The Programme for Land and Agrarian Studies (PLAAS) at the University of the Western Cape and the Interchurch Organisation for Development Co-operation, of the Netherlands (ICCO) conference on

# Another Countryside?

## Policy Options for Land and Agrarian Reform in South Africa

**24-25 October 2007**
**Lord Charles Hotel, Somerset West**

# POLICY OPTIONS 1

# LAND USE AND LIVELIHOODS IN SOUTH AFRICA'S LAND REFORM


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# 1. INTRODUCTION

Land reform is a political project that needs to clarify its economic rationale. Redistributive land reform in South Africa is premised on the need to bring about both direct benefits to beneficiaries and indirect benefits to the rural economy. According to the *White Paper on South African Land Policy*, redistributing access to and ownership of land to previously, and currently, disadvantaged South Africans should "reduce poverty and contribute to economic growth" (DLA 1997). It notes that:

> *Land reform aims to contribute to economic development, both by giving households the opportunity to engage in productive land use and by increasing employment opportunities through encouraging greater investment. We envisage a land reform which results in a rural landscape consisting of small, medium and large farms; one which promotes both equity and efficiency through a combined agrarian and industrial strategy in which land reform is a spark to the engine of growth* (DLA 1997).

If land reform is to be a catalyst to structural changes in society and the economy, then it needs to change patterns of investment (capital), productive land use (land) and employment (labour) – in other words, to change the mix of factors of production and restructure farming systems. Where land is redistributed through land reform, agriculture is the dominant, but not the only, land use. However, land reform policy has not, up until now, envisaged **what kinds of land uses are to be promoted** through the process of reform, and therefore what kind of structural change in production, markets and settlement patterns is being pursued, alongside the deracialisation of ownership. This is the product of the longstanding failure to locate land reform within a wider framework of agrarian reform.

The growing debate on policy options for the future of land reform have instead focused on the question of **how to get the land**, either through stimulating the supply of land onto the land market, or directly acquiring specific land through negotiation or expropriation. The recent adoption of area-based planning, (ABP) potentially provides a basis to decide **who gets what land**, and for what purpose, by assessing and prioritising different land needs, but itself is taking place in the absence of national-level guidelines or priorities for the future of agriculture.

While land reform policy has had little to say about the types of land use to be promoted, and whether these should differ from existing patterns of land use in the commercial farming sector, this is now increasingly recognised as a crucial gap and an area in which new policy is needed. The report on economic transformation from the ANC's National Policy Conference in June 2007 affirmed its commitment to:

> *a comprehensive and clear rural development strategy, which builds the potential for rural sustainable livelihoods, particularly for African women, as part of an overarching vision of rural development. Strong interventions in the private land market, combined with better use of state land for social and economic objectives, must* ***transform the patterns of land ownership and production****, with a view to restructuring and deracialising the agricultural sector. Our aim*

> *remains a fundamental redistribution of land ownership, and* ***a thorough transformation of land use patterns in a manner that balances social and economic needs of society*** (ANC 2007:2 – emphasis added).

This paper therefore explores land use and land-based livelihoods. Rather than dealing with how land is to be acquired[1], or the rights that those benefiting should have to the land[2], it focuses on the question of **what land reform is for**, focusing on the material change it is to bring, while acknowledging the important symbolic functions it performs. The paper deals exclusively with the use of redistributed agricultural land, and therefore does not address the use of land in the communal areas – though patterns of land use in these areas provide an indication of the types of land use prioritised by poor people producing under constrained conditions (Aliber et al 2007).

The core questions to be addressed in the review are:

- What is the range of models of land use adopted in a context of land reform?
- What is known about their outcomes in terms of land-based livelihoods?
- What is shaping these models and their outcomes?
- What are the dynamics in the commercial farming areas, with which new land users have to contend?
- What international experiences can we learn from?

The paper starts by considering the types of land use and land-based livelihoods that have been promoted through land reform to date, and the factors that have shaped the choices of crops, technology, and scale of operation. In reflecting on the patterns that have emerged, it also considers what models have been marginalised, and reports on several innovations that have been attempted to promote land-based livelihoods and land use options suitable for the poor. These are then located within the legal and policy frameworks that guide land use, and within the context of changing dynamics in the commercial farming sector that impinge on possibilities for successful alternatives.

Looking towards alternative policy, the paper considers international experiences in restructuring large-scale commercial farming sectors in developing countries, and elements of agrarian reform. In particular, it attends to the prerequisites for smallholder production – an option that, remarkably, and contrary to initial policy intentions, has been much-neglected in the past 13 years of land reform in South Africa.

It should be acknowledged upfront that the question of how land is to be used, and how this use is to be organised, is a complex matter shaped by normative considerations of whom land reform is for. However, this question is more directly addressed in the second paper in this series. For the purposes of this paper, the premise is that land reform needs to accommodate a range of different needs and interests, but that the key gap is to identify land use options that can make the most significant contribution towards poverty eradication.

[1] See the second paper in this series.
[2] See the third paper in this series.

# 2. PATTERNS OF LAND USE IN LAND REFORM

Where land is transferred in full ownership, beneficiaries have a capital asset. But it is the use of this land, the consumption and sale of its produce, which is to bring about direct benefits to beneficiaries. So how is land being used in land reform projects, how is land use organised, and is it having this effect? Different models of organising land use have arisen due to a combination of factors – the land reform programme involved, the purpose of land acquisition and the number of project members. Each is characterised by different patterns of land use and different social arrangements of production. However, land reform projects to date may be broadly categorized into four main types:

- *Large groups obtaining farms and farming collectively as a single commercial entity.* This pattern is now discouraged, but nevertheless remains dominant in both restitution (due to community claims) and in redistribution (due to the grant structure);
- *Large groups obtaining farms and farming individually or in smaller groups.* This pattern has emerged by design but also by default, when group-based production has collapsed;
- *Individuals or small groups obtaining large farms and farming them as one commercial entity.* This is possible only with (a) substantial capital contributions and/or (b) high levels of initial debt, but is in practice accessible to a small proportion of applicants who are better-off. This pattern is now encouraged.
- *Joint ventures between land reform beneficiaries and private sector or state institutions*, such as strategic partnerships, equity schemes and contract farming. This is now encouraged.

These quite limited options result from a combination of the market-based framework, reliance on grants that are small compared to the price of farmland, the failure to confront the structure of farm size holdings in the commercial farming areas through subdivision, and the emphasis in planning on the need to maintain production on commercial farms.

A national database of land reform projects, indicating in each case the project type, location, size, land and other costs, and membership, is maintained by the DLA but is not available for public scrutiny. Instead, summary cumulative data indicates only the hectares transferred for each project type (DLA 2007a) or, in the case of the DLA's annual report, data per province for a given financial year (DLA 2007b). For this reason, it is not possible to link national data to the typology above, in order to determine the relative dominance of each project type. Nor is it possible to determine the geographical spread of different types of projects.

## *Group-based ownership and production*

Group-based projects are the dominant model in land reform to date and typically involve attempts at collective production on large farming units, usually coterminous with the previous boundaries of commercial farms, and often replicating the pre-existing forms of land use (Lahiff 2007). These projects are typical of community restitution claims, as well as redistribution projects. Group-based ownership, management and production involve a great variation of sizes of groups, ranging from a few families to large projects involving hundreds or even thousands of households. The largest projects are within community restitution claims, with some projects involving as many as 1,000 households or 6,000 beneficiaries (CRLR 2004).

Large groups of poor people attempting group production, with minimal external support and limited capital beyond the balance of land acquisition grants, were widely blamed for the problems encountered in Settlement / Land Acquisition Grant (SLAG) projects (MALA 2000). To accumulate sufficient grant finance to purchase whole farms, applicants galvanized large groups – some of whom may have had little intention to live on or use the land but remained often passive members of communal property associations (CPAs) or other legal entities. This “rent-a-crowd” syndrome as it became known was considered a key failing of the first phase of land reform, though arguably under-utilisation of land and limited livelihood benefits did not only emanate from group dynamics (Hall and Williams 2003, MALA 2000). Despite the redesign of the grant formula through the Land Redistribution for Agricultural Development (LRAD) programme, provision of grants on an individual rather than household basis, and the possibility of leveraging higher grants with own contributions and loans, group-based projects – sometimes with smaller membership than before – have continued to be the dominant model under LRAD since its inception in 2001 (Jacobs et al 2003, MALA 2003). The availability of grants on an individual basis has limited the need for pooling of grants, and thus enabled smaller project sizes, though this has been offset by the failure to index the grant to an inflationary index; while land prices have risen, the level of grants has remained the same (and thus, in real terms, has declined over time) (MALA 2003:20-21).

Group projects, then, remain typical within the LRAD programme, despite attempts to limit the group size (Jacobs et al 2003). Group-based projects frequently involve not only joint ownership of the land but also the pooling of assets and labour, and even extend to herds of cattle belonging to the CPA, often alongside cattle owned by individual members. For instance, at Dikgolo and Monyamane projects in Limpopo, no provision was made for the livestock already belonging to project members. Instead, the commercial land use plan required that beneficiaries use their grant funding to build up commercial beef herds (PLAAS 2007).

Group-based land reform has been characterised by its critics as the “extension of the bantustans”. However, land reform projects where land is collectively farmed are quite different from the communal areas. Land use in communal areas is communal rather than collective, in that while land and other resources may be held in common and managed on a group basis, production is typically household-based (Andrew et al 2003, Shackleton et al 2002). The household is usually the unit of production, rather than “the community” (Andrew et al 2003). This must be contrasted with communal property associations (CPAs) and other legal entities established through land reform, where not only administration and management of land, but also production, is communalised (CSIR 2005). Many, and almost certainly the majority, of land reform projects are therefore envisaged as production collectives (Lahiff 2007). A review of LRAD in 2003 proposed instead a variety of “production models” and argued that attempts to create “instant successful replicas of white commercial farmers” had been the cause of disappointing outcomes of land reform (MALA 2003:16).

> *"This tendency often sets participants up for failure. Beneficiaries typically do not have the necessary working capital, or the financial skills to manage large commercial type enterprises. Moreover, it would not be efficient for them to continue the highly capital intensive mode of production of white commercial farmers" (MALA 2003:12).*

Despite this criticism, policy is not clear on what alternative types of production *would* be preferable to the current group-based attempts at commercial production and how land policies and implementation mechanisms would in practice promote such alternatives.

## *Group-based ownership with household production*

Land reform projects involving group ownership and management but family-based production is a less common pattern. This is sometimes by design: some projects are based in independent use of parcels of a larger property. But it is also a default arrangement that emerges when group-based projects fall apart, rather than as part of the project design. Not surprisingly, ambitious plans to engage jointly in production have sometimes failed to get off the ground where these were premised on the availability of infrastructure, capital and training that did not materialise. Conflict may itself be fuelled by the non-realisation of project plans and subsequent competition over resources, and informal subdivision of land may take place either if attempts at group production failed. In these cases, individual members of CPAs have allocated themselves parcels of land within a group-based project, on which they pursue household-based production on land owned by a legal entity like a CPA. An example is Makana CPA that acquired a portion of the farm Gletwyn, outside Grahamstown, where the failure to realise the plans of the CPA, including poultry production and a piggery, led members to demarcate plots for themselves where, without any external support, three families built their own homes and cultivate vegetables for their own consumption (Hall 2004).

However, some projects have been designed specifically to establish individual or household-based production on parcels within a larger property that is jointly owned by a legal entity. A key benefit of household-based production within land owned by a group is the averting of group conflicts over contributions towards collective production and the distribution of benefits (in kind or cash) from the harvest, as evident in the case of the Haarlem honeybush project (see Box 2 below). However, there are disadvantages to the model: group ownership prevents members from accessing credit if land is required as collateral, they may struggle to acquire resources and infrastructure for marketing, and the individualisation of production may mean less potential for group solidarity.

**Box 2: Ericaville and Haarlem Honeybush Growers**

The Ericaville Honeybush Growers project outside Plettenberg Bay consists of 84 families organised in a Trust which acquired 40 hectares with SLAG grants for the production of honeybush tea in 2001. In contrast, the honeybush project at Haarlem, consisting of 40 members each managing one hectare, was established nearby in the Langkloof in 2000 on land rented from the Eden Municipality. Here, people living in an area with 70% unemployment farm, mostly part-time. The two group-based projects were therefore very differently structured: one as a whole-farm collective enterprise and the other as household-based production with cooperative relations and joint land ownership. While both projects were heavily dependent on NGO support, the project at Haarlem was initially more successful, with less group-based conflict. The Haarlem group of farmers harvests individually and supply wet honeybush to a processor as a collective. At Ericaville, extension of the project into value-adding to wet honeybush, through their own processing and packaging plant established with Comprehensive Agricultural Support Programme (CASP) funds, enabled them to market their produce and fetch far higher prices, and so to pay out small dividends each year to members, while also maintaining capital for operating costs and maintenance. Both make a substantial contribution to livelihoods and, while Ericaville is the more commercial project, it is not yet clear which is making a greater difference in beneficiaries' livelihoods.

Source: Kleinbooi 2007a

Hybrid arrangements that combine some group and some individual production have also emerged. Most commonly, where land use involves household-based cultivation of arable plots, grazing land may be jointly used and managed by members – thus mirroring the types of land use and tenure arrangements in communal areas (Andrew et al 2003). Such situations may be complicated by the unequal ownership of livestock among members, and therefore the potential for better-off project members to dominate use of this common resource and also by the purchase of jointly owned livestock ('CPA cattle') with the balance of grant funding – meaning that common grazing land is used by a combination of individually owned livestock, of varying numbers, and jointly owned livestock (CSIR 2005).

In group-based projects, a combination of commodity production and production for own consumption is a common pattern – whether part of the original plan or not. Production of crops for sale is more common as a group-based enterprise, while production of food for consumption is usually cultivated separately by households (Andrew et al 2003). It is precisely the exclusion of the latter activity from business plans that leads to deviation from planned land use, as project members find that they do not derive immediate benefits from contributing labour and resources to group production (CSIR 2005). Compared to collective operation of commercial farms, this is a low-risk strategy that allows poor people to produce for markets, but also to consume their produce, in the absence of other sources of income or if prices are too low.

### *Individual or household-based projects*

Individual or household-based projects are less common in land reform and have the advantage of minimizing or avoiding the risk of group-based conflicts. These have emerged where claimants (in restitution) have family-based claims, but also, more notably, in redistribution where applicants are better-off and able to make substantial contributions of cash, loans and assets in order to leverage larger grants, thus minimizing the need to expand the applicant group to make up the purchase price and related costs.

This model has been actively promoted through LRAD, as provincial offices of DLA adopted maximum project sizes, often aiming for no more than 15 members per project (Jacobs et al 2003). The small sizes of grants mean that this type of project is only possible where applicants have substantial resources from non-farm activities (MALA

2003). Case studies of LRAD projects suggest that these projects typically involve people with urban-based incomes, usually from their own businesses rather than from full-time employment, and therefore do not always live on-farm (Hall 2004, Inkezo Land Company 2006a, 2007b).

Projects for *individuals* are rare, if in fact they exist at all. This study could identify only small group projects in which all members are related to one another – often members of an extended family all of whom apply for LRAD grants and, depending on their available resources to contribute, are able to leverage higher grants. Even for the better-off, the grant system creates a strong incentive to crowd in a number of other applicants, even if they will not be actively involved in the project, in order to reduce the ratio of grant-to-own-capital (and loans). There is no reason, for instance, why an applicant would contribute more than R400,000 in own capital to leverage a R100,000 LRAD grant, when adding a further name to the application would bring a further grant from the state. In the sugar-cane growing area of Amatikulu in KwaZulu-Natal, for instance, seven members of a family bought a sugar cane farm to supply the local mill, on the basis of two existing family businesses from which they would be able to draw income for loan repayments. They were able to apply for a total of R620,000 in LRAD grant funding and R1.95 million in loans from a commercial bank, on the basis of R480,000 of their own capital and assets (Inkezo 2006a).

A second scenario in which family-based projects have been supported is in the context of state land disposal, particularly where land acquired by the South African Development Trust (SADT) for homeland consolidation was made available to black farmers under various tenurial terms, and now, in the context of land reform, is being transferred to them. Because the land is not to be bought, there is not the pressure to crowd in people. As Wegerif (2005) has shown, some of these tenure upgrades for existing black farmers are being packaged as LRAD projects in Limpopo. Similarly, in the Free State, state land near the former Bantustan of QwaQwa involved 147 leases to black farmers (Aliber et al 2006).

## *Unplanned land uses*

Despite the requirement of business and land use planning prior to project approval, *unplanned* land uses are widespread in land reform, both as a result of deviation from business plans and also where non-members have settled on redistributed land. The gap between plans and what happens suggests either that plans were unrealistic to start with, or not what beneficiaries wanted. A review of business plans suggests that much planning for land use is premised on (a) what the pre-existing use was and (b) what the land is good for – ie. planning for the land, rather than planning for the people involved.

Unplanned land use is often the reason for non-disbursement of grant funding. Unplanned uses, particularly settlement, on the land, that contradicts the prescriptions of business plans, leads relevant authorities – the Commission, DLA, Department of Agriculture, and municipalities – to disengage, since they consider that they cannot proceed with funding activities that have not been planned. However, the failure of 'development' to materialise, in the form of housing and infrastructure, and delays in the disbursal of funds for implements and other production inputs, is a major reason for people to engage in unplanned uses.

For instance, planned settlement and agricultural activities were halted at the Mavungeni restitution project in Limpopo where, after delays in disbursement of funds, substantial unplanned settlement on the land (including by non-members) pre-empted these plans, with the result that allocated funds were not disbursed to the claimants for planned activities (Manenzhe 2007). Not far away, at Dikgolo, production on household plots for rainfed vegetable and grain production was relatively successful, despite members having to commute to and from their land from a neighbouring communal area, but group dynamics resulted in the failure of the communal cultivated plot. As nearly half of project members ceased to be involved, group-based activities were downscaled while household-level production was maintained (PLAAS 2007).

Another category of unplanned land use is land occupations, including instances where claimants, impatient at the pace of land reform, have occupied their land. At Mahlahluvani in Limpopo, for instance, restitution claimants occupied unused portions of the land on which they have a pending claim that straddles the old Bantustan border of Venda (see box 3 below). This case demonstrates the potential benefits of access to land for food production by poor households even where there is no planning and even in the absence of any external support. Because claimants are using the land before the claim is settled, formal planning has been stymied.

**Box 3: Land occupation and use at Mahlahluvani**

Pending negotiations between the Commission and the owners of the various portions of the 3,000 ha farm (including a private tea estate), in 1996, claimants moved onto their land which, besides some forestry, was not being used, and started to cultivate. More than 10 years later, 43 farmers (of whom half are women) are cultivating plots of 3 hectares or less per household, as far as possible marking out plots that coincide with the boundaries of their families' former homesteads and fields. They produce field crops and vegetables and have established fruit orchards without any external support or regulation, providing a substantial portion of their household food needs, as well as selling off small quantities of maize and other produce locally, including to the local mill in exchange for meal. By 2006 almost all these families were able to meet their household maize consumption needs from their own production and to sell the surplus, and could meet their household requirements for vegetables for up to 10 months in the year – an impressive compared to many formally planned projects. Despite opposition from wealthier members of the community claim, who are impatient to see the claim settled and a commercial project put in place, these households continue to occupy and use this land, an activity that has apparently stalled all formal processes.

Sources: PLAAS 2007, Wegerif 2006

Commenting more broadly on land reform, where plans for commercial whole-farm solutions have *not* been adopted, or have failed, Andrew et al (2003:17) observe that:

> *The use of newly acquired or restored land by resource-poor land reform beneficiaries tends to follow very conventional uses [similar to those] amongst resource-poor people in communal areas. These land uses include individual residential sites, communal grazing for individually or collectively owned livestock, small-scale low input cultivation for self provisioning (and sometimes small amounts of income), and the use of*

> *natural resources for basic household needs… Households do not subsist off these land-based livelihood strategies, but use them to supplement off-farm incomes.*

## *Joint ventures, strategic partnerships and co-management*

Joint ventures in the context of land reform in South Africa involve partnerships between black people acquiring land or land reform grants and commercial farmers, private companies or state institutions. These have emerged because of the barriers to acquiring land at market price, but also in response to the chronic shortage of operating capital faced new land owners. They are particularly dominant in sectors where production is capital-intensive and in areas where land prices are high, such as the Western Cape where equity schemes have emerged (Knight and Lyne 2004, Tom 2006). In the context of restitution projects where large tracts of high-value and intensively farmed land is restored to the original owners who are poor, there is a need for very substantial ongoing state support or, in the absence of this, either to change land use to reduce input costs (which has been discouraged) or to partner with private sector actors who can contribute capital and expertise (Derman et al 2006, Mayson 2003).

Mayson (2003) identifies five broad types of joint ventures in land reform in South Africa, each of which involves partnerships between land reform beneficiaries and either state or private entities. These are (a) contract or out-grower schemes; (b) share-equity schemes involving farm workers; (c) municipal commonage schemes; (d) share-produce or sharecropping schemes; and (e) company-supported schemes. These various models are largely the outcome of the existing structure and technologies of production, and the perceived need to find ways for land reform beneficiaries to fit into existing types of production – as shareholders, as workers, or, in the case of contract farming, as small-scale suppliers to larger industries.

Typically, joint ventures involve highly asymmetrical relations of social and economic power, and hinge on often complex arrangements that detail how costs, risks, income and benefits (often in the form of employment) are to be shared.

> *Proponents of [joint ventures] argue that they contribute to the transformation of the countryside by providing poor, black people with a pragmatic option for engaging in agriculture, particularly commercial agriculture. Critics argue that [joint ventures] are a new form of exploitation, a mechanism through which white commercial farmers and corporations are able to spread the risk of engaging in an increasingly complex and capital-intensive sector, while gaining market and political credibility in the process* (Mayson 2003:1).

Controversies also arise from disputes over whether joint ventures contribute towards the objectives of land reform by, among others, providing secure tenure rights to beneficiaries and providing independent access to capital. While commonage users may have secure use-rights to graze their livestock, for instance, farm workers who are shareholders through equity schemes may not be assured either of continued employment or even of their tenure – and so may still lose their jobs and homes on the farms in which they hold shares (Mayson 2003). High-risk and high-cost farming seldom declares profits, and members may have little say over the proportion which should be reinvested in production, and prefer short-term cash benefits to long-term investment – resulting in opposing interests among the shareholders (Tom 2006). And, because of ways in which gender inequalities structure employment and tenure relations on farms, women may not be able to opt for alternatives to equity schemes, or to control the resources that emanate. Further, until the recent emergence of 'strategic partnerships', many joint ventures did not detail specific plans to hand over control of operations to beneficiaries over time.

Contract farming is an important model for smallholder production as it provides a means of bringing private sector support to resource-poor producers, in the form of access to input, credit, training and a secure market for produce. Given the procurement requirements of AgriBEE, processing industries in secondary agriculture are likely to seek further opportunities to enter into contracts with black producers. However, it is the terms of these contracts that are controversial as, where few major companies dominate a sector, they have substantial price-setting powers. This may mean that processors are able to push down prices and rely on self-exploitation by small producers, particularly if these growers are not organised (Mayson 2003).

**Box 2: Contract farming and the sugar industry**

There has been substantial growth in the proportion of South Africa's sugar crop being produced by small growers, particularly through contract farming arrangements in communal areas. This now constitutes about 14% of the national cane crop, and about 15% is still produced by the milling companies, dominated by Illovo Sugar Limited and the Tongaat-Hulett Group, which over time are downscaling their involvement in primary production. The first LRAD project, at Nkomazi in Mpumalanga, is a relatively rare example where large commercial sugar estates were divided into 7 hectare plots for smallholders to supply the Komati Mill. Sharecropping is being piloted at Mtunzini in KwaZulu-Natal, and a development trust established by the industry partners with the Department of Agriculture in research and development, and extension services. This externalisation process assures future supply of raw material, and enables the milling companies to maximize downstream benefits, while also providing essential production support to the growers. Inkezo Sugar Company, established by the sugar industry in 2004, is now playing a role in transferring freehold land to black growers – both smallholders and medium-sized (70-100 hectares) farms, drawing on government land reform funding, and brokering loan agreements. Its target is to ensure the transfer of 78,000 hectares, to bring the total freehold cane land owned by blacks to more than 110,000, but by 2007 just five farms had been transferred.

Source: Kleinbooi 2007b

Strategic partnerships are a further type of joint venture and have, in most instances, been put in place precisely to prevent any change in land use, and are fast becoming the dominant way in which restitution claims on highly commercialised agricultural land are being settled (Derman et al 2006). These involve the transfer of full ownership to beneficiaries, subject to an agreement that farming operations will be controlled by a company in which they will be shareholders, along with a private sector partner which will be obliged to contribute capital and expertise and, possibly, a farm worker Trust. Most of the studies of successful land reform projects that have been showcased are strategic partnerships where land use is changed as little as possible, if at all, and where continuity of production and of levels of output is considered an indicator of success. Of the seven successes studied by De Villiers and van den Berg (2006), six involve either a joint venture with a strategic partner or wholesale lease-out of land to an operating company: Zebediela citrus estate in Limpopo, Makuleke co-management agreement in the Kruger Park in Mpumalanga, Stentor sugar cane plantation and the Giba banana plantation, both in Mpumalanga, and Winola Park Vinery in the Hex River Valley in the Western Cape. However, continuity of production was the criterion for 'success' – and is clearly the strength of this model – rather than the flow of benefits.

Benefits from strategic partnerships are usually in the form of dividends from shareholding and rental income, both of which may be reinvested in the enterprise rather than paid out in cash to project members, and preferential access to employment (sometimes displacing existing workers). These partnerships often involve the leasing of land owned by land reform beneficiaries, to an operating company in which they have a shareholding, usually at below the going rate in the rental market (Derman et al 2006). Because of the low levels of return to capital, profits are made on interest and pay-outs are rare, particularly in the early years of such partnerships.

Large strategic partnerships have been concluded in the Levubu valley in Limpopo, where restitution claims have led to the transfer of large tracts of high-value land under intensive production of sub-tropical fruits, largely for export. The settlement of these claims has been made contingent on partnerships between the claimants, many of whom live in neighbouring Venda, and two commercial partners which have effectively taken over control of all the farms transferred as a result of these claims: South African Farm Management (SAFM) and Mavu Management Services (MMS). A forerunner, Zebediela citrus estate, also claimed through restitution in Limpopo, involved a partnership with the former owner, Henley Farm Properties (de Villiers and van den Berg 2006) while a new major strategic parternship has been established at Tenbosch, a major sugar estate in Mpumalanga, covering 32,000 hectares, between claimants and the milling company TSB (previously, Transvaal Suiker Beperk).

A further type of joint venture is co-management between land reform beneficiaries (again, in the context of land restitution) and state institutions. Co-management models have been advanced where restitution claims have been made on protected areas, in some cases constituting a leasing out model. At Dwesa-Cwebe on the Wild Coast of the Eastern Cape, for instance, a restitution settlement agreement established a co-management agreement between claimants and the provincial parks board that would see claimants waive most of the rights that usually come with ownership. As elsewhere where this model has been adopted, benefits may be slow to materialise and direct benefits from land use are either limited or prohibited outright. No settlement on, or use of, the land would be permitted by the new owners, with the result that claimants have been accused of 'poaching' on their own land (Kepe 2006).

## *Reflections on existing models of land use*

The four models discussed above may be distinguished by the different ways in which they combine factors of production – land, capital and labour. This can be considered the 'economic organisation of production'. But they also differ in their 'social organisation of production' – the ways in which and terms on which land is held, labour and capital are supplied, and therefore how produce and profits are distributed. In group projects that are essentially production cooperatives, land and assets are co-owned, labour is pooled, capital (and debt) is co-owned and production is collectively managed. In contrast, in joint ventures, ownership may be shared but labour need not be pooled (it can be bought in), and inputs of labour and management are usually separated, as management is professionalised.

It should be acknowledged up-front that a range of different kinds of scales and production arrangements are needed in land reform, to fit different needs and situations. However, what is striking from the South African experience is, on the one hand, the dominance of the group model of land ownership and use and, on the other hand, the marginalisation of individual or household options except for those with substantial own resources. Business plans often aim to curb, rather than support, efforts at self-provisioning by beneficiaries, while the grant system and farm sizes impede household-based ownership and production, whether for consumption or sale.

Land use and production should in turn shape the configuration of rights among members to land and related resources, though land reform has typically entailed the securing of private ownership of an outer boundary of land, by a legal entity, leaving the internal arrangements of social arrangements and allocation of use rights to members to the group, and administration of this to a CPA committee or trustees.[3] The patterns of land use in land reform projects is therefore partly determined by the land and other natural resources, but also substantially by choices made in business planning and the constraints of the market environment. Land use and land rights differ across a number of dimensions. A tendency within policy has been to conflate these different dimensions. For instance, it is a peculiarity of group-based projects that the unit of ownership is usually the same as the unit of management and of use. While some projects involve separate business entities managing and using portions of the land, most involve "whole farm" land use plans, in which the legal entity that holds the land is also in charge of its management and use (see Table 1 below).

Table 1: Patterns of ownership, management and use of land

| | Ownership | Management | Use |
|---|---|---|---|
| State | | | |
| Group | Restitution<br>LRAD low-end<br>SLAG | Restitution<br>LRAD low-end<br>SLAG | Restitution<br>LRAD low-end<br>SLAG |
| Individual / household | | | |

[3] See the third paper in this series, by Edward Lahiff.

In contrast, the option of state or individual-level control has been marginalised. It is only in relatively few projects, usually where higher LRAD grants are accessed, that individuals or households own, manage and use land. Because land reform has been focused on transfer of private land ownership, it is only in the context of municipal commonage that the state plays a role in ownership and management of land (see Table 2 below). An advantage of this model is the provision of a public good on secure terms to poor land users, and a continuing public function in the maintenance of infrastructure – especially water points and fencing (Anderson and Pienaar 2003).

Table 2: Patterns of ownership, management and use of land

| | Ownership | Management | Use |
|---|---|---|---|
| State | Commonage | Commonage | |
| Group | | Commonage | Commonage |
| Individual / household | LRAD high-end | LRAD high-end | Commonage<br>LRAD high-end |

Settlement is a central component of land uses, particularly in restitution claims with many members, and in existing redistribution projects where there are many members due to the grant system. In both, the imperative is to provide housing on the transferred land. The question of settlement has been addressed in three ways. Usually it has been a single closer settlement, which should in theory at least allow provision of infrastructure for the delivery of services like water and sanitation, as part of the project plan. (At Algeria in the Cedarberg, for instance, this was taken a further step, with the establishment of a small township). Less common has been in the form of a dispersed settlement pattern, without public provision of infrastructure and services. However, a third response to resolving this tension between settlement and agricultural uses of land has been to avoid settlement altogether by prohibiting people from moving onto their land. Quite illogically, this has been seen in community claims in Limpopo, where the provincial Department of Agriculture has instructed members not to move onto their land – necessitating costly commuting from their places of residence (Wegerif 2004). Dikgolo project is an example where this insistence that new land owners not live on their land resulted in people having to commute to and from it, from their homes in communal areas (PLAAS 2007). The question of settlement – or rather, non-settlement – on redistributed land has underpinned strategic partnership arrangements, where commercial production on the land remains intact and where the new owners do not farm the land themselves, but are shareholders in operating companies and, for the lucky few, may become employees (Derman et al 2006). Such partnerships have not, to date, made provision for the owners of the land to be able to settle on the land or to use any of it for their own purposes, alongside the commercial enterprise.

Land reform projects, then, typically emphasise whole-farm commercial enterprises, many of which are costly, complex, take time to deliver benefits, are often high-risk and seldom allow for multiple uses of farmland other than those undertaken by the commercial enterprise. On the other hand, smaller household-level projects have been possible only where applicants are relatively well-off and can contribute their own resources, avoiding the need to inflate the group size to access further grant funding and instead registering each member of a household as a beneficiary to reduce the own-contribution to grant ratio. Between these two models is a third possibility: small-scale production by poor households on their own land, whether held in common or not. This is a crucial gap, a model that is not being promoted at present and is probably the most important area for the future of land reform, if it is to directly address the situation of poor people living in rural areas.

# 3. HOW LAND USE IS CURRENTLY PLANNED

Land reform is premised on the assumption that land reform will result in changes in land use, and it is these changes, rather than the mere transfer of a capital asset, that are intended to bring about direct benefits for 'beneficiaries', in the form of income, food and secure tenure (DLA 1997). Land reform also has the potential to generate wider, beneficial impacts on the surrounding population and economy, in the form of increased spending, demand for local inputs and labour, as well as the supply of food and other goods to local markets or into secondary industries (Aliber et al 2007, DLA 1997, World Bank 2007). However, transfer or restructuring of ownership does not necessarily lead to change in the organisation of production or the way in which benefits are distributed. As this review shows, much planning for land reform has done the opposite. Based on assumptions about how production and tenure regimes are to be organised, project plans have often aimed to *minimise* the changes in production and to keep existing farming systems intact through the process of redistribution. But what do policy and law say about land use, and what would a transformatory agenda have to confront?

## *National and provincial level*

> *Land use planning has remained very much a technocracy… [and] it has always proved difficult to impose these plans. Maybe this is just as well* (Dalal-Clayton 2003:45).

At the national level, there is limited planning for land use. Agriculture is recognised as an important sector of the economy, in terms of its contributions to employment, supplying food into local markets, and as an earner of foreign exchange. The *Strategic Plan for Agriculture* emphasises growth, competitiveness and deracialisation through support to new entrants, but contains no vision plan for land reform to change patterns of land use and to transform the agricultural sector to play a new and reinvigorated role in economic development (DOA 2002). From the side of land reform policy, the *White Paper* says very little about land use but does note that:

> *smaller sized agricultural units are often farmed more intensively, and are more labour absorbing. There are over a hundred thousand small scale and subsistence farmers in South Africa who could be assisted by the land redistribution programme to expand their land resource base through purchase or lease. The land reform programme thus offers the potential for more intensive irrigated farming, for contract farming in important sectors of the agricultural economy such as cotton, timber and sugar, and the potential to intensify agricultural production in areas of high agricultural potential* (DLA 1997).

A system of classifying agronomic regions (particularly distinguishing summer and winter rainfall areas) was used in the past by the Department of Agriculture when it was national. Now, agriculture is a concurrent competency and planning is decentralised to provincial level, based on spatial development plans and provincial growth and development strategies. Provincial growth and development plans outline the importance of the agricultural sector, but do not indicate how agricultural land should be used differently in the future.

At a national level, the Land Use Management Bill of 2006, in draft since 2001, has been presented to parliament and is currently under debate. Zoning is the key instrument used by governments to regulate land use but, once the Land Use Management Bill is promulgated, zoning will be fully devolved to municipalities which are obligated to develop “land use schemes” to regulate how land is used and managed. Although it takes precedence over municipal by-laws and any national legislation impacting on land use regulation, this Bill is framework legislation which devolves decision-making, within certain parameters, to municipalities. The Bill provides intergovernmental support for the development, alignment and coordination of land use and spatial development plans of municipalities, and for dispute resolution between municipalities and local communities regarding land development and land use regulation. This Bill sets in place ‘directive principles’ for land development and land use management, including among others the best possible use of available land-related resources, promotion of compact human settlements rather than low-density urban sprawl, appropriate mixed land use, and the preservation of agricultural land and in particular prime and unique agricultural land for agricultural purposes (RSA 2006:11-12).

### *Local level*

> *Internationally, there has been a thrust towards decentralisation and participation in land use planning, in order to close the gap between those drawing up plans, those who will implement them, and those who are the “subjects” of these plans* (Dalal-Clayton 2003:45).

Over the past year, area-based planning (ABP) has been adopted as a new approach to planning land reform by the DLA, in which plans are to be drawn up for each district in the country, specifying which land should be acquired for redistribution, what kinds of farming and other activities are to be supported, and for whom. These plans are to be aligned with spatial development plans at municipal level, and to form part of integrated development plans (IDPs). For each district, consultants have or are to be appointed to develop these plans, including a situational analysis, a vision and strategy, identification of projects, integration and prioritisation of plans, and approval.

ABP involves evaluating land and related resources (what is it good for?) but also requires the determination of land use (how should it be used?) – a somewhat different question that requires consideration not only of physical resources, but of economic objectives. This is far from being a technical exercise; it represents a political choice that is often based on incomplete information about the possible economic and social outcomes of various possible uses.

The most significant precursor to ABP was the Area Land Reform Initiative (ALRI) was a joint initiative of Makhado local municipality in Vhembe district, Limpopo, and Nkuzi Development Association, aimed at determining a new vision for agriculture in the area, given the density of land claims and the structural contrast of large-scale and capital-intensive commercial farming, on the one hand, and densely settled and impoverished communal areas on the other (Manenzhe 2004, Wegerif 2006). However, the ALRI initiative was limited by poor buy-in from key government agencies and, more significantly:

> *The inability to conceptualise an alternative structure for agriculture in the area is inhibiting transfer of land and investment in marketing and supply networks that would be required to promote a new model of farming. The investigation of more appropriate farming technologies is also limited if there is no clarity on what type of new farm models may be considered in the future* (Wegerif 2006:14).

In the Breede River Winelands local municipality in the Western Cape, a pilot initiative aimed at participatory area-based planning for land reform aimed to address this limitation, by exploring the land needs of local communities and considering both the current structure of farming and its role in the local economy, and potential alternative farming models and what kinds of multiplier effects this may have (see box 1 below). The focus is therefore on the possibilities and limits of what can be done in this context.

**Box 1: Mismatch of needs and existing farming in Breede River / Winelands**

In the Breed River / Winelands local municipality in the Western Cape, dominant farming models offer few, if any, opportunities to the poor to enter into agriculture other than as wage workers. Here, high land prices, capital-intensive production of wine grapes and fruit, and of secondary industries (wine cellars and fruit canning) pose almost insurmountable obstacles to potential new land users. Yet survey research conducted as part of a pilot participatory land reform planning exercise by the Trust for Community Outreach and Education (TCOE), PLAAS and Mawubuye Land Rights Forum found that many of the residents of informal and RDP settlements surrounding the small farming towns in the area are reliant on their own agricultural production for at least part of their livelihoods, usually on land to which they have no legal rights. 14% own livestock of some kind and 22% are growing food for household consumption and, in some cases, for local sale. Their articulated priorities are for small allotments for vegetable production adjacent to town, for access to expanded municipal commonage for grazing, and for smallholdings for mixed livestock, food and, in some cases also cash crop, production close to town. Yet these types of land use have been discounted in the land reform process thus far. Opportunities on offer through land reform in the area are for strategic partnerships with wine cellars, or large group projects to take over entire commercial farms as going concerns.

Similarly, in KwaZulu-Natal, the Association for Rural Advancement (AFRA) is engaged in a similar process in the Gongolo area, where a combination of restitution claims and labour tenant claims on white-owned farms adjacent to communal areas open up possibilities for pro-poor development, while a proposed nature reserve offers opportunities for investors – a situation that has directly pitted competing visions for land use (of current and future owners) against one another.

Each of these three civil-society initiatives have emphasised that area-based planning must develop an alternative vision, based on participatory processes with local people and strong buy-in from local government, for a new role for agriculture that would support *more* livelihoods and therefore have a beneficial impact on the district's economy. ABP allows planning for land uses, and therefore for the identification of land for redistribution, beyond project level, and thus has the potential to drive greater clarity on the kind of restructuring that is needed. However, the key limitation of ABP is that it is not taking place within the context of national land use priorities. Area-based planning presupposes that land needs can be met internally, at a local level, within the confines of municipal or district boundaries. The limitations of this approach are:

- It presupposes that there can be a neat fit between identified needs and available natural resources within a given area;
- It allows only limited restructuring between communal and commercial areas;
- It also provides no guide for prioritisation of land uses, tenure types, or who is to benefit.

While ABP holds the potential for targeted interventions from government, rather than the ad hoc processes of the past, and to devolve integrated planning to the local level, its decentralised approach is also its weakness. To provide new directions and coherent alternatives for land use, ABP needs to be undertaken within a wider vision for agrarian restructuring, and this must be provided at a national level.

### *Project level*

Up until the introduction of ABP, land use planning has taken place only at project level in South Africa's land reform, and has been guided by business plans developed for each project. Although applicants may prepare a plan themselves, the guidelines for business plans suggest that this option will seldom be feasible, and that applicants will require the assistance of a consultant, to whom the DLA will pay a fee. In the Western Cape, the guidelines run to eleven pages in point form, indicating the topics to be covered in a business plan (DLA 2006). Business plans, developed by private consultants appointed by the departments of Land Affairs, Agriculture or lending institutions, have been guided by terms of reference, whose requirements differ across the provinces. So nationally, there is no standard set of questions to which business plans must respond. There is also no clear differentiation in the business planning requirements between different kinds of projects. This means that the planning requirements for projects for land access for household production are the same as those involving commercial enterprises with strategic partners.

Business plans involve consideration not only of the agricultural potential (ie. what is the land good for?) but also for the production environment (ie. what kinds of enterprises will work, given markets, skill, asset & capital?). Land use planning within these business plans is informed by assessments of technical feasibility, based on topography, soil types, rainfall and water availability, among others, premised on certain types of production. Cash-flow projections informing business plans rely on "commercial budgets" for farming, periodically published as COMBUD by the Department of Agriculture. The potential income from a given crop can be read off from the COMBUD, which combines expected output for a certain type of farming, varied by region, and expected prices per unit of output.

A review of business plans, undertaken for this paper, shows that these include basic demographic information on project participants, but not a socio-economic analysis of their existing livelihoods and varied interests in land. They usually contain information about 'marginalised groups' within projects (ie. numbers of women, youth, disabled and farm dwellers), but there is seldom any disaggregation of the different interests, resources or livelihood strategies within a group.

## *2.4. Regulating subdivision*

A major impediment to land reform, and to changing farming systems through land reform, is the difficulty involved in subdividing agricultural land (Lahiff 2007, van den Brink et al 2006). The Subdivision of Agricultural Land Act 70 of 1970 limits when and how this may happen and was originally intended "to curtail the fragmenting of agricultural land into uneconomic units" (SAPOA 2004). This Act was effectively used for zoning purposes, as a measure to limit changes in land use and specifically to guard against the subdivision of agricultural land for residential purposes. Such restrictions are not peculiar to South Africa; throughout the settler colonies of Southern Africa, colonial agricultural officials developed criteria for "economic units" or "viable farm sizes", differentiated according to agro-ecological zones (Zhou 2002). Their origin, however, lies not in any inherent economy of scale in production, but rather subjective and ideologically informed calculations regarding acceptable levels of incomes for commercial farmers (van den Brink et al 2006).

In South Africa, recognition that these are normative, and anomalous, prescriptions for the incomes of commercial farmers led to the Subdivision of Agricultural Land Act Repeal Act 64 of 1998, which does precisely what its name suggests – repeals the Subdivision Act in its entirety and all subsequent amendment laws (RSA 1998). Despite being passed in September 1998, nine years later it has still not been signed into law by the President – apparently because of the need for new land use management law (see above) though the reason may be more political than technical. Meanwhile, section 10(3) of the Provision of Land and Assistance Act 126 of 1991 (Act 126) exempts land reform projects from restrictions on subdivision. For this reason, the most significant obstacles to subdivision for land reform purposes are not legal; rather there are substantial financial, institutional and ideological obstacles. Most fundamentally, there are no state initiatives to promote subdivision, and inadequate incentives for owners to subdivide, because there is not a sufficiently large, secure market of smallholders ready to purchase land – if all sales are contingent on grants being approved, this provides very little incentive to landowners to incur costs upfront.

There are two situations in which subdivision is needed for land reform purposes. The first is to divide portions of existing farms for redistribution, so as to offer a variety of land parcels sizes. This is also essential if under-utilised land is to be targeted. In conjunction with a land tax which raises the costs to landowners of retaining ownership of large tracts of un- or under-utilized land, subdivision can assist in making land available in parcels suited to need of potential beneficiaries. LRAD anticipated that farmers themselves, or developers, would take this initiative, carry the costs of subdivision and invest in improved infrastructure in order to sell of individual units through redistribution (MALA 2001) – a scenario that has simply not materialised. The second situation where subdivision is needed is where large properties are acquired for redistribution and then divided into smaller portions for allocation to beneficiaries. The latter was the route followed in Zimbabwe during the 1980s, where the state bought large farms, often contiguous, and then subdivided these either into medium-sized farms or into smallholdings, making possible the provision of common grazing land and the provision of required infrastructure.

The availability of small parcels of land is crucial not only at an initial stage of redistribution, but also subsequently, to enable those who wish and are able to move into new types or larger scales of production to extend (van den Brink et al 2006:30). To determine availability of smaller properties, LRAD proposed that "local governments and municipalities should be requested to provide an audit of agricultural smallholdings within their boundaries" (MALA 2001:13). However, this one mechanism to determine the availability of smaller agricultural properties – the Municipal Land Audit – has not been conducted.

This attachment to 'viable farm size' has been challenge by evidence of an *inverse* size-productivity relationship in certain situations (Binswanger et al 1995). However, whether or not small farms are more efficient than large ones is *contingent* on what is being produced, using what technology and for which markets. The key argument in favour of subdivision in the international literature is that, given that there are few intrinsic economies of scale in primary production and that, other things being equal, smaller landholdings in which there is no hired labour are more efficient than large farms (Binswanger et al 1995). Where economies of scale in primary production do exist, they are largely due to the need for lumpy inputs like machinery (eg. combine harvesters) and the costs of compliance with private and public regulation – again, areas where cooperation among smallholders, with support from government or the private sector, can overcome barriers for smallholders. In addition, subdivision is a precondition for intensifying land use in countries with a highly skewed distribution of land ownership, such as South Africa, where underutilisation of agricultural land is considered to be substantial.

However, the absence of a strategy to promote subdivision has led to a great irony in land reform. While applicants are given little choice but to buy whole farms intact without dividing these into smaller units more suited to their needs because only large farms are 'viable', agricultural properties *are* being subdivided for the purposes of luxury country living for the wealthy who wish to live in an agricultural setting but may have no intention of farming – so-called "lifestyle farming". So poor people accessing land are required to adapt their lives to the demands that the land must be farmed, and farmed at scale, in a manner that is both capital-intensive and risky while, for the rich, changes have been allowed in land use and farm sizes.

While LRAD offers the 'flexibility' of grant size, there is no equivalent flexibility in land sizes. There is thus a mismatch between policy mechanisms emphasizing entry at a variety of levels (ranging from food safety net projects to small and medium sized farms) and the actual array of properties available to would-be beneficiaries. In land reform, a 'small project' means 'little money' and therefore usually not enough to buy any farms being offered for sale. Unless there are interventions to facilitate the subdivision of agricultural land, the sizes of existing land parcels could drive a continued pattern of large group projects – one problem from the first phase of redistribution that LRAD was intended to address but has tended to perpetuate. LRAD was based on "the ability of participants to sub-divide existing large land units" (MALA 2001), yet a review of the Land Redistribution for Agricultural Development (LRAD) programme recognises that this has not happens, and argues that production on small farms (or subdivision of larger farms into smaller units) and less capital-intensive production should be considered.

> *"This tendency is further re-enforced by the reluctance of officials of the Department of Agriculture to sub-divide farms below what they consider to be the "viable" size. The programme then often ends up with projects attempting collective commercial farming, or projects where beneficiaries hire a farm manager to run the enterprise" (MALA 2003:12).*

In practice, though, little subdivision is taking place. Interviews with provincial offices of DLA indicate that these are very much the exception rather than the norm, and only a handful of examples could be found. In the Southern Cape, a few were found, including the Friemersheim project near Groot Brakrivier where, in  a group of livestock owners acquired separate plots on a household basis, which they preferred to group-based ownership and production, given their previous experience of working together on the commonage.

There is no economic rationale for restricting the subdivision of agricultural land yet the seemingly intractable attachment to the notion of economic units, laden with ideological and historical baggage, remains a core problem for land and agrarian reform (Hall and Williams 2003, van den Brink et al 2004). The notion of an 'economic unit' still underpins the position of the Department of Agriculture, evident in officials' apparent refusal to subdivide farms for land reform purposes (Thomas, pers. comm.). It is essential that the Subdivision Act be removed once and for all, by the President signing its repeal into law, but this is by no means a sufficient condition to enable changes in the structure and scale of farming. If land reform is to restructure, then a core challenge is to develop mechanisms to promote subdivision and, alongside this, invest in appropriate infrastructure for smallholder as well as other scales of production.

# 4. LIVELIHOOD IMPACTS OF LAND USES IN LAND REFORM

It is essential to understand how land use has impacted on the livelihoods of land reform beneficiaries, however available information is neither comprehensive, nor agreed on indicators. The South African literature on land reform suggests that outcomes, or indicators, of success in land reform should include:

- Improved food security improved nutritional status from self-provisioning, also resulting in increased disposable cash income;
- More income; increased regularity of income from marketed produce, wage employment; and more egalitarian distribution of income;
- Increased well-being: improved access to clean drinking water and to sanitation, improved housing, ownership of household items and access to fuel for cooking;
- Reduced vulnerability: improved access to social infrastructure, like schools and clinics, increased mobility;
- More sustainable use of the natural resource base (Andrew et al 2003, DLA 1997, May and Roberts 2000).

The Quality of Life (QOL) surveys conducted by the DLA have provided some, limited, insights into the land uses and livelihoods of land reform beneficiaries. The QOL surveys were initially envisaged as annual surveys, later as biannual surveys, and have in practice been published in 1998, 2000 and 2003, with a fourth survey being in process during 2007, for which results are expected to be available during 2008. The DLA commissioned the QOL surveys to investigate the extent to which the objectives of the land reform programme have been met and the surveys claim to provide "an account of the impact of land reform on the livelihoods of land reform beneficiaries" (DLA 2003:xx).

The first survey was a small study conducted internally by the DLA's Monitoring and Evaluation Directorate, and published as the "Annual Quality of Life Report" in October 1998. This survey, conducted in 1997-98, "was widely criticised for its limited scope, its questionable theoretical assumptions and its methodology" (Naidoo 1999).

> *"An independent assessment of the report concluded that the study was not sufficiently detailed to permit the assessment that was required by DLA. The assessment also questioned the sampling procedures that were used, and the way in which these were implemented raising the concern that the study may not be representative or sufficiently rigorous for the purposes of monitoring" (May and Roberts 2000).*

The second survey attempted to assess the impact of reform on livelihoods, though this was shortly after transfer – more than half the projects had been transferred less than a year prior to the survey (May and Roberts 2000). The survey found widespread under-utilisation of land, both in the sense of land not being used at all, and land that was potentially arable being used for less intensive forms of production: "much land remains under-utilised, with neither grazing or cultivation occurring"; and "the most common form of productive use is as grazing land" (May and Roberts 2000:8,13).

The key findings on livelihood strategies from the second QOL survey were that "beneficiary households have alarmingly high levels of poverty, with 78% falling below the expenditure poverty line of R476.30 per adult equivalent per month and 47% classed as ultra poor (less than half the poverty expenditure line)" (May and Roberts 2000:14). As with the previous QOL survey, this finding would appear to refer to the position of beneficiaries at the time they joined the project, rather than as a result of land reform, given that most projects surveyed were still at the inception stage. Nevertheless, there was substantial variation in beneficiaries' livelihood sources and strategies and, on aggregate, very low incomes.

The key findings of the second QOL survey on the livelihoods of land reform beneficiaries were:

- *Sixty-three percent of beneficiary households receive some form of waged income;*
- *Just under 20% of beneficiary households receive an income from both agricultural production and self-employment activities;*
- *Only 8% of households acknowledged transfer payments, though this low figure is probably related to the virtual absence of migrant household members in the sample;*
- *Thirty-eight percent of households were deriving income either from the sale or own consumption of agriculture and livestock, while 62% were not deriving income at all, indicating that livelihood impacts may be very unequal across households, even within the same project. The average household income from agricultural activities for the total sample was R1 146.00 per annum (May and Roberts 2000:15).*

The most common land uses were the extension of existing livestock herds, and maize production for household consumption – two important inputs into the livelihoods of poor and vulnerable households (May and Roberts 2000). Even while most production on redistributed land was considered to be for "subsistence", the survey found that among those cultivating, most are both buying inputs and selling at least some of their produce, usually in very local markets – as is the norm for "subsistence" producers in South Africa. The study found that land reform beneficiaries were better off than the rural population on average, but failed to demonstrate whether or not this was as a result of their improved access to land – or whether this correlation was due to the better off being more likely to be able to access the programme. As a result, "the current data does not permit a detailed impact analysis of the land reform, and only tentative conclusions can be reached at this stage (May and Roberts 2000:23).

The third QOL survey, conducted in 2002 and reported in 2003, encountered serious problems and discontinuities with previous surveys. It differed from its predecessors in terms of its sample, the design of the research instruments and analysis of the data. This report was never officially released. Despite, or perhaps in view of, the methodological problems encountered, it provided important recommendations for future impact analysis, as follows:

- *The DLA needs to integrate the collection of baseline household level information into its project cycles so that information on the quality of life of beneficiaries prior to the transfer of land is recorded. This is a basis for monitoring and evaluation. This will require improving the Landbase data* *system of M&E and capturing more extensive beneficiary and project information during the project approval stage.*

- *The DLA should produce QOL reports on an annual basis, using a standard set of survey instruments to reflect the impact of land reform over time. The reports should be extended to assessing the resources committed to the delivery of land reform, including staff capacity, capital and operating budgets, and contributions from other government departments, parastatal and local government institutions.*

- *The QOL survey should be extended to include a control group of rural households and communities that have not benefited from land reform. This will enable future reports to compare improvements in the quality of life of land reform participants to other rural populations* (DLA 2003 xxxii).

The QOL studies have shown that those in the programme are better off than the rural population as a whole; but are they better off because they are land reform beneficiaries; or did they manage to become land reform beneficiaries because they are better off? Those who are richer are more likely to have cattle; but are they richer because they have cattle, or do they have cattle because they are richer? Redistribution policy, unlike restitution policy, is based on the presumption that the presence of an own contribution can have a positive impact on projects, as a sign of commitment, but this proposition has not been empirically tested. As Murray observed in the Free State, those who are best placed to participate in the land reform programme, and predominated in an early study of land reform, were those who were literate, had their own disposable resources with which to pursue their applications, had access to telecommunications, to transport, had access to officialdom, and have social and political networks (Murray 1997).

In summary, there remain both *technical and conceptual challenges* in determining livelihood impacts within the context of South Africa's land reform programme. Existing data from the QOL studies on the livelihoods of land reform beneficiaries demonstrates important correlations, but on the whole fail to demonstrate causal relations that tell us something about the ability of land reform to improve people's livelihoods and lift them out of poverty.

In the absence of baseline data – a profile of people entering the programme – subsequent surveys can only provide a snapshot of people's livelihoods, but cannot explain how these have changed as a result of land reform. In addition to the "before" and "after" dimension, few if any studies have attempted to disentangle or even adequately conceptualise on-project livelihoods in relation to people's overall livelihood strategies – how land reform is one input into wider livelihood strategies – or to theorise the relationship between the two. As a result, impact studies, which would investigate changes over time and determine whether these can be attributed to land reform, have not been possible.

An audit of land reform projects in the North West province, by Kirsten and Machethe (2005) suggests that project failure can be largely ascribed not to operational problems but to inappropriate planning and the wider context. This review commissioned by the National Department of Agriculture assessed "the extent to which land reform projects are meeting or not meeting the agrarian reform objective of ***commercial viability***"

(Kirsten and Machethe 2005 – emphasis added). Its key findings were that, of all the land reform projects in that province:

- One-third were locked in intractable conflict and, as a result, the majority of their members had lost interest in the project and had *de facto* exited;
- More than a quarter of projects had never produced anything since taking ownership of their land;
- 55% of projects had no implements for production and 27% had inadequate implements (Kirsten and Machethe 2005:12).

Dysfunctional projects were those where most members were no longer involved, with the result that they are perpetually in contravention of their obligations, and cannot access the balance of the grant, nor contract with outside parties. This has contributed to dysfunctional legal entities, and the need to bring legal and financial affairs in line with on-the ground realities. However, other studies have pointed out that attrition of members is often the outcome, rather than the cause, of project plans not being realised (CSIR 2004).

In just 11% of cases did beneficiaries report that they had drawn up their own business plan; in the bulk of cases, it was a private service provider (consultant) or an official from the Department of Agriculture who drew this up (Kirsten and Machethe 2005:33). Agents who draw up business plans have limited roles in implementation and follow-up, and therefore also limited accountability for the outcomes of their plans. Kirsten and Machete (2005:34) found that while over a third (37%) of projects had the assistance of design agents in implementing their plans, business plans were in no way a reliable predictor of actual land uses in projects. Among half of projects, leaders were aware of the contents of their business plans and a minority had access to the business plan, in hard copy, on the farm itself. Only 35% of projects reported that they were following the original business plan. The most striking finding of this study is that the more successful projects were *less likely* to be following the original business plan than those that were less successful. Among these, 60% were making up their own plan as they went along, and ignoring the paid-for plan, compared to 42% in the sample as a whole (Kirsten and Machethe 2005: 35).

The findings of the study draw into question the quality and appropriateness of the type of business plans that form the basis for project approval – since these are widely ignored and, even where they are implemented, correlate negatively with project success. The study found a direct relationship between provision of aftercare support and levels of production – yet nearly three-quarters of business plans did not make any provision for, or indicate the need for, aftercare to be provided (Kirsten and Machethe 2005:35). Under half of projects report that the Department of Agriculture has provided advice to them, and just 5% indicate that they receive support from the NDA (Kirsten and Machethe 2005:39).

Two points merit attention. First, these findings correspond strongly with those in the CASE (2006) study. However, the emphasis in both studies on adherence to business plans, marketing of produce, and profits, obscures the non-monetised benefits that may have accrued to project members. This raises the possibility that the contribution of land reform to livelihoods may have been *underestimated* in some of these studies – including where projects may be producing benefits, have ostensibly ‘failed’ in the sense that they have not realised the objectives of business plans.

Second, the reasons to which under-use of land and non-operational projects are attributed are focused on failures of the project members themselves (conflict, lack of skills, poor management, etc) and the absence or inadequate support from government institutions, most notably the Department of Agriculture (lack of aftercare, training, extension advice, etc). However, the studies do not question the business plans themselves, but take as given that adherence to business plans is the optimal outcome even though, as shown in the North West study, there may in fact be a negative correlation between the two.

A further issue that merits attention is the wider economic context in which production take place (or not). The issue of under-utilisation of redistributed land has been framed – in the public imagination and in the few review reports that have been written – predominantly as a problem of production. This has fuelled (sometimes racially) caricatured notions of the limitations of poor black people as custodians of the land (du Toit 2004). However, concerns about under-use of redistributed land are widely shared across the political spectrum. Among official reviews, the dominant reason put forward for the failure to produce is the lack of skills, for both cultivation and for management, thus laying the blame squarely on beneficiaries themselves, rather than on two other possible causes: the inappropriateness of planned land uses, and a hostile policy and economic environment (Andrew et al 2003).

# 5. DYNAMICS IN THE COMMERCIAL FARMING SECTOR

When considering land use options in land reform, and whether and where commercial models should be followed, a critical investigation is need of the policy and economic environment in which farming is taking place. While the dynamics of farming, mostly by resource-poor farmers in the communal areas has been analysed elsewhere (Aliber et al 2007, Andrew et al 2003), for redistributive land reform one must consider what opportunities exist (or do not) in the commercial sector. This section considers what is happening in the commercial sector, what opportunities does this offer for people entering into (or expanding in) agricultural through land reform, and what systems exist to support new and disadvantaged farmers.

## *Rapid deregulation*

After the dramatic rise in state support for white farmers since the 1930s and 1940s, the commercial farming sector that was built through extensive state interventions in land, credit, input, and output markets went into decline in the 1970s, along with other sectors of the economy. By the late 1980s, agriculture was in serious trouble, with net income and exports in decline, while farming debt had quadrupled in less than a decade. This was not merely an expected "sectoral decline" relative to the rest of the economy, but also a response to the removal of state support during the 1980s, which contributed to the declining contribution of agriculture, to 4.6% of GDP in 1990. Excluded from national agricultural statistics were the estimated 1.3 to 3.5 million small-scale farmers in the former 'homelands' (DOA 2006). The *White Paper on Agriculture* noted that:

> *The present structure of agriculture and rural communities is characterised…by a very uneven income distribution. This problem can be addressed by broadening access to agriculture via land reform and bringing small-scale farmers into the mainstream of the Government's technical and financial assistance to agriculture* (RSA 1995).

However, with the advent of democracy, and the need to end state transfers to the already highly privileged white farming sector, the 1990s saw the elaborate architecture of support that was built up over decades being rapidly dismantled. This involved the removal of subsidies, subsidised credit and bail-out programmes, state marketing boards, trade protection, and other related reforms including water reforms and labour regulation. Direct and indirect subsidies were reduced or, in most cases, abolished altogether. Maize subsidies were abolished by 1993, and by 1997 interest rate subsidies and export subsidies were also ended. Price support now only remains in the sugar industry. By 1998, agriculture's Producer Support Estimate (PSE) was 4%, the lowest in the world after New Zealand and, by 2001, the total state spending on agriculture stood at R2.5 billion – just 45% of 1998 levels (Vink and Kirsten 2003:18).

Marketing of agricultural products, regulated through 22 marketing control boards in a "single channel", fixed price monopsony system, was also brought to an end. While elsewhere in the world, marketing boards have been used to keep producer prices down in order to ensure cheap supply of food and downstream agricultural products – and where possible, to increase state revenue from agriculture – in South Africa they had served the opposite purpose: to redistribute resources from the rest of the economy to the commercial farming sector. State price control that maintained high maize prices meant a net welfare transfer from lower-end black consumers to white farmers producing maize through the 1980s (van Schalkwyk 2003:127). However, deregulation of marketing was supported by better-off farmers and agribusinesses involved in secondary agriculture, who lobbied to be able to market freely at the end of the sanctions era, resulting in the Kassier Commission. The Marketing of Agricultural Products Act of 1996 confirmed the deregulation of marketing and established the National Agricultural Marketing Council (NAMC) to advise on statutory measures to regulate agricultural marketing with some powers of intervention, including to fix prices and control imports, but was generally disinclined to use them. By 1998, all control boards had been privatised and this new marketing environment saw a proliferation of private marketing and export agents.

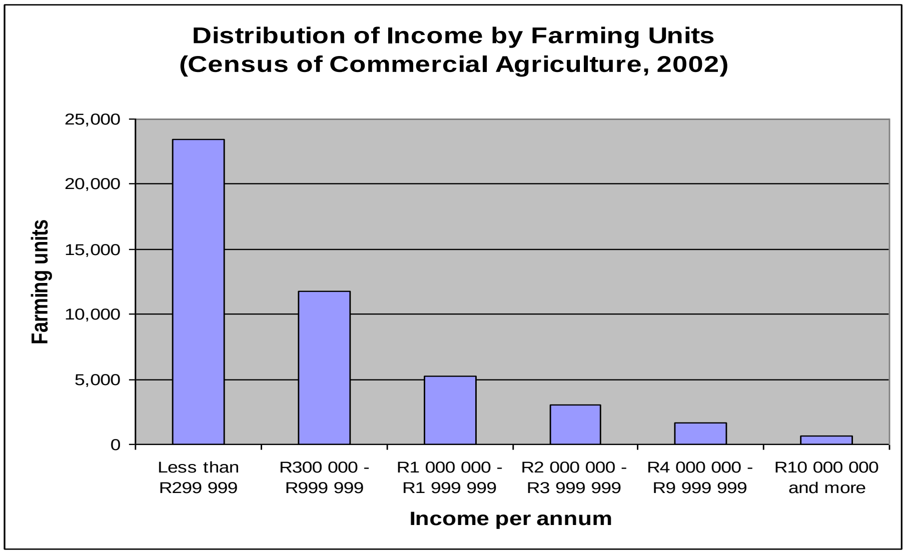
In the place of price control, the South African Futures Exchange (SAFEX) was established in 1988 as a futures market for key grain staples: white and yellow maize, wheat, soya, sunflower seeds, and so on. This is now the key "price discovery mechanism" for certain commodities in the post-marketing control era to provide "price risk management", and was expected to provide price stabilisation. However, the Food Price Monitoring Committee found it led to price volatility and overshooting on the basis of perceptions, that large players were able to manipulate prices, it was inaccessible to small producers and millers, and was likely to lead to concentration in medium to long term (NDA 2003:16).

## *Outcomes of deregulation*

The commercial sector is now a mixed picture. Certain commodity sectors are in crisis, including maize, but there is increased efficiency (narrowly defined), through vertical integration and elaboration of privatised value chains – from production to marketing, processing and packaging, distribution and consumption. As a result, agribusiness has thrived at the cost of smaller and poorer white farmers, who are unable to take advantage of economies of scale *outside* of primary production. This means also changed dynamics of vested interests in agriculture. Previously, it was assumed that black farmers and consumers would have common interests, but a growing alliance in organised agriculture, through the Presidential Working Group on Agriculture, has forged closer relations between agribusiness, white and black established farmers, together with the increasingly important commercial banks.

As a result of both the process of deregulation and the liberalisation in the international trade of agricultural goods, major changes have taken place in all areas of agriculture. Total agricultural output grew 27% between 1995 and 2002. Nationally, South Africa is self-sufficient in field crops and horticulture and nearly (97%) in livestock. Producer prices grew 79% in this period, but input costs grew faster, bringing about a "cost-price squeeze" in some sectors. Yet on the whole agriculture is doing well: gross income was R42 billion in 2002 and net income rose from R7 billion in 1994/95 to R23 billion in 2002/03. Capital formation has *doubled* since 1994, and the contribution of agriculture to the GDP has increased slightly from 3.2% in 2002. The rapid growth in exports outstripped the growth in imports from 1994 to 2002, with imports rising from R5 billion to

R15 billion, and exports rising from R8 billion to R25 billion. The distribution of income, too, has grown more unequal, with 51% of all farms earning a gross income below R300,000 a year (see below), while just eight agribusiness companies have a turnover above R1 billion a year (Vink, pers. comm.).




Source: NDA 2005

A key trend in the ways in which land use has been organised since 1994 is the consolidation of ownership of farm land into fewer hands. The number of farming units declined from just over 60,000 to 45,000 in the six years between 1996 and 2002 (NDA 2005:1, NDA 2006:6). This is largely due to consolidation of landholdings into larger units of ownership and production, as farms are acquired by neighbours and become part of a larger farming enterprise, or as larger agribusinesses buy up a number of farms in an area. Although consolidation is antithetical to land reform, it is also ironically the result of strategic partnerships involving restitution claimants taking over multiple farms and putting these under single management, as in the Levubu valley in Limpopo (Derman et al 2006). Alongside this consolidation of land parcels, another consolidation appears underway in the distribution of agricultural capital in primary production and up- and downstream industries. In addition, input trends have changed as production has become more capital-intensive and less labour-intensive. Across the horticulture, field crops and livestock sectors, higher cost forms of agriculture are continuing, with ongoing mechanisation and heavy reliance on pesticides and fertilizers (DOA 2006).

Employment has declined substantially. The long-term trend, accentuated during the 1990s, has been towards a smaller labour force and an inversion of the proportion of regular to seasonal and casual labour (Aliber et al 2007). Total employment declined by 14%, regular employment declined by 26% and total remuneration to employees in agriculture grew by 7% (NDA 2005:8). Agriculture shed 150,000 jobs between 1993 and 2002, and dropped from 10.5% to 7.5% of total formal employment between 2001 and 2005. At the same time, skilled employment in agriculture was also in decline (NDA 2006:4).

Between 1994/95 and 2002/03 there was a 10% *decline* in the area farmed (DOA 2006). While there is no national data on the degree of non-utilisation or under-utilisation of commercial farmland in South Africa, it does appear that arable land in particular is under-utilised, mostly due to being used for grazing rather than cultivation. Although nationally, 91% of arable land is considered to be fully utilised, this figure varies substantially by province: 46% of potentially arable land in Limpopo and 52% in the Northern Cape is reported to be unused (NDA 2006:5). Further, the past decade has seen the contraction of farming as more land is taken out of agricultural production altogether, to make way for non-agricultural land uses, through conversion to game farms (a trend noted in most provinces of the country), golf courses (specifically on the Southern Cape coast and KwaZulu-Natal coast), and, in similar areas, for housing and holiday estates.

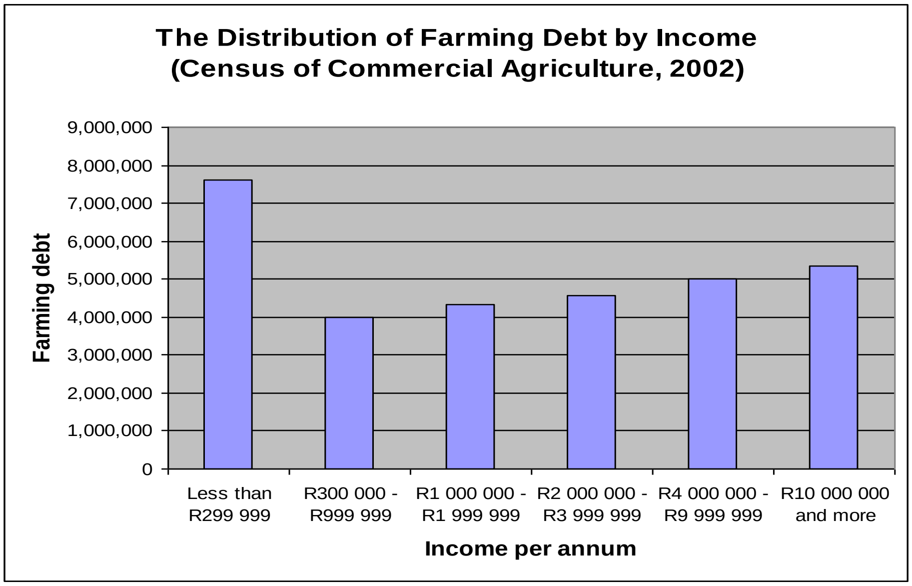
Within this broad picture, sectoral changes are significant. In the field crop sector, real gross income increased by 66% between 1993 and 2002 (NDA 2005) and is expected to continue its rise in output and area planted, including sugar cane, sunflower and soya (not least due to the growing demand for crops for biofuel production). At the same time, the areas planted to maize and wheat declined by 31% and 24%, respectively, between 1993/4 and 2004/5 – yet South Africa typically has a surplus of maize at a national level, with production exceeding domestic consumption by people and animals by about 50%. Other sectors in decline in terms of area planted are grain sorghum, groundnuts, rye, cotton and tobacco.

In the horticultural sector, gross income increased by 53% in real terms between 1993 and 2002. Key shifts here have been the rising output and higher increases in the value of production in apples, apricots, grapes, pears, peaches, plums, figs, strawberries, over the past ten years. Within the sector, a major shift has been from other fruit to wine grapes, and growth in value-adding on-farm in the form of wine cellars.

In the livestock sector, gross income rose only slightly by 10% between 1993 and 2002 (NDA 2005:8). Cattle numbers rose by 10% between 1994 and 2004 in the commercial areas where slaughtering also increased, and the unknown cattle numbers in communal areas is also understood to be growing substantially (Andrew et al 2003). Despite increased production, South Africa imports nearly 10% of the beef we consume. Similarly, the poultry industry (both meat and eggs) is growing, but SA has rapidly become a net importer of white meat as consumption grew 71% in the 10 years since 1994. Sheep and goats, though, are in gradual decline, as are wool products – though the proportion of this produced by black farmers is growing. This does not reflect, however, the substantial and growing production, slaughter and sale of sheep and goats in the informal market, none of which is captured in national agricultural data.

## *Credit and debt*

Cheap credit led to heavy borrowing and “over-mechanisation” in the 1970s and 1980s, at times resulting in negative real interest rates (ie. it was actually profitable for farmers to be in debt). By 1997, the Agricultural Credit Board, which had bailed out bankrupt white farmers, was disbanded. In 2002, farmers paid nearly R3 billion in interest payments from the agricultural sector to debtors, for a total farming debt of approximately R30 billion, which rose to R36.7 billion by 2006. Commercial banks have emerged as dominant creditors in agriculture (R12.2 billion), followed by private persons (R6.2 billion), Land Bank (R5.4 billion), cooperatives (R3.3 billion) and government departments (R371 million) (NDA 2005). The share of this debt is highest among those farms with low incomes, below R300,000 gross income a year (see below).




Source: NDA 2005.

Because the majority of farms have an income below R300,000, these are also the farms where the bulk of the agricultural employment is located, even though they employ fewer workers per farm than the larger enterprises with higher incomes (see table 3 below).

Table 3: Employment and debt by income category

| Income per annum | Employees | Farming units | Average employment per farming unit | Farming debt (Rands) |
|---|---|---|---|---|
| Less than R299 999 | 241,124 | 23,428 | 10.29 | 7,627,781 |
| R300 000 - R999 999 | 137,028 | 11,805 | 11.61 | 3,984,586 |
| R1 000 000 - R1 999 999 | 128,835 | 5,214 | 24.71 | 4,323,896 |
| R2 000 000 - R3 999 999 | 124,956 | 3,041 | 41.09 | 4,567,368 |
| R4 000 000 - R9 999 999 | 148,366 | 1,657 | 89.54 | 5,024,005 |
| R10 000 000 and more | 160,511 | 673 | 238.50 | 5,330,225 |

Source: NDA 2005.

## *Support for new or poor farmers*

An anomaly of state policy currently is that, while non-market options for moving ahead with land reform are under discussion, the economic and policy environment into which new farmers enter is not undergoing the same critical discussion. Despite the apparent about-face in agricultural policy, continuities underlie changes in the policy superstructure, specifically the approach to supporting small farmers. Having privatised the systems that created privilege, state intervention in favour of small-scale and resource-poor farmers has tended to be on a “project” basis rather than intervening in markets.

The state has taken a number of initiatives to support land reform beneficiaries, among other ‘emerging’ farmers and small farmers in communal areas, all of which have been seriously under-funded. The Broadening Access to Agriculture Thrust (BATAT) of the mid-1990s, including farmer support and production loans, failed to materialise, and the Farmer Settlement Programme (FSP) responsible for post-transfer agricultural support had no national capital budget until 2004, though in some provinces infrastructure grants were provided (Jacobs 2003). The FSP has now risen to 18% of the national budget for agriculture and remains, true to its name, a farmer settlement system, with limited reach, rather than a mechanism for restructuring the economic and market environment for new entrants (National Treasury 2007).

The key framework for providing agricultural support to new farmers is now the Comprehensive Agricultural Support Programme (CASP) established in 2004 for ‘emerging farmers’ and allocated R750 over medium term expenditure framework (MTEF). A recent review of CASP found that, in most regions, infrastructure was the only form of support provided, coordination with the land reform process was inadequate and that, despite high levels of demand, there was under-spending due to bureaucratic procurement procedures (DOA 2007). Support in the form of technical advice, training, marketing, production inputs and risk management had been largely ignored by implementers, and while some land reform beneficiaries got access to CASP funds, in some areas officials directed these away from land reform towards emerging farmers considered to be more commercially oriented (DOA 2007:45). Contrary to its name, then, CASP is far from comprehensive, both in the types of support made available, and in its reach to those it targets. The review points out some of the inherent limitations of the grant-based model of support, which appears to be modeled on LRAD. It concluded that CASP would need to be revised and would need to be “couched within a common vision of land and agrarian reform that is shared by agriculture and land affairs (nationally and provincially)” (DOA 2007:2).

A further area in which support has been somewhat reintroduced is credit. As the Land Bank was restructured to become self-financing, albeit with a “development mandate”, it introduced market-related interest rates and now provides preferential lending only on the slightly discounted Special Mortgage Bond (SMB). It also administers the Micro Agricultural Finances Institutions of South Africa (MAFISA), for which it *does* receive budgetary transfers. MAFISA, presented as a new version of the Agricultural Credit Board, was capitalised with nearly R1 billion over the MTEF in 2005/06, and is available only to black South Africans with gross off-farm incomes below R20,000 a month (DOA 2005). By 2007, 900 applications had been approved, and CASP had supported projects with a total membership of 67,366 (National Treasury 2007). At the most generous estimate, this suggests that certainly less than one in ten land reform beneficiaries has access to either of these facilities, and while CASP funding is projected to rise, other crucial budget lines for the Department of Agriculture are in decline (see table 4 below).

Table 4: Budget allocations to selected programmes of the National Department of Agriculture 2007/08 to 2009/10

| | 2007/08 | 2008/09 | 2009/10 |
|---|---|---|---|
| Livelihoods Development Support | 731 | 753 | 704 |
| CASP | 415 | 435 | 478 |
| Land Bank (MAFISA) | 248 | 247 | 146 |
| ARC (Current) | 409 | 428 | 456 |
| ARC (Capital) | 80 | 87 | 67 |

Source: National Treasury 2007:483-485.

State-supported co-operatives in input-supply, marketing and value-adding were mechanisms that had considerable success in supporting white farmers in the past. While these have been privatised, and some closed down, the model is an important one for disadvantaged producers who face substantial obstacles to sell their produce on reasonable terms, or to extend into processing and value-adding. While production co-operatives may be appropriate in some contexts within land reform, it is these other co-operatives that hold most potential to enable small farmers to overcome barriers related to scale, and which may also create a basis for organisation and the building of political voice. Co-operatives are now an element of the ANC's strategy for economic transformation, and government intends to support those co-operatives in which poor and disadvantaged people come together to engage in economic activities (see Box 4 below).

**Box 4: The Co-operatives Act, No. 14 of 2005**

The Co-operatives Act signaled government's intention to support the emergence of co-operatives, an initiative driven by the Department of Trade and Industry (DTI) as a means of galvanizing resources for broad-based and pro-poor development. The aims of the Cooperatives Act are, inter alia, to "promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of, and management of, co-operatives" and "ensure the design and implementation of the co-operative support measures across all spheres of government" (RSA 2005, Section 2(d), 2(h)). Five categories of people qualify for state support: black, women, youth, disabled, rural areas (RSA 2005: Section 8(2)(c)).

It has been in the private sector, sometimes with state support, that specific steps have been taken to improve market access for new small farmers, as well as those who are already established in the communal areas but face many of the same problems as land reform beneficiaries. Private sector initiatives are largely commodity-specific, led by the commodity sector organisations affiliated to AgriSA and in some cases to the National African Farmers' Union (NAFU). In particular, the wine, fruit, sugar, wool, grain and red meat sectors, among others, have programmes to support 'emerging' farmers, and differ greatly both in terms of the extent of their reach and the scale of their support.

An initiative in the wool industry provides an important model for coordinated support for production and cooperation among smallholders, jointly driven by the private sector and the state (see box 5 below).

**Box 5: Co-operative processing by woolgrowers**

An initiative by the National Wool Growers' Association (NWGA) to support sheep farmers in communal areas, particularly in the former Transkei areas of the Eastern Cape, has had a significant impact on the quality of wool produced and increased incomes. Wool farmers here, operating individually, had struggled to expand their production in under-serviced areas where they lacked facilities and where a few local traders were able to drive down prices – effectively fixing prices. From the mid-1990s, the NWGA spearheaded a process to build shearing sheds for farmers to shear, sort, grade and pack their wool. It also provided training in shearing, sorting, grading and livestock and pasture management, and arranged the distribution of 2,800 high quality rams at reduced prices. The central innovation, however, was the formation of farmer associations that would jointly operate these sheds, share transport costs, and market their produce together. By processing their wool and marketing in bulk, they were able to bypass local traders, sell at auctions, and access higher prices per kilogram of wool – up to double the prices they had previously received – and reinvest some of the additional income in expanding production. This has contributed to an estimated five-fold increase in the value of wool produced by the affected communities; 12% of national wool production now comes from shearing sheds in the communal areas of the Eastern Cape. The NWGA provided the capital required and implementation relied on seconded staff from the Department of Agriculture. Although production is not collective, cooperation in the initial stages of value adding and processing (where there *are* economies of scale) has strengthened the bargaining power and market access of small farmers. Although the initiative was limited in its reach, the NWGA is now using mobile shearing tents as a lower-cost option to extend this approach to more sheep farmers in the Eastern Cape.

Source: Kleinbooi 2007c

Recently government has recognised the need for land acquisition, settlement support and production support to be integrated and delivered in a coherent manner. Up until now, acquisition of land through LRAD, for instance, has been disconnected from provision of support through CASP – though applicants may apply for both, these systems have not been connected, meaning that people getting land may or may not receive support through CASP, and if they do, the timing may not be aligned. This fragmented approach, delivered through different institutions and application processes, with different planning and priority frameworks and budgeting systems, is now a central challenge.

A proposed Special Purpose Vehicle (SPV) would be a land acquisition and management agency with private sector partnership, to source and disburse funding from different institutions, for land acquisition and production support, and to source private service providers. First, it would conclude service-level agreements with private sector partners to becoming implementing agents on behalf of the state. Second, it would acquire land proactively (ie. not necessarily for identified beneficiaries), plan for its use, and dispose of it (ie. a double transfer). The foundational approach privileges commercial farming as the intended outcome of support services: "the one-stop shop will ensure progression from family farmers to commercial farming" (Xingwana 2007:5). The SPV concept has been described by the Minister as:

> *a 'one-stop shop' for all land and agricultural support services for land reform beneficiaries. It will co-ordinate settlement support throughout the*

> *value chain, in partnership with the private sector and civil society. It will also decentralise support services to the lowest level of delivery* (Xingwana 2007:12-13).

The SPV has been in the design phase since 2006 but has recently been put on hold, in view of its implications for roles of different spheres of the state, and its future is uncertain. Instead of the SPV, which may not be created, and instead of an institution to acquire and dispose of land, Project Management Units (PMUs) are to be created, according to a Presidential charter released dated July 2007. These would take on planning and implementation functions of existing DLA offices, and manage contracts with agribusiness, commodity organisations and other private sector institutions to implement on the state's behalf. These are to adopt a new implementation approach which will focus on "hubs and nodes" in order to scale up deliver towards the target set by this charter of transferring five million hectares to 10,000 new agricultural producers and provide support to this group (Presidency 2007). How these units will operate, how they will relate to existing institutions mandated with these tasks, and what they will do differently, is not yet clear from available documentation. The key difference from existing practice seems to be the increasingly central role of the private sector and agribusiness in particular in implementing land reform.

## *Questions about restructuring*

Restructuring in the farming sector, then, has entailed simultaneous growth and decline in commercial farming, and an increasingly stark contrast between winners and losers from the process of deregulation and liberalisation. *A crucial decision for the future of agrarian reform, then, is where along this spectrum restructuring should focus – on the top end of the spectrum where a few mammoth agribusinesses dominate, or on the smaller white farmers, many of whom are in debt and employ fewer workers per farm.*

As the policy and economic environment changes, agriculture is repositioning itself, in response to deregulation and removal of subsidies, changes in prices for marketed produce and for inputs into production. A study by the Food and Agricultural Organisation (FAO) on the "roles of agriculture" noted that South Africa's commercial farming sector is at the level of the national economy functional for growth by increasing incomes from exports, but that this economic benefit is being captured by a narrow stratum of producers and marketing agents (FAO 2003). In other words, the economic challenge is to broaden the *distribution of incomes* from agriculture. The social role of commercial agriculture is increasingly dysfunctional in that it is providing fewer livelihoods and exacerbating poverty and inequality in the population, as jobs are shed (FAO 2003).

The state has met an economic objective of saving on subsidies and forcing competitiveness in agriculture – including allowing farmers to go bust, and it has met the political objective of ending its alliance with white farmers and using leverage to shift roles onto the private sector and organised agriculture, including for support to emerging farmers. However, the anticipated policy priority to black and small-scale farmers has not materialised. The political justification for removing state support – that black farmers would stand to gain – has simply not been borne out.

# 6. INTERNATIONAL EXPERIENCES

For South Africa, the most relevant experiences from which to learn about restructuring farming sectors through land reform are from other settler colonies in Africa, as well as Latin America where similar inequalities in land distributions were confronted in rather different ways (Cliffe 2007). Restructuring large-scale commercial farming sectors in conditions of great inequality has most commonly been pursued through the promotion of smallholder agriculture, either through land-to-the-tiller reforms (for tenants) or through breaking up large estates for allocation to small farmers. Smallholder production is often conceived as a relic of pre-capitalist production. However, in most of Africa and beyond smallholder production on a commercial basis has been routine. Cash crops like cocoa in Ghana and Ivory Coast, coffee in Kenya, Tanzania, Ethiopia, cotton in Uganda have been grown and exported, some for a century. Food surpluses for growing urban markets and for export are the norm. Specific state interventions helped to create and support smallholder sectors, though sometimes on terms that have been distinctly extractive (Bates 1981). But such developments were curtailed, sometimes by direct prohibition in the settler colonies – although in most, as Bundy (1988) reminds us in the case of South Africa, food needs for the new mines and towns were in the first phase of development met by African smallholders. In these countries, including now South Africa, special measures are required to overcome these particular legacies of disadvantage in order to resuscitate the potential for smallholder production. Some experiences of how this was approached elsewhere are explored below.

## *6.1. How have smallholder sectors been promoted/resuscitated?*

A common feature of initiatives to promote smallholder production in ex-settler colonies is a geographical focus on strategic areas, sometimes in high-rainfall areas where large farms and estates under-utilise land and where substantial scope exists for intensification of land use, other times in or on the borders of communal areas. As a basis for identifying areas of opportunity for smallholder production, land capability classification schemes have been used in some countries to identify soils and climatic zones that are suitable to similar crops and require similar management (Dalal-Clayton *et al* 2003:35).

For instance, the five agro-ecological zones in Zimbabwe have long been used as the schema on which land use was planned, and output evaluated. In the Zimbabwe land redistribution of the 1980s different variants of ‘models’ were tailored so as to be appropriate for different zones. Four basic farm models guided subdivision and transformation of the commercial farming areas there. Although much acquisition by the state was ad hoc, there was some attempt to acquire farms adjacent to one another, to make possible planning at scale and provision of infrastructure for markets, inputs and support to support new types of land use. These models included cooperatives running existing farms as units, but the others were all based on small scale farming where the purpose was to sell surplus food as well as some cash crops, including one for ‘out-growers’ around plantations to utilise processing plants and one model that was a formula for extending boundaries of some drier communal areas suffering a severe shortage of grazing. The predominant one (Model A) demarcated an acquired farm or a cluster into small arable household holdings and a common grazing area (in drier areas, up to 80% of the land). In these resettlement areas, projected outputs and target incomes were surpassed fairly quickly (Sachikonye 2003). Years later, panel data from 400 households showed that this resettlement had a positive impact on the livelihoods of new smallholders (relative to their previous situation and relative to a control group), even though for some of them this took at least a decade to materialise in the form of increased incomes, household assets and expenditure on education (Kinsey 1999).

Even the fast-track land reform process from 2000 onwards was based in theory, if not in practice, on two models. The more dominant A1 model echoed the old Model A involving similar subdivision into smallholdings, while retaining a portion of land for common grazing. The A2 model for medium-sized commercial farmers involved dividing pre-existing large farms, typically into quarters.

Smallholders in Kenya and Zimbabwe have taken up cash crops like cotton, coffee, tea, tobacco that had previously been the preserve of large estates, on redistributed land and in communal areas. For instance, after independence the proportion of coffee and tea produced by smallholders in Kenya rose rapidly to over 50%. A Kenya Tea Development Authority was set up as land redistribution, the Million Acre Scheme, began in the early 1960s. The latter programme saw rapid gains in output and cash incomes. However, as the official Scheme was put aside in later years, the politically connected bought out remaining white farms, subdivided these farms and then leased out plots, rather than pursuing large-scale farming themselves, becoming large landlords and thereby returning control of land to a small elite – though this time a more deracialised elite and with a different structure – a growth in smallholders, but now as tenant farmers (Leo 1984).

Similarly, in Zimbabwe, smallholder cotton production rose from zero before 1970 to 30% of the national crop in 1980 to over 80% by 2000. Typically, smallholders were even able to produce a higher quality lint than commercial farmers through careful hand-picking and sorting. This transformation did not occur spontaneously, but resulted from training in growing and handling cotton, provided by a dedicated extension programme; the collaboration of the state Cotton Marketing Board which provided sorting methods and transport arrangements suited to smallholders; mentoring by large-scale commercial cotton farmers; and a state role in getting smallholders involved in seed production, and providing them with access to pesticides and other input supplies (Blackie 2006). This in turn was made possible by the fact that, at independence in Zimbabwe, the old marketing infrastructure was intact and provided an institutional framework to redirect towards new producers with different needs (Sachikonye 2003, Alexander 1994). Marketing boards provided subsidies for nationwide pricing which allowed marketing agencies to extend into new areas, particularly the resettlement areas but also the communal areas (Alexander 1994).

### *6.2. What has enabled smallholder success?*

International experiences demonstrate that crops traditionally considered to be the preserve of large farmers can be successfully adopted by small growers, if the right conditions exist – or are made to exist. What then are the circumstances that have enabled success for smaller producers elsewhere, especially in settler colonies where they had been excluded, and what lessons can be learnt from these experiences? Four conditions for success can be isolated from the international literature on transitions to smallholder production.

First, where there is an insistence by the state on changing the structure of ownership, a state-led, coordinated overall plan can be successful when associated with targeting land acquisition in specific areas, acquiring land in bulk, and investing in planning and subdivision. This ideally requires a balance between a planned approach by the state, and decentralised and flexible adaptation through participatory processes at a local level (Alexander 1994).

A second condition has been the promotion within redistributive land reforms of a combination of production of food crops for consumption and a surplus for sale with cash crops for the market, along with livestock production. Rather than establishing cash croppers entirely dependent on the vagaries of product market prices and, even worse, on a single commodity, in practice if not always in theory successful land reforms have supported diversified land uses that minimise risk and enable smallholders to decide whether to consume or sell, depending on the harvest, prices, and the state of their other sources of income and livelihood. This might extend to access to large scale processing of products like tea, sugar, wine, through contracts with private processing plants or cooperatives handling marketing and processing, like cotton ginning.

A third condition is the public provision of extension services, readily available and possibly subsidised inputs, credit (not limited to land as the only basis for security) for seasonal inputs and improvements appropriate to smallholder production (e.g. draught power) and infrastructure required by small producers. This may include extension agents dedicated to servicing a specific population of smallholders pioneering some product in an area, subsidised seed, fertilizer, implements, fencing, and provision of dipping tanks and veterinary services.

A fourth condition is the provision of a marketing environment specifically suited to small producers: the creation of incentives for private marketing agents to buy small quantities of produce, cooperatives to enable the sorting, grading and marketing of produce, and in some instances price support to staple commodities in which smallholder producers predominate.

This brief review of international experience demonstrates that some of what is being discussed in South Africa – a restructuring of agriculture away from the large-farm model and towards a more mixed farming sector with a growing number of smallholders – is achievable, and has been achieved elsewhere in countries with more constrained public finances than South Africa's. The above constitutes an agenda for the types of support to be provided to smallholders, and for the role of the state in particular in making available this support. This is not to say that the private sector cannot, or will not, play a role. As seen above, a variety of private sector initiatives in South Africa have attempted to support 'emerging farmers', but are generally not directed towards producers who operate on a small scale and whose production is not entirely for the market. Rather, what may be needed is a combination of direct state support and interventions geared to changing the behaviour of the private sector in favour of small producers.

## 6.3. Links with the non-farm economy

While lessons may be learnt from approaches used elsewhere to support new land uses, a growing literature suggests that thinking about a new agrarian structure must focus not on agriculture in isolation, but ask how a changed agriculture will both be supported by, and in turn stimulate, the non-farm economy in rural areas.

The past two decades have seen the "de-agrarianisation" of rural economies in sub-Saharan Africa – the movement of people out of dependence solely on agricultural production. This has been associated with increasing concentration of economic power among fewer producers and in the hands of purchasers at the end of the value chain. It has been further accelerated as a result of structural adjustment policies which dramatically reduced direct and indirect state support for agriculture and liberalised markets, typically raising input costs and reducing product prices for small farmers (Bryceson 1997). In this context, what has become crucial to rural survival has been the casualisation of farm and other labour, the growth of the rural non-farm economy, secondary towns in farming regions, and remitted incomes from employment of other family members. Experience of this diversification of sources of livelihood across the continent, therefore, suggests that a crucial direction for government policy is to support complementarities between agriculture and the rural non-farm economy, particularly the growth of markets for inputs and produce from agriculture, as well as agro-processing, in order to generate activities with benefits for both sectors in the rural economy. However, cross-country studies have suggested that multipliers in the rural economy are strongest from additional consumer spending by agricultural households, and so enabling smallholders to market at least a portion of their produce is essential to rural growth (Bryceson 1997). It is also usual for those with higher levels of non-farm income to be better-off than full-time farm families, and even for the former to have greater agricultural output as income off-farm funds investment to improve farming.

## 6.4. The new emerging orthodoxy: smallholder production

The growing interest in South Africa in alternative models of agriculture and the importance of smaller scales of production for resource-poor farmers mirrors a shift in thinking internationally, including in international financial institutions traditionally hostile to state intervention in the economy. The impending publication by the World Bank of its *World Development Report 2008: Agriculture for Development* (WDR) marks a key moment in the reversal of the "anti-agriculture bias" brought in with neo-liberal reforms of the 1980s and makes a powerful argument for a stronger role for the state in creating policy and economic conditions to support the growth of agriculture along a more equitable path. Agriculture, it argues, has been "vastly underused for development" and state expenditure for its development generally bears little relation to its potential contribution to equitable development (World Bank 2007:9). Governments therefore need to define an "agriculture-for-development" agenda to provide pathways for the rural poor to move out of poverty, and should:

1. *Increase access to markets and promote efficient value chains*
2. *Enhance smallholder competitiveness and facilitate market entry*
3. *Improve livelihoods in subsistence farming and low-skill rural occupations*

4. *Increase employment in agriculture and the rural nonfarm economy, and enhance skills* (World Bank 2007:24).

In order to “make smallholder farming more productive and sustainable”, states should increase the “quantity and quality of public investment” in agriculture and improve price incentives for smallholders. They should intervene in factor and product markets, promoting targeted vouchers to enable smallholders to access crucial inputs at subsidised cost, and the state to provide funding to distributors of inputs in new areas (World Bank 2007:13-17). Subsidies for small farmers, including input subsidies, are back on the agenda for states concerned with rural poverty. Further, states should support smallholder producer organisations, to guard against elite capture and exclusion of the poor, and to enable them to access inputs, market their produce, and become a political force, and should invest in research and development, raising public funding in this area geared towards smallholder producers, for low-cost production technologies less dependent on bought inputs (World Bank 2007:18). Despite a focus on how land markets can facilitate change, the WDR explicitly emphasises the importance of land reform in changing how land is used, at what scale, and with what technology. It acknowledges that “redistributing under-utilized large estates to settle smallholders can work if complemented by reforms to secure the competitiveness of beneficiaries – something that has been difficult to achieve (World Bank 2007:12). For urbanizing economies like South Africa, the WDR proposes that the priorities across these sectors are to:

> *Increasing the access of smallholders to assets, particularly land, and increasing their political voice in unequal societies, can enhance the size and competitiveness of the smallholder sector. Beyond farming, territorial approaches to planning are being pursued to promote local employment through interlinked farming and rural agroindustry, and these processes need to be better understood for wider application. Agricultural growth is especially important to improve well-being in geographic pockets of poverty with good agricultural potential… [and] support to the agricultural component of the livelihoods of subsistence farmers will remain an imperative for many years* (World Bank 2007:25).

In order to drive forward such an agenda, and to make this politically feasible, governments should recognise the trade-offs between the political interests of (1) the agribusiness sector, processors and retailer, (2) market-oriented smallholders, (3) the large mass of subsistence producers with diversified livelihoods and (4) agricultural workers and others employed in the rural non-farm economy (World Bank 2007:346).

# 7. TOWARDS ALTERNATIVE LAND USES AND LIVELIHOODS

Choices about what models of land use should be promoted through land reform, and the types of livelihoods that are to be produced, have been inadequately debated and land reform has proceeded without a clear vision of the intended outcome. On the one hand, the needs and priorities of potential beneficiaries (as broad as this category is) must be central. But in addition, the needs and interests of society as a whole must be specified. National-level agrarian reform policy is therefore needed.

This section first takes a macro-perspective and asks what 'society as a whole' might consider as its objectives in land and agrarian reform, makes some suggestions for what these might be, and identifies further areas for investigation to inform this debate. Next it reports on priorities articulated by rural people themselves at workshops held specifically to inform this debate. Third, it outlines various paradigms that could frame policy in this area, characterised by varying degrees of restructuring. It is argued that, if the objective is to maximize the number of livelihoods in agriculture and the contribution to poverty reduction, then a paradigm of substantial state intervention in markets (not only land markets) would be needed to enable new types and scales of production, particularly for those who are already engaged in production in some way, as a part-livelihood in the communal areas or around urban settlements, or in the form of employment on commercial farms. The international context has become less hostile to such interventions by the state.

## *7.1. Macro-perspectives*

If redistribution of land is to make a substantial contribution to reducing poverty, policy alternatives would need to be "nested" at various levels:

- Macro-economic policy
- Trade policy
- Agricultural policy
- Agrarian / rural development policy
- Land reform policy
- Land use policy
- Local economic development
- And finally, planning for land use at farm level.

Currently, the incoherence and contradictions between these various frameworks make pro-poor land reform unworkable in many instances. While land reform policy has suggested a variety of options for the kinds of land uses that could be pursued, agricultural policy, a liberalised trade regime, the fiscal environment, the market-based approach to land reform, reliance on grants, and the approach to implementation have mitigated against alternatives to the dominant types of farming. Planning for land use has been focused at the level at which there is *least* choice: at farm or project level. And choices at this level to change land use have been rare. There are compelling reasons to plan for the uses of land and outcomes of land reform at a higher level, and we see this happening already with area-based planning. However, it is far from clear, beyond the 30% target, which national-level imperatives must inform and articulate with the local. National targets and indicators for success in land reform cannot be only the composite of local plans, through a process of aggregation. Agrarian policy will need to indicate where the priority areas are for redistribution, who the priority people are and what their needs are, how much existing farming systems can be disrupted, and therefore what types of land use should be promoted and supported, where and for whom.

At a national level, then, what is still needed is to determine:

- *Who should be targeted to receive land and agricultural support?*
- *What should be the appropriate mix of subsistence, small, medium and large-scale farmers?*
- *What does the choice of different groups of beneficiaries mean for South Africa's national imperatives, such as poverty reduction, agricultural output, exports, and employment?*
- *What will be the impact of various land reform scenarios on the land market (supply, demand, prices)?*
- *What fiscal cost implications do the various scenarios of reaching the 30 percent… have?*
- *How do the various land reform scenarios (in terms of the mix of beneficiaries) interact with the most likely international trade scenarios?* (MALA 2003:30).

The main argument put forward in South Africa *against* changing the agrarian structure, but merely transferring ownership of existing enterprises from one owner to another, is the supposed threat that disrupting commercial farming would pose to national food security (FW De Klerk Foundation 2007, Du Toit 2004). This has been exaggerated, often by those with vested interests in the existing structure. In the past, price control as well as subsidies created a net welfare transfer from urban consumers to commercial farmers. However, deregulation of agriculture has not brought benefits to consumers in the form of cheaper food. The mounting concern over rising food prices, spurred by both the growth of fuel prices and interest rates, suggests that at a national level, the priority must be an agrarian reform that extends production of food for not only for self-provisioning, and does so through systems of production that are less capital-intensive, more labour-intensive and less reliant on loans.

Further, as shown above, in many agricultural products, including staple foods, South Africa's production far exceeds consumption. The problem of food insecurity at household level is a problem of distribution, not production. Even so, rapid changes in land use could be expected to lead to temporary dips in output but could lead to increased overall output and more equitable distribution of the benefits, if land is more intensively used. To what extent, then, could existing types of production be disrupted, even if temporarily, in order to restructure land use and expand livelihoods? To answer this question, one needs to disaggregate agriculture by different scales of production, levels of output, profitability, employment and debt. White commercial farming areas are often caricatured as the "large-scale commercial farming" sector but this is inaccurate in that many white- and company-owned farms are *not* large in terms of land used, production or income. Further, large farms cannot be equated with large-scale production, as farmland may be under-utilised or not used for agricultural purposes at all.

One approach to assessing the social utility of land uses is to examine the number of livelihoods that can be supported in different farming systems (Aliber et al 2007). This can be done by comparing the existing commercial farm population (workers, managers and owners) with the number of households on subdivided farms in similar settings. In Zimbabwe, the number of livelihoods per area being supported in the high-value agro-ecological regions 1-2 was probably higher (numerically) on commercial farms than on subdivided plots that formed part of resettlement schemes in the 1980s. In contrast, when commercial farms were acquired in agro-ecological regions 3-4, the new structure of production supported up to *four times* more people than before. In other words, in that context, it made sense to prioritise mid-level land for redistribution and changes in farming systems; not the most marginal and not the most high-value. However, even if there is no net increase in livelihoods being supported, it is clearly a question of distribution of resources among the population that would motivate changed land uses in the high-value and low-value farming regions. Clearly, too, any net gain in the number of livelihoods is greatest where under-utilised land is targeted.

The 'easy win' is to bring un- and under-utilised land under production, and this should be a national priority. But land reform cannot be limited to the margins of the commercial sector; it must facilitate entry into this sector, and it must provide and support alternatives to it, on land that has previously been farmed commercially. The "crisis" in profits in certain sectors and regions creates opportunities for changed land uses – though land reform cannot be restricted to areas where commercial farming is failing! At a macro-level, though, consideration should be given to whether South Africa should move out of sectors in long-term decline, and what national agrarian policy should say about the direction in which future agricultural growth and additional livelihoods can be promoted – how much land, which sectors and where? Five initial pointers may be useful.

1. Alternatives should involve identifying priority areas for *restructuring,* including sectors in decline, where labour-intensification is possible and where labour-intensive agro-processing opportunities exist.
2. Criteria for change in land use should be where employment in agriculture is on the decline, where land is under-utilised, and where there are high levels of debt. Livestock production and labour-intensive crop production are models where small-holder production could compete effectively with larger-scale production.
3. Agrarian reform will require moving towards a mixed farming sector with a growing smallholder sector.
4. This will need to make possible the diversification of types, scales and technologies of production, and increased opportunities for small-scale farming of commercial crops *and* subsistence production. Combining subsistence and cash cropping within the same productive unit is an appropriate option for the poor who struggle to access markets and, where they do, cannot rely on volatile market prices for their produce

However, the details will have to be worked out for different situations and different geographical regions. At a national level, the outlines of an alternative vision based on possibilities and limits of change can be mapped as follows:

- **Natural characteristics:** categorise different potential and existing contexts across the country – agro-ecological zones or the equivalent;
- **Farming types:** categorise dominant farming types, what crops are produced and the forms of production (eg. irrigation, mechanized, tree crops, processing

requirements) and link this with infrastructure that supports these existing farming types;

- **Market environment:** input and output markets and value chains – how do these shape production and what kinds of production can be profitable, given this market environment? What interventions in the market environment can expand opportunities for profitable small-scale farming by the poor?
- **Need / demand:** it should be possible to categorise areas of greatest land need, on the basis of survey data, area-based planning processes, population densities in communal areas, eviction hotspots, and areas with a density of farm dwellers, particularly where they are involved in some production of their own, such as in KwaZulu-Natal, Limpopo and Mpumalanga.

Different kinds of information will be needed to inform agrarian reform and monitor its impact in the future. Three points can be made. First, it will be essential to capture production, land use and income data for land reform areas and the communal areas within the national agricultural statistics, and ensure that these can be extracted for separate analysis. This is essential for two reasons: first, to make visible production that has been excluded from official statistics – therefore distorting information about the agricultural sector; and second, in order to compare the production of smallholders and resource-poor producers with production in the mainstream of commercial agriculture. This must capture all production, not only that which is sold, since for the poor the greatest value of production may be in consumption – and the economic importance of this should not be excluded from view. Second, what is needed is the monitoring of the contradictory trends of concentration and redistribution in land ownership – a Gini co-efficient for the distribution of agricultural land. Third, government should reintroduce land classification for regional planning and mapping, so that planning within political territories (districts) can be related to planning for agro-ecological zones.

## *7.2. Rural people's visions for land and agrarian reform*

What is known about the land use priorities of black South Africans living in rural areas who are poor – and the implications for how production can be organised and supported? Available survey data do not address land use in detail but suggest that the vast majority of rural people indicating a need for land want small areas of land, with a strong preference for land close to where they stay currently.[4]

During this project, PLAAS co-hosted with rural NGOs a series of six consultative workshops with rural people were held to elicit reflections on existing experiences and to develop a vision for what rural people would like to see as the outcome of land and agrarian reform. The workshops included a wide array of poor black South Africans, including restitution claimants, farm workers, farm dwellers and labour tenants, commonage users, LRAD beneficiaries and applicants, small farmers, people living in small rural towns, residents of communal areas in the former black and 'coloured' 'homelands', people living on Transnet and forestry land, members of agricultural cooperatives, many of whom were representing formations or associations, as well as

[4] See the first paper in this series for a review of these surveys by the Land and Agriculture Policy Centre (LAPC), Human Sciences Research Council (HSRC), Institute for Justice and Reconciliation (IJR) and Centre for Development and Enterprise (CDE).

some land affairs officials, municipal councilors, mayors, advice office workers and ANC constituency office staff.[5]

The striking commonality across all workshop participants was a preference for multiple and diversified **land uses**. No participant in any of the workshops indicated a preference for only one type of land use. The priority land uses were livestock grazing *and* cultivation of vegetables *and* grains. These were widely considered to be the necessary starting point, since they can be flexibly used either for consumption or for sale. These were in some cases combined with an interest in cultivation of specific cash crops and with non-agricultural economic activities on farm including processing of agricultural produce, mining, and guest lodges for tourists. Participants expressed a strong preference for low-input production with minimal dependence on bought inputs, both because of problems of affordability and an aversion to types of land use associated with existing commercial farming and considered unsustainable.

> *In terms of production, we want to produce food for our families first… We need to feed our families first, and look after their livelihood, before thinking about markets… We want to go back to the old system of using the land, not the modern system which is destroying the land. We want to create natural fertilizers ourselves to enrich the soil– not buy chemical fertilizers (Amajuba farm dwellers).*

Participants expressed strong preferences for family-based farming, on **land sizes** smaller than the current commercial farms in their areas, with the purpose of producing food for household consumption as well as to sell locally, at a small scale initially, with the intention of being able to increase the proportion of marketed surplus over time. In contrast, a minority preferred group-based ownership and production, partly in order to share the costs of production but also to retain social networks. Most participants drew maps of their intended land use that allocated portions of land to these different uses, indicating zones for settlement, arable fields, grazing, and in some cases also for processing, packing and for non-farming economic activities.

> *The issue of distribution of land sizes must be according to the need of each family. What is important is how much livestock each family has – those with more livestock should get more land… This is what we will be*

[5] The workshops were as follows: (a) Free State: farm dwellers and farm workers, commonage users; LRAD beneficiaries and applicants; restitution claimants; residents of state land under communal tenure; (b) Southern Cape and Central Karoo, Western Cape: farm dwellers; restitution claimants; small farmers; residents of former "coloured" reserves (Act 9 areas); residents of state and private forestry land; residents of Transnet land; (c) Cacadu and Camdeboo Districts, Eastern Cape: farm dwellers; residents of Transnet land; commonage users; residents of small towns including former farm dwellers; (d) Chris Hani District, Eastern Cape: commonage users; farmers in communal areas, including stock farmers using commonage and members of agricultural cooperatives; LRAD beneficiaries and applicants; (e) Amajuba District, KwaZulu-Natal: farm dwellers and farm workers, including restitution claimants and labour tenants; (f) Northern Cape and North West: farm dwellers, small farmers on private and state land; restitution claimants; residents of communal areas. Some of the workshops also included officials from the Department of Land Affairs, mayors, municipal councilors, advice office workers, ANC constituency office staff, traditional leaders and church leaders. No workshops were held in Gauteng, Limpopo, Mpumalanga or the Western Cape. However, other inputs have been received from these provinces.

> *able to work to produce for our families and also will allow us to think about the market. This will be family land and will be controlled by those families (Amajuba farm dwellers).*

Similarly, the overwhelming consensus across all of these workshops was that the model of land use would rely solely on family **labour** in the first instance, and it would only be if they were successful and able to expand production over time that employment of others would be considered. Some were uncomfortable about becoming employers, especially those who are farm dwellers currently, and preferred to extend membership of projects to employment of non-members. The only exceptions to this preference for family labour were some small farmers who were better resourced and aimed to expand into small to medium scale commercial production, and those who envisaged a need for specialist skills for non-farming activities, such as mining.

Participants at the workshops saw **settlement** as central to their intended uses of land, and expressed an overwhelming preference for living on the land acquired. Those with an interest in group-based projects envisaged that the number of people settling on the land would justify the development of some basic physical and social infrastructure. However, those wanting smallholdings to be owned and operated by a single or extended household recognised that this may mean a lower level of service delivery and infrastructure. The only exception to the preference for settlement on redistributed land was from some of those living in communal areas, who preferred to remain in their villages, retain their social networks and instead commute to their new land. Except among restitution claimants and labour tenants, whose interest was in specific land, there was a strong preference for land close to towns and alongside major roads.

In each workshop, participants identified a need for support for **inputs and marketing**. It is striking that selling fresh produce to retail outlets, particularly the larger chain stores, seemed beyond the realms of possibility for many participants, who are aware that they may not be able to meet the requirements of volume and quality – or of certification. Key proposals were:

- State-supported input supply cooperatives which would allow small farmers to buy inputs in bulk, at cheaper prices, and also provide the basis for equipment-sharing arrangements;
- Establishment of small farmers' markets in towns, to provide a point of sale for small quantities of fresh produce;
- Secured contracts to supply state institutions, such as hospitals and schools with fresh produce;
- Veterinary services and support to access abattoirs and livestock auctions – and creation of these in areas where they do not exist.

> *Facilitate meetings between emerging farmers and commercial farmers to ensure that we can get access to markets and overcome the discrimination in the market. Where the quality of our produce is not what is required (where the problem is not only discrimination), we must find a strategy with the support of government and the private sector to meet these standards (Southern Cape and Central Karoo).*

> *The priority is to produce for our families, and then government needs to open opportunities to produce for local markets like hospitals and*

> *schools, so that we can sell to those government institutions. We are not looking for big markets far away (Amajuba farm dwellers).*
>
> *We will register our farm as a cooperative so that we can get a certificate and get a supplier number so that we have access to the hospital to supply our produce. Our farm must be next to the road so that we are close to our markets (residents of communal areas, Chris Dani DM).*

In summary, elements of a vision for an alternative agrarian structure from these workshops were:

- A **mixed farming sector** that includes different scales and types of production;
- Subdivision of commercial farms to make possible **small-scale family farming** (largely reliant on family labour – though there was also an interest in new 'emerging' farmers hiring farm labour);
- A **mix of tenure types** allowing for more individualized rights to residential and cropping land, even in the context of group ownership, except where the vision is for 100% farm worker cooperatives;
- A strong focus on **food production allotments** for household consumption and **expanded commonage** for livestock grazing around the 'urban fringe', particularly on the edge of smaller towns, where growing informal settlements (including of evicted farm dwellers) struggle to eke out a living;
- **Cooperative arrangements** to enable poor and small-scale farmers to access inputs (including equipment) and to secure a ready market for produce, though not necessarily in production;
- The development of a new layer of **rural settlements** in order to receive basic services from municipalities, and to access crucial social infrastructure, notably schools;
- Combining agricultural production with value-adding in industries where **small-scale agro-processing** is possible (including in fruit and dairy products).

It is striking that the proposals made at these workshops resonate strongly with the arguments being put forward across the African continent and in international institutions that direct support for small and resource-poor producers should be a priority for countries with great inequality.

## *7.3. Paradigm choices*

At present, there is no vision for agrarian reform to guide land reform. Government policies and practices are at worst conservative, resisting change in the agrarian structure, and at best agnostic about what this process is to achieve, beyond the quantitative target of 30% of white farmland. There is no specification, for instance, of whether reform is to alter the size distribution of land holdings, technologies of production or, indeed, what types of produce should be particularly supported. Future policy in this area will need to outline such a vision. Four broad approaches or paradigms can be discerned from debates about future policy in this area, and can be characterised as follows.

*Market-based approach*

- A focus on commercial production, reliance on market to determine what is produced and a prominent role for the private sector in provision of support. Continuation of current trends and an unsupportive policy environment for agriculture lead to a growing gap between the structure of agricultural capital and land reform beneficiaries' enterprises. This would likely see a two-track path of land reform: group-based and poorly resourced commercial enterprises, on the one hand, and the growth of joint ventures and strategic partnerships as a dominant form[6].

*Gearing up with the private sector*

- Promotion of a range of types and scales of land use by improving resourcing for post-transfer support for production, from both public and private sectors, without extensive state intervention or restructuring of markets, but through partnerships with private sector for packaging and planning of projects and delivery of support, contributing to the de-racialisation of the existing farming structure to the benefit of a limited group of the better-off.[7]

*Developmental state*

- Restructuring in favour of smallholder family farming through interventions in land, input supply and output markets, including through cooperatives, public investment in appropriate rural infrastructure and agro-industry, introduction of production subsidies, and a substantially enlarged extension service geared to smallholders, to create a mixed farming sector in which smallholder production is a substantial sector, dominating in certain commodities.[8]

*Radical restructuring*

- Heavily punitive policy or legal measures to counteract the dominance of agribusiness, and the conversion of the agricultural sector in one of two directions: one dominated by smallholder production without a core of commercial farming[9] or one dominated by state-controlled estate farming on nationalized land.[10]

Deciding what is possible, and where to focus policy proposals, requires an assessment of the political parameters currently and likely changes over the coming period. This is a complex matter. For the purposes of this discussion, four assertions are made as base assumptions for the purposes of debating which paradigm is to be pursued.

- First, the current impasse in land reform and its very limited contribution to poverty reduction and equitable development is a source of anger and frustration among the rural population in particular (but not only), a political embarrassment and poor investment from the point of view of the state, and a concern for agribusiness and the commercial farming sector, as well as other private sector actors.

[6] Similar to scenario 1 in Aliber et al 2007.
[7] Similar to scenario 4 in Aliber et al 2007.
[8] Similar to scenario 3 in Aliber et al 2007.
[9] Somewhat similar to scenario 6 in Aliber et al 2007.
[10] Similar to scenario 5 in Aliber et al 2007.

- Second, the level of organisation and political voice of the rural poor is low, rural social movements are extremely weak and fragmented, and there has been a failure up to now to build strong alliances with the organised labour movement.

- Third, the established agricultural industry has expressed its vision for a deracialised but structurally intact sector in its strategic plan drawn together in the Presidential Working Group, and there are clear moves in government towards greater reliance on the private sector to deliver land reform and to partner with new farmers, and to leverage this through AgriBEE, as part of its strategy to fast-track land reform.

- Fourth, the ANC is discussing the notion of a developmental state which would intervene more in the economy, spend more, and expand the public service, in order to transfer resources to the poor and to invest in areas of the economy considered catalytic of pro-poor growth. Agriculture is a key such area.

Some tentative conclusions follow. Only the most reactionary favour the current path of heavy reliance on markets without a greater role for the state or private sector – or argue that land reform should be abandoned. A paradigm of radical restructuring is politically unfeasible in the current period, in view of the weakness of rural social movements and the power held and positions taken by both the state and the private sector. The argument for a stronger role for the private sector in shaping land reform, supporting production and marketing has gained ground through AgriBEE. But government is recognising the urgency to make land reform work and is considering various interventions to restructure the economy by investing more heavily in the 'second economy' in order to tackle poverty directly. It seems the paradigms of a developmental state and tweaking markets to leverage the private sector are dominant. Elements of these may not be mutually exclusive, but policy will need to be clear on which approach government is to take. AgriBEE and various industry agreements are already confirming the role of the private sector and it is in the light of this that the argument can be made that what is needed now is policy for a developmental state.

What would a developmental state do about land and agrarian reform?

## *7.4. An Agenda for Agrarian Reform*

What distinguishes agrarian reform from land reform is that it goes well beyond the redistribution of land by restructuring production. The details of such a reform still require elaboration. However, some preliminary elements can be identified. A developmental state aiming to embark on agrarian reform would need to:

- Change the **size distribution of landholdings** in favour of smaller production units to cater for poor producers;
- Support **land tenure rights** of those acquiring land through land reform as well as those living on land owned by others (commercial farms and communal areas), through ongoing land rights administration;
- Support **land uses** for consumption as well as for sale, and promote low-risk production technologies through appropriate inputs and infrastructure;
- the labour regime to promote self-employment in agriculture and to encourage labour-intensive production where there is waged employment;

- Build linkages into **value-adding** for small producers by and prioritising cooperatives in agro-processing;
- Provide opportunities for **non-farm economic activities** among small producers to strengthen diversified livelihood strategies and provide inputs into part-time farming;
- Alter its spatial planning approach to **settlement patterns** to invest in settlement on redistributed land, allow more dispersed settlement on the urban fringe to support part-time farming, and formalise small rural settlements;
- Change the **policy environment** in favour of new land users, by revisiting key areas of agricultural policy.

In most of the above areas, land reform has had limited impact. The retention of existing farm boundaries and the priority placed on continuation of existing land uses are key factors that shape the outcomes of land reform projects. A break from this, and an approach that privileges the needs of the poor, would place priority on access to land for food production for household consumption, in the first instance, with the aim of selling surplus and increasing the scale of production over time. This involves challenging ownership patterns but also the attachment to commercial and large-scale farming embedded in agriculture departments, financial institutions, and elsewhere.

This need not be to the exclusion of options for black people to enter into medium or large-scale farming, or to become partners with commercial farmers or shareholders in farming enterprises or agribusiness. This is clearly a necessary dimension of transformation and demands for such opportunities are likely to increase over time with the growth of a black middle class. AgriBEE mechanisms to leverage concessions from the existing agricultural industry to respond to these needs must be strengthened and enforced. ‘Emerging’ farmers who show the potential (and the resources) to ‘emerge’ into commercial production are favoured by private sector institutions, which have an obvious preference for supporting black farmers who will become counterparts in a white-dominated commercial farming sector – rather than poor people whose interests in, and use of land, differ significantly from those of established farmers. This has been made explicit by the commercial farming establishment, through AgriSA, has produced a four-fold typology or ‘continuum’ of land reform projects, ranging from group-based and household labour-intensive production for livelihood purposes and small-scale marketing (such as commonage, smallholder cultivation, extensive livestock grazing), through to more risky and capital-intensive commercial production at a small-scale by better-resourced groups, and highly-commercial enterprises which it considers only feasible in the context of joint venture partnerships (AgriDev 2004).

The impact of this more commercial end of land reform can be expected to have a much more limited impact on poverty reduction, and also to attract more support from the private sector, than smallholder options. What is needed, then, is the definition of a clear division of labour between the state and private sector in which the state prioritises small, resource-poor land users and supports their land use.

If this is to be the way forward, then alternative policy options must entail:

- Subdivision of farms to make possible smallholder units suited to the needs of poor land users;
- Economies of scale in planning and infrastructure provision for small farmers, by acquiring land, dividing, allocating at scale in areas of high demand;

- The increase in overall state support to the agricultural sector and, within this, a shift towards greater support for low-input small-scale primary production;
- Subsidized inputs into production – including seeds and implements;
- Promotion of and public investment in agricultural cooperatives for input supply, processing and marketing;
- Sequencing interventions in input and output markets to support this type of production;
- Investment in transport and storage infrastructure to support this type of production, as well as irrigation infrastructure;
- Subsidised interest rates with a no-repayment window for the first few years.

Two further points merit attention. First, an agrarian reform will also need to call into question the ‘rural’ identity of land reform, given the important role that access to land for production plays in the livelihoods of poor people living on the edges of rural towns and even metropolitan cities. The economic value of such production, even at a micro scale, is routinely ignored, yet contributes to the livelihoods of some of the most poor and vulnerable households. Access to land for production by the poor on the urban fringe must constitute a focus of land reform and a key element in local economic development.

Second, with deregulation and concentration of ownership has come growing vertical integration of value chains, putting more power in the hands of major buyers, particularly supermarkets. This means that in agricultural markets private regulation has substituted for the now-withdrawn public regulation (Bernstein 1996). Transforming agriculture therefore requires overcoming monopoly power in product markets and minimising exposure to risk due to fluctuations in input and output market prices. In the absence of the crucial role played by state-controlled agricultural marketing boards in the past, and presuming that these will not be reintroduced, the role of a developmental state will be to intervene in forms of *private regulation* of agricultural product markets that create barriers to entry for farmers who are poor, practicing low-input forms of production or operating on a small scale.

# 8. CONCLUSIONS

This review has shown the tendency in land reform projects to retain existing farm boundaries and land uses – and therefore the economic organisation of production. Actual land uses are shaped by business planning, which tends to focus on the land rather than the people. Group-based projects are the dominant type – often due to policy constraints rather than preference – and there tends to be a conflation of the unit of ownership (the landholding entity) with use (the production entity). Under-utilisation is reportedly widespread and there is substantial evidence that livelihood benefits have been very limited. Meanwhile, changes in commercial sector have been antithetical to agrarian reform: concentration of ownership, enterprises and capital, and growing vertical integration within value chains and private regulation of markets.

Problems facing land reform are the insistence that poor people must buy land at market price, assisted with small grants from government which they inevitably have to pool; reliance on owners of land to decide which land they will sell, to whom, and what price they will accept; the failure to acquire land at scale and plan for new uses; the failure to subdivide land to make possible smallholder production; the insistence in many cases by government officials and private consultants designing projects that commercial land use must continue; and the absence of the policy and economic environment that would enable this model to succeed. Not all the limitations of land reform are due to land reform policy. Interpretation of policy and actual practices have further constrained the process. Agricultural policy has not been oriented to support new types of land uses. Land reform has not been located within a wider strategic approach to rural development that could both support new land users and uses, and in turn maximise the benefits for surrounding economies.

South Africa's land reform has been based on political imperatives to redress the injustice of forced removals and to broaden black ownership of land, and was bolstered by an economic argument that small farms would be more efficient than large ones. However, experience to date has shown that land reform has tended to reproduce the large-scale model of farming, with similar land uses, but without the state support for new land users that originally brought this model into being. **The economic argument in favour of land reform has been based on conditions that do not currently apply in South Africa.** Not only the pace and mechanisms for delivery must be changed, then, but the economic, institutional and policy environment.

If land reform is to address the political imperative of changing the racially skewed pattern of land ownership *and* the economic imperative of reducing poverty, it must both redistribute assets and not just maintain but *increase* production. Remarkably little attention has been given to the latter issue: what livelihoods can be created and therefore what kinds of land use must be promoted? What is now needed is agrarian policy that specifies society's and the state's intentions for the restructuring of agricultural production and its role in the rural economy, and therefore what kind of land reform is needed as one strategy to achieve this. This paper suggests that the neglected option of smallholder production for consumption and for the market should be the priority and that, to enable success in this type of land use, direct support for production as well as interventions in input supply, processing and output markets will be needed. This will require a developmental state.

# 9. RECOMMENDATIONS

The recommendations of this paper are divided into those that deal with land use planning itself; land uses that should be prioritised; how land use should be regulated; systems of support for production and marketing; and monitoring and evaluation. Legal, institutional and financial implications are considered but not provided in detail.

## *9.1. Planning for land use and livelihoods*

**Build on existing livelihoods**

- The process of planning should start on the basis of existing livelihoods, resources and skills of beneficiaries at project inception – not currently required in all business planning TORs.
- Priority should be placed on land uses that provide possibilities for short-term benefits in terms of consumption and local sales (eg. use of own livestock and cultivation of food crops for consumption).

**Front-load planning**

- Thorough facilitation of decision-making is needed prior to business planning or even, in the case of redistribution, prior to the identification of land.
- Demote the 'project' as the key unit of planning; plan at the level of household, project and area (ie. economy), within the frame of national and provincial guidelines.

**Planning should include**

- Socio-economic profile of beneficiaries and variety of land needs
- Not merely perpetuating existing land uses
- Allowing for individual household production alongside 'project' production
- Diversification of production (within agriculture)
- Provision for value-adding to produce
- Allowing for non-farming economic activities (ie. diversification out of agriculture)
- Attention to low-input farming methods (ie. reducing capital-intensity)
- Attention to different interests in land among project participants (eg. variation by gender, class, generation)
- Attention to market access & mechanisms to access markets
- Attention to the dynamics of a start-up phase (not only working off price)

**Promote smallholder options**

- The option of individual or household-based smallholdings should be promoted through formal subdivision of larger properties.
- The option of individual or household-based smallholdings should be promoted within group-based projects through informal subdivision of plots, with registered rights, either to discrete land parcels for residential and cropping purposes, and/or to a defined number of livestock on common grazing land.
- Diversify land uses to spread risk, where possible extend into value-adding and provide for non-farm economic activities to generate income, particularly where

agricultural activities provide a very seasonal pattern of income and labour demand.

**Clarify rules for group-based projects**

- Rules regarding the distribution of benefits in group-based projects should be formalized to define who will share in the produce and cash and sales, and to what degree, or, in the case of joint ventures and strategic partnerships, access to employment and the timing and distribution of dividends.

**Separate CPIs from operating enterprises**

- In project design, a clear distinction should be drawn between communal property institutions as landholding entities and the land uses and/or enterprises (whether individual or collective) that take place on this land.

## *9.2. Priority areas for new land uses*

**Smallholdings on high potential land:**

- For production for consumption and for the domestic market, particularly in the Western Cape and KwaZulu-Natal.
- To overcome barriers to market access related to scale, two models should be prioritised: (a) small farmer cooperatives for production, processing and handling, with state support and (b) contract-farming and/or with commodity organisations that can provide extension services and inputs as well as a secured market.

**Small producers of fresh produce for urban (including informal) markets**

- Demarcation of extended commonage for food production allotments around rural towns and villages, along with public investment in fencing, water supply and security for produce.
- Including part-time to enable people to diversify their livelihood sources.

**Mixed farming on medium potential land:**

- Particularly in areas dominated by grain production such as the “maize triangle”, which have the potential to support both intensive food cultivation and livestock grazing.
- Options here could include subdivision into family-based smallholdings, or separate arable plots and common grazing land. Equipment-sharing schemes will be essential for those who embark on grain production.

**Low potential land for grazing**

- This is a priority for the more arid areas of the country, where most poorer livestock owners have been restricted to limited commonage.
- Because of the extensive nature of livestock grazing in these areas, subdivision is not an optimal solution.
- Instead, priority should be placed on the extension of commonage, improvement of infrastructure, veterinary services and access to auctions and abattoirs.
- A key strategy for extending commonage is to acquire adjacent land and investing in fencing of camps.

## 9.3. Regulation of land use

**Limit conversion of land use**

- Impose limits on conversion of agricultural land to non-agricultural purposes and luxury developments, like game farms, golf courses, exclusive housing estates, particularly in key areas such as coastlines.

**Cut red-tape for the poor**

- Remove the requirement of a business plan for smallholders; retain it for commercial enterprises including joint ventures.

**Prioritise settlement**

- Support settlement for smallholders (a dispersed pattern) or communities (closer settlements) on redistributed land.
- To minimise 'straddling' and, in the latter case, to allow for public provision of basic infrastructure and services (which may require registration of servitudes).

## 9.4. Support for production and marketing

**Make agricultural support comprehensive**

- Automatic provision of funding on confirmation of land rights
- Prioritise implements and inputs
- Extend to subsidies for input supply

**Revamp agricultural support services**

- DOA to employ agricultural economists and extension officers dedicated exclusively to smallholder production and marketing.
- Expansion and reorientation of ARC.

**State supported cooperatives**

- Input supply and marketing cooperatives for small farmers – both to overcome barriers of scale and to build solidarity.
- Establishment of cooperatives in agro-processing to add value to produce of smallholders on high potential land.

**Make credit available on better terms**

- Credit is needed on highly preferential terms, at discounted interest rates and with a zero-interest no-repayment window for the first few years, and accessible through decentralised lending institutions.
- For banks, administrative costs have an inverse relation to the size of the loan (eg. verifying collateral), and so prefer to deal with larger borrowers.
- This requires the reintroduction of budgetary transfers to the Land Bank and subsidization of other financial institutions to allow them to offer the similar rates through their institutions to a specific target group of small borrowers.

- The question of collateral will also be centrally important, and attention is needed to alternatives to land-as-collateral, as well as access to credit among members of legal entities.

**Infrastructure**

- Public investment in fixed infrastructure, particularly for storage, sorting and packing, for smallholder producers

## *9.5. Monitoring and evaluation*

**Build on the Quality of Life survey**

- The Quality of Life survey should be refined and administered every two years, using the 2006-7 study as a baseline, and extending the sample each time to include newer projects, and returning to these same beneficiaries in order to constitute a longitudinal panel data set.

**Survey control groups**

- Build into the Quality of Life survey control groups of those *not* acquiring land *and* established farmers in the same regions. This was not done in previous surveys.

**Improve agricultural data collection**

- Specify production from land reform sources and production in communal areas in agricultural census and annual statistics.

**Reintroduce land classification systems**

- Create a single national land classification for regional planning and mapping, so that planning within political territories (districts) can be related to planning for agro-ecological zones.

**Investigate multiplier effects**

- Evaluate the impact of land and agrarian reform must look beyond the farm, to impacts on local economy, using social accounting matrices but also qualitative methods to understand the role and impact of land access in household livelihoods.

## *9.6. Legal implications*

**Get rid of Act 70 of 70:**

- The President should sign into law the Subdivision of Agricultural Land Act Repeal Act 64 of 1998.

**Amend Land Use Management Bill:**

- To limit conversion of agricultural land into non-agricultural uses (ie. luxury developments) by placing specific requirements on municipalities to consult with local communities prior to such changes being approved.

## 9.7. Institutional implications

**Institutional restructuring**

- To drive a process of agrarian reform, integrated frameworks, policies, budgets and delivery mechanisms will be needed. Two options are to be discussed:
- A dedicated agency that plans and implements, which may imply the merging of the departments of agriculture and land affairs; and
- Existing government departments with single endpoint delivery mechanisms, for instance through one-stop shops.

**Develop dedicated subdivision skills**

- Agricultural officials should be instructed to facilitate subdivisions of agricultural land for the purposes of land reform projects.
- Given the increasing centrality of subdivision to the land reform programme, the departments of land affairs or agriculture will need to acquire internal capacity to subdivide land, including land surveyors and conveyancers.
- This should minimize delays involved in tendering and securing external service providers, and enable subdivision to become a routine function of the department.

## 9.8. Financial implications

No detailed financial projections are provided as yet. However, it may be expected that a very substantial increase in public funding will be needed. This may not be simply a mathematical increase[11] from existing levels of support, since new approaches are likely to cost more, but more cost-effective approaches may also be found. Similarly, the implications in terms of staffing and operating budgets for implementing institutions will need to be defined. For now, it is necessary to identify the areas in which further funds will be needed.

**National agriculture budget**

- Capital budgets for production support
- Capital budgets for support to input supply and marketing cooperatives
- Current budgets for implementing agency/ies.

**Provincial agriculture budgets**

- Current budgets for implementing agency/ies.

**Land Affairs budget**

- Capital budgets for settlement support
- Current budgets for additional staffing / implementing agency/ies.

[11] If existing levels of support for land use were to be doubled (x2), and extended to all land reform beneficiaries rather than a minority (x3, based on estimates from CASP and MAFISA), then capital budget lines would need to be increased six-fold. If, hypothetically, delivery were to scale up to 30% by 2014 (x13), then capital budget lines would need to be increased by 78 times.

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*This paper is part of the Policy Options for Land and Agrarian Reform project, undertaken by PLAAS with the generous support of ICCO.*