

# Evaluating land and agrarian reform in South Africa

An occasional paper series



# 1

## Land redistribution

Peter Jacobs, Edward Lahiff and Ruth Hall



SCHOOL OF GOVERNMENT  
UNIVERSITY OF THE WESTERN CAPE

Evaluating land and agrarian reform in South Africa is a project undertaken by the Programme for Land and Agrarian Studies (PLAAS) to respond to the need expressed by civil society organisations for independent research to evaluate progress in, and inform debates on the future of, land and agrarian reform. The reports in this series are:

Land redistribution



Rural restitution



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**Foundation for  
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in South Africa**



This report was prepared with financial assistance from the Foundation for Human Rights in South Africa (FHR). The views expressed herein do not necessarily represent the official view of the FHR. The FHR is funded by the European Union under the European Programme for Reconstruction and Development.

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## **Programme for Land and Agrarian Studies**

School of Government  
University of the Western Cape  
September 2003

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Evaluating land and agrarian reform in South Africa series; no. 1

Series editor: Ruth Hall

ISBN: 1-86808-579-1

First published: September 2003

Layout: Designs for Development

Copy-editing: Roelien Theron

Reproduction: Castle Graphics

Printing: Hansa Reproprint

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## List of acronyms and abbreviations

Act 126	Provision of Land and Assistance Act 126 of 1993
AgriSA	Agri South Africa
ANC	African National Congress
ARC	Agricultural Research Council
Calusa	Cala University Students Association
CBO	community-based organisation
CPA	communal property association
DAC	district assessment committee
DLA	Department of Land Affairs
DSC	district screening committee
FSS	Farmer Settlement Support
LPM	Landless Peoples Movement
LRAD	Land Redistribution for Agricultural Development
LRCF	Land Reform Credit Facility
LRPP	Land Reform Pilot Programme
MALA	Ministry of Agriculture and Land Affairs
MDA	Mineworkers Development Association
NDA	National Department of Agriculture
NAFU	National African Farmers' Union
NGO	non-governmental organisation
NLC	National Land Committee
PDoA	provincial department of agriculture
PGAC	provincial grants approval committee
PLRO	provincial land reform office (of DLA)
PLSS	Public Land Support Services
PPAC	provincial projects approval committee
PSLDC	provincial state land disposal committee
SLAG	Settlement/Land Acquisition Grant
TAU	Transvaal Agricultural Union





## 1. Introduction

Land dispossession during the colonial era and the decades of apartheid rule produced a highly unequal pattern of land ownership and widespread rural poverty in South Africa. When a democratically elected government came to power in 1994, it adopted a land reform programme to address the problems inherited from the past and the challenge of development in the rural areas.

The land reform programme of the South African government is conventionally described as having three legs: restitution, tenure reform and redistribution. While restitution deals specifically with historical rights in land, and tenure reform with forms of land holding, redistribution is specifically aimed at transforming the racial pattern of land ownership.

Redistribution of land is widely seen as having the potential to significantly improve the livelihoods of the rural poor and to contribute towards economic development (Van Zyl et al. 1996; Lipton 1996; Deininger & May 2000). Nine years into the transition to democracy, however, the underlying problems of landlessness and insecure land rights remain largely unresolved. In line with its neo-liberal macro-economic policy, the approach of the ANC-led government to land reform has been based on the use of free-market mechanisms, tightly controlled public spending and minimal intervention in the economy – the so-called market-based, demand-led approach. To date, this has made little impact on the racially skewed distribution of land in South Africa. Agricultural land remains overwhelmingly under white ownership. Millions of poor people continue to eke out an existence from agriculture and other land-based activities in overcrowded and often degraded environments in the former homelands. The needs of the rural poor continue to be seen by government largely in welfare terms, but it is becoming increasingly clear that welfare alone cannot resolve the growing problems of chronic poverty (Lahiff 2003).

The government's redistribution policy has undergone a number of shifts since 1994. From 1995 to 1999, it was implemented largely by means of the Settlement/Land Acquisition Grant (SLAG), which provided a modest grant to poor people, usually in groups, to purchase land on the open market. In August 2001 the Department of Land Affairs (DLA) launched a revised programme, Land Redistribution for Agricultural Development (LRAD). LRAD has been promoted by the DLA as the flagship programme through which it will pursue the objectives of land redistribution. The broad aim of the programme is to provide support to black South Africans over the age of 18 years who wish to farm on any scale, though statements from the DLA and the Ministry of Agriculture and Land Affairs have made it clear that LRAD is primarily intended to create a class of black commercial farmers, the so-called 'emerging black farmers'.

This study provides an overview of the government's land redistribution programme since 1994 and pays particular attention to the LRAD programme. It addresses two main questions:

- Is LRAD changing the patterns of land ownership in South Africa?
- What has been the impact of LRAD on the livelihoods of the rural poor?

The study draws heavily on existing reports and reviews, including unpublished material. These are complemented by interviews with staff of national, provincial and district offices of the DLA, as well as representatives of local government, non-governmental organisations (NGOs) and private sector institutions involved in various aspects of land reform. While mainly

presenting a national overview, this study draws on information from the Western Cape, Eastern Cape and KwaZulu-Natal provinces. Between them, these provinces represent much of the range of conditions prevailing in the country. Project-level information from these provinces is also used to illustrate particular aspects of the programme and how it has been implemented under varying conditions.

## 2. Redistribution policy

Land redistribution forms one part of the government's land reform programme, alongside restitution and tenure reform. All three aspects of the land reform programme are ultimately derived from the Constitution of South Africa. Section 25(5) of the Constitution states:

*The state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis (RSA 1996).*

Access to land is one of the socio-economic rights set out in the Bill of Rights, but nowhere is it stated that everyone has the right to land. Lahiff and Rugege (2002) argue that in meeting its constitutional obligation, the state may choose to redistribute state land, purchase or expropriate privately-owned land for redistribution, or make it possible for people to purchase land by means of subsidies and through facilitating access to credit on favourable terms.

Sections 25(1), (2), (3) and (4) of the Constitution serve to protect property against arbitrary action by the state and stress the requirement of legality and due process in dealings between the state and property owners. At the same time, the Constitution makes it clear that the right to property is not absolute. Property may not only be subject to restriction or regulation by the state but may be expropriated 'for a public purpose or in the public interest', subject to just and equitable compensation. The public interest is clearly stated to include land reform.

The specific objectives and approach of the redistribution policy are set out in the 1997 *White Paper on South African Land Policy*:

*The purpose of the land redistribution programme is to provide the poor with access to land for residential and productive uses, in order to improve their income and quality of life. The programme aims to assist the poor, labour tenants, farm workers, women, as well as emergent farmers. Redistributive land reform will be largely based on willing-buyer willing-seller arrangements. Government will assist in the purchase of land, but will in general not be the buyer or owner. Rather, it will make land acquisition grants available and will support and finance the required planning process. In many cases, communities are expected to pool their resources to negotiate, buy and jointly hold land under a formal title deed. Opportunities are also offered for individuals to access the grant for land acquisition (DLA 1997b:38).*

Further legal basis for redistribution is provided by the Provision of Certain Land for Settlement Act 126 of 1993, amended in 1998 and now entitled the Provision of Land and Assistance Act 126 of 1993 (known as Act 126). Whereas the original Act allowed for the granting of an advance or subsidy 'to any person', the 1998 amendment specified the categories of persons that could be assisted. These included 'persons who have no land or who have limited access to land,



and who wish to gain access to land or to additional land', persons wishing to upgrade their land tenure, or persons who have been dispossessed of their right in land but do not have a right to restitution under the Restitution of Land Rights Act 22 of 1994. The various grants that have been established in terms of Act 126 and are currently available are summarised in Table 1.

<b>Product</b>	<b>Level of grant</b>	<b>Beneficiary</b>	<b>Programme</b>
SLAG	R16 000	Households	Redistribution Tenure reform
LRAD	R20 000 to R100 000 depending on amount of own contribution*	Individuals	Redistribution
LRAD Planning Grant	Maximum of 15% of anticipated project costs	Individuals (or groups in projects where LRAD grants will be pooled)	Redistribution
Settlement Planning Grant	Maximum of 9% of anticipated project costs	SLAG beneficiary households or groups	Restitution Redistribution Tenure reform
Commonage Grant	Unspecified	Municipalities	Redistribution (municipal commonage)
Land Development Objectives Planning Grant	Unspecified	Municipalities	Restitution Redistribution Tenure reform
Restitution Discretionary Grant	Maximum of R3 000	Claimants (individuals or groups)	Restitution

Source: DLA 2002d

\* For an explanation of 'own contribution', see page 4

The methods chosen by the state to bring about redistribution are largely, although not entirely, based on the operation of the existing land market through various assisted purchase measures. Beneficiaries of the redistribution programme are not generally provided with land by the state. Rather, the state assists people who might otherwise be unable to enter the land market to purchase property of their own – the so-called willing buyers. This strategy presupposes that the existing land market can deal effectively with what might be expected to be a very substantial transfer of land, and that the intended beneficiaries, even with state assistance, will be able to engage effectively in the market. The programme is heavily dependent on the voluntary sale of land by current owners – the so-called willing sellers.

Until late 1999, the redistribution programme was based largely on the provision of SLAG, a grant of R16 000 made available to qualifying households. Most projects under this programme involved groups of applicants pooling their grants to buy formerly white-owned farms for commercial agricultural purposes. Less commonly, groups of farm workers have used the grant to purchase equity shares in existing farming enterprises. A separate grant for the acquisition of municipal commonage has been made available to municipalities wishing to provide communal

land for use (typically grazing) by inhabitants of smaller rural towns. Various other grants and services have also been made available to participants in the redistribution programme (see Table 1).

Following the general election of 1999, the new Minister of Agriculture and Land Affairs announced a sweeping review of land reform policy and programmes, including a moratorium on new redistribution projects. In February 2000 the minister released a policy statement concerning strategic directions on land issues (MALA 2000). This identified some of the problems being faced by the DLA in implementing land reform and outlined the general policy direction that would be followed in future. Particular attention was given to the redistribution policy.

The *Policy statement* lists a number of 'severe limitations' in the structure and implementation of SLAG, including over-reliance on market forces, payment of inflated prices for marginal land, lack of any significant contribution to the development of semi-commercial and commercial black farmers, and limited impact on rural employment or transformation of agricultural land holdings. To address these and other problems, the minister proposed a revised redistribution programme that would include grants for aspiring commercial farmers, food safety net grants for the rural poor, settlement grants for both urban and rural poor to access land for settlement, and a revised commonage grant that would be available to both municipalities and tribal authorities. The *Policy statement* also lifted the moratorium on new redistribution projects that had been imposed six months before (MALA 2000).

The minister's *Policy statement* was followed by a lengthy period of review and debate, and it was not until June 2001 that a definitive new redistribution policy was unveiled, entitled *Land redistribution for agricultural development: A sub-programme of the land redistribution programme* (MALA 2001a). The official launch of the new programme (generally referred to as LRAD) took place in August 2001.

The four types of projects that can be supported under LRAD are:

- food safety net projects: agricultural production primarily for subsistence purposes
- share equity schemes: purchase of shares in established commercial agricultural enterprises
- commercial agricultural production: agricultural production primarily for the market
- agriculture in communal areas: existing subsistence or commercial production in the former homelands (MALA 2001a).

The key mechanism offered by LRAD is a grant system that beneficiaries can access along a sliding scale from R20 000 to R100 000. All beneficiaries are required to make a contribution, in cash or in kind, the size of which will determine the value of the grant for which they qualify. The minimum 'own contribution' is R5 000, with which an applicant can obtain a grant of R20 000, while a maximum grant of R100 000 is available to those who are able to contribute R400 000 or more. At the bottom end of the scale, the R5 000 minimum contribution can be made in the form of 'sweat equity' (labour), ostensibly to ensure that poor people can participate in the programme. Policy also allows for LRAD beneficiaries to 'trade up', or graduate, from one grant level to another. Grants may be accumulated until the ceiling of R100 000 (the maximum level of the grant) has been reached. LRAD has largely, but not entirely, replaced SLAG, which continues to be used for certain limited purposes.



The LRAD programme differs from SLAG in a number of important respects. Firstly, by making grants available to *individuals* rather than to *households*, it substantially increases the level of grant funding obtainable, since each adult in a household can apply. Under LRAD, a typical poor black household with three adults would, in theory, be able to obtain three grants of R20 000 each (a total of R60 000) rather than one grant of R16 000 under SLAG. Secondly, the approval and implementation of projects have been decentralised to provincial and district level, and closer cooperation is expected between various government departments and spheres of government, with an enhanced role for district municipalities and provincial departments of agriculture. Despite these changes, considerable continuities with past policies are also evident. The programme continues to be described as demand-led, meaning that beneficiaries themselves must define the type of project in which they wish to engage and must identify their own land. Acquisition of land, from either private or public sources, continues to be on the basis of the willing-buyer, willing-seller approach.

LRAD grants can be used for the outright purchase of freehold land or for leasing land with an option to purchase, as long as such land will be used at least partially for agricultural purposes. It can also be used to contribute towards investments in land. People living in communal areas, with secure access to agricultural land, can apply for the grant to make productive investments in their land, such as the development of infrastructure or land improvements.

All projects approved under LRAD must meet certain eligibility criteria. The approval of the grants is based on the 'viability of the proposed project, which takes into account total project costs and project profitability' (MALA 2001a:7). Every project application must be accompanied by a business plan and strict commercial criteria are employed to assess the viability of these projects.

Government employees are not currently eligible to benefit from LRAD, but a policy amendment has been proposed to allow certain types of employees to access LRAD – presumably rural residents and low-income categories whose engagement in agriculture does not conflict with their employment. To promote gender equity and redress discrimination against women, one third of all resources under LRAD are intended to go towards women (MALA 2001a:6).

LRAD is open to individuals or groups, although large groups are discouraged from applying. Group projects require the setting up of an appropriate legal entity, such as a communal property association (CPA), a trust or a close corporation.

LRAD is intended to make a major contribution to achieving government's target of transferring 30% of agricultural land – a total area of approximately 24 662 871 hectares (24.66 million hectares) – within 15 years. To achieve this target over a period of 15 years would require an average annual transfer of 1 644 191 hectares (1.64 million hectares).<sup>1</sup>

The following section examines the achievements of LRAD, and the wider redistribution programme, in terms of the policy objectives outlined.

### **3. Redistribution achievements**

Achieving greater equality in land ownership and improving the livelihoods of rural people are the main challenges facing land redistribution in South Africa. In this section we assess the

contribution the redistribution programme, and specifically LRAD, is making to transforming the racially-based pattern of land ownership and developing the rural economy. Before proceeding to a critical and holistic analysis of quantitative and qualitative information, trends in land delivery over time and across provinces are examined, along with trends in budget allocations and expenditure. It should be noted that since the start of the land reform process, the DLA has reported largely on the quantitative targets and achievements of land redistribution, such as hectares of land transferred, number of projects, number of beneficiaries and the like.

### Land transferred

Following a slow start, redistribution of land has accelerated considerably in recent years (see Table 2). According to the DLA, 1.4 million hectares have been transferred to 130 000 beneficiaries from the start of the programme in 1994 to 31 December 2002. It should be noted that most statistics published by the DLA for the period since 1994 lump together all land transfers that occur under the various sub-programmes of redistribution (e.g. LRAD, settlement, municipal commonage) along with land transferred under the farm dwellers' tenure reform programme.

**Table 2: Land redistribution per year, 1994–2002**

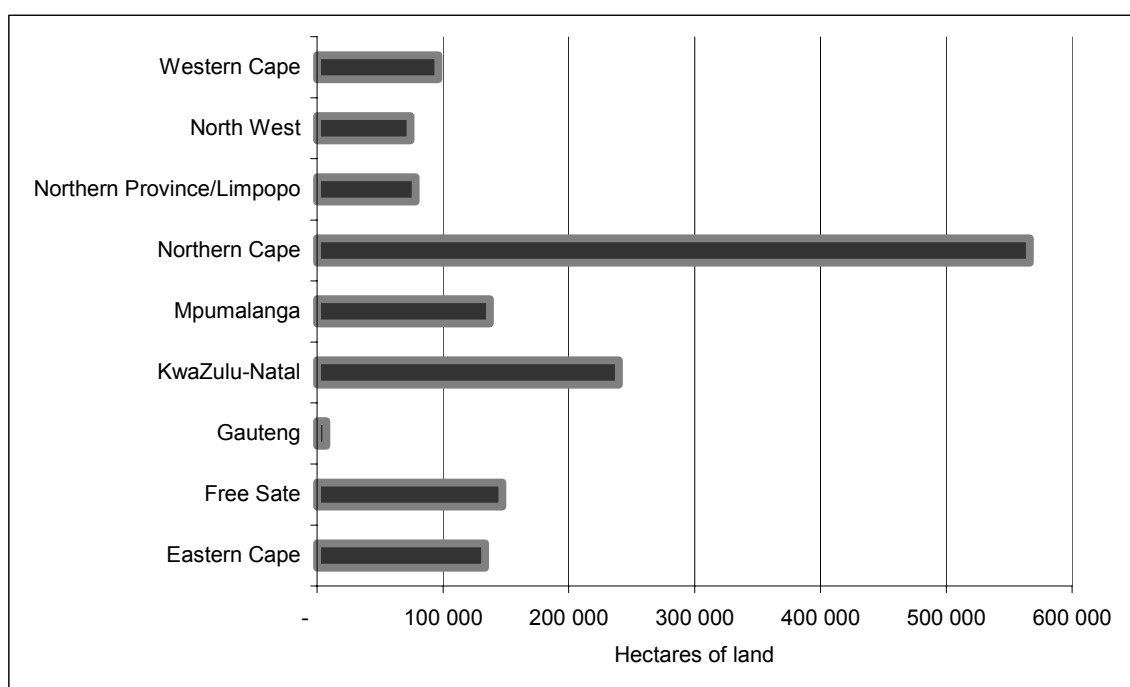
Year	Total hectares	Total beneficiaries
1994	71 656	1 004
1995	11 629	1 819
1996	60 120	5 068
1997	139 849	10 259
1998	229 009	15 995
1999	239 764	24 900
2000	233 426	34 768
2001	263 071	20 920
2002	203 567	12 216
Unspecified	28 743	3 504
<b>Total</b>	<b>1 480 834</b>	<b>130 453</b>

Source: DLA 2003

Great unevenness is found across provinces in terms of the amount of land transferred, as shown in Figure 1, as well as in the number of projects approved and the number of beneficiaries. The province with the most land transferred is the Northern Cape, where large areas of semi-arid grazing land have been transferred, mainly through the municipal commonage programme.



**Figure 1: Land redistribution by province (hectares transferred), 1994–2002**



Source: DLA 2003

Looking specifically at LRAD, Table 3 presents the provincial breakdown of the LRAD projects approved until 31 December 2002 (DLA 2003). From August 2001 to 30 June 2002, 125 000 hectares were transferred through LRAD. During the six months from July 2002 to December 2002, a further 140 000 hectares were redistributed, indicating an accelerated delivery of land.

**Table 3: LRAD projects and hectares, December 2002**

Province	Land reform office		Land Bank		Total hectares
	Projects	Hectares	Projects	Hectares	
Eastern Cape	129	51 632	*	*	51 632
Free State	149	39 231	*	*	39 231
Gauteng	16	583	18	701	1 284
KwaZulu-Natal	13	21 143	27	11 171	32 314
Limpopo	10	26 221	*	*	26 221
Mpumalanga	36	11 882	38	32 326	44 209
Northern Cape	23	15 369	3	13 207	28 576
North West	10	30 645	*	*	30 645
Western Cape	29	11 858	3	1 710	13 568
<b>Total</b>	<b>415</b>	<b>208 564</b>	<b>89</b>	<b>59 115</b>	<b>267 680</b>

Source: DLA 2003

\*Information not available

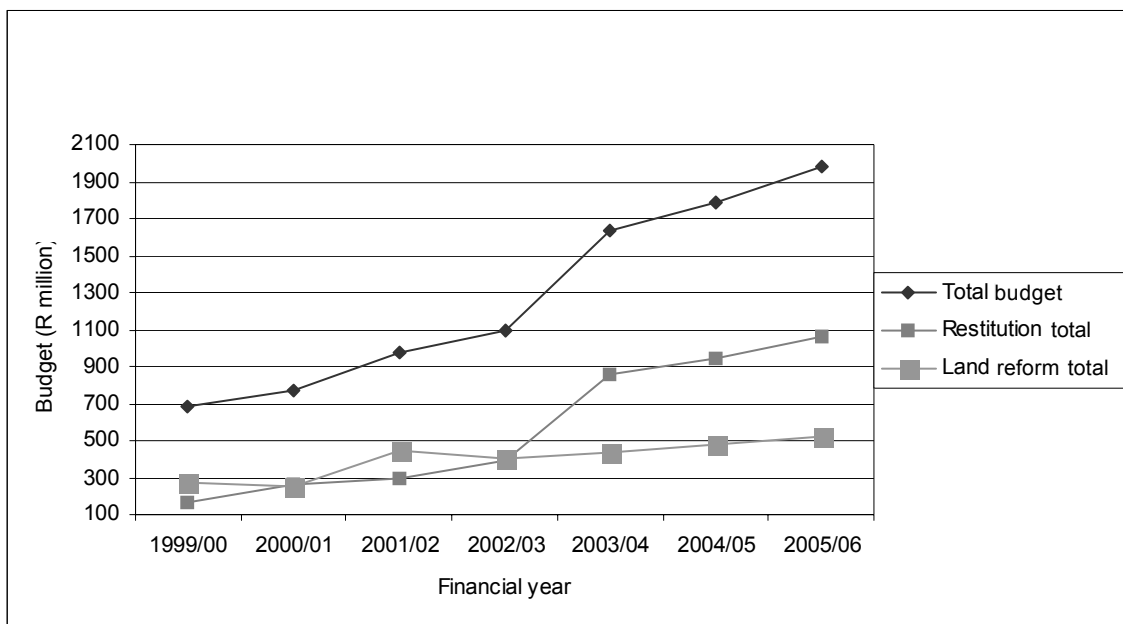
There is wide variation in the amount of land transferred under LRAD across the provinces, ranging from 51 600 hectares in the Eastern Cape to 1 284 hectares in Gauteng. Half of all the land transferred was in just three provinces: Eastern Cape, Free State and Mpumalanga. More than half of all LRAD projects were in the Eastern Cape and Free State.

The figures in Table 3 show a breakdown of the number of projects processed directly by the land reform offices of the DLA and those processed by the Land Bank. To date, most LRAD projects (approximately 80%) have been processed directly by DLA offices. However, delivery by the Land Bank would appear to have accelerated in recent months. This is particularly the case in KwaZulu-Natal and Mpumalanga, where the majority of LRAD projects have been processed through the Land Bank.

**Budgets and spending**

The total budget for the DLA has gradually increased since 1994, reaching R1.9 billion for the 2005/06 financial period (see Figure 2). This is less than 0.5% of the total national budget. The land restitution programme and the land reform programme (comprising redistribution and tenure reform) together consume over 70% of the DLA budget.

**Figure 2: DLA budgets and expenditure (R million), 1999–2006**



Source: National Treasury 2003

Since the start of the land reform programme, underspending has been a prominent feature in the financial reports of the DLA. In recent years the gap between budgets and actual expenditure has narrowed considerably (see Table 4). In the 2001/02 financial year, underspending by the DLA appeared to be down to about 6% of the budget, or R63.8 million (DLA 2002a:89). By the end of 2002 the DLA’s provincial land reform offices (PLROs) were reporting that their budgets for 2002/03 were already over-committed (Kenyon, pers. comm.; Fife, pers. comm.). Another important trend has been the increase in capital spending as a percentage of land reform spending, from 47% in 1997 to about 77% in 2002. Grant payments to land reform beneficiaries also increased noticeably following the lifting of the ministerial moratorium in 2000.



	<b>1996/97</b>	<b>1997/98</b>	<b>2000/01</b>	<b>2001/02</b>
DLA budget allocation	907.6	661.1	920.6	1 040
DLA actual expenditure	276.6	425.6	768.2	976.2
<i>Spending as % of budget</i>	31%	64%	83%	94%
Land reform budget	791.5	538.6	355.2	505.8
Land reform actual expenditure	167.5	314.9	265.1	443.5
Land reform capital budgets	635.3	400.4	244.4	392.4
Land reform capital expenditure	79.1	195.5	156.6	341.2

Sources: DLA 1997a; DLA 2002a; National Treasury 2001; National Treasury 2003

### Projected delivery

The DLA's medium-term targets, as outlined in the 2002–2006 strategic and operational plan, anticipate that land redistribution will occur mainly through LRAD. Anticipated land transfers through the redistribution programme for the period 2002–2006 are shown in Table 5 (DLA 2002b). Over this period, the contribution of LRAD to the wider redistribution programme is expected to rise from around 60% of land delivered in the first three years to 71% in the fourth and final year of the strategic plan. For the redistribution programme as a whole, so-called marginalised groups – women, youth and the disabled – are expected to receive between 6.4% and 7.5% of all land transferred. This is clearly out of line with the commitment in the LRAD policy document to ensure that women receive 'not less than one third of the transferred land resources' (MALA 2001a:6).

<b>DLA Medium-term strategic and operational plan</b>				
<b>Indicator</b>	<b>Targets</b>			
	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
LRAD: hectares transferred	112 873	98 765	114 550	129 240
LRAD: hectares transferred to marginalised groups	7 739	7 157	7 666	7 992
Settlement: hectares transferred	38 843	20 458	23 930	17 185
Settlement: hectares transferred to marginalised groups	4 940	2 450	2 915	2 808
Other redistribution: hectares transferred	29 064	43 863	45 583	33 610
Other redistribution: hectares transferred to marginalised groups	1 970	1 815	2 000	2 080
Total	195 429	174 508	196 644	192 915
% to LRAD	61.7%	60.7%	62.2%	71.1%
% to marginalised groups (all redistribution)	7.5%	6.5%	6.4%	6.7%

Source: DLA 2002b

The DLA's budget for redistribution is set to decline by about 5% between 2002 and 2006 (see Table 6). LRAD will be receiving the lion's share of this budget, 45% on average over the medium-term time frame. The decline in funds to LRAD over the period is less severe than the decline in funds allocated to categories such as 'Settlement' and 'Other redistribution'. Funds specifically dedicated to marginalised groups are set to rise over the period, varying between 11% and 13% of the redistribution budget per year.

**Table 6: Redistribution targets and budgets, 2002–2006**

<b>DLA Medium-term strategic and operational plan</b>				
<b>Output</b>	<b>Budget</b>			
	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Implementation of LRAD (non-loan component)	118 000	102 000	108 000	114 000
Implementation of LRAD (loan component projects with Land Bank)	18 477	18 000	20 000	16 000
Acquisition of land for settlement	60 000	40 000	50 000	48 000
Other redistribution projects (commonages, equities and 126 other projects)	26 000	22 000	22 000	23 000
Land delivered to marginalised groups	27 000	25 000	32 000	29 000
Acquisition of land in support of the urban renewal programme	8 000	9 000	11 000	14 000
<b>Total budget for redistribution</b>	<b>257 477</b>	<b>216 000</b>	<b>243 000</b>	<b>244 000</b>
Proportion of budget allocated to LRAD	45.8%	47.2%	44.4%	46.7%
Proportion of budget allocated to marginalised groups	10.5%	11.6%	13.2%	11.9%

Source: DLA 2002b

Since 2002, DLA offices throughout the country have been committing funds to redistribution in excess of their available budgets. In the Eastern Cape, for example, before the end of 2002 (three months before the end of the financial year), the PLRO had already committed itself to expenditure of R45.7 million against an available budget for the year of just R44 million (Eastern Cape Land Reform Office 2002). In the Western Cape the DLA had accumulated LRAD commitments worth R102 million, of which only R48 million was available from current budgets (Western Cape Land Reform Office 2003). Over-commitment of funds in 2002 and 2003 forced the Western Cape Land Reform Office to cease processing new LRAD applications.

The information outlined here shows that LRAD now accounts for the bulk of the land transfers within the redistribution programme, while other sub-programmes are stagnating. Overall land redistribution must accelerate greatly, however, in order to meet the government's land reform targets. Budgets are clearly inadequate to sustain even the current rate of delivery. The following section looks in more detail at the implementation of LRAD at national, provincial and project levels.



#### 4. The implementation of LRAD

Delivery of land through LRAD has improved steadily in the period between the launch of the programme in August 2001 and December 2002. Variations in performance across provinces reflect differences in conditions and in the ways in which the programme is being operationalised.

The DLA, through its PLROs, is the lead agency responsible for the processing of grants, although applicants can also enter the LRAD programme through provincial departments of agriculture, the Land Bank, Khula Enterprises (a parastatal development finance institution) and Ithala Bank (a development finance corporation in KwaZulu-Natal).

##### Who benefits from LRAD?

LRAD aims to assist a wide range of previously disadvantaged South Africans to acquire land, particularly people wishing to engage in commercial agriculture. Given the wide diversity of grant levels available, it is important to establish the distribution of grants along LRAD's 'sliding scale' (see page 4). This mechanism allows beneficiaries to access grants along a sliding scale from R20 000 to R100 000. The limited evidence that is available suggests that grants are being made all along the scale, but mostly in the range of R20 000 to R40 000. The evidence also shows that the distribution of grants along the scale differs considerably between provinces and between projects processed through the DLA and those processed through the Land Bank. Important differences are also emerging between provinces with regard to both the land areas of projects and the number of beneficiaries involved.

Information maintained by the DLA on the implementation of LRAD does not include detailed data on beneficiaries and it is therefore not possible to establish with any certainty the characteristics of those benefiting from the programme. The DLA's implementation directorate suggested that poorer applicants are being prioritised under LRAD by means of the ratio 5:3:2, whereby 50% of resources (land and capital budgets) go towards the poor, 30% to a 'middle category' and 20% to individuals accessing the grant at the upper-end of the scale (Moroka, pers. comm.). While frequent reference was made to this formula within DLA circles, the distinction between the three categories remains vague, and it would appear that only in the Western Cape has any systematic effort been made to allocate funds along such lines.

According to the project list supplied by the Western Cape Land Reform Office, 57 projects had been approved by the provincial grants approval committee by the end of 2002. Information in this project list is summarised in Table 7.<sup>2</sup> Clear trends are discernable in terms of types of projects approved and land delivery.

There were 27 approved projects where beneficiaries made an own contribution of R5 000 (the bottom category) and these accounted for approximately 60% of all beneficiaries. Beneficiaries made contributions of R100 000 and more (the top category) in six approved projects. The remaining 19 projects (the middle category) involved less than 25% of all beneficiaries. Grant commitments and actual grant expenditure were spread mainly across groups in the bottom and middle categories, constituting 90% of all financial resources.

Projects involving Land Bank loans were spread across all categories. Almost all projects in the top category applied for loans from the Land Bank while only a third in the bottom category and one quarter in the middle category applied.

**Table 7: Summary statistics: Western Cape LRAD projects, December 2002**

	<b>All LRAD projects</b>	<b>R5 000 (own contribution)</b>	<b>R6 000–R99 000 (own contribution)</b>	<b>R100 000+ (own contribution)</b>
Approved projects	57	27	19	6
Transferred projects	14	11	3	0
Individual participants	3 870	2 432	928	67
Land (hectares)	28 971	8 246	13 844	5 927
Grant commitment	100 405 533	58 455 041	29 772 777	2 393 767
Expenditure to date	48 362 835	27 126 547	19 560 159	502 950
<i>Average hectares/ person</i>	7.49	3.39	14.92	88.46
<i>Average hectares/ project</i>	508.26	305.41	728.63	987.81
Land Bank projects	19	9	5	5

Source: Western Cape Land Reform Office 2003

A comparison of the three categories shows that there is an increase at the top end of the scale in the average number of hectares per beneficiary and the average number of hectares per project. Per capita land transferred to beneficiaries and projects in the top category was in the order of 88 hectares, compared to 15 hectares transferred to those in the middle category and 3 hectares distributed to those in the bottom category. Overall, smaller groups with more resources and with access to Land Bank loans are acquiring more land per beneficiary as well as larger farming units.

In the Eastern Cape the majority of projects approved (approximately 70%) consisted of small groups not exceeding ten beneficiaries each, while only 6% of groups comprised 30 or more participants (see Table 8). Although projects with less members tend to have less land than those with more members, per capita land holding in the smaller groups is substantially higher – 72.8 hectares per person for groups with ten members or less as compared to 15.1 hectares per person in groups with more than 30 members. It may therefore be concluded that LRAD, in the Eastern Cape at least, is focusing on creating relatively smaller projects in terms of the number of members per project and the overall land area, but with substantial land per project member.

Own contributions can be in the form of sweat equity (or labour), assets (including livestock), cash, loans or a combination of these. The most common form of asset contribution among applicants is livestock, and livestock valuation practices differ widely across provinces and across institutions. According to Land Bank officials in KwaZulu-Natal, for example, only branded livestock will be accepted when computing the value of an applicant's own contribution.

While it may be assumed that most applicants at the bottom end of the scale are citing sweat equity as their own contribution, this could not be confirmed; nor is it clear whether better-off applicants are including sweat equity as part of their own contribution. In Limpopo, for example, only two projects out of 20 processed by the PLRO included labour as part of own contributions, while 19 out of 21 projects processed through the Land Bank included labour as part of own contributions.



**Table 8: Eastern Cape LRAD projects approved and transferred, October 2002**

	Beneficiaries per project				Total
	1-10	11-20	21-30	30+	
Grants	400	274	315	389	1 378
Percentage	29	20	23	28	100
Projects	90	17	12	8	127
Percentage	71	13	10	6	100
Land (hectares)	29 133	8 350	8 157	5 893	51 533
Percentage	57	16	16	11	100
Average hectares/person	72.8	30.5	25.9	15.1	36.1
Average hectares/project	323.7	491.2	679.8	736.6	405.8

Source: Eastern Cape Land Reform Office 2002

Under LRAD, there has been a distinct shift from large group sizes to small group sizes, and even to individual (one-person) projects, a trend facilitated by the availability of much larger grants than hitherto. Smaller group sizes are actively encouraged by the DLA, as illustrated in the example of the Delindlala land redistribution project in the Eastern Cape (see Box 1). Technician project viability criteria (profitability ratios, debt-equity ratios and poverty assessments) and stereotypes of group dynamics are often used to argue against larger group projects. In some provinces an arbitrary poverty datum line is used to determine the viability of a project, requiring that it generates an income of at least R25 000 per annum or R2 000 per month per person. This implies that a project with an initial investment of R25 000 can realise a return of 100% in the first year, which is highly unrealistic.

### Box 1: Limiting group size? The case of Delindlala

One of the most controversial aspects in land redistribution is group projects. Delindlala, a land redistribution project in the Queenstown district in the Eastern Cape, illustrates how the DLA has attempted to limit the size of group projects.

The group currently farming at Delindlala engaged in communal gardening at Lumphaphasi, a village in the Xalanga district of the former Transkei homeland where scarcity of land, especially grazing land, and poverty prevail. When 60 community members from Lumphaphasi and Cala Reserve constituted themselves as a group and approached the DLA for the LRAD grant, the DLA dropped the 30 applicants from Cala Reserve from the list.

The reasons offered by the DLA for limiting the group size included:

- The farm could not generate enough income to sustain 60 people, based on a R25 000 per annum poverty line for each person.
- There was a need to curb the 'rent-a-crowd' phenomenon.

The DLA, with its strong support for individual and small group projects, argued that maintaining group cohesion and ensuring the productive use of the farm are critical challenges facing this project. The DLA succeeded in limiting the total grant paid to beneficiaries but failed to limit the group size. The result is that there are 60 adults, all from Lumphaphasi, currently farming at Delindlala, but only 40 are actual grantees.

The previous use of the household as the primary unit of redistribution was criticised as reinforcing existing biases against women's independent rights to land. The shift from providing grants to households (as was done under SLAG) to providing grants to individuals under LRAD is an important improvement in the design of land redistribution from the standpoint of women applicants. Women have now been included in a 'marginalised group' with youth, the disabled, labour tenants and farm workers. As far as could be established, no specific measures are in place to ensure that such groups participate and benefit from LRAD grants, and no specific budgets are reserved for this purpose.

The LRAD grant is intended to assist not only with land purchase but also with investments in agricultural production. Beneficiaries who had already obtained farmland through the land reform process and who want to invest in agricultural production can also apply for the LRAD grant. At the provincial level there is an ad hoc use of LRAD grants in the context of farm tenure reform, while evidence is lacking when it comes to restitution.<sup>3</sup>

Occupants of communal land (particularly in the former homelands) are, in theory, entitled to apply for LRAD grants for investment purposes. In practice, however, there is considerable confusion around this matter, particularly in terms of the provision of grants where no land purchase is involved and the use of land held under communal or informal tenure as either own contribution or as collateral for Land Bank loans.

Provinces that include the former homeland areas appear to have made little progress with developing implementation procedures in this regard. The operationalisation of this aspect of LRAD appears to be on hold pending the legal reform of communal tenure. The one exception is KwaZulu-Natal, where LRAD grants are being made available to individuals who live on Ingonyama Trust land and are in possession of a ten-year lease agreement.

### **Access to land**

The LRAD grant is primarily intended to assist applicants to acquire farmland. While the policy promotes the acquisition of privately-owned commercial agricultural land, other sources of land, such as state land and land repossessed by the Land Bank, are not precluded. The state does not generally acquire land on behalf of applicants or take steps to ensure that land is available in areas or in quantities that suit applicants. Rather, the DLA restricts its activities to providing grants and information about land available on the market. In many cases, land of suitable size, quality and price is not available in close proximity to where applicants reside. While supply of land depends heavily on the willingness of private owners to make land available for sale to land reform beneficiaries, anecdotal evidence suggests that many landowners are not willing to do so and that others have been deterred by the lengthy and bureaucratic process involved. This section looks at the availability of land for redistribution and the manner in which beneficiaries are accessing it under the LRAD programme.

Whether LRAD beneficiaries buy private land or acquire state-owned land, the price is usually market-related. Supply of land on the market, however, is affected by a combination of economic and political factors. Economic factors can include land speculation, changes in land use, conditions in product markets, the indebtedness of the sellers and interest rates. Land ownership in South Africa has been, and continues to be, highly segmented along racial lines



and therefore highly politicised. A decision to sell land, and at what price, may be based on collusion among neighbouring farmers to keep black farmers out of a certain area. Similarly, a decision to offer state land to land reform beneficiaries before putting it on the open market is essentially a political decision.

Potentially important sources of agricultural land for land reform are the properties that come into the possession of the state-owned Land Bank in the course of its business. Since 2001, the Land Bank and the DLA have had an agency agreement whereby repossessed properties are first offered to the DLA to meet the demands of the redistribution programme. This is now standard practice in the Eastern Cape and KwaZulu-Natal, although officials could not provide estimates of the number and value of properties actually transferred. According to Land Bank officials in KwaZulu-Natal, the quality of repossessed land is generally poor, and the Bank often ends up referring LRAD applicants to real estate agents to acquire land on the open market.

LRAD beneficiaries can also use their grants to acquire state and parastatal agricultural land that is being sold off. Information regarding the sale and location of this land must, according to DLA policy, be made publicly available and potential beneficiaries have a period of three months in which to secure the necessary grant (MALA 2001a:12). Since 2000, the Minister of Land Affairs has prioritised state land disposal as a means to make land available for redistribution, and has indicated that 669 000 hectares of land will be disposed of in favour of land reform beneficiaries (MALA 2001b) (see Table 9). This is supported by provincial state land disposal committees (PSLDCs) which bring together representatives of various government departments and spheres of government (DLA 2002c).

The DLA's Public Land Support Services (PLSS) unit has developed an online database of public land. However, the database is not accessible to the public. According to one source in the DLA, this is because elements within the state fear that if the general public were to know which land belongs to the state, the land would be targeted for illegal occupation. The PLSS has, however, confirmed that approximately 24 million hectares of land is owned by the state (Slabbert, pers. comm.).

There are essentially two types of state land disposal under LRAD:

- a) Beneficial occupation: Title is transferred to persons already in occupation of the land. Under these circumstances, the value of the land is not deducted from the grant.
- b) No beneficial occupation: Through an accounting entry, the value of the land is deducted from the grant (which reverts back to the state) (Mngengwe, pers. comm.).

In 2002 the national Department of Agriculture reported that just over half of the targeted land had been disposed of and that only 11.8% of this land had gone to LRAD beneficiaries (see Table 9). Officials in the Western Cape Department of Agriculture, however, contested the accuracy of these figures, suggesting that no state land had been available for disposal in the province, and that none had gone to LRAD beneficiaries (Isaacs, pers. comm.).

Given the large average size of commercial farms, there is a pressing need to subdivide existing holdings in order to ensure that smaller parcels of land become available to meet the

**Table 9: State land targeted and disposed of (hectares), March 2002**

Province	Land targeted	Disposal until March 2002	LRAD disposal	LRAD as % of all land disposed of
Limpopo	270 777	128 180	10 367	8%
North West	36 459	43 778	N/A	N/A
Western Cape	17 380	3 860	3 508	91%
KwaZulu-Natal	48 472	36 610	N/A	N/A
Northern Cape	49 931	50 824	13 272	26%
Eastern Cape	161 363	50 283	N/A	N/A
Mpumalanga	27 853	15 060	N/A	N/A
Free State	36 364	67 498	18 995	28%
Gauteng	20 401	N/A	N/A	N/A
<b>Total</b>	<b>669 000</b>	<b>396 093</b>	<b>46 142</b>	<b>11%</b>

Source: NDA 2002a

needs of resource-poor people who may not be able to afford large commercial farms. Without effective measures to facilitate the subdivision of agricultural land – ideally prior to it being offered to land reform beneficiaries – the sizes of existing land parcels could severely limit the progress of reform and perpetuate the pattern of large group projects experienced under redistribution to date.

In response to this challenge, the minister has announced the intention to repeal the Subdivision of Agricultural Land Act 70 of 1970. Meanwhile, the minister's approval is required for any subdivision of land barring those projects transferred under Act 126, which specifically provides that, on approval, projects involving subdivision are exempted from requiring permission (MALA 2001a:13). This provision alone, however, may not be sufficient to overcome the major practical and financial difficulties associated with subdivision of land.

The DLA has anticipated that easing restrictions on land subdivision would create incentives for existing landowners to subdivide their land for sale prior to selling it to LRAD applicants. It was also anticipated that developers might buy farms and then subdivide them, invest in improved infrastructure, and sell off individual units to LRAD beneficiaries at a profit. No evidence could be found that either landowners or speculators are doing this on any significant scale. Where this has occurred, it would appear to be driven by philanthropic or empowerment motives rather than by profit.

In KwaZulu-Natal and Mpumalanga, for example, two sugar companies, Tongaat-Hullet and Illovo, have subdivided many of their large sugar estates for sale to LRAD beneficiaries. This process of divestment preceded the launch of LRAD and is part of a drive by sugar companies to withdraw from agricultural production and concentrate on processing operations (Van den Heever, pers. comm.). Potential beneficiaries had their applications processed through Ithala Bank, which also made loan financing available. Illovo appointed an extension officer and all





the beneficiaries went through a six-month training programme prior to settling on the land. Outside of such contract farming arrangements, however, there is no evidence that subdivision is taking place on a significant scale or that land is becoming available to poorer farmers on a scale which they can afford.

### Box 2: Land availability through land markets

*In recent land sales, land prices have been much higher than previously paid. As the land reform programme slowly picks up momentum, land is going to be overpriced (Shabane, pers. comm.).*

Trends in private land offered for redistribution vary across provinces, although DLA and Land Bank officials claim that after the introduction of LRAD more farmers were willing to sell their land than before. Commercial farming units are usually offered for sale in their entirety, and subdivision is rare due to the high transaction costs associated with it. Almost invariably, officials have assumed that LRAD beneficiaries will continue with the land-use practices of the former landowners.

According to Eastern Cape officials, during the late 1990s the depressed agricultural sector in that province ignited a crisis in the land market and a collapse in land prices. Some landowners who snatched up land at depressed prices at the time now want to capitalise on the opportunities presented by LRAD. The extent to which this specific land is being offered for redistribution through LRAD and its impact on the market could not be concretely verified.

Reports by provincial DLA officials, confirmed by some NGOs, indicate that high quality land has been offered for sale for redistribution purposes in Mpumalanga, KwaZulu-Natal and Western Cape. In KwaZulu-Natal, the Cane Growers' Association and the Natal Banana Growers' Association remain proactive in making land available. DLA land reform offices in the South Coast and Tugela districts of KwaZulu-Natal have been inundated with offers from private farmers to sell land. Many of these opportunities have been missed due to bureaucratic delays in the provincial land reform office, insufficient budgets, lack of staff and the absence of mechanisms to match sellers with potential buyers.

### Project design and approval

LRAD projects undergo a complex project planning cycle before they are implemented. This process starts with the submission of a completed application and ends with the transfer of a land title, although some post-transfer activities are now being incorporated into the project cycle. Across the country, it can take between three and eighteen months before the land title is transferred. DLA's decentralisation campaign is aimed at reducing the LRAD project cycle to an average of three months, and in one province – the Eastern Cape – an even more ambitious target of six weeks has been set (Kenyon, pers. comm.; Sukula, pers. comm.).

A number of different agencies can initiate, design and implement LRAD projects. However, all applications must eventually come before the PGAC. This section examines the project approval process, focusing on the institutions involved and the impact these are having on land delivery.

Implementation of LRAD is generally divided into two phases, namely the transfer of land titles, which is the responsibility of the DLA, and post-transfer support, which is the responsibility of provincial departments of agriculture (PDoAs). These two phases have been perceived by many government officials as quite distinct, resulting in poor integration of the efforts of the two departments. Efforts to integrate the two phases have progressed more in some provinces than in others, particularly where the PDoA has also become involved in the

processing of LRAD applications. Elsewhere, PDoAs are limited to verifying business plans and valuations submitted to them by the DLA, and sitting on district screening committees (DSCs) or district assessment committees (DACs).

In order to access redistribution grants, applicants are required to conclude provisional agreements of sale with sellers and to develop business plans regarding the use to which the land will be put. These business plans must include a project proposal (a land-use proposal or farm plan), a provisional agreement of sale, confirmation from a professional land valuer that the land price is reasonable, a list of beneficiaries and their contributions and evidence of the availability of these contributions (an audit and valuation of assets or draft loan agreement). In addition, the business plan must include a feasibility report from a local agricultural officer regarding both agricultural feasibility and environmental impact. This officer must also confirm that the seller is in legal possession of title to the land.

Entry points most frequently used by LRAD applicants remain the DLA's provincial land reform offices. These offices disburse the LRAD grants and also recommend possible service providers to applicants. For each LRAD application that comes through the PLRO, a DLA project planner is appointed to develop the application into a viable project proposal or to manage outside service providers or consultants. Project planners usually work with beneficiaries until the transfer of the land title, although some of them conduct return visits to projects during the post-transfer phase.

PLRO and PDoA officials in the Western Cape confirmed that these two agencies collaborate during the project design and approval phase. This cooperation is aimed at improving the sustainability of land reform projects as well as incorporating post-transfer intervention planning, the specific job of the PDoA, during the project design phase. Until the end of 2002, separate evaluation reports from different directorates within the PDoA were submitted to the DACs. These reports often contradicted each other and caused delays in project approvals. The Western Cape PDoA has now streamlined its internal operations, which are coordinated by the Farmer Settlement Support unit, and only one evaluation report for each project application is now submitted to the DAC (Isaacs, pers. comm.). This working relationship between the PLRO and PDoA in the province has had a positive impact on the quality of delivery, although delivery of land continues to lag behind much of the rest of the country.

In each of its 46 district offices, the KwaZulu-Natal Department of Agriculture has a coordinator for the LRAD programme. The coordinators represent the department in district-level project approval forums, focusing on the environmental sustainability of farming enterprises. An agricultural scientist working for the department is often brought in to assist with the approval of LRAD business plans. The PDoA is also represented on the panel that screens and selects design agents to be included in the service provider database maintained by the DLA (Urquhart, pers. comm.).

Once project officers have completed LRAD applications, they are forwarded to DACs or DSCs, from where an initial recommendation is forwarded to the provincial projects approval committee (PPAC). DACs have been established throughout the country since 2001 in line with DLA's Project Mutingati, which is aimed at decentralising implementation.



There is no uniform approach to the role of DACs or who should be represented on them. In some provinces their functions and powers seem to have increased in line with the decentralisation trend in the DLA, as is evident in KwaZulu-Natal where project Mutingati was piloted. DACs in the Western Cape include representatives of provincial land rights offices, the provincial department of agriculture, local government and various stakeholders in the sector, including organised agriculture, agribusiness, small-scale farmers, NGOs and unions.

The process of establishing these DACs is still at an early stage, and civil society organisations have pointed to a number of problems in their operation. Firstly, in some districts where DACs have been established, the members are not fully aware of the policies they are supposed to be implementing or the criteria to be applied in evaluating project proposals. DAC members are not always informed of the total budget at their disposal, nor how these budgets should be divided between different categories of beneficiaries. According to one member of a DAC in the Western Cape, this has led to a failure to strategically prioritise applications.

Secondly, the interests of commercial farmers' associations tend to prevail where NGO representation is weak and where the DLA does not impose strict project assessment criteria. In one district of the Western Cape, for example, a number of large equity share schemes have been approved, despite their lack of clear mechanisms to benefit workers (Fortuin, pers. comm.). An example is the Mouton Citrus (Pty) Ltd equity scheme, whereby 236 workers were allocated R4.6 million in LRAD grants to buy a 12% (non-tradable) shareholding in the company but which did not guarantee them any further benefits or land rights.

DLA officials acknowledge that it has been difficult for the DLA to manage DACs (Van der Merwe, pers. comm.). Setting them up has taken time and, for many of the stakeholders, land is not a priority issue. This raises the question of whether, or how, these committees should be related to other district-level development interventions and planning processes. If DACs operate in isolation, projects may not be supported by other agencies such as local government and other government departments, and this is likely to jeopardise their sustainability.

### **Post-transfer support**

Both the *Mid-term Review* (DLA 1997a) and the *Review of the Land Reform Pilot Programme* (DLA 1999) pointed out that post-transfer support is crucial for the overall success of land redistribution, yet it has been neglected by virtually all the key role players. Support services, or complementary development support, specified in the White Paper include assistance with productive and sustainable land use, infrastructure support, farm credit, agricultural inputs and access to markets for farm outputs (DLA 1997b:16). Compared to the earlier SLAG programme, LRAD was intended to introduce a significant shift in the area of post-transfer support.

Currently, no specific institution has responsibility for driving and coordinating the provision of post-transfer support to redistribution beneficiaries, and little has been forthcoming in the area of financial resources to fund such assistance. Ad hoc arrangements persist, with an array of institutions providing support in areas such as extension services, credit, training and infrastructure. There is a general perception in the DLA, however, that the primary responsibility for post-transfer support lies with PDoAs, as stipulated in LRAD policy (Kenyon, pers. comm.).

Provincial departments of agriculture have been restructured to incorporate Farmer Settlement Support (FSS) units which are intended to coordinate post-transfer support to LRAD projects, especially in the areas of agricultural extension, infrastructural support and training. FSS units receive their budgets from provincial governments, while funding from the NDA is usually earmarked for specific activities such as training. LRAD encourages the provision of agricultural extension services through the private sector. The NDA has drafted a farmer support package or 'sunrise package' for LRAD beneficiaries, the Comprehensive Farmer Support Programme (or LRAD Support Programme). Two grants are proposed under this programme, one for capacity building and one for on-farm infrastructure. Grants, allocated as capital transfers by the NDA, are to be administered jointly by the PDoAs and the PLROs. The on-farm infrastructure grants, ranging from a minimum of R5 000 to a maximum of R100 000, require an own contribution from beneficiaries similar to the LRAD grant. This post-transfer programme has not, however, been implemented to date.

Several agricultural colleges, such as Cedara in KwaZulu-Natal and Elsenburg in the Western Cape, operated by the PDoA and the Agricultural Research Council (ARC), provide training for land redistribution beneficiaries, but these are oriented towards commercial farming (Urquhart, pers. comm.). Course materials do not always cater for the language needs of land reform beneficiaries and attendance at formal instruction sessions requires an extended period away from people's homes. Budgets ring-fenced for training by the NDA and transferred to provinces remain inadequate to cover minimal training costs of beneficiaries. Individuals who apply and are admitted for training in farming must use their own resources to pay their fees.

Although training needs are identified and stipulated in business plans, actual training only starts after land transfer, instead of at the time of preliminary project approval by the DACs. The LRAD projects driven by the sugar industry in KwaZulu-Natal carry important lessons in this regard. Immediately following the selection of small-scale farmers for the joint venture projects, which occurs about six months prior to transfer, the participants are put through an agricultural training programme. Beneficiaries are therefore well prepared for the first year, considered the most critical phase of any agricultural project.

Additional ways to enhance the technical and management skills of LRAD beneficiaries are mentorship and management programmes. The Land Bank offers a social discount product which encourages neighbouring farmers to mentor new farmers in exchange for a rebate on interest payments. In all the provinces PDoA and DLA officials said they supported mentorship and management models, yet only the KwaZulu-Natal PDoA has developed a mentorship policy framework. TRAC-Mpumalanga, a land rights NGO, has also developed a three-year mentorship pilot programme for redistribution projects in the province, for which it has secured donor funding – a rare example of NGO involvement in both land reform and agricultural support.

Budgetary and staff constraints continue to hamper PDoAs in responding to the post-transfer needs of land reform beneficiaries. In terms of its budget, the Eastern Cape Department of Agriculture is one of the largest in the country, but the bulk of its allocation goes towards salaries, with little left over for capital expenditure (see Table 10). At one point, 85% of the overall budget was being spent on staffing while extension officers went without vehicles or petrol. While the total budget of the department is rising in nominal terms, and the bloated



salary and wage bill is shrinking as a share of the overall budget, departmental priorities seem to be shifting away from post-transfer assistance to LRAD beneficiaries. The decrease in personnel spending is not paralleled by an expansion in high quality extension services and other forms of support to beneficiaries. Allocations to the technology and development division, consisting of extension services and farmer settlement support services, are also set to decline as a proportion of the total budget.

Table 10 provides two different ways of looking at the PDoA’s budget. Firstly, it shows how much of the budget is taken up by allocations to personnel. Secondly, it shows the allocations to technology and development – which itself also includes personnel costs.

**Table 10: Eastern Cape Department of Agriculture budget, 2000–2006**

Year	Total R '000	Personnel		Technology and development	
		R '000	% of total	(R '000)	% of total
2000/01	450 885	368 984	82	114 459	25
2001/02	563 296	400 136	71	127 076	22
2002/03	565 115	406 355	72	141 167	25
2003/04	735 440	444 270	60	143 980	19
2004/05	688 491	464 055	67	147 409	21
2005/06	718 201	483 007	67	149 013	21

Sources: Eastern Cape Treasury 2003; Eastern Cape Department of Agriculture 2003

Farmer settlement support services, introduced in the Eastern Cape after a substantial restructuring of the PDoA, has been allocated R102 million in 2002/03 (70% of the technology development and transfer budget). Allocations to LandCare, a programme promoting sustainable natural resource use in the communal areas of the province, will decline from R10 million to approximately R8 million this year. Provincial budget figures give no indication of the proportion of these budgets that will be spent on redistribution beneficiaries in the form of capital transfers or grant assistance. Overall, the prospects for emerging farmers looking to the state for support while they struggle to become established do not look very promising.

**Box 3: Infrastructure grants in KwaZulu-Natal**

The Department of Agriculture in KwaZulu-Natal is the only provincial department so far to have developed infrastructure grants for emerging farmers. The infrastructure grant scale mirrors the LRAD grant scale and is without any ring-fencing. Grants range from a minimum of R4 000 to a maximum of R100 000. In order to access the grant, an applicant must make an own contribution, in either cash or labour (or a combination of the two), ranging from R1 000 at the bottom end to R400 000 at the top end of the scale. These grants will be available not only to LRAD beneficiaries but also to other farmers who may want to expand into niche export markets. Although historically disadvantaged individuals will be given preference in the allocation of funds, specific allocations for this have not been stipulated in the main policy document. Large irrigation schemes will be developed as part of the plan to commercialise agriculture in the communal areas. Sixty percent of the budget is earmarked for large anchor projects and 40% for bulk infrastructure and medium- to small-scale projects. Food security and small-scale commercial projects will also be supported. Commercial projects can either be in the form of shared bulk infrastructure projects or individual projects. Overall, the programme aims to foster independence and self-reliance.

### Financial institutions

In 1996 the Strauss Commission investigated the constraints facing poor people in rural areas in accessing finance to invest in land, agricultural production and other income-generating activities. The growing realisation of the need to remove constraints to participation in rural credit markets was one factor leading to the transformation of the Land Bank, the setting up of new development finance institutions, and expanded lending to the poor by private banks after 1994. In addition, many informal financial institutions, providing mainly consumption loans, also operate in rural areas.

Sweeping changes have been made in the operation of the Land Bank since the late 1990s following the release of the Strauss Commission Report. New legislation governing the operation of the Bank has been passed, a new corporate identity has been unveiled and loans targeted at the 'financial needs of the previously disadvantaged farming community' (Land Bank 1999) have been introduced.

The Bank is involved in agency agreements with the DLA and the Commission for the Restitution of Land Rights to make development finance available to land reform beneficiaries. The agency agreement between the DLA and the Land Bank, with capital of R50 million, deals specifically with LRAD and provides for further funding in the future.

With regard to the use of land as collateral, the Land Bank follows a conservative valuation approach and is primarily interested in the price a property can command in the market place. In this regard, it distinguishes between the market value and production value of the land and uses the lesser of the two to determine how much clients can borrow. Land Bank loans are usually limited to 80% of the production value of the land.

Khula Enterprises, a parastatal development finance institution, also administers LRAD grants for disbursement through equity schemes. It hosts the Land Reform Credit Facility (LRCF) which was initially capitalised with R63 million from the DLA and was later brought up to a total of R120 million after a further disbursement in 2001. This fund was set up by the DLA in 1999 as a revolving credit facility to leverage loans from commercial banks to finance certain land reform projects, particularly equity schemes.

The LRCF will lend up to R400 000 per person participating in an equity scheme and up to R600 000 in mortgage finance per person. At present, 80% of the LRCF's projects are equity schemes but it plans to grow its role in mortgage finance. While the Land Bank is a 'retailer' of loan finance, the LRCF remains a 'wholesaler', but the Land Bank will be increasingly moving towards leveraging private sector finance for land reform projects (Oricho, pers. comm.). There is anecdotal evidence that LRAD beneficiaries have also been applying to commercial banks for loans, specifically ABSA and Standard Bank. The main source of finance for equity schemes, however, continues to be the DLA, since LRAD grants can be used for this purpose.

Ithala Bank is closely involved with the financing of LRAD projects in KwaZulu-Natal, having provided loan finance to 11 out of the first 12 projects in the province. Ithala considers the rate of return in agriculture as crucial for the success of projects and the ability to repay farming debt. Ithala Bank projects do not target those who can only make their own contributions in the form of sweat equity. Typically, Ithala Bank will process bigger projects: the average loan size for its medium-scale farmer project (its loan product linked to LRAD grants) is R1.2 million.



A critical weakness in the business plans and farm evaluations prepared by financial institutions is that social factors are often neglected while the financial requirements of projects are carefully assessed. Projects in which production is for household consumption can be excluded from access to credit through the formal markets as a result of these criteria.

### **Other non-state actors**

Many non-state institutions, ranging from a variety of private businesses to non-governmental organisations, are involved in aspects of land redistribution. NGOs generally stress the livelihood and developmental dimension of the redistribution process, while private sector groups broadly concentrate on the commercial dimension. Economic and political power relations differ among these civil society role players and engagement with policy and policy makers varies.

### **The role of organised agriculture**

Agricultural organisations are well entrenched in South Africa's commercial farming sector and their membership control an overwhelming proportion of farmland and agricultural resources. The major unions of commercial farmers are Agri South Africa (AgriSA), Transvaal Agricultural Union (TAU) and the National African Farmers' Union (NAFU). AgriSA is by far the largest national formation of farmers in the country and its membership consists of predominantly white farmers. TAU, a former AgriSA affiliate, operates in the provinces of the old Transvaal. NAFU draws its members mainly from black commercial and 'emerging' farmers, both inside and outside the former homelands.

Farmer unions have different approaches to land reform. AgriSA, for instance, strongly supports the willing-buyer, willing-seller basis of LRAD. It also presents input on specific projects in DSCs and its members participate in a wide range of mentorship and capacity-building programmes. White farm owners who engage in land redistribution do so in a number of different ways. Some offer their land for sale to beneficiaries, others provide post-transfer support to beneficiaries as mentors or farm managers. Others engage in joint ventures by offering a share of their enterprise to workers or emerging farmers. NAFU sees LRAD as the chief vehicle through which its members can buy land in order to become commercial farmers.

There is regular dialogue between organised agriculture and the DLA on matters relating to land and agrarian reform. AgriSA, NAFU and other sectoral stakeholders participate in the national Department of Agriculture's Agriculture Working Group where policies affecting the sector are discussed. The *Strategic Plan for South African Agriculture* (NDA 2001b), which outlines how the agricultural sector plans to engage with LRAD, came out of the collaboration between organised commercial agriculture and government.

### **The private sector**

All PLROs maintain a database of service providers that beneficiaries can contract to prepare a business plan for a project. Most of these private sector service providers or 'design agents' are estate agents or development planners with expertise in farmland valuation and agricultural business planning. Mechanisms to ensure good quality work by these service providers include the DLA's guidelines for preparing business plans and a technical evaluation of all land valuations and farming feasibility plans by specialists working in the PDoA. Provincial land reform officials claimed that over a period of almost two years of implementing LRAD they succeeded in identifying efficient service providers, which has contributed to accelerated delivery.

One example of a relatively successful and popular service provider is AgriLink II, a one-stop service provider carrying out farm feasibility studies, land valuations and business plans, with offices in both the Eastern Cape and KwaZulu-Natal. AgriLink II is funded by USAID and specialises in desktop valuations and project feasibility studies as well as developing marketing arrangements between small-scale producers and potential buyers of their output. Services are provided free of charge to government, and those in the DLA and Land Bank who accessed its services praised it for its high levels of efficiency. Land reform offices, however, lack the capacity to effectively supervise the output of private sector service providers, but a clear need exists for an internal DLA service to proactively match land needs to available land.

#### **Civil society and non-governmental organisations**

The commercial orientation of LRAD has met with considerable criticism from NGOs working in the land sector. Although NGOs have been marginalised from the policy formulation process, this has not prevented them from assisting communities gaining access to LRAD grants. Indeed, many NGOs in the land and rural development sector have become indispensable for the success of the land reform programme.

The National Land Committee (NLC) is the main NGO network in the sector and has affiliates in every province. Other significant civil society role players are the Mineworkers Development Association (MDA) and the Landless Peoples Movement (LPM). The presence of the MDA in the sector, primarily in post-transfer support initiatives, reflects the complex connections between migrant labour and land-based livelihoods. The massive layoffs in the mining sector have resulted in unemployed mineworkers returning to the rural areas and, consequently, in an increase in the need for productive land and agricultural resources. The LPM, a social movement that emerged from various local struggles for land in early 2001, has a close working relationship with the NLC network.

#### **Box 4: An NGO driving LRAD: Calusa's experiment**

The Cala University Students Association (Calusa), a rural development NGO based in the Eastern Cape and affiliated to the Trust for Community Outreach and Education, has been exploring ways of using LRAD grants to benefit the rural poor in the Eastern Cape. Calusa's ongoing involvement in land reform includes the following:

- conducting an assessment of land uses and needs of the potential land reform beneficiaries in the Xalanga district of Transkei
- raising awareness of other redistribution projects and the reasons for their success or failure
- informing rural communities about LRAD and assisting them to apply for grants
- facilitating the formation and management of communal property associations (CPAs), training group members in financial management, and introducing innovations such as the 'cooperative labour rotating production technique'.

Driven by their goals to improve land access, sustainable land use and livelihoods of rural people, Calusa is plugging a crucial gap that government agencies are unable to fill, and maintains pressure on the DLA to improve its services to the rural poor.

Source: Fani Ncapayi, pers. comm.





During 2002, the Western Cape Land Reform Office initiated a process of stakeholder consultation in order to develop a strategic vision and plan to accelerate land redistribution in the province. This attempted to quantify how much land would need to be delivered in this province in order to meet the official target of 30% of agricultural land, and how much it would cost. NGOs in the Western Cape have welcomed this cooperation as a step in the right direction and appear committed to engage in the implementation of this vision.

## **5. Conclusion**

Land redistribution is intended to redress the racial imbalance in land holding in South Africa, create livelihoods for the rural poor and develop the agricultural sector. This report, based on national level data and illustrative examples from some provinces, demonstrates that very limited progress has been made to date in meeting these objectives. Critical problems have been identified in the areas of policy design, implementation and post-transfer support. While the pace of land delivery has accelerated in the past year, it still lags far behind official targets.

Land redistribution is taking place in the context of a neo-liberal paradigm of political economy, which curtails the role of the state and public sector in the economy and promotes service delivery through the market. Under SLAG and, more recently, under the LRAD programme, state assistance has been largely confined to the provision of grants in order for beneficiaries to acquire farming land through willing-buyer, willing-seller transactions. This policy framework has major implications for the state, in terms of budgetary requirements, for intended beneficiaries, in terms of access to land, and for the wider process of post-apartheid transformation, in terms of the exceedingly slow pace of reform. A narrow interpretation of 'demand-led' reform has deterred the state from actively pursuing market opportunities, through a proactive land acquisition strategy, or from using its constitutional powers to expropriate land.

Reliance on the market to acquire land has been accompanied by a strong, and increasing, emphasis on commercial agricultural production. Applications for land reform grants are required to conform to stringent commercial criteria in order to qualify for land purchase grants and loan financing. Applicants are increasingly expected to source support services, ranging from business planning to extension services and finance, from the private sector. Small-scale production, particularly for household consumption, hardly features in official redistribution thinking, and state agricultural services are virtually unavailable in large areas of the country. Intergovernmental coordination, particularly between the DLA and the various departments of agriculture, remains a critical weakness in the redistribution programme, particularly in the area of post-transfer support.

Access to LRAD funding by the very poor is increasingly in doubt. In terms of targeting, there has been a clearly discernable shift away from the broad category of 'rural poor' to ill-defined 'marginalised groups', including women, youth and the disabled. Between them, these groups are intended to receive just 11% of all LRAD resources. However, no specific measures are in place in most provinces to give effect to this and official targets set for women's participation are no longer mentioned. Official emphasis on commercial agricultural production,

particularly in the provincial departments of agriculture, coupled with difficulties in raising 'own contributions' and preparing 'business plans', ensures that most LRAD funding is going to large-scale projects involving relatively small groups of better-off applicants. While this may increase the 'viability' of projects, in terms of commercial production, it does little to address the wider needs of poverty reduction, job creation and household food security.

The switch from SLAG to LRAD as the principal means of land redistribution was intended to address a range of problems identified in the early years of the programme. The available evidence, however, suggests that LRAD has not managed to overcome the problems associated with SLAG and has effectively done away with the pro-poor elements of the previous programme. SLAG was criticised for not attending to the post-transfer support needs of beneficiaries and making a minimal contribution to improved rural livelihoods. After LRAD came into existence, PDoAs gradually became active in agricultural extension support, training and infrastructural support for beneficiaries. However, this process is still at an early stage and unevenly spread across the country, and older SLAG projects still do not receive any support. Furthermore, large group projects, encouraged by high land prices and other social factors, persist.

The supply of good quality agricultural land, in unit sizes and in areas suited to land reform beneficiaries, remains a major challenge for the redistribution programme. Government officials and landless people alike speak of the shortage of suitable land in many parts of the country. Cumbersome bureaucratic processes associated with approval and release of redistribution grants mean that would-be buyers often lose out when owners desire a quick sale on the open market. On the other hand, many landowners speak of offering land for sale for redistribution purposes and finding no buyers in their areas or enduring prolonged delays while grant applications are being processed. Difficulties in obtaining land from private owners have been exacerbated by the slow release of state-owned agricultural land and the ongoing practical difficulties in subdividing large holdings.

The budget available for redistribution has increased only marginally in recent years, and is not set to increase significantly in the years ahead. Expenditure of available budgets, however, has increased dramatically, with recurring underspending now being superseded by severe over-commitments in many provinces. Understaffing throughout the ranks of DLA is imposing further constraints on the ability to meet the needs of land reform beneficiaries.

In common with other areas of land reform, the redistribution programme has been beset by problems with monitoring and evaluation. Major inadequacies in the collection and compilation of baseline statistics make it virtually impossible to know in any detail the socio-economic profile of beneficiaries, the impact of land reform on livelihoods or the fate of projects once they have been transferred.

Over the past three years there has been a noticeable growth in support for land redistribution across much of civil society. There has also been an increased willingness on the part of NGOs, commodity organisations and some landowners to become directly involved in the process. NGOs and CBOs working in the rural sector remain critical of the general direction of land reform policy, but have nevertheless proved themselves vital to the progress of numerous projects. Agricultural commodity organisations, and many individual commercial farmers, have also made a significant contribution, not only in terms of the provision of land but also in the form of mentoring and



contract farming arrangements. While such partnerships bring multiple benefits, concerns continue to be raised around share-equity schemes, heavily promoted in some provinces, many of which do not appear to secure the long-term interests of farm workers and farm dwellers.

In order to meet the objectives of the land redistribution programme, and avoid an escalation of rural conflict, a number of policy changes can be recommended, all within the current constitutional framework. These can be divided into three broad categories – provision of land, agrarian reform and budgets.<sup>4</sup> It is not suggested that the state must take it upon itself to provide all of these on its own, but there is an unavoidable duty on the state to use its authority and resources to ensure that these things are achieved.

### **Provision of land**

Provision of land on a large scale, within a reasonable time frame, will require a specific, centrally coordinated strategy for land acquisition that goes beyond the limits of the willing-buyer, willing-seller approach. Innovative ways will have to be found to facilitate the transfer of substantial areas of land in places of highest demand and in parcels that meet the needs of a variety of land users.

Large-scale transfers of land will require much greater involvement than hitherto by a range of actors, including provincial and local government, landowners, NGOs and landless people themselves. It will, above all, require a more interventionist approach by the state, both in the acquisition of land and in the design of viable land-use projects. Such an interventionist approach could involve the state earmarking land in areas of greatest need, negotiating with local landowners for an orderly transfer of land, with appropriate compensation, and acquiring repossessed properties from the Land Bank and other financial institutions. This does not necessarily require expropriation, but the failure to consider the use of expropriation to further the ends of redistribution perpetuates the current piecemeal approach to land acquisition and rules out a coordinated approach to development and resettlement that is so urgently needed.

Specific measures will also be required to provide land for particular categories of users, such as residents of commercial farms and of small towns. Where necessary, the state must also be prepared to subdivide acquired farms into appropriately sized parcels, something that has not featured in policy to date. Finally, the state should reduce the highly complex processes of beneficiary selection and project planning, as well as its insistence on commercially oriented agriculture. Land should be made easily available to a wide range of users, including subsistence producers, and not only to those able to come up with a 'business plan'.

### **Agrarian reform**

In order for land reform to result in sustainable livelihoods for the rural poor, provision of land will have to be supported by a wide-ranging programme of agrarian reform. This should address key areas such as access to inputs, restructuring of produce markets, agricultural extension services and training, provision of transport and ploughing services, provision of credit, development of rural infrastructure and support to farmers' organisations and cooperatives. Such a range of reforms cannot be brought about through the free market alone and will therefore require a much greater degree of state intervention and investment in the economy

than has been the case since 1994. Ways must also be found of pressuring the private sector to redirect resources towards previously neglected areas and to empower farmers' organisations and emerging black entrepreneurs to run their own services. Such interventions must include direct support to small farmers – in the form of subsidised credit and ploughing services – and cannot be expected to leave the established structures of the broader agro-economy untouched. Clearly, this will require a degree of political will, and a reversal of free-market ideology, not currently in evidence.

Priority areas should be:

- reversal of the recent cuts in agricultural extension services inside and outside the former homelands
- support to rural entrepreneurs wishing to provide mechanical services
- access to irrigation water and infrastructure at below market rates (for at least a limited period)
- wider availability of credit at reduced interest rates
- restructuring of input and output markets in order to meet the needs of small-scale farmers in previously neglected areas.

International experience shows that the small-scale agricultural sector is closely linked to the wider rural economy in terms of combining on-farm and off-farm employment, and in the exchange of goods and services (Lipton 1996:14). Successful agrarian reform will therefore require a substantial national programme of rural development, something that has been entirely lacking in government policy to date.

### **Budgets**

The current annual budget for the DLA is in the order of R1 billion, and the amount available for land redistribution and tenure reform combined is approximately one-third of this. A trebling of the DLA budget would amount to approximately one percent of the current non-interest annual budget of the South African government. Such an amount could certainly be found within the national budget and, over a period of perhaps ten years, could make an enormous impact on the acquisition and transfer of land. Such an increase, however, would only make sense if it is accompanied by those measures outlined above. Cutting the compensation paid to landowners from market price to productive value, which would be possible within the current constitutional framework, could substantially reduce the overall cost of redistributing land.

Overall, it may be said that, despite some successes, the South African land reform programme has not to date lived up to its promise to transform land holding, combat poverty and revitalise the rural economy. The policies adopted by government have left the structure of the rural economy largely intact and, in the case of liberalisation of agricultural markets and cuts in agricultural support services, have contributed to a climate that is not conducive to emerging, resource-poor farmers. If land reform is to meet its wider objectives, new ways will have to be found to transfer land on a substantial scale, and to provide the necessary support services to a much wider class of landowners.



## Endnotes

- <sup>1</sup> The total land area of South Africa is approximately 122 million hectares (1.2 million square kilometres). According to the Department of Agriculture (2001a), the total amount of land in the commercial farming sector (outside the former homelands) in 2000 was 82 209 571 hectares, divided into 60 938 farming units. These figures do not include state-owned agricultural land outside the former homelands, but such land amounts to less than 1% of privately owned commercial farmland.
- <sup>2</sup> The Western Cape project list reported the own contributions for the four projects excluded from Table 7 as 'varied'.
- <sup>3</sup> Labour tenants are often being told to take out loans to acquire LRAD grants. This may, however, jeopardise the land rights of those unable to repay their loans (Khubeka, pers. comm.).
- <sup>4</sup> Based on Lahiff 2003.

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## Appendix A: List of key informants

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Mike Kenyon	Director, Eastern Cape Land Reform Office
Mangaliso Khubeka	Tenure Security Coordinating Committee, KwaZulu-Natal
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Vela Mngwengwe	District Manager, Vryheid, KwaZulu-Natal Land Reform Office
Manye Moroka	Director, Land Reform Implementation, DLA
M Mothobela	Secretariat, National African Farmers' Union
Fani Ncapayi	Director, Calusa
George Oricho	General Manager, Development Markets, Land Bank
Duncan Pringle	Ithala Bank, Agri-Business Division
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Deidre Rankin	District Manager, South Coast, KwaZulu-Natal Land Reform Office
Eric Ruhl	Chairperson, Graceland CC (Western Cape)
Mduduzi Shabane	Director, KwaZulu-Natal Land Reform Office
Floris Slabbert	Deputy Director, Public Land Support Services, DLA
Monde Sukula	Senior Planner, Eastern Cape Land Reform Office
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Erica Williams	Project Officer, Worcester District Land Reform Office





## Appendix B: Summary of legislation and policy

	<b>Legislation</b>	<b>Key policies</b>
Framework	Constitution of the Republic of South Africa Act 108 of 1996	White Paper on Land Policy (1997)
Redistribution	Provision of Land and Assistance Act 126 of 1993 Provision of Certain Land for Settlement Amendment Act 26 of 1998	Land Redistribution for Agricultural Development (LRAD) Commonage policy
General	Communal Property Associations Act 28 of 1996 Development Facilitation Act 67 of 1995	Grants and services document, Version 7 (June 2001) Policy on expropriation in terms of Act 126 and ESTA

