Lesson 1: Land Redistribution in South Africa

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INTRODUCTION

At the end of apartheid, some 60,000 white landowners – less than 1% of the country’s population – controlled roughly 82 million hectares (ha) – about 86% – of all farmland in South Africa (Lahiff, 2009). In contrast, black South Africans in rural areas, representing about 30% of the national population, had access to less than 15% of all farmland typically held under informal or insecure tenure in racially segregated “homelands” (Wegerif, 2004). In addition, an estimated 5.3 million black South Africans lived and worked on white commercial farms, typically without access to farmland of their own (Wildschut & Hulbert, 1998). Starting in 1994, the newly elected democratic government led by the African National Congress (ANC) set a goal of transferring 30% of white-owned agricultural land to black owners – first by 1999 and now by 2014 – to address this highly unequal land distribution (ANC, 1994). This lesson discusses experiences with the three major phases of land redistribution policy and practice in South Africa.

This series of briefs was produced by the Land and Natural Resource Tenure in Africa Program, in which the World Resources Institute is a partner with Landesa. This program was funded by the Bill & Melinda Gates Foundation.
INTRODUCTION

Land redistribution and land restitution are the two primary mechanisms the government has used to transfer formerly white-owned farmlands into black ownership. The “Land Restitution in South Africa” lesson provides further information on restitution, which seeks to return historical lands to those who were dispossessed under racially-biased laws and practices. In contrast, redistribution aims to transfer formerly white agricultural lands to black South Africans to address the racially skewed distribution of land ownership (Lahiff, 2009). It is worth noting that redressing historical injustices and promoting rural development are different policy objectives that require different policy tools. Moreover, policy tools that promote a more equitable distribution of land ownership do not necessarily lead to rural poverty alleviation (Adams & Howell, 2001). As will be discussed, the government of South Africa has promoted each objective with varying degrees of emphasis during one or more of the three phases of land redistribution policy and practice.

The Provision of Certain Land for Settlement Act of 1993 (amended in 1998 and 2008 and now called the Provision of Land and Assistance Act) authorized the Minister of Land Affairs to provide funds for purchasing land for redistribution. The Constitution empowers the government to expropriate land – only with compensation – “for a public purpose or in the public interest” (Section 25 (2)(a)(b) including land reform (Section 25 (4)(a)). However, the White Paper on South African Land Policy of 1997 (“White Paper”) made voluntary transactions at market-related prices the foundation of South Africa’s land reform policy (DLA, 1997). While it did not rule out the use of expropriation, this market-based approach relied on South Africa’s active land market and favored using economic incentives to encourage existing owners to sell their land and assist potential beneficiaries in acquiring it.

The concept of a ‘willing buyer, willing seller,’ market-based approach to land reform was based on extensive consultations within the country and with international advisers, particularly the World Bank (World Bank, 1994; Williams, 1996; DLA, 1997; Hall, Jacobs, & Lahiff, 2003). During these consultations, rural blacks and their representatives opposed this approach; instead, they felt the government should provide free land to the poor and disadvantaged (DLA, 1997). The willing seller approach to land acquisition – promoted by the commercial agriculture industry – grants wide leverage to existing landowners in decisions about which land to offer for redistribution and at what price. This makes it difficult for the government to help beneficiaries access land suited to their needs and potentially increases the cost of acquiring land for redistribution. Nonetheless, in response to strong opposition from conservative business and landowning groups, and in the interest of national reconciliation, the White Paper formally endorsed the willing buyer, willing seller approach.

SETTLEMENT/LAND ACQUISITION GRANT

The White Paper made poverty alleviation a key policy objective of land redistribution (Adams and Howell 2001). Redistribution aimed “to provide the poor [as well as labor tenants, farm workers, women, and emergent farmers] with access to land for residential and productive uses, in order to improve their income and quality of life” (DLA, 1997, Box 4.2). During the first phase of the land redistribution program, implemented from 1995–1999, the Department of Land Affairs (DLA) provided poor black South Africans with a Settlement/Land Acquisition Grant (SLAG) to help them purchase land or housing on the market (DLA, 1997). Households earning less than R 1,500 per month ($330) could apply for a grant of R 16,000 ($2,300) to purchase either land for agriculture or modest housing (Rugege, 2004; Lahiff, 2009).

Between 1995 and March 1999, some 60,000 households received grants that they used to purchase a total of about 650,000 ha (Lahiff, 2001). The SLAG program appears to have successfully targeted the poor (Deininger, 1999; Lahiff, 2009). However, since the grants were too small to allow individual recipients to purchase entire farms, poor households were forced to pool their grants in sufficient numbers to accumulate enough funds to buy whole farms at market price (MALA, 1999; Rugege, 2004; Lahiff, 2009). The program was widely accused of “dumping” large groups of poor people on formerly white-owned commercial farms without the skills or resources required to operate those farms, and officials blocked any attempts at sub-division of land (Lahiff, 2009).

Often times, neither the land offered for sale nor the business plans designed by external consultants matched the beneficiaries’ needs, skills, and capital, and beneficiaries had difficulty obtaining post-settlement support (Lahiff et al., 2008). The experience of households in Limpopo province who pooled their grants to acquire the Dikgolo farm illustrates many of these problems. The farm had low rainfall, little infrastructure, and overall low potential for crop farming, the stated interest of the beneficiaries. The provincial land reform office appointed a firm to prepare a business plan as part of the SLAG application process. The resulting plan, written without meaningful beneficiary involvement, proposed capital-intensive livestock farming, even though the farm’s carrying capacity was too low to sustain enough livestock to meet the beneficiaries’ needs. The beneficiaries also lacked the capital and business skills to implement the plan and were unable to obtain government support (Lahiff et al., 2008).

In both Dikgolo and Monyamane, another Limpopo farm acquired through SLAG, the DLA encouraged the beneficiaries to hold and operate the land collectively, even though they were primarily interested in individual food production at the household level. The DLA recommended that the proposed beneficiaries at Monyamane form a Communal Property Association (CPA) to access the land grant. The CPA apparently encouraged them to recruit 200 members to yield a total grant equal to the asking price of the Monyamane farm. Not all CPA members were equally motivated, however, and most of the original members abandoned the project within the first few years after it failed to provide the employment and cash income foreseen by the government-designed commercial business plan. Twelve new members subsequently joined the project and they, together with the 18 remaining original members, have since been managing the project – with modest success – for subsistence use (Lahiff et al., 2008).

LAND REDISTRIBUTION FOR AGRICULTURAL DEVELOPMENT

In recognition of these weaknesses, and in response to President Mbeki’s push towards black economic empowerment, the new Minister for Agriculture and Land Affairs issued a policy statement in February 2000 setting out a new objective for the land redistribution program: to create a class of black commercial farmers (DLA, 2000; Lahiff, 2001). This policy statement laid out the framework for a new approach to redistribution that the Ministry later elaborated in the Land Redistribution for Agricultural Development (LRAD) program, finalized in April 2001 (MALA, 2001).

LRAD shifted the focus of land redistribution away from the rural poor and instead aimed to promote a class of full-time, black commercial farmers (Wegerif, 2004; Lahiff, 2009). While LRAD continued the government’s market-based approach to land redistribution, it introduced a number of changes (Lahiff, 2009). Whereas under SLAG, only households with a maximum income of R 1,500 ($330) per month qualified to apply for a grant, LRAD required that individual applicants contribute a minimum of R 5,000 ($719) to qualify for the program (Lahiff, 2001). By removing the income ceiling placed on SLAG grants,
LRAD promoted participation by the wealthier, including black businesspeople, who could more effectively engage with officials and landowners to design projects and acquire land that matched their needs (Lahiff, 2009).

LRAD also introduced a sliding scale that offered grants from R 20,000 to R 100,000 ($2,878 – 14,388) based on applicants’ ability to contribute in kind or in cash to the land purchase. Applicants could access the lowest grant of R 20,000 by contributing the minimum amount of R 5,000, which could be in the form of the applicant’s own labor; larger contributions qualified applicants for larger grants (Lahiff, 2009). In contrast to the fixed grants of R 16,000 ($2,300) that poor households accessed under SLAG, it initially appeared that LRAD’s sliding grant scale would favor individuals with more assets (Lahiff, 2001). However, LRAD records indicate that smaller grants outweigh larger grants in terms of both the number and total value of grants approved – a distribution that favored the poor (van den Brink et al., 2009).

LRAD also helped grant applicants access supplemental loans through other institutions, including the state-owned Land Bank (Lahiff, 2009). As a result of the increased financing available and officials’ discouragement of large group projects, LRAD helped smaller groups – often extended families – benefit from redistribution (van den Brink, Thomas, & Binswanger, 2007). This contrasts sharply with the large groups of beneficiaries who needed to pool their small grants to purchase farmland under SLAG. However, as will be discussed below, official opposition to subdivision continued, and group projects remained the norm (MALA, 2003).

While most beneficiaries used their LRAD grants to purchase farmland, in a few cases groups of farmworkers used them to purchase equity shares in existing commercial farms. Share equity schemes were promoted as a way for poor farm workers to gain ownership of high-value farmlands, particularly in the Western Cape, without dealing with the politically charged and expensive process of land acquisition (Kleinbooi, Lahiff, & Boyce, 2006). Given that these schemes did not alter the racial imbalance in land ownership, however, the extent to which they contributed to LRAD policy objectives is questionable. Moreover, there are concerns that these arrangements maintained existing inequalities between white owner-farm managers and black worker-shareholders and did not provide sufficient benefits to the workers (Deininger & May, 2000; Mayson, 2003; Kleinbooi, Lahiff, & Boyce, 2006; Lahiff, 2009). For instance, a study of 10 projects in a high-value fruit and wine district of the Western Cape found that cash dividends had only been paid in one scheme and only on one occasion (Kleinbooi, Lahiff, & Boyce, 2006).

The government also used LRAD grants to help black farmers acquire state lands. Some 700,000 ha of land held by national and provincial departments were transferred to black farmers, often as freehold titles to black tenants who had previously been renting the land from the state (Wegerif, 2004; Lahiff, 2009). Municipalities that wanted to provide land for use by the poor, often for grazing, could also utilize the grant to transfer commonage land managed by the municipality to poor black users (Lahiff, 2009).

Still, a national review of the LRAD program by the Ministry for Agriculture and Land Affairs (MALA, 2003) concluded that several of the problems observed under SLAG had continued, even while new problems had emerged. For instance, even though LRAD was designed to provide grants to individuals, rather than households, group projects remained the predominant model. The MALA review acknowledged that Department of Agriculture officials were reluctant to subdivide farms, which often resulted in beneficiaries either “attempting collective commercial farming” or hiring a farm manager (MALA, 2003). Business plans based on the production models of white commercial farms remained the norm, even though this model “often sets participants up for failure” because they lack the necessary capital and financial skills to manage large commercial enterprises (MALA, 2003).

The MALA review concluded that “it would not be efficient for [the beneficiaries] to continue the highly capital intensive mode of production of white commercial farmers” (MALA, 2003). Although the review determined that alternative production models would be preferable, no such models – or mechanisms for supporting them – were elaborated. Moreover, while the larger LRAD grants allowed for smaller groups of beneficiaries than under SLAG, the level of LRAD grants was not indexed to inflation. Thus, the real value of LRAD grants declined as land prices rose (Hall, 2012). Meanwhile, a 2004 academic study of 20 LRAD projects in Limpopo province confirmed that lack of post-settlement support for land redistribution projects remained a significant weakness of LRAD implementation (Wegerif, 2004). This problem was partially addressed with the introduction of the Comprehensive Agricultural Support Programme in 2004. Nonetheless, at the time of the study, the wider economic benefits anticipated by LRAD had not yet been realized.

Significantly, however, a more recent national econometric analysis of LRAD impacts found that, after a few years, the program did result in consumption gains well beyond the value of the land transfer (Keswell & Carter, 2011). After an initial dip in living standards following the land transfer, within three years after the transfer, beneficiaries who entered the program near the poverty line enjoyed a 50% increase in living standards compared to equally qualified applicants still waiting for their land transfer. This suggests that LRAD was successful in redistributing wealth in rural areas and may have the potential to stimulate improvements in learning and income larger than what would be expected from the direct value of the land transferred alone (Keswell & Carter, 2011).

PROACTIVE LAND ACQUISITION STRATEGY

In 2005/06, the government introduced the Proactive Land Acquisition Strategy (PLAS) in an attempt to accelerate land acquisition. PLAS remains a ‘willing buyer, willing seller’ policy, but, in a departure from SLAG and LRAD, the state purchases land directly from the seller, without first having identified a beneficiary, and makes it available on a leasehold basis to selected beneficiaries. The PLAS program aims to benefit households with limited or no land access, commercial smallholders with the potential to expand, established black commercial farmers, and aspiring black commercial farmers with access to sufficient finance. However, other target beneficiaries include farm workers, youth, women, and unemployed agricultural graduates.

Some 49% of the total land reform area in 2007/08 and 85.6% in 2010/11 was acquired under PLAS (DLA, 2008; DRDLR, 2011). In 2011, all grants for land purchase were discontinued, and redistribution was implemented only through PLAS. PLAS authorizes provincial officials to negotiate purchases directly with willing landowners based on estimated land needs and then lease this land to beneficiaries for 3-5 years (DRDLR, 2009). If beneficiaries demonstrate their farming capacity during this period, the land may be transferred permanently to beneficiaries subject to official approval and the availability of redistribution grants and other financial resources (Lahiff & Li, 2012). While beneficiaries are thus no longer responsible for finding land available for purchase, this approach to land acquisition also places increased responsibilities on the state to purchase appropriate land at a reasonable price and allocate it equitably (Lahiff, 2012).

From May 2009 through March 2012, a total of 882,238 ha were acquired and redistributed to nearly 10,500 beneficiaries country-wide. However, as yet there is no evidence that the program has achieved either improved land quality or lower land prices (Lahiff & Li, 2012). There are also concerns that the short-term leasehold and uncertainty of long-term ownership of PLAS farms may undermine
beneficiaries’ access to financial resources and the ultimate success of redistribution under PLAS. Moreover, requiring beneficiaries to demonstrate profitability within 3-5 years is widely considered unrealistic and may result in beneficiaries losing access to the land (Lahiff & Li, 2012). Finally, emerging evidence suggests that while lessees are mostly not paying their rent, the state has renewed the leases of defaulters rather than face the political cost of widespread evictions of beneficiaries who are now tenants of the state (Ranwedzi, 2011).

A recent review of four PLAS projects in Gauteng province illustrated a number of these weaknesses. It concluded that the government does not yet have a mechanism for identifying high potential agricultural lands. Moreover, the nature of the land transfers – through a three-year rental agreement, rather than transfer of ownership – created ongoing dependence on government assistance because of beneficiaries’ inability to secure external financing for farm maintenance and investment. Finally, the study raised concerns that PLAS is facilitating elite capture by making lands available to individuals or families on preferential lease terms or even – in practice – for free, since non-payment of rental fees is so widespread (Ranwedzi, 2011).

**Lessons Learned**

Land redistribution remains a potentially important mechanism for stimulating agricultural income and broader economic growth (Lahiff, 2009; Keswell & Carter, 2011). From 1994-2011, over 3.4 million ha of land were transferred to black owners through redistribution. Although this represents some 4.2% of all formerly white-owned farmland, some of the land transferred was actually previously owned by the state (Kleinbooi, 2011; Lahiff & Li, 2012). Even if the land transferred under restitution is included, the total area transferred to black owners through land reform programs amounts to some 7.2% of formerly white-owned farmland, significantly below the 30% target set by the government (Lahiff & Li, 2012). Although the pace of land redistribution has been slower than anticipated, a recent national analysis of LRAD indicates that the program has had considerable income impacts on impoverished beneficiaries – with living standards rising 50% three years after the land transfer (Keswell & Carter, 2011).

Still, despite these important achievements, there remains significant room to improve the overall effectiveness of the land redistribution program in South Africa. The willing buyer, willing seller approach has limited the scale of redistribution to date due to the state’s commitment to pay market prices and bureaucratic delays (aggravated by budget shortfalls) in financing land purchases (Hall, 2009). There is also a widespread perception that landowners are offering land of substandard quality for redistribution (Lyne & Darroch, 2003; Tilley, 2004; Lahiff & Li, 2012). Meanwhile, the participation of actual and potential beneficiaries in the design and implementation of their own land redistribution initiatives remains limited (Greenberg, 2010; Lahiff & Li, 2012; van den Brink et al., 2009). Furthermore, evidence from all three phases of land redistribution suggests that, despite improvements, overall beneficiaries have not had access to sufficient public or private financial and technical assistance to allow them to use their farms productively (Hall, 2004; Wegerif, 2004; Lahiff et al., 2008; Ranwedzi, 2011).

Recent debate on land redistribution in South Africa has focused primarily on whether expropriation and other non-market-based mechanisms would accelerate land acquisition for redistribution (Lahiff, 2009). While the government is unlikely to use expropriation because of strong political opposition, particularly from white farmers, another structural problem with this approach is that it fails to address the fundamental shortcomings of the highly bureaucratic mechanisms South Africa has used to implement market-based redistribution (Adams & Howell, 2001; Williams, 2007). Limited administrative capacity and poor coordination of pre- and post-settlement support across different agencies and levels of government was identified as a significant challenge with both SLAG (Adams & Howell, 2001) and LRAD (Greenberg, 2010). Emerging evidence suggests PLAS still struggles with some of the same challenges (Ranwedzi, 2011). Using expropriation to accelerate land acquisition would only increase demands on the bureaucracy to identify appropriate land to meet beneficiaries’ needs, assess fair compensation for existing owners, etc. Moreover, the political focus on land acquisition appears to have diverted attention from the broader picture of agricultural land tenure and productivity in South Africa. Rather than providing flexible support to allow existing farmers to expand their agricultural activities within the former homelands and combine this with additional land nearby, the land redistribution program has emphasized commercial farming models that the government itself has acknowledged are inappropriate for many beneficiaries (van den Brink et al., 2009). Furthermore, despite changes in beneficiary targeting and post-settlement support, under-utilization of land remains a challenge (Lahiff & Li, 2012). Perhaps most troublingly, more than 1 million commercial farm workers – who could potentially become successful farm owners – were evicted between 1994 and 2004 due to market liberalization and the failure of tenure reforms to strengthen farm workers’ rights (Nkuzi Development Association and Social Surveys Africa, 2005; van den Brink et al., 2009; Greenberg, 2010). Thus, the land redistribution program appears to have fallen short of its potential to improve rural productivity and redistribute wealth to rural blacks at a large scale.

Finally, the government’s unwillingness to subdivide large commercial farms has limited the impact of redistribution on agricultural transformation. This position can be largely attributed to the continued reluctance of some white commercial farmers “to integrate poorer black neighbors into a less racially integrated farm community” (van den Brink et al., 2009). SLAG’s impact was undermined by its promotion of collective ownership and management of large commercial farms, and LRAD and PLAS have maintained the official opposition to subdivision, even though this policy lacks any economic or social rationale (van den Brink et al. 2006). Recent analysis confirms that land redistribution can significantly increase the living standards of poor beneficiaries (Keswell & Carter, 2011). Nonetheless, preserving South Africa’s large commercial farms is unlikely to lead to the large-scale social and economic transformation originally envisioned by the ANC government and the voters who brought it to power.
LESSON 1 | LAND REDISTRIBUTION IN SOUTH AFRICA

SOURCES


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