



FINANCIAL  
AND FISCAL  
COMMISSION

*For an Equitable Sharing  
of National Revenue*

# National Land Reform Programme and Rural Development

## EXECUTIVE SUMMARY

South Africa's land reform programme has not reached its policy objectives for various reasons; among these are the failure by government to provide adequate services to make the redistributed land productive, and the lack of access to credit, equipment and technical assistance, which makes it difficult for land reform beneficiaries to put land to productive use. The Financial and Fiscal Commission (the Commission) undertook a study into the land reform programme. Part of the problem is that land reform is framed within the narrow confines of agriculture and does not take into account the inherent sectoral challenges. The survey results show the land reform programme's lack of success is illustrated by the drastic decrease in production since land was transferred. This has resulted in job losses, especially

at sites where the crops grown were labour intensive and required expertise, and in land reform beneficiaries being worse off than those who did not benefit from land reform. Government's approach is to purchase and then lease the land to beneficiaries indefinitely. However, many farms are too expensive for the state, and so currently the beneficiaries far exceed the farms available. The funding model does not include affordable loans to support land reform beneficiaries, while grant funding to assist with planning is not available or difficult to access. The lack of planning also results in a gap at local government level. The Commission recommends that grants be consolidated into one funding programme for emerging land reform farmers, that funding be re-prioritised to address implementation gaps (e.g. train land reform farmers in business skills), and that the role of municipalities be clarified.

# Policy Brief 3

# Reducing Rural Poverty through Targeted Intergovernmental Transfers

## BACKGROUND

South Africa's land reform programme is premised on both equity and economic grounds, and consists of three pillars: land restitution, land redistribution and land reform. Government has transferred a considerable amount of land since 1996, and has settled nearly all of the backlog claims lodged before the 1998 cut-off date. Yet despite these achievements, the land reform programme has fallen significantly short of its policy objectives for a number of reasons. Provincial and local governments have failed to provide adequate basic and technical services to make restituted and redistributed land productive. Land reform beneficiaries often have insufficient access to credit, equipment and technical assistance, which makes it difficult for them to put land to productive use. A well-designed land reform programme is critical for revitalising rural development and can lead to employment and output growth that would improve food security and alleviate poverty. Therefore, the Financial and Fiscal Commission (the Commission) undertook a study<sup>1</sup> to assess how to strengthen the intergovernmental implementation of the land reform programme. 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.

## RESEARCH FINDINGS

The key findings emanating from the study are discussed below.

### Land reform policy

As Figure 1 illustrates, land reform can facilitate rural development through two pathways: either by disbursing land reform grants to land-needy households in rural areas or through improving the security of tenure of rural households, especially those living on commercial farms and communal areas.

The land reform policy has encouraged the view that land reform is largely about agriculture, a view reinforced by the target of transferring 30% of white-owned commercial farmland in rural areas to black farmers, mainly through land reform. The failure of many of these land reform projects is due to various factors, including the separation of the land reform and agriculture functions at national level (coupled with weak coordination) and a lack of adequate post-settlement support to land reform beneficiaries. Framing land reform within the narrow confines of agriculture means that success and failure are defined according to whether the farms remain a going concern, in spite of the inherent sectoral challenges. For instance, in the past, production boards guaranteed the purchase of a certain level of production, offering South African commercial agriculture a secure market space.

### Impact of land reform

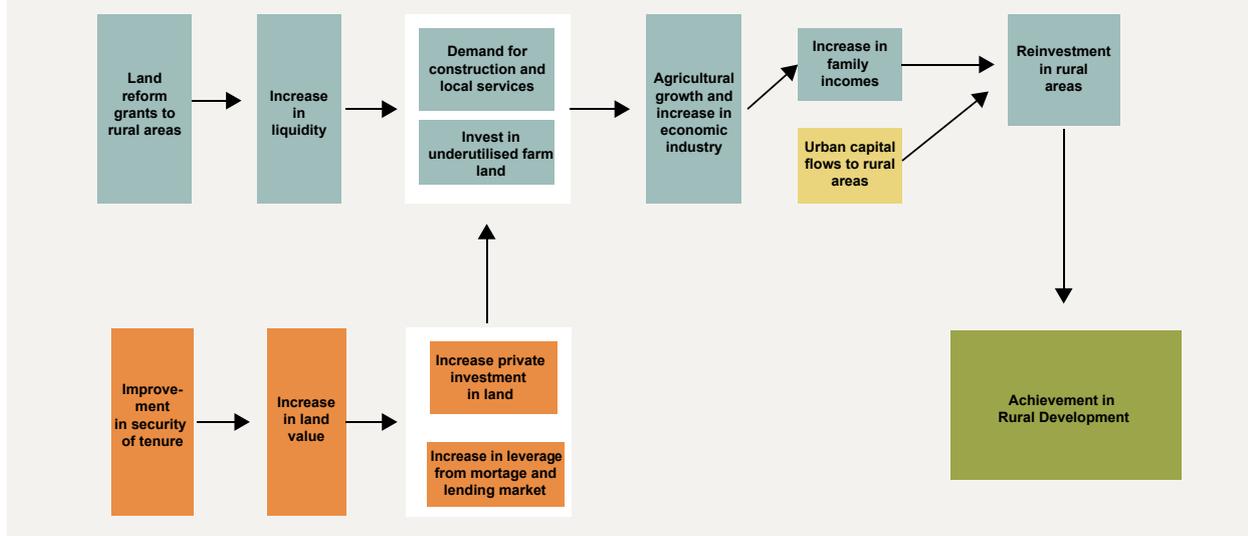
Production at all of the sites sampled was found to have drastically decreased since the land was transferred (Table 1). Most farms show little or no agricultural activity, with on-farm beneficiaries earning little or no income, and the bulk of working beneficiaries being employed on surrounding commercial farms. Not surprisingly, food security was found to be higher in operational projects than in failed or non-operational projects.

The decrease in cultivated land resulted in job losses, which hit KwaZulu-Natal the hardest, with a 94% decline (Table 2). This is because the crops grown (vegetables) were highly labour intensive and required extensive experience, making the production environment especially competitive.

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<sup>1</sup> For the full study, see Dawood G, Flanagan, J and Pilusa, T. 2016. The National Land Reform Programme and Rural Development. Chapter 4 in FFC. 2016. 2017/2018 Submission for the Division of Revenue, Technical Report. FFC: Midrand.

Figure 1. Land reform and rural development linkages



Source: Commission's compilation

Table 1. Land area sampled

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
<b>Total</b>	<b>9775</b>	<b>1828.4</b>	<b>388.8</b>	<b>1367.4</b>	<b>166.8</b>

Table 2. Estimated job losses on land reform farms

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
<b>Total</b>	<b>1461.95</b>	<b>157.1</b>	<b>-84%</b>	<b>1367.4</b>

### Land reform implementation at subnational level

Land redistribution consists of two main pillars: land acquisition and land recapitalisation. The land acquisition approach is supply led: government purchases the farms and transfers them to the beneficiaries who can only lease the land from the state; this arrangement may carry on indefinitely. The price of farms is significantly higher than the amount that the state can afford, even though farms are valued by independent valuers. Therefore, beneficiaries far exceed the farms available. 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. Planning is also a critical gap in the implementation of land reform. While money is available for inputs and infrastructure, grant funding to assist people with planning is either not available or difficult to access. As a result, planning and implementation are done separately. The lack of proper planning also results in a gap 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.

### 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. 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. Most land reform beneficiaries are worse off than those who did not benefit

from land reform, especially in terms of household income. 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.

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

- Grants aimed at assisting land reform and supporting agriculture be consolidated into one funding programme for emerging land reform farmers under the Department of Agriculture, Forestry and Fisheries, which has more expertise in the area of agriculture. To complement the consolidated fund (and so that the funding framework can achieve a greater outreach), development finance institutions should investigate affordable loan models.
- Implementation gaps in the land reform programme be 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; 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.
- The role of municipalities in supporting land reform beneficiaries be clarified. Areas where municipalities could provide support include offering land reform beneficiaries discounts or exemptions from municipal tariffs for the first three years.

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