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Land reform farms fail to produce

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The poor performance of South Africa's R60bn land reform project has multiple shoots growing out of insecure tenure, writes Ghalieb Dawood

THE government has pumped more than R60bn into land reform since the 1990s. Despite this investment, it has not stimulated economic development in rural areas.

A recent report by the Financial and Fiscal Commission shows that the potential of land reform as a mechanism for agricultural development and job creation has largely gone unrealised.

A survey by the commission in three rural provinces (Limpopo, KwaZulu-Natal and Eastern Cape) found that most land reform farms show little or no agricultural activity. On-farm beneficiaries earn little to no income, and the majority of beneficiaries seek employment on surrounding commercial farms instead of actively farming their own land.

Where land reform farms are in operation, they operate below their full commercial potential and have a strong bias towards subsistence agriculture. Across sampled sites, crop production had decreased by 79% since conversion to land reform.

This dramatic decline has serious implications for employment in the affected areas: land reform farmers no longer cultivate labour- and skills-intensive crops such as vegetables, citrus and tobacco on the land that once sustained these crops. In the three provinces surveyed, job losses averaged 84%, with KwaZulu-Natal suffering a 94% job haemorrhage.

The poor performance of the land reform project can be ascribed to multiple causes. First, land reform farmers lack access to credit, which would allow them to take out production loans and finance running costs. This lack of access results in underinvestment. Banks are generally reluctant to finance land reform farms, owing to the high risks.

A further concern is the poorly timed and inadequate post-settlement support that land reform farmers receive from government officials who are too distant to assist with crucial day-to-day decision-making.

Finally, at national level, land reform and agriculture are separate functions and this separation often results in funding overlaps. A silo approach also creates loopholes at lower levels.

Existing policy confusion and incoherence are perhaps the biggest stumbling blocks in putting land reform back on track. The current policy only permits the transfer of land reform farms to selected beneficiaries on a lease basis for a maximum of five years. This marks a clear break with the previous system of disbursing small grants to mostly low-income beneficiaries.

Since the introduction of the farms-on-lease policy in 2006, the government has spent more than R14bn on buying farms and leasing them to beneficiaries. However, state ownership of complete farms has a number of inherent challenges.

The most significant problem is reluctance on the part of financial institutions to issue loans and reluctance on the part of tenants to invest in the land because their tenure is insecure. The state carries the full costs of transfer, and administrative red tape means that decision-making is often slow and protracted, causing farmers to sell farms privately.

The government should institute a complete audit of land reform. Baseline data on land reform projects are needed to give the programme credibility and attract much needed external funding into the agricultural sphere. There is a need to explore alternative funding models so that the funding framework can reach more land-reform beneficiaries, incentivise individual ownership and encourage agricultural production.

In addition, it would be pointless for the government to pump more money into land reform without a clear understanding of how to tackle efficiency and the productivity concerns of resettled farms.

Finally, since the number of land-reform farms available far outstrip those who qualify for them, the scope for graft in the allocation process is significant. Therefore, uniform criteria for selecting beneficiary farmers should be established and monitored by all the provinces.

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