CHAPTER 4

National Land Reform Programme and Rural Development

National Land Reform Programme and Rural Development

4.1 Introduction

South Africa's land reform programme is based on both equity and economic grounds, and consists of three pillars: land restitution, land redistribution and land reform. Since 1996, government has transferred a considerable amount of land and settled nearly all of the backlog claims lodged before the 1998 cut-off date (DRDLR, 2015). Yet, despite these achievements, the land reform programme has failed to achieve its policy objectives. 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 land reform's potential, 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 land redistribution, significant amounts of public funds have been spent, but the quality of spending remains a concern.

The land reform programme has not met its initial goals for a number of reasons. Provincial and local governments have fallen short in fulfilling their constitutionally mandated role of providing basic services and technical support needed to make restituted and redistributed land productive. Land reform beneficiaries often have insufficient access to credit, equipment and technical assistance, and only a small percentage of the land is under irrigation. In addition, agriculture depends on good infrastructure, but rural areas are still characterised by significant backlogs, despite improvements since 1994.

A well-designed land reform programme is critical for revitalising rural development, leading to employment and output growth that would improve food security, and poverty and inequality levels (Lahiff and Cousins, 2005). Therefore, this chapter investigates the impact of land reform on food and nutrition security, job creation, and agricultural output in rural areas. It assesses how the intergovernmental implementation of the land reform programme can be strengthened 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 policy outcomes.

The assessment is only of the land reform programme, which encompasses land redistribution and funding instruments and services offered to restitution projects, and does not include land tenure reform and basic infrastructure.

The methodological tools used to measure the impacts of land reform were:

(i) A field-based, area-specific participant approach at sites in three provinces: KwaZulu-Natal, Eastern Cape and Mpumalanga, focusing particularly on low-income rural households.[16] Each site evaluated was a land reform area that was compared to a commercial area. This fieldwork enabled an accurate estimation of current poverty, employment and food-security issues within these communities.

(ii) Interviews held with national, provincial and local government officials, as well as with support institutions, such as development finance institutions (DFIs), in order to assess the key land reform fiscal instruments and support measures that should be in place at subnational level.

The purpose of the assessment was to isolate any efficiency and funding gaps in the system that could be weakening implementation of the land reform programme.

4.2 Findings

4.2.1 Land reform policy

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. 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

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[16] All three provinces fall within the highly rural categorisation developed in Chapter 1. In each of the three provinces, one site was selected based on the concentration of land reform farms. A site could mean a single town (e.g. Alice in Eastern Cape) or various small towns (e.g. Mpumalanga). In total, 850 farms were sampled across the three provinces.

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. .

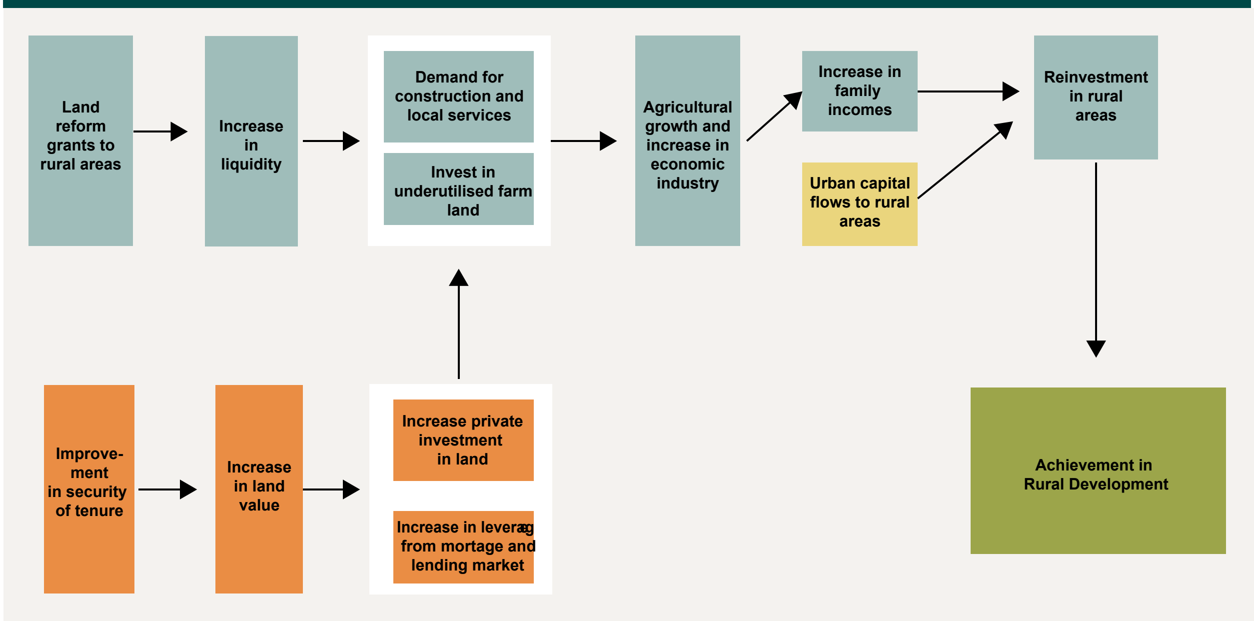
The White Paper on Land Reform (1997) envisions land reform as a critical component of rural development and poverty reduction. This link, of land reform and rural development, has remained a consistent theme in various rural development strategies. The policy depicts two main pathways by which land reform facilitates rural development. The first pathway (Figure 25) 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 tenure security of rural households, especially those living on commercial farms and in 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 (DRDLR), 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 in integrating land reform into the national rural development strategy (DPME, 2014).

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 interlinkages 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 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.[17]

Land reform policy has also encouraged the view that land reform's role in rural development is largely about agriculture.[18] 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 legally responsible for post-settlement support to land reform beneficiaries, not the DRDLR. The separation of land reform and agriculture functions, and weak coordination at a national level is one 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

Figure 25. Land reform and rural development linkages



Source: Commission's compilation

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[17] Findings from an evaluation conducted on the Integrated Rural Development Programme found poor linkages with land reform projects, despite the programme achieving enhanced infrastructure in rural areas (DPME, 2014).

[18] 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 achieving this target by a specific deadline.

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 (see 4.2.2).

4.2.2 The Funding Instruments of Land Reform

Table 10 illustrates the list of funding and grant instruments available to land reform since 1994. The Settlement Land Acquisition Grant (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 Land Redistribution for Agricultural Development (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, although those interested in commercial agriculture were encouraged to apply. Even though LRAD grants were much larger than SLAG grants, purchasing farmland remained unaffordable unless households pooled grants in order to increase their "own contribution" portion. In 2006, the introduction of the Proactive Land Acquisition Strategy (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 Recapitalisation and Development Programme (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 (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, 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 the 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 growth. 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 give 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 problem is compounded by the fact that these grants are managed by the national department and so do not follow the usual Division of Revenue Act process and oversight requirements. The RADP evaluation expressed a similar concern about transparency, especially in the way in which projects were selected (DPME, 2013).

Table 10. 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.	• 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).

Grants	Period	Description	Weaknesses
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.	• 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' (Mears, 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).	• 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' 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).	• 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 compilation

As Table 11 shows, of the R76-billion spent by the 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%).

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.

Table 11. Public spending on land reform by DRDLR

	1997/8 - 2014/15 (R'000)	% Share of departmental 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%	
Land reform grants	8 339 857		33%
Agricultural land holding account	12 810 712		50%

Source: National Treasury's Estimates of National Expenditure (various)

4.2.3 Impact of land reform

Overall, 850 individuals were sampled, less than the target of 900 individuals because of complications in the enumeration process, particularly in the Eastern Cape. The bulk of land reform beneficiaries sampled in each province were previously farm labourers. KwaZulu-Natal was the province with the highest density of full farm labourers, at 71% of the sample.

Impact on household income

The impact of land reform on household income varies across the sample (between operational and non-operational projects), but overall the impact is negative (Table 12). In all cases (even successful projects), no particular improvement in household income is found.

Regression analyses were run for each of the three provinces, to examine the effect of various factors (excluding social security) on household income. They all found that land reform had a negative effect on household income and was statistically significant at the 10% level in the Eastern Cape. The gender of the household head appears to play a defining role in KwaZulu-Natal but makes no significant difference in the other provinces. An additional year of schooling increases income by R77, R93 and R53 in KwaZulu-Natal, Mpumalanga and Eastern Cape respectively. Age has no significant impact on land reform except in the Eastern Cape, where older individuals are expected to earn less, which is not in line with expectations and brings into query some of the results for the Eastern Cape. Respondents had very varied levels of benefit, which cannot only be attributed to the land reform treatment. Rather, there are some other, non-measured variables that more specifically affect the success of land reform.

The various types of employment are generally in line with expectations, in that they earn significantly more than unemployed/pensioners, and this is shared across the provinces. Interestingly, off-farm employees earn on average more in Mpumalanga than in KwaZulu-Natal or the Eastern Cape.

These results are consistent with observations in the field, where most farms show little or no agricultural activity, with on-farm beneficiaries earning little or no income, and the bulk of working beneficiaries being employed on surrounding commercial farms. There is, therefore, a more consistent benefit associated with being employed than with being a land reform beneficiary.

Impact on household food security

In general, food security was most closely linked to whether or not projects were operational. Household dietary diversity showed no significant difference in projects that were not operational. Food security was found to be higher in operational projects than in failed or non-operational projects.

Table 12. Impact of land reform on household income

Province	Treatment	Sample	Impact on household income	Impact on household income excluding social security
KwaZulu-Natal	97	55	-812**	-1205***
Eastern Cape	68	44	-581	-1041*
Mpumalanga excluding large-scale restitution	54	36	-1053.5	-2163.6
Mpumalanga	54	36	-1053	-274

*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 13. 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

Source: National Treasury's Estimates of National Expenditure (various)

Table 14. 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.*

Impact on farm productivity and employment

Production in all of the provinces was found to have drastically decreased since the land was transferred (Table 15). The figures in Table 15 are severely skewed by two very large land restitution projects in Mpumalanga.

Mpumalanga represents a questionably biased sample, as researchers were guided to the projects by the DRDLR. When the two large restitution projects (making up approximately 75% of the sample) are removed, a more realistic perspective of redistribution projects within the province emerges (Table 16). 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. Table 17 shows the estimated job losses as a result of decreasing production within the sample.

Table 15. 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

Table 16. 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

Table 17. 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 the crops grown (vegetables) were highly labour intensive and required extensive experience, making the production environment especially competitive. Although the Eastern Cape sample appears to perform best, the reality is the "jobs" are of very low value. Although many farmers have attempted to move to higher value, labour-intensive products, their ability to capitalise in this market is limited by their location and the small size of the market. The beef enterprises on the other hand have suffered from decreased supplementary feeding, which used to be the bulk of agricultural production in those areas.

Based on the sample, production has decreased by more than 80%. The results could improve at national level with the inclusion of very large restitution projects (such as the outliers in this sample). However, it is unlikely that such projects are a widespread success, given that those belonging to a "biased" Mpumalanga sample reflected the best of the land reform in the area.

4.2.4 Land reform implementation at provincial and local government levels.

Intergovernmental implementation of land reform

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. However, provinces use mostly their own selection criteria, which create uneven norms and standards across the country. 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 off 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 valuation is carried out by independent valuers, 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 the 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, whereby those who receive farms only reach the provincial DARD three years later. 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 during the first three years of operation when farmers rarely make any profit from its 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 played a liaising role among the various land reform and land restitution stakeholders.

The role of development finance institutions in land reform

If land reform is to succeed, DFIs need to 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 has 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 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, with government providing 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 the support from government.

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, which is no longer the case, and so risks are greater. Attempts by government to cover the input costs and infrastructure (through CASP and RECAP) and decrease risk have resulted in farmers having no incentive to invest their personal funds, as government is seen as an investment safety net. In addition, subsidising at the start (not the end) of the process limits 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. This distance between investors (i.e. government) and where decisions should be made (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. In effect, instead of being able to take long-term planning decisions, and administer funding appropriately on time, non-project decision-making affects the funding.

DRDLR has also not managed land reform farms effectively because of centralised decision-making and responsibility, which lead to many loopholes and omissions at local level. Managing such a large volume of farms needs to done by someone who knows the farm and the farmer. For example, in the Eastern Cape, only one out of 240 farms 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 department administering every farm's private partnerships, mentorships and/or recapitalisation plan.

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 occur when all beneficiaries hold equal ownership (and benefit rights), as these do not confer appropriate responsibility and benefits are sufficient to dissuade freeriding.

Finally, state purchase and ownership of complete farms have a number of inherent challenges. These include inter alia: (i) the state carries the full cost of transfer; (ii) 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; (iii) administration and support of farms is too centralised with the state – i.e. other stakeholders carry little or no responsibility; and (iv) the high cost of the state replicating private institutions (e.g. banks by re-designing a valuation and transfer process.)

4.3 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 mediated. 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 found that most land reform beneficiaries are worse off than those who did not benefit from land reform, especially when the 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: in most cases, food security has decreased because of failed projects, while only in a small proportion of operational projects has the dietary diversity improved. To date, overall land reform has had a net negative effect on job creation and productivity of farms, primarily as a result of land no longer being used for crop production.

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 adequate post-settlement support, but timing remains a problem. Currently both instruments are servicing the same target audience and funding the same activities.

Gaps in the funding model include: a lack of affordable loan funding, as many beneficiaries are considered too risky to qualify for such funding; and funding for planning, not just for inputs and infrastructure. The lack of proper planning has 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 to emerging farmers that 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 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.

4.4 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.

    - 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.

    - 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); 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.