

Both farm-level data and household-level data were collected. The three provinces selected – KZN, Eastern Cape and Mpumalanga – have large land reform areas, a significant rural population and labour-intensive crop types.

Study variables

The impact of the policy on set objective outcomes is measured at a household level and assessed using the “general treatment model” by instrument variables (Khandker et al., 2010) as required. The key variables identified to form the matching criteria to matching treated (land

reform beneficiaries) and control (non-land reform beneficiaries) sampling units (individual households) with limited effect on the probability of all sampling units to benefit from land reform policy are age, gender, highest level of qualification, and occupation type before occurrence of land reform in their space.

The dependent variables that were identified in line with the study objectives, to show the impact of land reform on household livelihoods, were household total income, household dietary diversity scores (HDDS) and household food insecurity access scale (HFIAS). The HDDS measures the diversity of basic food items consumed by the household in the last 24 hours before enumeration, while HFIAS measures household inaccessibility/accessibility of food in the past 30 days.

Given that land reform and social security are both policies meant to influence income, not household income and welfare, the social security income component is removed from household total income because it would distort the estimated average treatments during application of matching methods. Hence, the average treatment effect of land reform policy on household income is estimated using total household income and total household income excluding social security income, to justify the latter argument.

The univariate t-tests for equality of means across the treatment and control groups are computed to identify statistically significant differences in the variables measuring the impact of the policy in line with study objectives.

Model specification

Following Khandker et al. (2010), the impact of land reform on household Income, HDDS and HFIAS change can be measured by estimating the general treatment model:

$$Y_j = \beta_0 + \beta_1 T_{ij} + \beta_2 X_j + \epsilon_j \quad (1)$$

Where Y_j (dependent variable) is the expected change in the dependant variable observed for the i^{th} beneficiary, T is the treatment variable measuring the effect of the policy, X (independent variable) is a vector of observed attributes that affect observed outcome of the policy, and ϵ accounts for the random error and unobserved attributes influencing expected outcomes of the policy.

3.4.2 Qualitative method

Interviews were conducted with senior officials at national, provincial and local government levels, as well as with land reform specialists in the private and non-government organisation (NGO) sectors to assess the current implementation of land reform at sub-national level. The purpose of this assessment was to isolate efficiency and funding gaps in the system that could be weakening implementation of the land-reform programme.

3.5 Findings

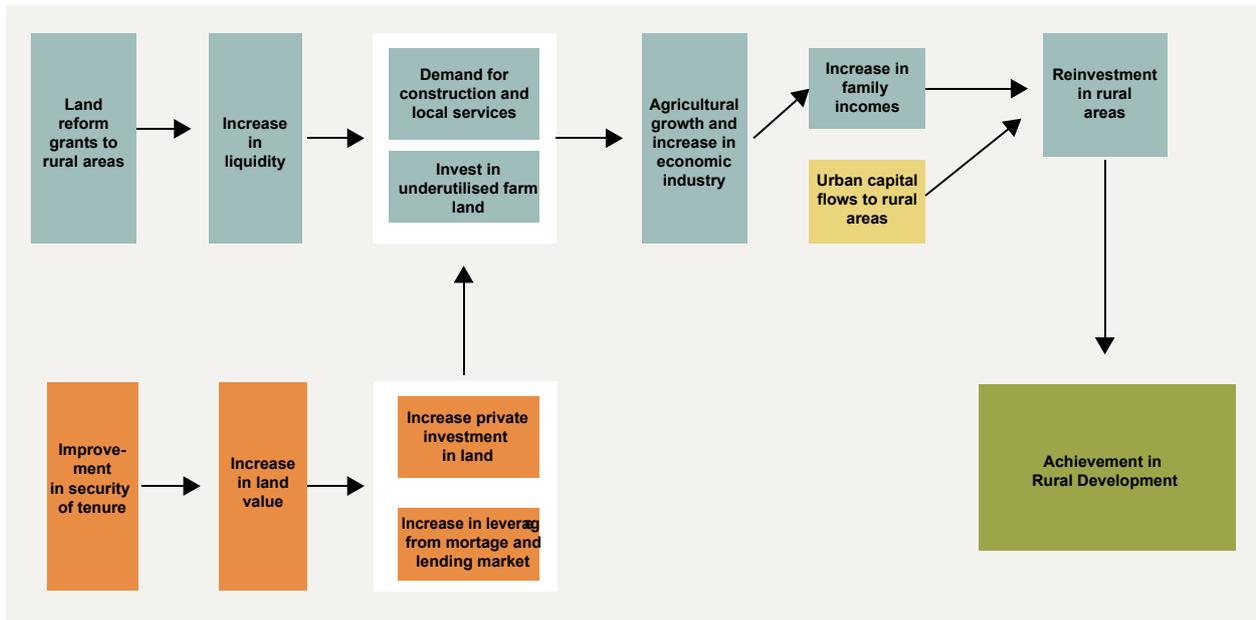
3.5.1 Land reform policy assessment

The land reform programme in South Africa was initiated soon after the 1994 democratic elections. The programme's objective is to address the historical imbalance in the ownership of land, specifically agricultural land, and to provide redress to individuals and groups previously dispossessed of their land as a result of racial or prejudicial policies. South Africa's land reform programme is legally supported by Section 25 of the Constitution and has three components: land restitution, land redistribution and land tenure reform. Land restitution seeks to return land to individuals or groups who unjustly lost their land rights since 19 June 1913 (although some landless groups are contesting this cut-off date). The goal of the redistribution policy is to rebalance land ownership patterns, by making funding available for mostly rural poor, farm workers and emerging farmers to acquire land for residential or productive purposes. Land tenure has two components: providing farm workers with tenure security in the face of uncertainty over evictions from commercial farmland; and improving tenure security of rural dwellers residing in communal areas. These three components of land reform have remained relatively unchanged since 1994, although tenure reform has received the least amount of attention and funding, despite various legislation that has since been passed.

The White Paper on Land Reform (1997) envisions land reform as a critical component of rural development and poverty reduction. This link, of land reform and rural development, has remained a consistent theme in various rural development strategies. The policy depicts two main pathways by which land reform facilitates rural development. The first pathway (Figure 26) is the disbursement of land reform grants to land-needy households in rural areas. The second pathway is through tenure reform aimed at improving the security of tenure of rural households, especially those living on commercial farms and communal areas.

Land reform is legislatively a national function. Up until 2008, the Department of Land Affairs was responsible for implementing land policy. Its name then changed to the Department of Rural Development and Land Reform, to strengthen land reform's linkage with rural development as emphasised in land policy. However, despite the name change, very little progress has been made to integrate land reform into the national rural development strategy (DPME, 2013).

Figure 26. Land reform and rural development linkages



Source: Author’s compilation

Part of the problem may be the way in which land reform is conceptualised in policy. The Comprehensive Rural Development Programme (CRDP), which is the overarching rural development strategy, depicts land reform as a stand-alone component. Conspicuous by their absence are the linkages with rural development and agrarian reform, the other two components of the strategy. This disjuncture between land reform, rural development and agrarian reform also manifests itself at an implementation level: rural development and land reform are two separate programme structures in the DRDLR’s organogram, and very little synergy is found between these two programmes at a design and implementation level.²⁵

Land reform policy has also encouraged the view that land reform’s role in rural development is largely about agriculture. This view was reinforced by the target of transferring 30% of white-owned commercial farmland in rural areas through mostly land reform, although government has now done away with aiming to achieve this target by a specific deadline. Agriculture is a concurrent function shared between national and provincial government. At national level, the Department of Agriculture, Forestry and Fisheries (DAFF) is responsible for overseeing the sector as a whole and so is legally responsible for post-settlement support to land reform beneficiaries, not the DRDLR. This separation of land reform and agriculture functions, and coordination weaknesses at national level, are two of the reasons for the failure of many land reform projects. Other reasons include inadequate post-settlement support to

land reform beneficiaries, which for some (e.g. Chitonge and Ntsebeza, 2012) is the biggest failure of the land programme. Yet this failure may be because land reform has been framed within the narrow confines of agriculture. This means that success and failure are defined based on whether or not farms remain a going concern in spite of the inherent sectoral challenges. While agriculture is a crucial sector for stimulating rural employment, the absence of a stronger focus on non-farm sectors could explain why the land policy has moved away from distributing land to land-needy individuals towards a “use-it-or-lose-it” approach.

3.5.2 The funding instruments of land reform

Table 16 (page 87) illustrates the list of funding and grant instruments available to land reform since 1994. The SLAG was the first funding instrument introduced soon after 1994 and was disbursed to poor households earning less than R1500 per month. Despite the pro-poor nature of the grant, the grant size was too small for households to purchase farmland on their own. In 2001 a land reform review by the then Department of Land Affairs found that beneficiary households had to combine grants in order to purchase agricultural land. These projects eventually failed, as groups lacked cohesion, which led to conflict and dissolution. In 2001, the SLAG was replaced by the LRAD grant, which entitled beneficiaries to larger grants based on a sliding scale determined by an individual’s own contribution. The grant targeted any previously disadvantaged individual,

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²⁵ An evaluation conducted on the Integrated Rural Development Programme found that there were poor linkages with land reform projects, despite the programme achieving enhanced infrastructure in rural areas (DPME, 2013).

although those interested in commercial agriculture were encouraged to apply. Despite LRAD grants being much larger than SLAG grants, purchasing land for farming remained unaffordable for most beneficiaries unless households pooled grants in order to increase their “own contribution” portion. In 2006, the introduction of the PLAS marked a clear break from the previous system of disbursing grants to beneficiaries. Instead, the state purchased strategically located commercial farms, which were rented to beneficiaries for an initial three-year period. However, PLAS suffered from the same land tenancy challenges, including financial institutions being reluctant to issue any loans and tenants being reluctant to invest in the land because of their insecure tenure.

In 2009, the DRDLR introduced the RADP, as a response to the collapse of many land reform projects. The RADP provided funding over an initial five-year period to failed land reform and some land restitution projects. An evaluation of the programme in 2013 (DPME, 2013) revealed widespread shortcomings, in particular, the lack of technical knowledge transfer from the strategic partner to the beneficiary, and unclear selection criteria used to identify beneficiary farms. While the RADP provided comprehensive post-settlement support (which is believed to be the biggest failure of the land reform programme), in so doing it overlapped with the Comprehensive Agricultural Support Programme (CASP) grant that is managed by the DAFF. This clear overlap between the RADP and CASP grants means that much-needed resources could have been better used or combined to enhance the overall

impact of the function.

The changing nature of land reform funding suggests that the state is paralysed between equity and economic development considerations, resulting in an underlying tension between promoting pro-poor land reform and encouraging larger scale commercial agriculture. What is missing from the overall funding design are incentives for alternative land uses and the acknowledgement of a possible trade-off between equity and economic development. If the objective is simply to provide the land-needy with access to land, the land reform programme’s success should be measured by the amount of land transferred, irrespective of how households chose to use the land. However, these equity considerations may have to be foregone if the objective is economic development. By ignoring the fact that it may not be possible to achieve both objectives simultaneously, both goals could end up being compromised in the process. For example, current land reform policy only allows land to be leased to tenants who could continue leasing indefinitely while the RADP only benefits a small proportion of land reform farms, making post-settlement support inaccessible to other – possibly most – land reform projects.

Another concern is the complete lack of transparency about how land reform grants are managed. The budget lumps together all the grants as a single line item and gives no breakdown of the grants, how many beneficiaries qualified for each grant, grant criteria, what was spent on each grant and how these grants are being monitored. The RADP evaluation expressed a similar concern about transparency, especially in the way projects were selected (DPME, 2013).

Table 16. Funding and grant framework of land reform

Grants	Period	Description	Weaknesses
Settlement/Land Acquisition Grant (SLAG)	1995–2000	A maximum of R15,000 (raised to R16,000 later) was allocated to each household to purchase land in urban or rural areas for agriculture or residential purposes. The intention was to develop occupancy and expand land ownership of poor and previously disadvantaged South Africans earning less than R1500 per month (Mearns, 2011). Although inadequate, SLAG approved 599 projects, transferred 358 201 hectares and benefitted 95 871 beneficiaries.	<ul style="list-style-type: none"> The grant was insufficient for households to purchase land and farm equipment. Groups of households, which formed to purchase land because of small grant size, achieved little success and led to conflicts among beneficiary households. The Department of Agriculture provided limited support to agricultural development of purchased farms. Cost to poor people of relocating to the acquired land was unaffordable (Mearns, 2011).
Land Redistribution for Agricultural Development (LRAD)	2001–2010	In 2002, LRAD replaced SLAG and aimed to assist previously disadvantaged people to purchase land primarily for commercial farming (Mearns, 2011). LRAD allowed any black individual (no minimum income required) to apply for a land purchase grant that increased with personal contribution. The grant gave individuals between R20,000 and R100,000 depending on their personal contribution. The grant was designed to achieve the goal of transferring 30% of agricultural land to black South Africans by 2014. In 2008, the grant was increased to a maximum of R431,000 because previous amounts were still inadequate to purchase commercial farms (Aliber and Cousins, 2013). Unlike SLAG, the implementation of LRAD projects was decentralised to provincial level (Mearns, 2011). LRAD has been more successful than SLAG, as grants are larger and paid to individuals or groups rather than per household.	<ul style="list-style-type: none"> Since LRAD's focus was on commercial farming, most of the grant funding went to better-off applicants. The grants did not adequately address poverty and food security needs of poor rural households. Given the willing-buyer willing-seller principle, commercial farms were still too expensive for individuals to purchase farms with the grant, which led to groups being formed in order to increase 'own contribution' (Mearns, 2011).
Proactive Land Acquisition Strategy (PLAS)	Since 2006	PLAS is supply driven, whereby the state purchases strategically located farmland directly, as opposed to dispensing grants to beneficiaries. Land is given to beneficiaries on a loan basis for a three-year period and then disposed of beneficiaries if land was used productively. PLAS replaced LRAD as the main form of land acquisition in 2012 (Hall et al, 2014).	<ul style="list-style-type: none"> The criteria for identifying beneficiaries is unclear. There is widespread non-payment of rentals. Beneficiaries are unable to secure loans on the basis of 3-year leasehold agreements, and this insecure tenure makes them less willing to invest. Farms purchased could be far away from the beneficiary's residence and social networks. No review of PLAS farms has been done since 2006 to inform policy (Hall, 2014)
Land Acquisition for Sustainable Development (LASS)	Since 2008	The LASS grant is made available to municipalities in need of land for settlement purposes and also to create a commonage for urban agriculture (Veda Associates, 2009)	
Municipal Commonage Grant		The grant's aim is to allow municipalities to acquire land for commonages, with the intention of establishing agricultural or productive schemes for underprivileged and disadvantaged residents. Beneficiaries must be South Africans and earn less than R1500 per month (Moroaswi, 2013).	The commonage programme has underperformed, has weak post-transfer management and no clear evidence of outcomes (Moroaswi, 2013).
Recapitalisation and Development (RADP) Grant	Since 2009	RADP grants aim to revitalise unproductive land reform projects. The DRDLR closely supervises farms funded through the programme, and each farm is assigned a strategic partner with experience in industry. The grant is guided by a business plan, and all projects are funded 100% on a five-year funding model. Grant beneficiaries who qualify are those who received land under land reform and the farm failed (unsustainable or about to be re-possessed), and emerging farmers who purchased land with loan funding but experienced challenges as land reform beneficiaries. Most of the RDP projects were previously PLAS or LRAD farms (DPME, 2013).	<ul style="list-style-type: none"> Beneficiaries may not be encouraged to use the land acquired according to their own need, and this should not be the case (SAHRC, 2013) No clear selection criteria for projects, beneficiaries and strategic partners. Strategic partners are failing to transfer technical skills to beneficiaries. Some farmers who are financially strong enough to sustain their operations benefitted from RADP funds. RADP is duplicating agricultural support efforts by DAFF, which has failed to provide adequate post-settlement support to land reform beneficiaries (DPME, 2013)
Comprehensive Agriculture Support Programme (CASP)	Since 2004	Established in 2004, the CASP's target was to assist land reform beneficiaries, producers of agricultural products who obtain land via private means and agri-business (Moroaswi, 2013).	Co-ordination between the DAFF and DRDLR is weak, and quality of spending quality and planning of the grant has been suboptimal (Moroaswi, 2013).
Post-settlement financing opportunities		Financial opportunities are also available to beneficiaries from various private and public financial organisations prepared to provide financial assistance to land reform beneficiaries and emerging farmers (e.g. MAFISA, Land Bank, etc.).	These financing agencies may not be in a position to assist poor farmers who do not have the collateral to take out loans.

Source: Commission's computations based on Global Insight data and National Treasury (2012) definitions

As Table 17 shows, of the R76-billion spent by DRDLR between 1997/8 and 2014/15, about two-thirds was spent on the land restitution programme (34%) and on the land reform programme (32%).

Table 17. Public spending on land reform by DRDLR

	1997/8 - 2014/15 (R'000)	% Share of departmen- tal expenditure	% Share of land reform expenditure
Department expenditure	76 207 031		
Land restitution programme	30 976 487	41%	
Land reform programme	25 487 582	33%	
<i>Land reform grants</i>	8 339 857		33%
<i>Agricultural land holding account</i>	12 810 712		50%

Source: National Treasury's estimates of national expenditure (various)

The land reform programme consists of a sub-programme containing various land reform grants and the agricultural land holding account (ALHA) which is the budget for PLAS. Total spending on PLAS has far outstripped land reform grants, even though PLAS only started in 2006, whereas land reform grants go back as far as 1995. ALHA accounts for half (50%) of land reform expenditure compared to land reform grants that make up only a third (33%). These percentages show the dominance of government's new approach to land reform, which is to acquire land and then lease it to tenants rather than to disburse grants to beneficiaries. A key concern is whether government has

deviated from the goal of providing secure tenure to poor rural households by entering into lease agreements with a small group of emerging farmers without any clear indication of the selection criteria for these beneficiaries.

3.5.3 Impact of land reform

Most land reform beneficiaries were previously farm labourers or unemployed. For both land reform beneficiaries and the counterfactuals, their income included a lease, wage, social security and family remittances components, but the spread of incomes was quite different.

Table 18. Proportion of sample by land reform treatment and employment type

Employment type	Count of land reform	Count of counterfac- tuals	Proportion of land reform (%)	Proportion of coun- terfactuals (%)
Farm labour	70	61	71	29
Temporary farm labour	5	53	4	14
Driver	2	2	2	1
Employed off farm	5	12	4	4
Unemployed	17	86	15	29
Total	99	214	100	100

Land reform impact on household income

Regression analyses were run for each of the provinces, to examine the effect of various factors (excluding social security) on household income. All of the models were statistically significant at the 1% level and explained 32%, 56% and 22% of the total variation the dependent variable in KZN, Mpumalanga and the Eastern Cape, respectively (Table 19).

The models were run with the constant representing any omitted employment category and non-beneficiary group, which were unemployed individuals in KZN and Mpumalanga and pensioners in the Eastern Cape. None of the coefficients were statistically significant, indicating that the income of unemployed and pensioner households (excluding social security) is not significantly different from 0, which is consistent with expectations.

The regressions for the different provinces were consistent, finding that land reform had a negative effect on household income, but this was only statistically significant at 10% level in the Eastern Cape. The household head's gender appears to play a defining role in KZN but makes no

significant difference in the other provinces. Highest qualification aligns well with expectations that higher qualified individuals earn higher incomes. Age plays no significant impact on land reform, except in the Eastern Cape, where older individuals are expected to earn less. This is in line with expectations given that the bulk of employment is regarded as 'blue collar' labour, which can only grow to a certain extent and would be expected to drop off with age.

Various types of employment are generally in line with expectations, since they seem to earn significantly more than unemployed/pensioners across the provinces. Interestingly, the off-farm employees in Mpumalanga earn on average more than those in KZN or the Eastern Cape.

These results are consistent with observations from the field, where most farms showed little or no agricultural activity, with on-farm beneficiaries earning little-to-no income, and the bulk of working beneficiaries being employed on surrounding commercial farms. Therefore, there appears to be a more consistent benefit associated with employment than being a land reform beneficiary.

Table 19. Regression analysis of factors affecting household income excluding social security

Variable	Coefficient		
	KZN	MP	EC
Land reform	-781***	-751***	-449*
Age	3	-4	-18**
Gender	598***	-348	-132
Highest qualification	77**	93***	53**
Farm labourer	1758***	2980***	1992***
Employee off farm	4340***	10892***	3360***
Temporary labourer	1261***	1255***	331
Driver	5466***	-	2401***
Pensioner	-	680	-
Manager on farm	-	12773***	-
Domestic worker	-	-	798
Constant	Unemployed	Unemployed	Pensioner
	-350	-128	1213

Note: where: *** is statistical significance at the 1% level, ** is statistical significance at the 5% level, and * is statistical significance at the 10% level.

Land reform impact on household food security and dietary diversity

Regressions were carried out on the impact of land reform on household dietary diversity score (HDDS) and food insecurity. The impact on dietary diversity in Mpumalanga and KZN is insignificant. However, when the restitution sample is excluded, a slight improvement in dietary diversity scores is noticeable in the Eastern Cape and KZN and was statistically significant at the 1% and 10% level, respectively.

Compared to the control group, the household food insecurity of land reform beneficiaries is statistically significant at the 1% level in KZN but insignificant for the other provinces.

In KZN, land reform farms are largely non-operational or operate at a very low level, whereas in the Eastern Cape and Mpumalanga they are operating but significantly below their full commercial potential, with a strong bias towards subsistence agriculture.

Household food insecurity is strongly linked to the level of operations of land reform farms. Food security is higher in operational projects than in failed or non-operational projects. The overall implications are that maintaining operational projects plays an important role in maintaining food security for beneficiaries in South Africa.

Table 20. Impact of land reform on household dietary diversity and food insecurity

Province	Treatment	Sample	Impact on household dietary diversity	Impact on household food security
KwaZulu-Natal	97	55	-0.1	3.8***
Eastern Cape	68	44	1.375***	1.29
Mpumalanga excluding large scale restitution	54	36	0.88	0.63
Mpumalanga	54	36	1.27*	-2.49

Note: where: *** is statistical significance at the 1% level, ** is statistical significance at the 5% level, and * is statistical significance at the 10% level.

Table 21. Impact of land reform on HFAIS index for farm labour beneficiaries

Analysis type	Treated	Control	Average treatment Effect	Standard error	t-statistic
Nearest neighbour matching	200	122	2.05**	0.927	2.209
Kernel matching	200	351	1.80**	0.728	2.47
Stratification matching	200	351	1.79**	7741	2.407

Note: where: *** is statistical significance at the 1% level, ** is statistical significance at the 5% level, and * is statistical significance at the 10% level.

Farm labour does not result in any statistically significant change in household dietary diversity after receipts of their farms, but household food insecurity increases.

3.5.4 Productivity and employment on land reform farms

Table 22 illustrates the total land reform area transferred in each province, the total area under cropping and

irrigation at the time of transfer and current area under cropping and irrigation. In all three provinces, productivity drastically declined after the land reform transfer. However, these figures are largely skewed by two very large restitution projects in Mpumalanga.

Table 22. Land area sampled including comparisons of the area transferred to the beneficiaries

Province	Total area represented	Crop production area (ha)		Irrigation production area (ha)	
		At Transfer	Current	At Transfer	Current
KwaZulu-Natal	2718	509	27	313	19
Mpumalanga	9926	1892.4	2474.8	1892.4	1170.8
Eastern Cape	4731	540	226	275	20
Total	17375	2941.4	2727.8	2480.4	1209.8

Mpumalanga represents a questionably biased sample, as researchers were guided to the projects by the DRDLR. When the two large restitution projects (making up approx-

imately 75% of the sample) are removed, a more realistic perspective of redistribution projects within the province emerges (Table 23).

Table 23. Land area sampled excluding two large joint venture restitution projects (outliers)

Province	Total area represented	Crop production area (ha)		Irrigation production area (ha)	
		At Transfer	Current	At Transfer	Current
KwaZulu-Natal	2718	509	27	313	19
Mpumalanga	2326	779.4	135.8	779.4	127.8
Eastern Cape	4731	540	226	275	20
Total	9775	1828.4	388.8	1367.4	166.8

Across the three provinces, the area used for crop production has decreased by 79%, of which the bulk is irrigated land, which decreased by 88%. This has drastic implications for jobs, especially as the production areas lost were for labour- and skill-intensive crops, such as vegetables, citrus and tobacco.

As most beneficiaries had worked for the previous farmer, it was possible to compare the production pre- and post-transfer employment, using approximate industry labour estimations per hectare (BFAP, 2011). Table 24 shows the estimated job losses as a result of decreased production area within the sample.

Table 24. Estimated job losses on land reform farms within the sample

Province	Total area represented	Jobs on farm		
		At transfer	Current	Percentage change
KwaZulu-Natal	490	30	-94%	313
Mpumalanga	878.6	99.3	-89%	779.4
Eastern Cape	93.35	27.8	-70%	275
Total	1461.95	157.1	-84%	1367.4

KwaZulu-Natal farms are the most hard-hit by job losses. This is because most crops grown are cash crops such as vegetables, which are highly labour intensive and require extensive experience, as the production environment is especially competitive. Although the Eastern Cape sample appears to perform better, the reality is the "jobs" are of very low value. Many farmers have attempted to move to higher value, labour-intensive products (e.g. vegetables), but their ability to capitalise in this market is limited by their location and the small size of the market. In addition, beef enterprises have suffered from decreased supplementary feeding, which used to be the bulk of agricultural production in those areas. Therefore, this has most likely resulted in additional job losses that are unrecorded in these figures.

Based on the sample, production has decreased by more than 80% on land reform farms since transfer. However, despite the overwhelming evidence of decreased productivity and employment, there are pockets of success nationally. The negative picture improves when very large restitution projects are included, such as the outliers in this sample.

3.5.5 Land reform implementation by provincial and local governments

This section is based on interviews conducted with key officials from the provincial offices of land reform, the departments of agriculture and rural development, and municipalities, as well as feedback received from the fieldwork.

The land redistribution component of the land reform programme consists of two main pillars: land acquisition and land recapitalisation. The land acquisition (or PLAS) is a supply-led approach where government purchases farms upfront and then transfers the land to the selected beneficiary. Beneficiaries can only lease the land from the state, an arrangement which may carry on indefinitely. Those who qualify for RADP funding purchased farms under previous land reform regimes and are struggling to survive because of insufficient funds.

Provincial offices of land reform are largely in control of implementing land reform, with the actual implementation taking place at a district level. Each district keeps its own database of potential beneficiaries looking for land and a list of farms available for purchase. In most provinces, selection criteria ensure suitable beneficiaries are selected

for the farms. Recently, district land committees were established, so that the nomination of beneficiaries takes place in a transparent and objective manner. Officials from line departments and non-governmental members sit on these district committees. The details of the nominated beneficiary, purchase price and the farm available for purchase are submitted to the provincial land committee, which then sends it to the national land control and allocation committee. Once the national department has signed the memo, the province starts a process of transferring the ownership of the farm to the state. A lease is then signed with the beneficiary for an initial five-year probation period, extended to 30 years if performance is acceptable.

Even though independent valuers carry out the valuation, the price of farms is still significantly higher than what the state can afford. As a result, beneficiaries far exceed the number of farms available. In addition, the available funding in the RADP is insufficient for the number of distressed farms. A major gap in the funding model is the lack of affordable loan funding to support land reform beneficiaries. At present, many beneficiaries do not qualify for loan funding, as they are regarded as risky. As both the RADP from DRDLR and the CASP from DAFF fund post-settlement support, nothing prevents a beneficiary from double-dipping by applying to both DRDLR and provincial Department of Agriculture and Rural Development (DARD) for funding support. At present, provinces do not have systems in place to prevent this type of inefficiency.

Another critical gap is funding for planning. Grant funding is available for inputs and infrastructure but not to assist with planning – and if any funding is available, it is difficult to access. The result is a disjuncture between planning and implementation. The lack of proper planning has also resulted in a gap between human settlements and land reform at local government level. Although they do not have a significant role in land reform, municipalities could provide rebates to emerging farmers who are unable to pay for electricity, especially in the first three years of operation when farmers rarely make any profit from their operations. Some municipalities lease available municipal land to emerging smallholders, but these smallholders often end up sub-letting the land to other tenants. In some instances, municipalities provide land reform beneficiaries with input support, such as seeds and fertiliser, and in most cases, municipalities play a liaising role between the various stakeholders of land reform and land restitution.

Table 25. Intergovernmental implementation of land reform

Implementation phases	Description	Intergovernmental implementation	Weaknesses
Identification of land	In many instances, the farmer approaches the district land office with an offer to sell their farm. Sometimes state agencies identify farms, and beneficiaries can also approach the district land office to request a farm on the market. Before purchasing the farm, the district land committee consults with the provincial department of agriculture to assess agricultural potential and economic viability of the farm, and conduct an independent valuation of the land. It then gets approvals from the provincial and national land reform committees.	DRDLR, PDARD	Despite the use of independent valuers and the establishment of the Valuer-General, the cost of purchasing farms remains high, and there are not enough farms to purchase to match the applicants who require access to land.
Identification of beneficiaries	Potential beneficiaries send their applications to the district office to be captured on the database. In some instances, beneficiaries are identified in the commodity committees (where they exist). Although this may be inconsistent across provinces, there is a definite shift towards prioritising emerging farmers with the required experience.	DRDLR, PDARD	Most of the beneficiaries are in their 50s. Not many youth are interested in farming.
Selection of beneficiaries	The process of selecting beneficiaries is similar in most provinces. The district land committee interviews potential beneficiaries selected from the district database according to suitability. Each candidate must present a business plan and motivation to the committee, and then committee makes a decision. A memo containing details of the farm, evaluation price and recommended applicant is sent to the provincial land committee who then sends it to the national land control and allocation committee (NLAC), after which it goes to the minister's coordinating committee, and then the DDG signs off. The provincial office then facilitates the transfer of the land into the name of the state.	Various line departments and independent members sits on the district land committees.	The process of approval can take 3–6 months. By the time all the approvals are granted, the farmer may have sold the farm on the market or may no longer be interested in selling the farm. The farmer may also decline the recommended purchase price offered by the state.
Contracting and leasing	A lease is drawn up between the beneficiary and the state. The lease agreement is for 30 years, of which the first five years is a probation period. The lease amount is 5% of annual nett income.	DRDLR	The state can lease land indefinitely without the beneficiary getting the opportunity to own the farm.
Post-settlement support	Funding for post-settlement support is consolidated under the RDP. The RDP cuts across all programmes. Land reform beneficiaries can also apply to DARD for post-settlement support, especially in relation to infrastructure, extension services, drafting a business plan and market access. A strategic partner/mentor is selected for the project, and funds are disbursed on the approval of the business and production plans.	DRDLR, DARD	RDP initially funded farmers over a five-year period, but financial constraints mean that funding is now only given for one year. RDP is also incapable of funding all beneficiaries.
Funding	National government gives each provincial office an allocation, although actual control of the budget sits with the national government.	Provincial and national Department of Land Reform and Rural Development	Funding is insufficient to cater for all beneficiaries. Many emerging farmers are also not creditworthy, and so banks are unlikely to offer loan funding. Beneficiaries have therefore become dependent on grant funding.

Source: Author's compilation

3.5.6 The role of development finance institutions in land reform

If land reform is to succeed, development finance institutions (DFIs) should be actively involved in land reform projects, as they traditionally fill the void between commercial banking and state development aid, by providing loans at affordable rates to small and medium enterprises. However, current investment and financial support by DFIs to rural areas is very modest and does little to crowd in the private sector.

The Land Bank is a DFI with a long history in land, farming and agricultural finance. It is therefore strategically placed to enhance the land reform programme through government support. DFIs can participate in land reform through the following key avenues:

- DFIs that concentrate on land and agriculture should focus fully on development funding. This will allow them to assist emerging farmers, which has been a key challenge in the past.
- The lending criteria of DFIs should be aligned to the economic needs of land reform farmers, while government provides guarantees in case of default.
- DFIs should be allowed to approach investors to invest in farming to maintain land reform projects.
- The institutional alignment between the DRDLR and DFIs operating in the land reform space should be examined, so that DFIs are able to discharge their land reform mandate with support from government.

3.5.7 Critique of land reform in South Africa

The survey and interviews highlighted a number of challenges with respect to the land reform programme. The sector has a structural failure that does not adequately take into consideration the risky and unstable nature of agriculture. In the past, production boards guaranteed the purchase of a certain level of production, offering South African commercial agriculture a secure market space. This security net no longer exists, and so risks are higher. Attempts by government to cover the input costs and infrastructure (through CASP and RADP) and to decrease risk have resulted in farmers having no incentive to invest their personal funds, as government is regarded as an investment safety net. Furthermore, additional costs after planting/investing with “donated” money have lower returns, and since this is not safeguarding prior investment, there is reluctance to invest. In addition, subsidising at the start (not the end) of the process prevents beneficiaries from learning most of the business and production skills required to farm on their own.

A further concern is the poorly timed support, as a result of non-agricultural officials who manage RADP and other programmes being far from the farmer’s decision-making position. This distance between investors (i.e. government) and the locus of decision-making (i.e. farmers) results in large production and timing inefficiencies that are almost impossible to overcome. This is partly the result of “forced” and “limited” spending within a financial year, which means that non-project decisions, instead of long-term planning decisions, affect the funding.

DRDLR has also not managed land reform farms effectively largely because of centralised decision-making and responsibility, which has led to many loopholes and omissions at lower levels. Managing such a large volume of farms needs to be done by someone who knows the farm and the farmer. For example, in the Eastern Cape, only one out of 240 farmers has signed long-term lease agreements. This severely hampers any ability of a farmer to obtain credit even if their farm is viable. Given that a lease is one of the less complicated and more administrative support roles required for successful land reform, this observation highlights the challenges of departments administering every farm’s private partnerships, mentorships and/or recapitalisation plans. Further, there is a lack of pre- and post-transfer support, particularly with relation to institutional arrangements which are essential for the success of group owned production.

Farmers also lack access to credit for production loans and on-farm costs, which results in under-investment. Non-bankable operational institutional structures result in banks being reluctant to finance land reform projects. A range of perverse incentives also occurs when beneficiaries hold equal ownership (and benefit) rights, as these do not confer appropriate responsibility and benefits are insufficient to dissuade freeriding.

Finally, state purchase and ownership of complete farms has a number of inherent challenges. These include inter alia: (a) the state carries the full cost of transfer; (b) administrative red tape means that decision-making takes time, resulting in farmers selling farms privately, as the state is too slow to take up a transaction; (c) administration and support of farms is too centralised with the state – i.e. other stakeholders carry little or no responsibility; and (d) the high cost as the state replicating all private institutions (e.g. banks, by re-designing a valuation and transfer process.)

3.6 Conclusion

Since the 1990s, government has spent a significant amount of resources on land reform, but land reform has had little impact on rural development. Policy has evolved in an attempt to address both equity and developmental objectives, but these objectives imply difficult trade-offs that government has not yet acknowledged. Currently, the approach adopted by the state is to lease land to beneficiaries indefinitely, irrespective of the aspirations of emerging farmers to own their own land.

The analysis conclusively shows that land reform beneficiaries are worse off than those who did not benefit from land reform, especially when household income is considered. Only a minority of household incomes improved as a result of successful projects. Beneficiary households have not seen improved dietary diversity or food security. The loss of jobs is the key cause of decreased incomes to beneficiary households.

In terms of post-settlement support, there is clear duplication in funding, with an overlap between the RADP and the CASP grant. The RADP was introduced to address the failure of post-settlement support to land reform beneficiaries, but timing remains a problem. Both instruments currently service the same target audience and fund the same activities.

Gaps in the funding model include a lack of affordable loan funding to support land reform beneficiaries. At present, many beneficiaries are considered too risky to qualify for such funding. The lack of proper planning has also resulted in a gap between human settlements and land reform at local government level. In addition, despite land reform projects being implemented within municipal jurisdictions, municipalities play hardly any role in land reform. Yet municipalities could assist by providing rebates for municipal services for emerging farmers whose farms will only be profitable after at least three years of operations.

A further concern is the complete lack of transparent reporting on the land reform grants. The DRDLR budget lumps together grants as a single line item and provides little information about the grants, what has been spent and on what, and how these grants are being monitored. A similar concern around transparency was expressed in the evaluation of the RADP programme, especially in the way projects were selected.

3.7 Recommendations

With respect to measures to improve land reform impacts on rural development, the Commission recommends that:

1. CASP and RADP are consolidated into one funding programme for post-settlement support to emerging and land reform farmers under DAFF, which has more expertise in the area of agriculture. The consolidated fund should provide timeous support to land reform beneficiaries and be complemented by affordable loan funding. DFIs should explore possible funding models, so that the funding framework can reach more land reform beneficiaries.
 - a. For individual farm transfers, the LRAD model should be emulated, as it provides the necessary incentives to access credit, own an asset and enter into productive activity on the land.
 - b. For group-owned projects, models should be explored in partnership with commodity organisations and land reform specialists.
2. Coordination and alignment between DRDLR and DAFF is strengthened at both policy and implementation levels. To enhance coordination, the recently established district land reform committees should include officials from all relevant sector departments, including agriculture. This multi-stakeholder arrangement should be replicated in the provincial and national land reform committees.
3. Implementation gaps in the land reform programme are addressed through reprioritised funding. Gaps include providing resources for planning and aligning land reform with human settlements, agriculture and infrastructure; training land reform farmers in technical and business skills (with a mechanism to assess skills of mentors); and establishing selection criteria for land reform beneficiaries that are applied uniformly across all the provinces. An important criterion for transfer should be maintaining agricultural production.
4. The role of municipalities in supporting land reform beneficiaries is clarified. Areas of support that municipalities could provide include offering land reform beneficiaries discounts or exemptions from municipal tariffs for the first three years and liaising with DRDLR to resettle farm evictees on land assigned for land reform. Ways in which municipalities can access national funding to support the land reform programme, should be worked out with the DRDLR.

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