

## **Main Report**

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# 1 Introduction

## 1.1 Study process and objectives

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The Food and Agriculture Organization of the United Nations (FAO) contracted the Umhlaba Consulting Group (UmhlabaCG) in November 2007 to undertake a review of experiences of emerging farmer support programmes. The project team included specialists from UmhlabaCG, from the Fort Hare Agricultural and Rural Development Research Institute (ARDRI) and from Phuhlisani Solutions.

The assignment was initiated to inform future FAO-supported pilot projects which were to be undertaken in collaboration with the National and Provincial Departments of Agriculture. These pilot projects aim to improve support to smallholder farmers in the context of South African land reform. The work on the review and case analysis was undertaken in close collaboration with FAO and the National Department of Agriculture (DoA).

The work contained three elements which led to a reasoned and substantiated set of findings and recommendations that are presented in this report:

### **Desktop Review of Farmer Support Programmes**

The literature review of land reform and agricultural development initiatives in South Africa scoped a range of national programmes linked to land reform, farmer support and related subsidies. The review provided an overview of South African land reform history and also compared South African and international land reform programmes and experiences. Examples of best practices for farmer support within the land reform context, based on the reviewed literature, were synthesized and provided complementary evidence to that obtained from the case analysis.

### **Case Studies, Experiences and Implications**

The team studied six cases of farmer support within the land reform context in South Africa. The six cases were selected from a shortlist of 12 cases to reflect a range of factors in relation to geographical spread, enterprise type, beneficiary structures, settlement and farm enterprise elements. Each case study had an element of success, institutionally, financially or from a production standpoint, or combinations of these. Each case analysis concluded with a summary of lessons learnt.

### **Analysis, Workshops and Recommendations**

The knowledge and information from the above two elements were used to arrive at a set of recommendations for future action. Evidence and outcomes were presented in a series of workshops with the National DoA and FAO to ensure a broad critique and validation. Recommendations were developed for best practices in supporting emerging farmers within the land reform process as well as opportunities for future pilot projects.

## 1.2 Content of the report

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Section 2 contains the literature review of land reform experiences and farmer support programmes in South Africa.

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- Section 3 draws on the review to put forward a set of South Africa best-practice experiences and compares these with international experiences.
- Section 4 summarizes the case studies and presents the success factors and lessons learnt from each case. Full case descriptions are voluminous and can be obtained by contacting Umhlaba Consulting Group (JONATHAN DENISON (jdenison@umhlabacg.co.za), the Department of Agriculture (CDSS@nda.agric.za) or FAO South Africa (FAO-ZA@fao.org).
- Section 5 describes the analysis of the group of cases.
- Section 6 presents the synthesis of the best-practice findings that emerged from the literature review and the analysis of the six case studies.
- Section 7 presents a set of opportunities in the area of land reform and farmer support that can be piloted immediately. These opportunities emerged from the study findings and discussion with stakeholders.

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## 2 Review of Farmer Support Programmes

### 2.1 Purpose of the review

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The objective of this review was to distil best practices from South African experiences in establishing new farmers in the context of land and agrarian reform. The focus of this review is on land reform as part of an agrarian reform process aimed at generating new, land-based livelihoods for black people<sup>3</sup>.

### 2.2 Overview of South African land reform policy and processes

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#### 2.2.1 Land reform policy

In contemporary South Africa, land reform refers to the implementation of the post-1994 land reform policy, which was first publicized in the Reconstruction and Development Plan in 1994 (Lyne & Darroch, 2003) and later elaborated in the Land Policy White Paper (South Africa, 1997). Land reform and its aims are supported by the South African Constitution, but the Constitution also recognizes existing property rights. In practice this means that land transactions occur in accordance with the 'willing buyer – willing seller' principle.

The South African land reform policy has three legs: land restitution, land redistribution and tenure reform.

The restitution leg of the policy aims to return land that was taken away forcibly from black people, or to provide those affected with financial compensation. Restitution targets both rural and urban lands. Land restitution is meant to be a finite process that corrects state interventions that occurred after 19 June 1913 and which resulted in black people being dispossessed of their land against their will.

The land redistribution leg of the policy aims to transfer land from white to black people so that the land ownership share of black people is increased. This is considered necessary because black people make up the large majority of the South African population, but in 1991 they held only about 13.9 percent (17 million ha) of the national land (Lyne & Darroch, 2003).

The land tenure reform leg of the policy aims to enhance the tenure security of vulnerable people, such as workers and their families residing on private land and people living in the former homelands. The land tenure leg of the policy is concerned with rights. Its main objective is to clarify and strengthen the rights of people in relation to particular parcels of land with which they have been intimately associated for long periods of time but which they do not own. Legislation that strengthens tenure rights can have a positive impact on farming and land use productivity, for example by making it easier for farmers to obtain loans to capitalize their farms or to acquire production inputs. However, no further attention is given to the tenure reform

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<sup>3</sup> In this text, the term 'black people' refers to people of the different population groups whose land ownership rights prior to 1994 were restricted by racially biased legislation and is synonymous of the term 'historically disadvantaged' people.

aspect of land reform in this review because it does not link directly to the theme, namely the 'establishment of new farmers'.

Conceptually, the land restitution and redistribution legs of the land reform policy were primarily concerned with asset ownership. Their principal aim was to transfer ownership of land (the asset) from the historically advantaged white minority to the historically disadvantaged black majority (South Africa, 1997). The set target was to transfer 30 percent of South Africa's land over a period of five years (concluding in 1999) but achievement of this goal was later postponed by ten years to 2014 (Lyne & Darroch, 2003). The envisaged outcome of this process was a diverse agrarian landscape characterized by small, medium and large farms held by means of various tenure arrangements (South Africa, 1997).

During the initial phase of land reform implementation, there was no detailed strategy to pursue diversification from a farm establishment perspective. Thus, it appears that policy makers expected that diversification of the agrarian landscape would come about as a result of natural social and economic processes.

### **2.2.2 Land redistribution: narrowing focus and evolving instruments**

The stated purpose of the land redistribution programme is to provide the poor with access to land for residential and productive uses, in order to improve their income and quality of life. The programme aimed to assist labour tenants, farm workers and women, as well as emergent farmers (South Africa, 1997). Initial implementation of the programme focused primarily on the transfer of land to the target population and paid little attention to what beneficiaries intended to do with the land they had acquired. Five years into the land and agrarian reform programme, the focus of programme implementation was narrowed from the transferring land to poor people to transferring land for the purpose of providing beneficiaries with livelihoods based on the productive use of land. In other words, the Department of Land Affairs (DLA) began to include the notion of productive use of transferred land in its strategic analysis and goals. In policy circles, the pursuit of productive use of land became increasingly associated with engagement in market-oriented farming and related agri-business. Another important concern in initial programme implementation was the lack of direct participation of women and youth, which was addressed by awarding grants to individuals instead of households.

There are valid reasons why policy makers, particularly in the DoA, consider engagement in market-oriented farming and related agri-business by new black farmers as the desired outcome. Important reasons are:

1. Good-quality farm land in South Africa is limited in extent, because of the dry climate and the steep topography. Moreover, the amount of good-quality agricultural land is declining as a result of urban expansion. Withdrawal of land from commercial farming reduces the amount of food (and other agricultural commodities) that reaches markets. Declining supply of food places upward pressure on food prices. In a country characterized by a growing, increasingly urbanized, relatively poor human population, ensuring affordability of food is critical to maintain social development as well as political stability.
2. There is growing evidence that reducing poverty (among black people) in absolute terms through agriculture is achieved only when farming is market-oriented (Pauw, 2007).

3. From the political economy perspective, there is a need for better balance in the representation of the different population groups in the economy of the country. The agricultural sector continues to be heavily dominated by white people, and the establishment of black commercial farmers is central in the Black Economic Empowerment strategy for the sector.

This policy shift is reflected in the changing ways in which land reform has been implemented and supported. The two most important instruments that have been used to implement land redistribution were SLAG (Settlement Land Acquisition Grant) and LRAD (Land Re-distribution for Agricultural Development). An overview of these two instruments is presented, followed by a brief description of instruments that were of secondary importance.

### 2.2.3 Settlement Land Acquisition Grant (SLAG)

Conceptually, the land reform policy had a clear pro-poor focus. It aimed specifically to provide a better quality of life for the most disadvantaged in society. The policy also had an economic development aim but envisaged that economic development would be the outcome of the asset transfer process, when land reform beneficiaries activated their acquired land assets for farming or other productive land use purposes.

The Settlement Land Acquisition Grant (SLAG) was the instrument used to implement land redistribution during the first five years (1994-1999). The SLAG instrument clearly reflected the pro-poor aim of the land reform policy. SLAG consisted of a cash grant of R160,004, which poor landless black households (joint monthly income less than R1,500) could access to purchase and develop farm land for residential and agricultural purposes. In order to raise the purchase price of a farm, many applicants had to pool their grants. On the one hand, the pooling of SLAG grants ensured that multitudes of people benefited from land redistribution transactions. On the other, it meant that the farms were too small to provide all members of the group with an opportunity to make a living off the land, even under conditions of optimum enterprise selection and management (Turner & Ibsen, 2000; Lyne & Darroch, 2003). Farms transferred to groups of SLAG beneficiaries were characterized by low production levels and by the withdrawal of many beneficiaries from active participation in managing and operating the farm projects (Kirsten & Machete, 2005). In practice, day-to-day control over the use of the farm was in the hands of a small sub-group of beneficiaries or in some cases an individual (Kirsten & Machete, 2005).

SLAG implementation was concerned with asset transfer and paid insufficient attention to post-transfer processes. Lyne & Darroch (2003) identified the struggle of diverse groups of SLAG beneficiaries to assign exclusive property rights to individuals as a critical constraint to individuals interested in productive use of the farm land. According to Lyne and Darroch (2003) this resulted in commercial farm land being lost to residential uses, and grazing regimes on livestock farms being transformed from managed to open access. Other domains in which the absence of adequate post-settlement support was identified were agricultural production (access to information, finance, infrastructure and markets) and sustainable residential settlement (basic service provision) (South Africa, 2004; Sustainable Development Consortium, 2007).

SLAG was also criticized for the slow rate with which the transfer process was being completed (South Africa, 2003) and for the relatively low quality of the land that was

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<sup>4</sup> Initially the monetary value of the SLAG award was R15,000, but this was later increased to R16,000.

transferred, as indicated by the difference in the average land price per hectare between that of SLAG projects and transfers that occurred in the open market (Lyne & Darroch, 2003).

Another important constraint was the Subdivision of Agricultural Land Act, 70 of 1970, which required written Ministerial permission (Minister of Agriculture) to subdivide farm land. According to Lyne and Darroch (2003) the Act was an obstacle to acquiring small, affordable farm units by black people. Lyne and Darroch (2003) pointed out that the Act had been rescinded but that its repeal was never signed by the President. The verdict of Judge Patel in the case of Guba versus Odendaal (14 October 2006), which concerned the subdivision of agricultural land, indicates that this Act is still valid (Boyes, s.a.).

In July 1999, a moratorium was placed on SLAG and in 2000 it was discontinued. By the end of 2000, SLAG had transferred 780,407 ha to 55,383 beneficiaries (Lyne & Darroch, 2003). On average, the size of the transferred land was 14 ha per beneficiary, which was slightly larger than the average land holding (including the share in communal grazing land) of homesteads with arable land in the former Ciskei (10 ha) and Transkei (12 ha). It should be pointed out that from an agricultural perspective, area of land is not a particularly meaningful measure of operational scale in South Africa because of the extreme variability in rainfall, slope and soil quality and the associated variability in land capability. This agro-ecological reality is also reflected in the large differences in the size of commercial farm enterprises in the country.

#### **2.2.4 Land Re-distribution for Agricultural Development (LRAD)**

To replace SLAG, the LRAD instrument (Land Re-distribution for Agricultural Development) was developed. Introduced late in 2000, LRAD was revised several times before it was implemented in August 2001 (Lyne & Darroch, 2003). LRAD differed from SLAG in that the emphasis of land redistribution shifted from increasing the asset base of poor people through transfer of land, to transferring land to black people for productive purposes. This shift in emphasis was expressed by modifying the criteria for beneficiary selection.

To qualify for LRAD, beneficiaries no longer had to be poor. Instead the main concern was the commitment of applicants to the productive use of the land. To access the minimum grant of R20,000, applicants had to make a contribution of R5,000 in kind, cash or labour. Depending on their own contribution, applicants could access grants of up to R100,000. Additionally applicants now could access grants individually, meaning all adult members of a household qualified for a grant separately. Higher grant levels and greater access to numbers of grants for households boosted beneficiary ability to acquire private land at market prices, at least initially, after which the value of the grant became seriously eroded by inflation and rising land prices.

In addition to individual grants to buy land for agriculture, LRAD also catered for food-safety-net projects, equity schemes, commercial agricultural ventures and farming projects in the communal areas, enhancing the ability of land redistribution to respond to diverse contexts and needs. To reduce the duration of the project cycle, LRAD project approval was delegated from Ministerial level to Provincial level (Provincial Grants Committee) and subsequently to District level. Furthermore, project implementation was broadened to include selected financial institutions, such as the Land Bank, which were given the authority to approve LRAD grants. The important characteristics of SLAG and LRAD are compared in Table 2.1.

As envisaged by the designers, LRAD was used in two ways to purchase farm land: by groups of (poor) people who pooled their grants; and by individuals or small family groups who were able to make own contributions that were sufficiently large (South Africa, 2003; Kirsten & Machete, 2005). Compared to SLAG, the average size of land per LRAD beneficiary was larger. During the first two years of the LRAD programme, the average size of land per beneficiary was 22 ha, 8 ha more than the overall SLAG average. This increase in land size was primarily the result of the LRAD projects approved by the Land Bank, which covered 199,384 ha (51 percent) of the total of 387,778 ha transferred through LRAD from August 2001 to August 2003 (South Africa, 2003). Relative to projects approved by the DLA, projects approved by the Land Bank were characterized by larger grant sizes, implying greater beneficiary contributions and larger land areas per beneficiary (43 ha), but the cost of land per hectare was not different, suggesting little difference in the quality of land between the two project approval streams.

**TABLE 2.1: Comparison of SLAG and LRAD** (after South Africa, 2003)

Element	SLAG	LRAD
Definition of beneficiary	Poor black household	Black individual*
Size of the grant	Fixed amount of R16,000 per household	R20,000 to R100,000 per individual depending on own contribution
Beneficiary contribution	Not required	Required
Type of project	All redistribution projects	Only productive land use projects
Link to housing subsidy register	Linked	De-linked
Implementation	Centralized	Decentralized
Agency	Land Affairs only	Land Affairs and selected financial institutions

\* Civil servants were not eligible; the shift in focus from household to individual was meant to improve access by women and youth.

A review of the first two years of LRAD (South Africa, 2003) identified that several of the weaknesses that affected SLAG continued to prevail. These weaknesses are summarized as follows:

1. *The continuation of the 'rent a crowd' practice to acquire farms.* The term 'rent a crowd' was part of the discourse that criticized SLAG for requiring large numbers of people to pool their grants to afford the purchase price of farms.
2. *The persistent promotion of the Communal Property Association as the legal entity for ownership of farms by LRAD beneficiaries.* Since the Communal Property Association Act is silent on the question of how land use should be organized and managed, little attention was awarded to the various rights that individuals in the group could acquire for the various possible uses of the land. Whereas conceptually collective management could apply in all spheres, including land

use, in practice the lack of appropriate institutional arrangements governing land use often resulted in unmanaged situations. In several cases, this resulted in the hiring of a farm manager.

3. *The assumption by officials that groups of beneficiaries would seamlessly take over the existing farm operations from the previous owner.* Experience from the SLAG land redistribution period and also from rural land restitution projects amply showed that this assumption was invalid, because beneficiaries lacked the necessary working capital, technical knowledge and financial management skills to take over existing enterprises without substantial assistance. Also important were the change in the organization of decision making (from individual to collective) and the change in the structure of benefit allocation (from a single farming family to a group of families).
4. *The lack of coordination among government departments, particularly when providing beneficiaries with access to grants and services, referred to as the 'silo approach'.* Lack of coordination was one of the main causes of the 'long waits' that beneficiaries had to undergo, thereby preventing them from obtaining optimum benefit from the land reform process.

### **2.2.5 Farm equity schemes**

Lyne and Darroch (2003) identified a number of factors that contributed to the growing use of farm equity sharing (FES) as a means of redistributing wealth and income while maintaining or improving agricultural performance during land reform up to 2002. These factors included costs, delays and uncertainty associated with the formal subdivision of land. Initially FES was used in the wine and fruit sector in the Western Cape, but later on it was applied across the country, covering a broader range of commodities. Lyne and Darroch (2003) describe these projects as company operations in which financial equity is owned by farm workers, former sole owners, managers and other investors in the form of tradable shares that define their individual rights to vote for directors and to benefit from the profits and capital gains generated by the company. Initially farm workers had to finance their equity through loans, but from 1996 onwards the DLA allowed farm workers to use their SLAG grants. LRAD specifically supports equity sharing projects.

A review of FES projects by the DLA during the 2004/05 financial year identified several weaknesses (South Africa, 2005):

1. FES projects were not making a substantial contribution to the land transfer target. In February 2005 FES projects had contributed less than 1 percent to the total transfer of land<sup>5</sup>.
2. FES projects succeeded in including women but not youth.
3. Empowerment of farm workers was limited in terms proportional share holding, participation in management and decision making, continuous training and skills development and awareness of rights and obligations as share holders.
4. Tangible benefits accruing to farm workers in the form of dividends and profit sharing had been minimal;
5. Loan components, which were characteristic of FES projects, had limited capital growth.

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<sup>5</sup> When assessing the performance of the post-1994 land reform programme, the South African government has awarded considerable importance to the amount (area) of land transferred, by comparing this amount with the target of transferring 30 percent of agricultural land to black people. This theme is revisited when the Commonage Programme is discussed.

6. ES projects lacked financial transparency and appropriate entry and exit mechanisms in their shareholder agreements.
7. Equity partners, mainly former farm owners, were the main beneficiaries of FES projects, not farm workers.

### 2.2.6 Municipal Commonage Programme (MCP)

The Municipal Commonage Programme (MCP) of the DLA aimed to enable poor black urban and peri-urban residents to access commonage land in order to supplement their incomes and improve their food security. Such land is not transferred to the beneficiaries themselves but to the municipality, which assumes responsibility managing it. In certain instances the Programme has also been used as an incubation system that enabled black people interested in farming to access land, gain experience in farming and grow their enterprises. This innovative use of the Programme has been particularly successful in the Northern Cape and parts of the Western Cape.<sup>6</sup> Among the factors determining success in the incubation approach by means of the MCP were:

1. The Municipality ensures that land use practices are environmentally sustainable.
2. The authorities ensure that room outside the commonage is available for farmers to graduate and move on when their enterprises have grown and farm size becomes a constraint.

By the end of 2002, new commonage accounted for 31 percent (420,812 ha) of all land transferred under the land redistribution programme (Anderson and Pienaar, 2004). Most of this new commonage land (312,777 ha) was located in the arid Namaqualand region of the Northern Cape. Overall, the average area of transferred land per beneficiary was 121 ha (41 ha if Namaqualand is excluded). Anderson and Pienaar (2004) consider the average area of land per beneficiary to allow for the raising of five small stock (sheep or goats) units. Seen in the context of the extreme diversity in agro-ecological conditions in South Africa, this suggests that the productivity (carrying capacity) of the land that was transferred was extremely low. For example, in the semi-arid parts of the Eastern Cape (+ 500 mm annual rainfall), the area of veld needed to support five small units ranges between 2 and 3 ha.<sup>7</sup>

In municipal commonage projects in the Northern Cape, Anderson and Pienaar (2004) identified three systems that were applied to manage the commonage resource. These were:

3. Leasing out the entire commonage to a group of users;
4. Granting access to the commonage for a fee, using livestock unit as the base for the charging of fees;<sup>8</sup>
5. Providing access to individuals, subject to rules and conditions stipulated in municipal commonage regulations (typically, this management model includes the payment of user fees).

<sup>6</sup> The Prince Albert case study which forms part of this study provides a practical example on how the Municipal Commonage Programme has been used as an incubator for smallholder development.

<sup>7</sup> This illustrates the limited meaning of land size in the South African context, where the production potential of land is highly dependent on agro-ecological factors, such as the adequacy of soil and water availability, slope and soil quality.

<sup>8</sup> The charging of a fee per animal kept on the commonage was the historical practice used by rural towns when urban whites had access to municipal commonage and used this access to keep horses and a few cattle for milk. When the demand for access to commonage among urban whites declined, rural towns started to lease out the municipal commonage to individual farmers.

Problems experienced in municipal commonage projects included the development of open access regimes, dominance of local elites and land degradation. Most of these problems were the consequence of institutional weaknesses governing access to and management of the commonage. For farmers on commonage land, the key concern is their limited ability to access credit and grants. Lack of security, the short lease period and the mistrust of banks by people in commonage situations mean that without security the most farmers are able to obtain from the Land Bank and from Mafisa is R25,000. This constraint deserves the attention of the DoA.

### **2.2.7 Land restitution**

The goal of the restitution policy is to restore land and provide other restitutionary remedies to people dispossessed by racially discriminatory legislation and price, in such a way as to provide support to the vital process of reconciliation, reconstruction and development (South Africa, 1997). Land restitution in South Africa has proceeded in several ways: settlement through cash compensation; restoration of previous land; provision of alternative land; provision of other development options; or a combination of the above. In March 2005, the total number of valid claims stood at 79,696, of which 59,345 (74 percent) had been settled (Tilley, 2006). Up to March 2003 about two-thirds of the land restitution claims that had been settled were finalized by compensating the claimants in cash. Most of these cases involved land located in urban areas. Restitution of rural land claims had progressed at a slower pace than in urban areas, and by March 2003 only 185 cases had been settled through land ownership restoration (Plaas, 2004). However, by March 2005, the number of settled rural claims had increased to 6,536 (Tilley, 2006). Diako et al. (2006) reported that by 2005 a total of 869,268 ha land had been restored nationally.

Diako et al. (2006) evaluated the extent to which restoration projects that had a developmental component had achieved their developmental goals. Assessing 179 projects, they concluded that only one project (0.7 percent) had achieved its goals, about 16 percent had partially achieved their goals and 83 percent had not achieved their goals. The age of a project was not related to the achievement of its goals. Constraints included delays in the deed transfer process, delays in grant transfers (particularly for planning), the absence of business plans and the lack of resources (finances, skills and equipment) to pursue the business plans.

Land restitution through restoration of land ownership is arguably the most criticized aspect of South Africa's land reform programme, possibly because in some cases extremely valuable farmland was involved. Restitution viewed simply as a rights-based programme addressing the injustices of the past can be lauded. However, the partial or total collapse of highly productive farm enterprises following restoration and the resulting loss in income and jobs were the principal evidence Du Toit (2004) provided in his argument that land reform in South Africa was a 'scandal'. Du Toit (2004) was not the only critical voice on the issue of rural land restitution. In an evaluation of land reform in South Africa, Laker (2004) concluded that not only had rural restoration projects failed to improve the lives of beneficiaries, but in the process there had been a serious depreciation of the productive capacity of the farms involved as a result of neglect, mismanagement and theft.

## 2.3 Historical experiences of establishing new settler farmers in South Africa

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Following the founding of the Cape of Good Hope settlement by the Dutch East India Company in 1652, a group of Company employees was released in 1657 to become full-time farmers on plots of 11.4 ha. The intention of the policy makers (the Company) was for these farmers to produce wheat and vegetables for sale to the Company at pre-determined prices. The Company envisaged that Cape farmers would emulate the intensive farming system used in the Netherlands. They expected them to grow crops in rotation, use plant clover (legume) to allow the soil to recover and raise a small number cattle using the fodder produced and collecting the manure for use as a fertiliser (Giliomee, 2003). For several reasons, including the lack of capital to implement this intensive farming system and the lack of enthusiasm for the strenuous labour required, farmers tended towards the practice of extensive livestock production on veld neighbouring their farms, generating additional income through illegal means by bartering cattle with the Khoi<sup>9</sup> for sale to the Company and by selling farm produce directly to ships in the harbour instead of to the Company. Many also persistently begged the Company for permission to move to town to practise a trade instead of farming (Giliomee, 2003).

The 4,000 people who arrived from Britain in 1820 to settle on 45 ha plots in the Albany region of the Eastern Cape had been selected by the Colonial Office from a total of 90,000 applicants. The intention of the British Government was to send to South Africa people with farm experience who had been dispossessed from their land in Britain. They would be able to apply their skills to create stable agriculture along the frontier of the Cape Colony. However, by passing themselves off as rural people, tradesmen, artisans and others managed to be included for government-assisted passage to South Africa (Mostert, 1992). After three consecutive years of failed crop harvests, the new settler farmers were so hungry, miserable and disillusioned that they started to drift away from the land into Grahamstown and Algoa Bay, where the new town of Port Elizabeth had been established. In town they found work as wagon riders, or as tradesmen and artisans, making use of the skills and experiences they had acquired while still in Britain (Mostert, 1992). The government attempted to halt the exodus by imposing a Pass Law, which required settlers to apply for a pass whenever they wanted to leave their allotment. This measure was soon withdrawn when its futility became obvious because settlers continued to leave their farms (Mostert, 1992). As a result, three years after taking occupation of their new farms, less than half of the settlers remained on their plots (L'Ange, 2005).

As will be shown, the themes that emerge from these two historical initiatives to establish new farmers in South Africa are not dissimilar from those that surface in the assessments of contemporary efforts in response to the land and agrarian reform policy. One of these themes is the reality of the harsh and unpredictable South African natural environment, which in many instances favours the exploitation of the natural vegetation by extensive livestock production, especially in the absence of resources.

The second theme is the response of people to offers of land. Generally, people keenly pursue opportunities of assisted access to land. However, when they are

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<sup>9</sup> When the Cape of Good Hope settlement was established by the Dutch, the Khoi were the native inhabitants of what is now the Western Cape. In the past they were referred to as the Hottentots. They were closely related to the San (previously referred to as the Bushmen), but the livelihood system of the Khoi was based on cattle rearing, while that of the San was based on hunting and gathering.

confronted with the daily reality of making a living from farming, a process of self-elimination follows, whereby some leave the land to pursue other livelihood options, and others persist and gradually adapt and improve their farming system through experience and experimentation. The third theme is that irrespective of government policy, people seek room to manoeuvre in order to construct and improve their livelihood. In their search for room, and depending on circumstances, people sometimes resort to activities and practices that are opposed to policy.

Returning to the two examples, in both cases the government regarded the social events that followed the establishment of new farmers as a serious crisis. However, later on natural social processes brought about a new reality, which despite being substantially different from what had been envisaged by policy makers, was not necessarily undesirable from agricultural and economic perspectives. Farmers at the Cape of Good Hope successfully pressured the Company to allow them to access additional land for extensive grazing. Using this system, which was very similar to the farming system of the Khoi and Nguni, who occupied the southern and eastern seaboard, they spread eastwards and later on throughout South Africa. Extensive livestock production remained the dominant farming system of Afrikaner farmers until well into the 20th century. The 1820 settlers who remained on their Albany farms learnt from their Afrikaner and African neighbours that the local natural resources were best suited to extensive livestock farming. They extended their holdings and, encouraged by the authorities, replaced cattle with Merino sheep for the production of wool, for which there was high demand in the UK. This innovation laid the foundation for South Africa's wool production sector.

## **2.4 Establishing new black farmers in the context of the agrarian and land reform policies**

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### **2.4.1 Black farming at the advent of land reform**

It should be pointed out that for historical reasons black people have been restricted from engaging in commercial farming over a long period of time. In addition, the livelihoods of most black people have largely been 'de-agrarianized', even among those living in the rural areas. For the large majority of black people who still practise agriculture, its importance in their livelihood has been reduced to the level of a secondary activity to produce food for their own consumption and as a way of building a rural asset base (livestock).

The limited role of agriculture in the livelihood of contemporary black South Africans was amply demonstrated by Hart (2006). Using Labour Force Survey data, he found that about 4 million black households practised some form of agriculture during 2005. This represented about 44 percent of the 9.1 million black households that were resident in South Africa in 2005<sup>10</sup>. For the large majority of black households that were engaged in agriculture (77 percent, or 3.08 million households), agriculture was an extra source of food for the household. For 600,000 of the remaining 920,000 households, agriculture was reported to be the main source of food for the household, and for 120,000 households agriculture was a leisure activity. This left 200,000 households that listed agriculture as a source of monetary income. For

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<sup>10</sup> The estimate of the number of households in South Africa was based on linear extrapolation of the 2001 census data on the human population of South Africa (44,81, 778) and the population estimate for 2007 (47,850, 700), the composition of this population (79.7 percent black people excluding coloured and Asian people) and the average household size among black people (4.1 persons per household).

120,000 of these it was an extra source of income and for only 80,000 agriculture was the main source of income.

The general absence of a peasant tradition among contemporary black people in South Africa is an important constraint to achieving the desired outcome of the land and agrarian land reform policy, i.e. to establish a class of new, (small-scale) black, commercial farmers. The South African situation contrasts sharply with that of Zimbabwe at independence in 1980, where the majority of the poor rural people who were targeted by land and agrarian reform policies and initiatives had a peasant tradition (Rukuni, 1994). This partly explains the (initial) success of land reform in Zimbabwe as evidenced by rapidly increasing participation of smallholders in the agricultural market economy of that country during the 1980s and early 1990s (Rukuni, 1994).

At the time when the South African land and agrarian reform policies were being developed and piloted, McIntosh and Vaughan (1996) contended that rural poverty alleviation through land restitution, and redistribution and rural livelihood generation through the development of a new smallholder farmer class, were both myths. They warned that public investment in pursuit of these policy objectives would consume resources that could be used to improve the quality of life in rural areas through investment in social services, such as water, health and education. McIntosh and Vaughan (1996) based their argument on the limited success that had been achieved in historical efforts to establish market-oriented smallholders in the former homelands. They indicated that these initiatives had been successful only under limited conditions, namely when structured as out-grower schemes underpinned by a comprehensive private-sector support system, as in the case of sugar cane and timber, and in the form of fresh produce gardening in close proximity to urban centres.

#### **2.4.2 Reviewing successes and failures of land reform**

The review of South African experiences in establishing new black farmers presented here is based on two provincial assessments conducted in the Western Cape (De Lange, 2004) and North West Province (Kirsten & Machete, 2005) and a summary of experiences nationally (De Lange et al., 2004). These three reports shared the same broad objective: to determine to what extent the land and agrarian reform programme was succeeding in bringing about improvements in the livelihood of beneficiaries, with special emphasis on the productive use of land. The study approach used in the two provincial assessments differed radically. Sampling by De Lange (2004) in the Western Cape was purposive<sup>11</sup> and sought to cover the diversity among land reform projects. The data collected were qualitative and served to capture the experiences and views of the different stakeholders that featured in land and agrarian reform processes. The study by Kirsten and Machete (2005) made use of probability sampling<sup>12</sup> and investigated quantitatively the relationships between selected factors (independent variables) and farm production by land reform beneficiaries (dependent variable).

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<sup>11</sup> Purposive sampling is a form of non-probability sampling. It is mostly used in qualitative research and aims to provide coverage of the diversity that characterizes the population (of projects). Results obtained using this sampling procedure provide indications of the issues that are important in different types of projects but do not allow for generalizations about the population of projects at large.

<sup>12</sup> The probability sampling employed in the study by Kirsten and Machete allowed for generalization of the population because each project in the population had a known chance of being included in the sample.

### 2.4.3 Experiences in the Western Cape

De Lange (2004) assessed the performance of empowerment policies and strategies within the agricultural sector of the Western Cape. In practice, the policies and strategies used to bring about empowerment in the agricultural sector were essentially land and agrarian reform policies and strategies.

In his assessment, De Lange (2004) differentiated between projects on the basis of project objectives. He identified two broad categories of projects: those with a food safety net objective, which made up about 30 percent of projects; and those with a commercial farming objective. He pointed out that the characteristics of projects within these two categories, such as number of participants and land size, varied very widely.

De Lange (2004) pointed out that human and social factors were more important than finance and infrastructure in determining success in implementing empowerment projects. He emphasized that this conclusion applied to both categories of projects. He identified the positive impact of the approach used by the Land Development Unit on the success of empowerment projects, particularly group-based projects. This approach makes use of visioning, milestones and reflection as elements to mobilize groups to plan, implement, monitor, evaluate and improve their projects. The emphasis of De Lange (2004) on human and social factors is extremely important because it has implications for the approach used by extension and support services, whereby 'building people' is of key concern, at least during the initial phases of the projects. Later on, when participants have been adequately mobilized and are actively engaged in farming activities, the emphasis is likely to shift to technical concerns. It could be concluded that while ranking of importance is useful, both of these elements need to be responsibly addressed to achieve successful outcomes.

#### **Projects with a food safety net focus**

The majority of food safety net projects in the Western Cape involved urban agriculture. De Lange (2004) observed that these type of projects required intensive and sustained after-care to be sustained. He found that in most cases non-governmental organizations (NGOs) were providing after-care support, but he also identified a lack of resources and expertise as factors that prevented NGOs from optimally providing the required support. Since food safety net initiatives are not the focus of this review, no further attention will be given to them.

#### **Projects with a commercial farming focus**

De Lange (2004) found that in the Western Cape, the majority of projects that had a commercial farming objective were farm share equity schemes. He expected this to also be the case in the foreseeable future. De Lange (2004) cautioned that some land reform projects initiated by farm owners were in essence opportunistic and a financially beneficial way to allow farm owners to exit farming.

He identified the development of general life skills among land reform beneficiaries, and initiatives that provided them with a sense of belonging to commercial farming circles, to be as important as providing beneficiaries with technical, managerial and financial skills. He pointed out that even when land reform beneficiaries possessed highly developed technical skills (skills needed to produce a particular commodity), as in the case of farm workers, participation in management and decision making constituted a 'quantum leap' that beneficiaries struggled with.

He also stressed that participation of the private sector and organizations that play a role in specific commodity chains was essential for successful empowerment through commercial farming. Based on the evidence collected, he concluded that reliance on the Provincial DoA as the only supporting organization was inadequate for success.

De Lange (2004) reported that value-adding activities offered better scope in providing opportunities for empowerment in agriculture than primary production, because often value-adding activities could be implemented more rapidly and more cost-effectively.

De Lange (2004) summed up his findings with the statement that farming and some forms of agribusiness shared the following requirements for participants to achieve success:

1. They need to know what to do (knowledge and planning).
2. They must be able to do it (skills).
3. They must have access to the means of production (land, infrastructure and equipment).
4. They need production inputs such as seed, fertilizers, compost, manure and chemicals.
5. They need access to markets.
6. They need a voice in determining policy issues that affect them directly (lobbying).

#### **2.4.4 Experiences in North West Province**

The study by Kirsten and Machete (2005) in North West Province investigated the extent to which land reform projects were meeting the agrarian reform objectives of commercial viability, optimal use of farmland and the advancement of historically disadvantaged (black) farmers. A total of 177 land reform projects were registered when the study commenced (2004/05), but the team was only able to audit the status of 102 of them. Subsequently, 43 of the 102 projects were sampled for detailed investigation. The sample consisted of 7 SLAG projects, 35 LRAD projects and 1 Commonage project. Project age ranged from one to five years.

##### **Findings of the comprehensive land reform project audit**

The Important findings of the project audits<sup>13</sup> conducted by Kirsten and Machete (2005) were as follows:

1. 38 percent of the audited projects were dysfunctional as a result of internal conflict or members losing interest and abandoning the project.
2. 10 percent of the projects (all SLAG or Commonage) were essentially residential and no agricultural production was taking place.
3. Farm infrastructure had deteriorated or been vandalized on 49 percent of projects, had been maintained in working order on 27 percent, and had been improved on 24 percent.
4. 49 percent of the projects recorded production and marketing of commodities, while on 29 percent of projects no production had occurred since land had been transferred.

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<sup>13</sup> Percentages presented for each theme should not be added to obtain a summary status because there is overlap among the different themes.

5. Lack of implements was identified as the main impediment to current and future farm production.

### **Findings of the detailed study of the sample of land reform projects**

The important findings of the detailed study of a sample of 43 land reform project were as follows:

1. *Differing objectives.* The objectives of the North West DoA and those of land reform beneficiaries did not always overlap. The objectives of the Department were commercial viability and optimum land use, whereas many land reform beneficiaries participated in projects to reduce poverty and improve their quality of life. Pursuing these objectives did not necessarily mean engagement in commercial production.
2. *Beneficiary withdrawal.* Generally, land reform projects were characterized by substantial beneficiary withdrawal. Overall, only 28 percent of the initial population of beneficiaries in the sampled projects were still active participants at the time of the survey, and only 19 percent (less than one in five) participated actively in farming. This finding was indicative of what is referred to as the 'rent a crowd' approach, suggesting that many of the beneficiaries who are not farming actively may have been used just for grant pooling. Stated reasons for the high rate (72 percent) of beneficiary disengagement were:
  - a. income from farming too low;
  - b. farm work too strenuous;
  - c. engagement in other livelihood activities;
  - d. slowness of the administrative land reform process; and
  - e. lack of progress on the farms.
3. *Lack of appropriate beneficiary exit strategies.* Considering the high rate of beneficiary disengagement, the lack of suitable ways of concluding beneficiary exit was identified as a major concern and as a priority design issue.
4. *Inadequate business plans.* Business plans, which are a requirement in both land redistribution and land restitution projects, appeared to be of limited practical value. This probably results from the common practice of using external agencies for business plan development. Use of external agents is not problematic per se. More importantly is the approach used to arrive at the plan, which should reflect the vision and capabilities of the beneficiaries. Laker (2004) also lamented the lack of realism that characterized many of the land reform project business plans. The acceptance of poor-quality business plans also suggests a lack of engagement and/or understanding of agriculture among officials who approve these plans.
5. *Insufficient access to advisory services.* Access to advisory services was subject to major improvement. With reference to the public extension service, the need to increase the frequency of contacts was identified. It was also found that advisory services offered by public extension officials tended to be general. For commodity-specific advice, other sources, such as established commercial farmers, were necessary, and the need for public extension to facilitate access to specialist advice was pointed out. At the time of the survey, there was a general absence of agribusiness participation in land reform projects.

6. *Limited experience in commercial farming and financial management.* Land reform project members had limited experience in farming and their financial management skills were also limited. Analysis of the survey data showed that experience in commercial farming among land reform beneficiaries increased the probability of commercial viability and optimum land use in land reform projects. The authors recommended that 'experience in market-oriented agriculture' be considered as one of the selection criteria for participation in future land reform projects.
7. *Low income from crop production.* The state invested R47.3 million in the 43 projects that were surveyed, which consisted of R24.3 million (51 percent) to purchase land and R23.0 million in production capital. Beneficiaries invested R4.3 million of their own, which consisted of R0.8 million (18 percent) in infrastructure, R1.4 million (33 percent) in implements, R1.2 million (28 percent) in livestock and R0.9 million (21 percent) in crop production.<sup>14</sup> Therefore, total direct investment amounted to R51.6 million. At the time of the survey, the projects had generated a cumulative total income of R1.5 million. Income was primarily derived from poultry production (R0.71 million) and extensive livestock production (R0.46 million). Income from crop production accounted for only 0.37 million (24 percent). Project members identified drought as one of the principal reasons why their income from crop production was so low, once more demonstrating that water is a critical natural resource in South African crop production.
8. *Little progress in the commercialization of agriculture.* Over the full life span of the 43 projects that were surveyed, the average annual income per project member was R652 (2005 prices).<sup>15</sup> This level is of the same order as the average income obtained from agriculture recorded in rural settlements in the former homelands (May, 1996, Baber, 1996, ARDRI, 2001; Van Averbeke & Hebinck, 2007). This suggests that on the whole, there had been little progress in the commercialization of agriculture in the land reform projects that were surveyed. By comparison, at Dzindi Irrigation Scheme, a 54-year-old smallholder canal scheme in Limpopo Province where farmers have access to 1.28 ha plots and on average sell about half of their total annual production, the annual gross income per plot holder recorded in 2002/03 was R4 692 (Van Averbeke & Mohamed, 2006). It should be pointed out that averages guide the 'really bad' and the 'really good'. In addition, Kirsten & Machete (2005) did not indicate whether the annual income obtained by beneficiaries in land reform projects included income derived in the form of home consumption of produce, which was included in the studies provided for comparison.

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<sup>14</sup> From the report by Kirsten and Machete (2005) it is not clear in what form the 'crop production' investment contribution was made.

<sup>15</sup> The report did not indicate whether the measurement of annual income in land reform projects included both incomes in cash and kind or only in cash. The income measurements reported by Van Averbeke and Hebinck (2007) and by Van Averbeke and Mohamed (2006) contained in cash and kind.

9. *Farming and poverty reduction.* Pauw (2007) provided evidence that among black people in South Africa, farming only reduced poverty in absolute terms<sup>16</sup> when this activity was commercialized (farming for money), not when it was conducted to obtain food.
10. *Financial difficulties in commercial production.* Several projects reported financial problems. Project members mostly identified additional grant funding as the solution to these problems. Kirsten and Machete (2005) considered the externalization of the solution to financial problems as evidence of the precarious level of stability of commercial production in many land reform projects.

#### **2.4.5 Summary of national experiences**

The summary of nation-wide experiences in establishing new farmers in South Africa as part of the land and agrarian policy by De Lange et al. (2004) largely confirmed that the experiences derived from the two provincial case studies were similar to those obtained in other parts of the country. For this reason, only the issues that were new are discussed.

De Lange et al (2004) recommended that land and agrarian reform policy makers should give serious consideration to the “one-person one farm” model. Based on experiences with the settlement of new farmers in South Africa in the past, such as the settlement of poor white families on new irrigation schemes during the 1920s and 1930s, they recommended that initial farm units should be small. They predicted that natural economic processes would lead to some farmers exiting projects, which would allow others to increase the scale of their operation.

De Lange et al. (2004) pointed out that in South Africa there was a large gap between the market value of a parcel of land and the productive value of that parcel. As a result, in the commercial farming sector, new entrants typically start by renting a farm, with a view to purchasing a farm later on.

De Lange et al. (2004) made a strong appeal for improved coordination between government departments and other stakeholders. This has been a recurrent theme in the short history of land reform in South Africa and is pointed out in almost every project or programme evaluation that has been conducted so far.

Lastly, a recurrent theme in reports that assess land reform projects is that of the ‘champion’. Several authors have linked the relative success of land reform projects to the presence of the ‘internal champion’ and the ‘external champion’. The concept of the internal champion in a land reform project refers to a person within the group of beneficiaries who, through exceptional leadership, initiative and

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<sup>16</sup> Defining poverty in absolute terms refers to the level of income of the unit of analysis (usually household) relative to a baseline income, below which poverty is experienced by way of not being able to meet one’s basic requirements for living. Measurement of income can be limited to monetary income only, but ideally it should also include income in kind. There are international baselines against which poverty is measured, but these tend to be very crude. More appropriate is to determine the baseline at a national or, even better, a local level. This is done by measuring what it costs to meet one’s basic requirements for living. In the past, these types of baselines were regularly determined in South Africa. Examples are the Minimum Subsistence Level, which was determined annually in the main urban centres of South Africa by the Institute of Planning Research of the University of Port Elizabeth (Potgieter, 1999); the Minimum Living Level determined by the Bureau for Market Research at UNISA (Woolard and Leibbrandt, 2001) and the poverty line developed for rural areas in South Africa by Carter & May (1999). The main advantage of defining poverty in absolute terms is that it is relatively easy to measure. Although these measures are now outdated, adjusting them to current prices using the consumer price index (CPI) does provide an idea of what these baselines would be at present.

dedication, has contributed in a major way to the relative success of that project. The important effect of the internal champion on the shaping and success of land reform projects is also evident in some of case studies that are described in the second part of this report. The concept of the 'external champion' is used to describe an agent or agency that has provided dedicated and sustained support to the land reform project in a way that has been encouraging and empowering for the beneficiaries. It can be argued that the quality of internal leadership is a group attribute, but ensuring the presence of an external champion is a factor that is largely located within the realm of policy and implementation.

## **2.5 Response by the State to identified weaknesses in the land and agrarian reform process**

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There is ample evidence that the Departments of Agriculture and Land Affairs have sought to learn from the implementation of the land and agrarian reform initiatives and have sought solutions to the problems that were identified.

Earlier in this section of the report it was explained how change in the land redistribution instrument from SLAG to LRAD aimed to result in better self-selection of reform beneficiaries, with a view to increasing the contribution of agriculture to the livelihood of participants. Decentralization and devolution of the LRAD approval processes to provinces and districts aimed to reduce the duration of these processes. The area-based approach was introduced to achieve better integration of land and agrarian reform initiatives in the economic development plans of parts of the country.

The Comprehensive Agricultural Support Programme (CASP) was introduced in 2003 to address the lack of after-care support, even though initial evaluation of this programme showed that the resources that were made available were primarily (75 percent of the budget) used for infrastructure development (Lebert et al., 2007). The Mentorship Programme was recently introduced to address the need of newly established farmers for specific technical expertise and know-how of the workings of particular commodity chains in which they seek to become involved. Many of the measures introduced by the State have increased the cost per reform beneficiary; therefore, achieving more desirable outcomes is of public importance.

## 3 Comparison of South African and International Land Reform Experiences

### 3.1 Introduction

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This section compares South African practices in the settlement of new black farmers in the context of land reform with international experiences. It is based on the preceding review of South African experiences and the review of international experiences by Maetz (2007).

### 3.2 General observations

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#### 3.2.1 Political and legal context in which land reform occurs

It is general experience that a clear and effective land policy reduces anti-reform attacks and provides a sound basis for claims by beneficiaries. Globally, successful land redistribution programmes have combined free negotiation, fiscal incentives for land transfers and compulsory land acquisition. In all cases, an element of compulsion proved crucial for the success of the reform programme. Also important is the full use of public land held by the state prior to using private land. Global experience also shows that there is a need for clear (and final) land dispute settlement mechanisms.

Worldwide experience emphasizes the importance of the rule of law and stresses that this needs to prevail throughout the process. Measures to reduce the inherent instability and uncertainty that accompany profound social change must be enacted decisively. Social mobilization, which is necessary to maintain momentum and political support for these changes, should be kept within rational limits.

The South African land reform policy is generally regarded as sound and has been subject to 'tweaking' rather than fundamental revision.

The implementation of land reform has relied almost entirely on a market mechanism using the 'willing seller-willing buyer' approach, with the state assisting in land purchases. In recent years, legislation has been formulated and tabled to introduce a higher degree of compulsion in the land acquisition process.

To a large extent, private property rights have not been affected by the land reform process, and the rule of law has prevailed in all but a few exceptions.

It would be fair to conclude that from a policy and legal perspective, South Africa's land reform programme meets global best practice guidelines.

#### 3.2.2 Time horizons and cost of land and agrarian reform programmes

Worldwide it has been shown that land and agrarian reform take time. Programmes need to have a time horizon of a decade or more. Land and agrarian reform programmes are costly.

That land and agrarian reform are long and costly processes has also been the South African experience. When the South African reform programme was conceptualized, it was envisaged that the transfer of 30 percent of the country's agricultural land to black people would be completed over a five-year period. Achieving this goal had to be postponed to 2014, after it was recognized that the transfer process alone would take 20 years. Even more arduous has been the agrarian reform process. Initially, when land redistribution was mainly concerned with the transfer of land to poor people, little attention was paid to what beneficiaries did or wanted to do with that land (see 2.2.3). As the programme evolved, policy makers became progressively more specific. At present, the principal strategic goal of the land and agrarian reform programme is the establishment of a class of black, market-oriented farmers who make optimal use of the land resources that have been transferred to them.

### **3.2.3 Land reform, economic development and poverty reduction in rural areas**

It is the international experience that the provision of land should not be seen as the only way in which to promote economic development in rural areas and reduce poverty among the rural population. This applies particularly to South Africa. The peculiar history of South Africa has resulted in the development of very strong rural-urban linkages, which are expressed in the migration of people and assets between these two domains. During most of the 20<sup>th</sup> century, rural homesteads were being supported by urban incomes of family members, and although the contribution of urban remittances to rural livelihoods has been declining substantially, urban-to-rural transfers remain important. It follows that measures to promote urban economic development have an indirect positive impact on the livelihoods and poverty status of rural homesteads. At present, public welfare is the most important way in which rural poverty is being alleviated. South Africa has a fairly well-developed public welfare system that includes the provision of old-age pensions, disability grants and child support grants. In many rural areas, claiming against the state is the main source of income. The current situation is that many people residing in the rural areas no longer have livelihoods that are based on the utilization of rural resources. Instead they obtain income through remittances from family members who have urban employment or from claiming against the state, despite the availability of land for farming. This raises the question as to what extent making available additional land will contribute to improved livelihoods. It also explains why several reports have emphasized the need to explore the potential of backward and forward linkages<sup>17</sup> to primary production to generate rural economic development by the creation of jobs because of an apparent lack of interest by many rural people in becoming farmers.

### **3.2.4 Time window for benefit generation in land reform projects**

International experience shows that access to land must result in tangible improvements in the livelihood of beneficiaries within a fairly short period of time. When tangible benefits are not being realized, land reform beneficiaries tend to defect and abandon their stake in the land.

The local experience is completely in line with the international experience. For example, the review of land reform projects in North West Province by Kirsten and Machete (2005) indicates defection rates of about 80 percent and identifies the lack

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<sup>17</sup> Backward linkages to primary production refer to economic activities that supply goods and services needed by farmers to produce. This includes fertilisers, seed, agro-chemicals, land preparation services, fencing, the provision and maintenance of equipment, etc. Forward linkages to primary production refer to economic activities that follow the harvest of crops and include storage, transformation, transportation and trade.

of tangible benefits derived from the projects as the primary reason. Local experience suggests that the time window for tangible benefits to accrue to land reform beneficiaries is not much longer than two to four years.

### 3.3 Beneficiary characteristics and progress in land and agrarian reform

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Internationally, progress in land and agrarian reform has been most rapid when the population of beneficiaries consisted of former tenants. Progress has been slower when the beneficiaries consisted of former farm workers. The reason was that tenants already had the necessary capacity and skills to manage farms and knew how to farm with the local natural resources, whereas farm workers tended to possess only the technical skills but lacked the necessary managerial capacity to run a farm on their own.

The peculiar political history of South Africa effectively destroyed tenancy on commercial farms. At the start of the 20th century, black tenancy on white-owned farms was widespread, particularly in the Free State and the former Transvaal (Limpopo, North West) (Bundy, 1988; Van Onselen, 1996). However, following the formation of the Union, racially biased legislation, such as the 1913 Land Act, prohibited this form of tenancy. As a result, South Africa did not really have a population of tenants to work within its land reform programme.

The South African experience with farm workers and land reform has been similar to the international experience. Whereas farm workers typically have intimate knowledge of the technical aspects of production, they tend to lack the necessary planning and managerial skills to run farm operations on their own. For example, De Lange (2004) used the words 'quantum leap' when referring to the transition from farm worker to farm owner and decision maker.

Another factor that has particularly constrained progress in agrarian reform in South Africa is that the peasant tradition among the rural population has been severely eroded. Worldwide, farming occurs within socio-cultural networks in which agricultural knowledge is produced and reproduced. As people withdraw from farming, these networks are weakened and knowledge of farming is lost. Loss of agricultural knowledge and skills is seriously affecting many parts of rural South Africa. Once again, this is largely the result of the country's political and economic history (see for example Bundy, 1988, Hebinck & Van Averbeke, 2007). Practically, however, the absence of a strong and vibrant peasant tradition, irrespective of whether they operated as tenants or on their own smallholdings, is probably the root cause of the limited success of the land and agrarian reform process in South Africa. It also partly provides the justification for some of the policy shifts that have occurred and for some of the quite controversial structures that have been adopted in the more recent land reform projects, such as the Joint Venture<sup>18</sup>. This theme is revisited in the final section of this report, which links the case study findings to the review of local and global experiences.

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<sup>18</sup> The Joint Venture is a medium-term (typically for three to five years) contractual collaboration involving profit-sharing between a group of black people who hold land (and infrastructure) and a commercial (usually white) farmer who takes responsibility for the farm operations. The idea is that during the period of contractual collaboration the commercial farmer will transfer production and managerial skills to the group of black participants, but experience has raised questions about the effectiveness of this skills transfer process.

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### 3.4 The importance of beneficiary empowerment

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International experience stresses the importance of beneficiaries organizing themselves and taking control of their own development. The local experience supports the global experience. The shaping and planning of land reform projects in South Africa has been characterized by the over-reliance on external agency, particularly during the early years. Business plans, which were usually prepared by consultants, were not adequately internalized by the land reform beneficiaries and in some instances completely unrealistic. The rather unusual make-up of the black rural population in terms of their agrarian knowledge base (weak peasant tradition), makes the need for comprehensive empowerment support so much more important. De Lange (2004) stressed the importance of engaging beneficiary groups in 'visioning' exercises at the start of the process.

### 3.5 Ownership and incentive structures in land reform projects

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International experience does not provide evidence that collective arrangements in land reform projects should be avoided but does warn against making collective arrangements a permanent feature. In several countries the use of collective arrangements supported transition during the initial phase of land reform implementation, enabling reform beneficiaries to learn the business of farming, establish credit reputations and develop sector networks. Based on global experience, the design of land reform projects should accept that collective arrangements are finite, and that conditions will evolve to a stage where disaggregation becomes necessary. For the transition from collective to individual to occur smoothly, the rights of individuals (Maetz (2007) uses the term 'property rights') must be clearly spelt out at the start of projects, even when the project is structured as a collective during its initial phase.

International experience also stresses the need for a rational system of individual economic incentives in land reform projects. Ambiguity in rewarding individual productivity has been shown to damage land reform, as is reflected in the poor results from most experiences with collective farming.

Local experience has resulted in many questions about the desirability of using a collective approach to land reform. The apparent lack of progress in many collective projects has resulted in calls for this approach to be avoided, if not abandoned. However, it has been shown that inadequacies in formulation of the rights of individuals are the reason for many of the difficulties that have been experienced in collective projects.

Local recommendations for strengthening rights of individuals within collectively structured projects not only call for clear specification of property rights but also for clearly specified land use and land management rights, which take into account the different possible functions of land. As far as the productive use of land is concerned, the latter recommendation responds directly to the need for a rational system of individual economic incentives, in line with global experience.

### 3.6 Farm size in planning

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When planning the settlement of new farmers, as is the case in many land reform projects, questions arise about the size of holdings, not only when farmers are provided with individual holdings but also when future disaggregation of group farm projects is envisaged in the overall plan. Deciding on the size of holdings has important implications for the number of beneficiaries that can be assisted and the impact of the reform programme on the degree of poverty reduction.

The concept of the 'economically viable farm unit' is one of the main approaches that has been used to determine the appropriate size of a holding. This approach has been criticised from several angles because it makes too many assumptions.

These include:

- assumptions about the income requirement of farmer homesteads (in determining the economic unit, the homestead income requirement is considered a population statistic);
- the production system that will be employed (the economic unit approach has difficulties accommodating technological innovations and system adaptations);
- the livelihood activities of the farmer homestead (the economic unit approach typically assumes farming to be the sole livelihood activity and source of income, whereas farmer homesteads often engage in a variety of livelihood activities and derive income from various sources); and
- the economic unit approach assumes that current circumstances will prevail in future, whereas in reality, conditions change all the time.

The Latin American experience confirms that determining the size of holdings based on economic viability is flawed. The alternative is to have a flexible approach that relies less on assumptions. For example, the distribution of small plots to the poor to set up home gardens has been shown to contribute substantially to poverty reduction and enhanced food security. On the other hand, there is also evidence that the reduction of poverty of individual beneficiaries is enhanced as the size of plots is increased.

Where conditions permit the selling and subdivision of land, the size of holdings tends to diverge from the original size over time, giving rise to smaller holdings through subdivision or larger holdings through the accumulation of land. International experience indicates that although poor, small-scale landholders need to be free to transact land amongst themselves, and that land sales markets are much less effective in bringing about land exchanges than leasing or sharecropping. High transaction costs and lack of access to credit limit the ability of the poor to buy land on the market. Distress sales of land by the poor can also occur, with negative equity outcomes. Assisting access to land by supporting land rental arrangements is a possibility that has not been actively pursued in South Africa. Advantages of the land rental option include greater flexibility to adjust farm size to the need for land among rural households, in line with their capacity and interest to use land productively. Renting land places less strain on the financial resources of households than purchasing land, which is important in poverty contexts because limited financial resources are needed for investment in production. Another advantage of land renting is that it tends to result in the land being used by the most efficient farmers.

As discussed previously, historically, South Africa has made considerable use of the economic farm unit approach in projects that involved the settlement of new farmers. On white farmer schemes, where land was held by individual title (subject to conditions during the initial phases of the settlement process), the general trend has been towards larger holdings. On black settlement schemes, holdings have maintained their original size but homesteads did seek livelihood opportunities other than farming. The lack of change in the size of holdings on black farmer projects has been linked to the particular tenure arrangements that applied (e.g. Trust tenure). These arrangements did not permit the sale of land. Whether or not a land market will develop on these schemes after tenure restrictions have been removed still needs to be demonstrated.

For reasons not yet well understood, the practice of renting land is not common in black smallholder settings. For a long time, tenure arrangements disallowed or restricted land rentals but at present these institutional constraints are much less of a factor, at least from a practical perspective. Case studies in rural settings which involved the introduction of the idea of land renting demonstrated that land rental markets could be opened, even without legal changes to the tenure system (see for example Dennison and Manona, 2007; Van Averbeke, 2008).

### **3.7 Content and structure of land and agrarian reform support**

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Global experience shows that land and agrarian reform programmes are very complex and demand a high degree of capacity among the agencies that implement them. Capacity determines what is feasible, and governments should not pass legislation when there is insufficient capacity or resources to implement the legislation.

Two broad domains of capacity are critical in providing support to land and agrarian reform: the capacity to administer land; and the capacity to support the establishment of new farmers.

The capacity to administer land includes land surveying, titling and registration and land-use planning, land valuation and land taxation.

The capacity to support the establishment of new farmers encompasses a wide range of support services that are needed to enhance the competitiveness and viability of the new farms that are being established. These include:

- institutional innovation in rural financial markets, particularly in market-assisted land reforms;
- facilitating access to credit, technology, financial and farm management skills and marketing information; and
- facilitating linkages with the private sector (typically problematic because the private sector tends to be wary of entering into partnerships with new farmers or their organizations, preferring to deal with intermediaries instead).

Support services can promote the broadening of linkages between new farmers and the private sector through market matching and agribusiness assistance to beneficiaries, consultations and dialogues, thus forging links between private entrepreneur-buyers and beneficiary producers.

Global experience also shows that the support services need to be well coordinated and integrated to achieve maximum benefit. The 'silo approach' characterized by a series of different, disjointed (and sometimes conflicting) initiatives is inefficient and sometimes counter-productive. In line with the general global trend, several countries have adopted a decentralized approach to land administration with a view to empowering local institutions to respond to local needs. While placing services closer to citizens, these approaches have also increased the need for capacity building at local levels in order for these services to be provided effectively.

The South African experience in providing support to land and agrarian reform has had a major learning curve. The different spheres in which support was shown to be inadequate corresponded with those identified as important internationally. The general trend in the evolution of support has been in the direction of international best practice. For example, the recommendation of the Sustainable Development Consortium (2007) to establish dedicated land reform support units at district level holds much promise because it would bring together at the local level the full complement of expertise that is required to support the processes of land transfer and new farmer settlement.

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## 4 Case Summaries and Lessons

### 4.1 Case selection

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The case study component of the work was based primarily on cases that were substantially documented and required only some verification in the field. A shortlist of 11 cases was compiled on the basis of a set of criteria drawn from the Terms of Reference and from discussions with FAO and the National DoA. The main criteria were:

1. Some geographical spread across the provinces
2. Cases with an individual beneficiary farming (i.e. one person responsible for the agricultural enterprise)
3. Cases with a group of beneficiaries for which the land reform group is also the group that is farming, collectively or cooperatively
4. Cases with a group of beneficiaries in which the individuals (or sub-groups) cooperate in various ways – buying or marketing together – but also have a degree of separateness with respect to their agricultural enterprise
5. Crop-based farm enterprise
6. Animal-based farm enterprise
7. “External risk” model – typically a partnership or joint venture enterprise model (largely reliant on a dominant external partner for production and marketing through co-ownership or out grower relationship, in which the partner is the prime carrier of skills, risk and benefit)
8. “Internal risk” model – typically ‘independent’ farm enterprise model where the group/individual is essentially independent and reliant on own resources and is the prime carrier of production and marketing risk
9. Cases with traditional leaders involved in the enterprise and land management
10. Cases with individuals or group leasing the land.

The six cases selected are summarized in Table 4.1 and the fully detailed case descriptions can be obtained (as indicated in section 1.2).

Figure 4.1 Location of Case Studies



## 4.2 Methodology

Theoretical and case data collection frameworks were developed and used to collect the relevant information available in existing records and reports. Gaps were identified and fieldwork was undertaken in all cases except Case No.1, where the data was largely complete.

The case descriptions and analyses were drafted, and the analyses were evaluated by the team for completeness and consistency. Verification of conflicting or missing information was sought through telephone follow-up with key informants or second visits to the field. The final analysis followed, and the synthesis of findings presented in this report.

Table 4.1: Summary of Selected Cases

Case No.	Name of group and location	Number in group and size of land	Productive activities on farm	Nature of ownership of enterprises	Tenure arrangements	Spread of purpose of production
1	eMbangisweni, Kwazulu Natal	342 households, and about 1,500 people. Not all returned to the land yet. Farm size 6,000 ha.	<ul style="list-style-type: none"> <li>400 ha irrigated crops – maize, dry beans, potatoes, tomatoes, wheat</li> <li>Timber farming</li> <li>Nguni cattle development and ranching</li> <li>Leasing land out to other company for green bean cultivation</li> <li>Household cultivation and livestock</li> <li>There is a business plan but not adhered to.</li> </ul>	Joint venture between Trust and Magungwane Farming Pty Ltd. Individuals have land rights to productive plots assigned through joint Trust/traditional leadership agreement.	Main activities under a PTY company of which the community Trust is part owner. PTY leases land from the community. Management includes Trust leadership. Unclear as to benefit for households. Households access land for their own farming purposes. Limited support from DLA for land management – chieftainship-based and works well.	Distinct divide between household and company production. Limited links through Joint marketing, etc. Trust does perform a role of credit to households for production.
2	Noku Development Trust Mpumalanga	411 households and about 1,700 people. Farm size is 150 ha with 140 ha of grazing and 30 ha of bush and wetland.	<ul style="list-style-type: none"> <li>Irrigation on 75 ha</li> <li>Recently, cattle feedlots</li> <li>Mix of crops including lucerne, beans and maize.</li> </ul>	The Trust owns and delegates management of the farming enterprise to a paid farm manager – thus separating the administrative and farm management institutional elements.	No tenure arrangement that separates the farm enterprise land-use from the Trust. This has resulted in substantial transaction costs (time and negotiation) on an ongoing basis for those farming the irrigation land.	The mixed farm operation is successful, profitable and has seen sustained growth over the 11 years. While a <i>de-jure</i> collective farming entity (the Trust), it is <i>de-facto</i> run by the farm manager, who makes farming decisions largely independently for the benefit of himself and 40 workers.
3	Basotho Letjabile, Near Wesselsbron, Free State.	9 families, 36 people. Ex-farm workers of the commercial farm. Close knit group who have lived together for 30 years. 1,350 ha.	<ul style="list-style-type: none"> <li>130 ha with white &amp; yellow maize, sunflowers</li> <li>Cattle</li> <li>Other stock – pigs and chickens but limited numbers</li> <li>Small-scale vegetable production</li> <li>Currently making a profit but gross margin less than surrounding commercial farmers.</li> </ul>	Collectively owned enterprise – legally set up as a Trust. Well functioning, close knit group.	Most production is done collectively by owners. Cattle are held collectively and are held individually (the individual holdings are strictly controlled). Small-scale vegetables produced collectively for food security. Individuals have rights to individual production plots.	Both collective production and individual production take place, although it appears that most effort is put into collective. Distinct divide between individual and collective – with strict controls on individual stocks.

Case No.	Name of group and location	Number in group and size of land	Productive activities on farm	Nature of ownership of enterprises	Tenure arrangements	Spread of purpose of production
4	Prince Albert Commonage – Treintjiesrivier, Western Cape	Commonage land so number of individuals shifts – currently in the order of 75 men and women.  Size is 5,580 ha.	<ul style="list-style-type: none"> <li>• Extensive sheep farming – carrying capacity of 600 in total</li> <li>• Onion seed</li> <li>• Cabbages</li> <li>• Lucerne</li> <li>• Pigs.</li> </ul>	The various enterprises include individuals operating on their own, as well as groups engaged in a number of cooperative enterprises.	The land is owned by the municipality – acquired through a DLA grant. The land is leased to the farmers association and with no support from the municipality. The farmers association is managing tenure arrangements amongst the members. Individuals access land for specific purposes and are required to respect other users' rights.	Most of the enterprises form only part of the livelihood strategies of the users. Given the high unemployment in the group, much of the activity on the farm is the only non-grant livelihood opportunity that the farmers have.
5	Melkkrad / Heiveld  Northern Cape	26 families living communally in de- facto shared ownership, but on land formally owned by only 7 of the families with undivided shares.	<ul style="list-style-type: none"> <li>• Communal wheat field</li> <li>• Communal rooibos field</li> <li>• Private plots for houses with home vegetable gardens.</li> </ul>	Verbal permission is granted through familial lines to gain access to residential plots. Farming of wheat and rooibos is done collectively.	Tenure is unclear from a legal and institutional perspective, but the perception of the 26 families is that they have secure tenure, evidenced by their occupation of the land and individual residences built on the land.	Production of commodity crops (wheat and rooibos) is done in collaboration with a larger cooperative (Heiveldt) comprising other farms, with a total of 51 members. Local production includes subsistence small livestock and vegetables.
6	Opperman's Gronde  Free State	Restitution claim of 900 families.  Total area 34,000 ha. Extensive livestock farms apportioned at 260 ha.  Irrigation farms of 10.5 ha per irrigation beneficiary (42 No.)	<ul style="list-style-type: none"> <li>• Extensive sheep farming with small stock unit.</li> <li>• Intensive irrigation farming of 210 ha, mainly of potatoes and maize.</li> </ul>	Independent ownership of separate farming enterprises by discrete groups. The irrigators formed a separate company and have a joint- venture arrangement with a commercial farmer. All irrigation land is farmed as a unit by the joint venture under a dedicated separate company.	Detailed institutional plan which allows the irrigation beneficiaries secure tenure through a formal lease for 10 years. The joint venture then leases from the irrigation beneficiaries.	The irrigation production model is a high-tech, mechanized one, with minimal direct involvement in farming decision-making of the irrigation beneficiaries. There is high dependency on the commercial partner. Primary return is a cash one, effectively through a shareholding.

### 4.3 Photo pages of cases

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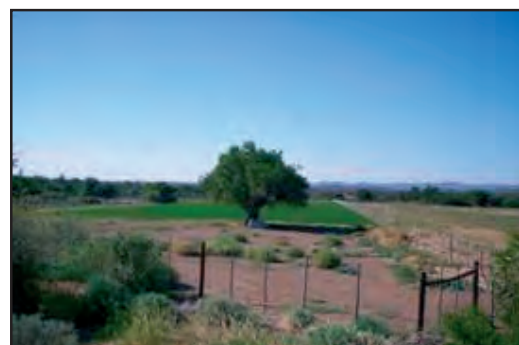
#### Noku Development Trust - Mpumalanga



#### Basotho Letjabile – Free State



#### Prince Albert Commonage – Western Cape



**Melkkraal / Heiveld Cooperative – Northern Cape**



**Opperman's Gronde – Free State**



## 4.4 Lessons from case 1 – eMpangisweni

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### 4.4.1 Summary of achievements and challenges

The eMpangisweni case typifies the opportunities and constraints of a community land ownership context – in this particular case ownership derived from the settlement of a restitution claim. The formal number of beneficiaries was 342, although in reality the number of households looking for benefits from the land was higher.

The vision for the claimants (or at least the claimant leadership) was the development of commercial agricultural farming while still providing an agricultural subsistence base for those living on the farm. The commercial agricultural base would provide employment and wages and eventually opportunities to develop entrepreneurial groups engaged in farming.

The types of enterprises to be developed were essentially based on the existing land uses of the farms. These included:

- pivot irrigation
- beef cattle
- small dairy operation
- pecan nut plantation
- wattle plantation
- poultry
- game

After many years of ‘processing’, the eMpangisweni claim was finally settled and the land transferred in 2004. The project has had four years in which to work towards its vision. In these four years the project has achieved an important level of productive and financial stability. It also appears to be socially stable, in that positive social relations within the group have been maintained, which is a key factor for a community project. Moreover, stakeholders and the local farming community have acknowledged the project positively.

Of particular note in terms of growth is that of the irrigation enterprise. This is the main enterprise under the responsibility of the farm manager. Achievements include:

- profitable farming of the pivot lands;
- development of new irrigation lands;
- diversification into higher-value crops;
- establishment of the handling facility for potatoes and tomatoes; and
- securing of marketing contracts.

However the project is not without weaknesses and problems. These include:

- reliance on a single farm manager to achieve productive (and therefore financial) success;
- lack of leadership experience and capability in the Trust and Company;
- the hierarchical nature of the leadership structures (in terms of the Trust and the traditional leaders);
- limited number of full-time secure jobs created;
- lack of development of black farmers and the subsequent failure to create small independent enterprises (as opposed to simply employing beneficiaries); and

- difficulty in providing engineering for roads, water and housing and social services to the residential component of the farm.

Despite the problems identified, the project is undoubtedly a success in terms of its goal of achieving productive farming on redistributed/restituted land. However, the project, perhaps, now has to face its most challenging time since start-up. Up until now the project has received extensive support from the Regional Land Claims Commission and the DoA. This support has included significant financial support for the farming operations and for investment in farming assets, payments for a farm manager and mentors, training and capacity building, joint project initiative (the beef cattle project with Agriculture), facilitation support with stakeholders, and ongoing management and technical advice. The Land Claims Commission is beginning to look at withdrawing. Secondly, the contract with the experienced commercial farm manager has expired and the less experienced deputy (black farmer) has recently taken over. Finally, the leadership in the Trust is up for its first re-election. Although there was not enough time to explore the social dynamics in this case study, any period of leadership elections creates a situation of risk to project stability.

#### **4.4.2 Leadership**

eMpangisweni's success is very directly hinged on Inkosi Zondo. He has had the leadership and political skills to work with a wide range of stakeholders, and to maintain his leadership within the community. He also has a solid business orientation. This mix is undoubtedly a factor for success in a community project.

At the same time, there appears to be limited democratic functioning of the traditional leadership structures that dominate settlement and land issues. There also appears to be a significant skills gap between the Inkosi and the rest of the Trustees.

Large group initiatives need dynamic individuals to make things happen, but without sound systems and structures around these individuals, power and knowledge are concentrated in an individual, making the initiative extremely vulnerable.

#### **4.4.3 Beneficiary livelihoods**

The land-based livelihood options appear to be considerably better than rural options for beneficiaries before restitution. The employment opportunities on the farm are available for a considerable number of households. Many beneficiaries now have access to arable lands.

However the geographical isolation of the farm limits the potential for multiple livelihood options. Households members must travel about 70 km to reach Vryheid. This makes daily job hunting impossible. A further limitation for multiple livelihood strategies is evident in the absence of small contractor/small enterprise development initiatives, as originally outlined in the business plan. While such contracting would initially be focused on the farm's needs, any successful contractor/enterprise would begin to source opportunities in the surrounding agricultural area.

These opportunities and limitations may account for the limited number of households returning to live full-time on the land. Personal household circumstances dictate whether a household wishes to move to the farm, or keep their beneficiary membership as a form of livelihood insurance.

#### 4.4.4 Institutional model for production

The project has successfully managed to achieve profits in a short span of time and in an economic environment that is very unforgiving to farmers. The basis for this has been the creation of a highly centralized farm management operation, and the employment of an outside farm manager. Beneficiaries have been largely relegated to the role of labour and household farming. Therefore in terms of the broader land reform vision of the creation of successful black farmers, and not merely the achievement of land ownership redistribution, the project has not made any advances.

This is not to say the institutional model cannot be transformed in the future. The arguments for using a centralized model to achieve financial and production stability at a time of extreme project vulnerability are easily made. However, in the context of business success of the centralized model, there is unlikely to be a great motivation among the leadership to transform the model. Unless the farm company begins to experience problems, or internal or external pressures are brought to bear for such change, the current model is likely to become entrenched.

#### 4.4.5 Financing

Two issues stand out clearly in this case study. Firstly, the project has managed to secure significant amounts of grant funding. Direct funding that has gone into the farming operations and the development of the productive potential of the farm has exceeded R5 million. This has enabled the project to produce effectively and respond to market opportunities.

At the same time, grant funding often is not become available when most needed, and is encumbered by bureaucratic procedures. These problems were evident in eMpangisweni, although the ability to secure commercial finance offset the problems somewhat. The project managed to access credit at a time of critical need to kick-start production in 2005.

The securing of credit is facilitated by a number of factors:

- strong support from the external players;
- existence of a commercial institutional framework;
- the arrangement that the landholding entity is the contracting agent for the loan (as it remains the owner of all infrastructure and farming assets and the farming company only uses these on lease arrangement); and
- the ability to bond part the land used for production without having to bond land which has been used for residential settlement. eMpangisweni project is comprised of ten different farm portions. If the land was held under a single title, securing credit may have been more difficult to obtain.

### 4.5 Lessons from case 2 – Noku Development Trust

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The information for the Noku Trust case was based on two separate bodies of research. The first was conducted by Denison and Manona (2007). The second source of information was an NGO (TRAC-MP) that has worked with the Trust over a number of years. This substantial body of information was supplemented with a recent interview with the farm manager and leads to the following key lessons.

#### **4.5.1 Summary of achievements and challenges**

The Noku Development Trust has achieved its objective of developing incomes and employment by using its land as a collective commercial entity. From a purely production point of view (supported by the DLA), this farm is a success. From a social perspective, the benefit streams to the majority of members are small. This may improve in the near future or lead to large-scale discontent amongst the beneficiaries. Consideration has been given to paying out those who have no interest in the farm – this may be feasible if the farm is restructured as an LRAD project – through the acquisition of a new property.

The farm has increased its extent and intensity of production over the past eight years. New activities such as wheat, beans and a feedlot have added to its diversity and profitability.

DLA policies in the early days of Redistribution (SLAG) and still currently as LRAD encourage 'rent a crowd' situations. These lead to possible conflicts later on in the project. The long delay between DLA grant support and CASP support to the beneficiaries led to initial low levels of production in the project which subsequently improved as the farming group consolidated and gained experience.

#### **4.5.2 Pre-planning**

The Noku project was one of the first to be designated in Mpumalanga Province and did not have the benefit of experiences of land reform. There was not an awareness of many key issues and this led to serious post-transfer challenges of the project. Subsequent processes targeting organizational development and the farming enterprise have overcome many of the challenges, and the farm enterprise has grown in strength and size over the 11-year period. Early lessons are reflected in examples such as purchase of agricultural equipment as part of the "going concern", to allow the Trust to continue with production. In reality the quality of these assets was poor and deteriorated further in the period between designation and transfer. Allegations that the former owner replaced new tractor tyres with old ones, for example, were never taken up by the Department. It is likely that the DLA paid too much money for these assets and it may have been better to have shopped around for better quality equipment. A follow-up evaluation of the equipment, conducted by the evaluator or an extension officer from DALA may have identified this problem. Furthermore, no consideration was given to the actual needs of the beneficiaries. Many of the Trust members mistakenly thought that the Redistribution Process (SLAG in this case) would lead to the provision of Rural Development Programme (RDP) houses. This type of confusion could have been avoided through more intense social facilitation. In addition, scant attention was placed at the pre-transfer phase to developing the land-holding legal entity and ensuring that the Trust members were aware of their rights and duties. As a result, when conflict around access to the available physical resources surfaced at Noku, none of the Trustees, or ordinary members were aware of the manner in which such disputes should be managed.

#### **4.5.3 Marketing**

Little consideration was given to this aspect in the pre-planning stage. It is uncertain whether the DLA did not consider this matter as critical to the success of the project, or assumed that the Trust would take over contracts that the former owner had in place.

What is clear is that the former chairperson, and current farm manager, played a pivotal role in establishing local marketing opportunities. According to him, once the land was transferred, he travelled throughout the area to appeal to livestock farmers to buy the Trust's lucerne crop. Eventually an agreement was reached with a farmer in Hoedspruit to supply him with lucerne. The Trust has maintained this marketing relationship with the farmer for the past 11 years.

Other marketing opportunities were identified over time by the farm manager including provision of beans, maize and wheat to the Ohrigstad Agricultural Cooperative. A recent market for cattle was established with a local butchery in Lydenburg, and cattle auctions were set up in Belfast. This demonstrates that the Trust has made efforts to develop local markets, focusing on producing commodities that can be sold locally. This is both practical and cost-efficient: it saves on high transport costs and has a short turn-around time between supply and payment.

#### **4.5.4 Individual commitment**

The individual commitment of certain beneficiaries to the project have made the difference between success and failure – in particular, the commitment of the current manager (a beneficiary) and staff to achieve production targets. For example, the DoA and Land Administration recently paid a visit to the farm. Both the Head of Department (HOD) and the regional director observed staff at Noku working until 19.00 harvesting maize. This type of work ethic differs vastly from the dependency 'hand out' attitude observed in many development projects. This strength is also a potential threat since there would be a serious problem if the current farm manager were no longer able to perform his duties. Efforts to multi-skill and delegate functions to other staff would be necessary to mitigate this threat. One can say that better screening of potential LRAD applicants by the DLA or by DALA may lead to improved project performance as the quality of beneficiaries assisted increases. Obviously there are political dimensions to this approach, not the least being the DLA priority to reach land targets in a short span of time.

#### **4.5.5 Passive shareholding**

The large number of households at Noku Development Trust (411) resulted from the need to recruit enough beneficiaries to cover the costs of purchasing the land and loose equipment. Whilst this may have advantaged the Trust in that it did not require any loan to purchase the land or assets, it has placed a huge burden on the potential of the farm to provide tangible benefits to its members in the form of an annual profit payout. So far the Trust has continued to reinvest profits on maintenance and future production costs, and thus has not managed to pay out any profits to beneficiaries. With employment on the farm limited to 40 permanent staff, temporary employment to a further 20 or so casual staff during harvest time, only about 10 percent of the beneficiaries receive a tangible benefit in the form of employment on the project. Efforts to engage the "passive shareholders", that is, those beneficiaries who are not employed on the farm in terms of family- or individually-based agricultural production, were generally met with a lack of interest.

These passive shareholders remain a potential source of conflict to the project since they can quite correctly point out that to date they have not received any benefit. DALA's efforts to address this issue have included considering offering a buy-out amount to some of the Noku Trust Members, who would then no longer be Trust beneficiaries. This has not been taken up yet, but presents an opportunity for further investigation.

#### **4.5.6 Expectations of non-agricultural benefits**

Some of the Trust members wanted to participate in the project in the hope of acquiring an RDP house, but this has not transpired. RDP houses were rolled out in the area, and changes to policy allow beneficiaries of SLAG/LRAD grants to still acquire housing subsidies or grants. If this had happened, it may have taken some of the pressure off the leadership of the project to deliver a range of benefits to the Trust members. Further work needs to be done on the project in terms of identifying a range of benefits (agricultural and settlement) as well as new activities, not necessarily agricultural production, that may contribute to increasing the employment levels of beneficiaries. The business plan completed by agents on behalf of the DLA highlighted various opportunities for small and medium micro-enterprise (SMME) activities in the area. While these have 'potential', transforming them into reality would place additional strain on the already stretched management capacity of the Noku staff.

#### **4.5.7 Proximity of beneficiaries to acquired farm**

One of the unique features of Noku is that the beneficiaries acquired an adjacent farm so they are able to arrive at work on foot without having to incur expensive transport costs. This may be a further factor influencing the success of this project. Other researchers, such as Farm Africa, operating in the Northern Cape have commented on the damaging effects that the vast distances to be travelled between home and project site have had on the viability of projects. This may be an issue that the DLA should consider with respect to the Area Based Planning process. Additional consideration may need to be given about the possibility of expropriating commercial farmers who reside near historically disadvantaged individuals (HDI) residential areas, if they are unwilling to sell.

#### **4.5.8 CASP support**

The CASP support provided to Noku was valuable in providing a reliable supply of irrigation water, and the fencing prevented stray cattle from entering the fields. However, approach to support was a piecemeal one. It focused only on providing a portion of infrastructure, whilst Noku needs new equipment, especially centre pivots and tractors, to expand production. Secondly, the CASP support did not consider other needs including skills development, market development, mentoring or planning value-adding activities. A more holistic approach to support from the CASP budget would greatly assist in this and many other projects.

#### **4.5.9 Organizational development support**

When Noku became incorporated into the Mpumalanga Management and Mentoring Pilot Programme (MMMPP) implemented by the NGO TRAC-MP, there were already significant tensions and challenges facing the leadership of the Trust. In particular, the current manager and former chairperson was accused of being dictatorial, not consulting with members and enjoying more benefits than ordinary members. TRAC-MP engaged in a process of organizational development which included the use of focus groups, within the beneficiary group, to review the existing deed of trust. Attorneys were appointed to assist with the registration of amendments to the Trust Deed in the Master's Office. Following this process, elections were held to determine who would represent the beneficiaries on the Board of Trustees.

One of the key organizational development interventions conducted as part of the MMMPP was the clear separation of governance and management duties. The

former chairperson was also the farm manager, and thus too much authority and responsibility were placed on his shoulders. Not only did this lead to accusations of undue benefit accruing to one person but it also placed huge pressures on the individual to effectively carry out the work required of both positions. It could also have led to conflicts of interest between the needs of the beneficiaries and the needs of the farm. TRAC-MP advised the former chairperson to resign and assume the full-time position of farm manager. This would further allow him to follow his main interest and passion: farming. This arrangement was concluded by creating a post, as well as a policy including delegations from the Trust to the Manager for operational matters. This intervention further reduced tension and latent conflict in the project. The approach is strongly recommended for many other projects by TRAC-MP.

#### **4.5.10 Skills audit, skills development and mentoring**

As part of the MMMPP, Noku underwent an extensive skills audit. This allowed the parties to plan a skills development programme that contained various facets of training, from leadership and conflict resolution skills for the Board, to financial and administrative training for the management of the farm, to productivity training for the staff. Beneficiaries were also assisted with adult basic education and training and life skills training. This training not only increased awareness and capacity, but also boosted morale within the entire project.

The impact that the appointed mentor had on this project is very difficult to determine in an objective manner. The mentor was employed to provide support to the agricultural production components, including crop selection, field production, irrigation and farm management and marketing. Nevertheless, monthly reports did mention the production and planning support that was provided, as well as inputs on matters such as the CASP application. While this is anecdotal evidence, the farm manager (mentee) has repeatedly requested TRAC-MP to extend its support to the mentor to continue to work on the project, suggesting that the mentor played a useful role. Limited funds remains the sole obstacle.

#### **4.5.11 Production model**

At present, there is a debate in the South African Land Reform sector about the manner in which projects are being packaged and the appropriate model of land reform project. Much has been said about the existence of passive shareholders and the criticism of the collective commercial model that has largely been promoted on Restitution, SLAG and LRAD projects such as Noku. The most recent World Bank publication on African development makes reference to the need to plan projects around family or individual farming units as opposed to the collective commercial models. At the same time the Department of Trade and Industry and the National DoA are promoting cooperative structures to implement the Jobs For Growth Programme. Unfortunately, very little analysis has been conducted about why land reform projects have failed in the post-transfer phase. In this sense, singling out the type of production model as the main cause of failure and immediately replacing it with a "new" model is both naïve and short sighted. More research, piloting and analysis, particularly of the social relations in projects, are needed. Nevertheless this debate is healthy, as it stimulates discussion around appropriate agrarian reform to complement the land reform programme in South Africa.

## 4.6 Lessons from case 3 – Basotho Letjabile

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### 4.6.1 Summary of achievements and challenges

The original business plan stated the following objectives:

- a. Expansion of maize production from 80 ha to 180 ha;
- b. Crop rotation with the introduction of oilseeds and wheat;
- c. A new enterprise of purchasing and finishing calves for the market;
- d. A breeding herd enterprise;
- e. Small-scale milk production by introducing dual-purpose cows into the breeding herd;
- f. Improving the water supply to the communal garden for sustainable vegetable production; and
- g. Expansion of poultry production by providing superior breeding stock (seen as the main agricultural activity for women).

The main objective achieved over the years has been the expansion of maize production, and the subsequent gradual improvement of income. In this regard, the farm and the Trust continued to operate, livelihoods and income improved, access to support from the DoA continued, and an ongoing relationship with the Senwes cooperative was maintained.

The Trustees acknowledged that achievements came after initial difficulties: "The first year was hard, with very little income". There is also a strong sense of ownership amongst the Trustees: "We are working for ourselves", "We earn more income than when we were employees". Within the Trustees, there is strong group coherence. The Trustees recognize the potential of the farm and that they have not yet fully realized it. The group identity and coherence of the non-Trustee beneficiaries (who are mainly women and youth) are areas of opportunity that need to be explored further, in order to fully understand impact of land reform on a broader group of people, beyond the formal Trustees.

The other objectives have not been met for a range of reasons:

- Absence of farm and business management skills.
- Lack of access to capital and credit.
- Lack of adherence to the business plan;
- Absence of external institutional capacity to support the growth, development and consolidation of the Trust and farm as a viable enterprise.
- Insufficient group cohesion (beyond the Trustees) to ensure optimal utilization of labour from all beneficiaries – this has to do with gender and age dynamics within and between the families.

### 4.6.2 Working relationship with the Department of Agriculture

The District Director in the DoA recognizes these failures and is keen to ensure that in 2008/9 the Department will work with the Trust to address them. However, the Department does not have complete information on the status of the Trust. For example, Department records state that the Trust has 140 cattle, whereas the Trustees say they have 48 cattle. Similarly, the Department believes that the project is not currently producing anything, whereas the Trust was ready harvest its maize at the end of April 2008.

This may appear as a contradiction to an earlier statement that there is a close working relationship between the DoA and the Trust. Indeed, there is such a relationship through the extensive support, advice and assistance provided by the DoA's Extension Officer. However, it seems that there is a disjuncture between what the Trust perceives as its needs and internal DoA processes to allocate budgets and other resources. It was a similar disjuncture which led to the Trust Deed being drafted by a lawyer without input from the Trustees. In this instance, the intervention of the Extension Officer was closer to the needs of the Trust: the Trust Deed was summarized and translated into SeTswana, the language spoken by the majority of Trust beneficiaries.

#### **4.6.3 Importance of profitability**

The Trustees recognize the importance of profitability for the success of the farm and they have been able to generate profit in most years. This profit has been shared between the families after all production costs were met. However it is not clear whether the production costs included labour costs. If not, then the Trust has not yet realized a profit (given that labour is a production cost). Furthermore, the apparent success is complicated by the fact that the Trust has sold more than 150 cattle to cover costs of expanding maize production, and apparently have not invested in significant maintenance of the infrastructure. This is an unusual situation in the South African cultural context, where cattle numbers are reduced substantially over time to support, it seems, expansion of higher risk-maize cropping. The motivations behind this are not clear from the available information.

#### **4.6.4 Limited financial and administration systems**

The financial and recording systems used by the Trust are affected by levels of literacy and numeracy skills within the group, and the depth of training received. From available information, the systems are rudimentary and not usable for monitoring and evaluation. That the Trust has not used external bookkeepers and that it has not conducted an audit means that it has been deprived of opportunities for financial review and improvement in financial administration. But the Trust has the important support of a local teacher. This concept needs to be considered further – teachers and other professionals providing such support to land reform projects. However, this volunteer support may raise coordination and quality challenges.

#### **4.6.5 Vulnerable economic position**

The Basotho Letjhabile Trust is characterized by a strong relationship between a highly functional Trust (comprising nine beneficiaries) and the Agricultural Extension Officer. Currently the 1,350 ha farm is making a profit. However, the economic position of the farm is vulnerable. Its small profit margin could be destroyed by a disaster such as drought or wildfire.<sup>19</sup> In addition, in comparison with the total gross margin obtained by commercial farms growing the same produce in Free State and North West Province, the farm is underperforming. Basotho Letjhabile's total annual gross margin is R155,060, while the average for commercial farms is R335,765. Basotho Letjhabile makes 46 percent of the average gross margin of commercial farms. This is partly due to the decisions taken to reduce livestock, which means that the Trust is underutilizing its primary resource of grazing.

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<sup>19</sup> It could not be ascertained whether the Trust has any insurance against fire and other natural loss. It is possible that the Senwes cooperative could be a useful provider or reference for such insurance.

#### 4.6.6 Social cohesion and decision-making

The Trust meets regularly. Because of a long history of living and working together, it is easy for the Trust to take decisions. Strong social cohesion helps with effective decision making as well as rule making and enforcement. Rules made apply to all members and their families, and it is not clear if people can appeal against the rules or their enforcement. There is no tradition consulting with women and young beneficiaries on any matters.

There are evident patriarchal attitudes toward women and young people, who are excluded from the Trust's business, giving rise to a question around accountability: *To whom are the nine Trust members accountable?* Currently this is not a problem as the Trust is authoritative and commands respect. However, as Trust members age and retire from the farm, their places will be taken by others and a power struggle could ensue.

The Trust's decisions are taken only by the nine active Trust members. Among the nine men, there appears to be one who is dominant. He acts as Chair of the Trust and Director of the farm. There are concerns about the future of the Trust because of centralization of skills and authority and the attitude towards women and youth. It appears that each man will decide who succeeds him – but only male children will be eligible. The DoA Extension Officer is working to build the capacity of youth who might be able to succeed (for example, two of the young women doing book keeping at school are now keeping receipts and records of expenditure; and two boys and a girl attended a course on maize production organized by the Extension Officer). Not all men will retire at same time, and thus the Trust will be able to adjust incrementally. In this process, attitudes may shift.

#### 4.6.7 Trust formation process and legal understanding

The Trust members state that they do not understand the purpose or provisions of the trust document – probably because of high levels of illiteracy. It also appears that the trust document was drafted without proper consultation with the trustees. Consequently, the Extension Officer supported the trustees in drafting what is called an operational constitution, which is more like a set of rules that supplements the trust document. It is in their own language and Trustees feel ownership of it and refer to it often. It sets out the rules which they abide by (and which fall within the framework of the trust) – for example, alcohol on the farm, what happens if someone marries or leaves the farm.

Despite the difficulties highlighted above, the Trust has done well to maintain and even expand maize production without the farm collapsing. This is the basis for ongoing confidence and coherence amongst group members.

There is a need to improve business and farm management skills, review and revise the business plan review the Trust Deed, and offer training to Trustees and beneficiaries in marketing, literacy, numeracy, social and life skills.

The Trust also needs to improve its networking with, and participation in, external bodies such as farmers' associations, cooperatives and NGOs. Importantly, Basotho Letjhabile is not part of the Integrated Development Plan (IDP) of the Nala Local Municipality. This is important because all Municipal funding allocations must originate from the IDP, and exclusion from the IDP means that the project would not be able to access any funding or support from the Municipality.

#### 4.6.8 Cooperative governance and alignment of efforts

Cooperative governance is needed to ensure that the DoA efforts can balance DLA processes. The coordination of a range of government department decisions and financial resources is usually critical for successful investment (timing and amount). This needs to be responsive to the needs and interests of beneficiaries to advance the goal of successful farming enterprises. Importantly, the training of the extension officers should include being able to look at the long-term options for the farmers, including an analysis of whether a change of farming system may be necessary in light of the resources and expertise available to the farmers. While the Area-Based Planning approach is built on the principles of cooperative governance there is still a need for awareness raising within local authorities about how integration of land reform, service provision and budget allocations will take place within municipal IDPs.

#### 4.6.9 Key lessons

The key lessons that can be drawn from this case study are:

- a. The importance of established commercial farmers playing a proactive role in land reform;
- b. The importance of pre-existing group identity and social cohesion within potential beneficiaries;
- c. Patience and commitment amongst group beneficiaries;
- d. The importance of extension support from the DoA;
- e. The importance of institutional capacity to support the growth, development and consolidation of the Trust and the farm as a viable farm enterprise;
- f. The importance of infrastructure maintenance and investment;
- g. The importance of ongoing and wider training reaching all beneficiaries;
- h. The importance of ensuring that basic documents (such as the Trust Deed and business plan) are owned and internalized by beneficiaries;
- i. The need for well-understood and clearly written policies, procedures, rules and regulations;
- j. The need to probe whether the Trust structure is necessarily the best entity to own, operate and run the farm;
- k. The need for land reform to be included in IDPs (if projects are listed as targets in the IDP, performance against that target is measured and if the municipality fails to spend budgets set aside for land reform, the municipality will be held accountable);
- l. The importance of networking and business relationships with external institutions beyond the DoA; and
- m. The need to ensure that government objectives are aligned to actual needs of beneficiaries.

#### 4.6.10 Questions from the case that have general application in land reform

Other issues that emerge to be considered for broader application include:

- *Calculating profit.* How does the Trust (or any other land reform project) work out its annual profit in relation to the costs of production – for example, production costs include variable inputs which need to be clearly identified, as they affect the calculated profit.
- *Diversification of activities for sustainability.* The farming system focused on maize and was high-capital and input-intense. With increased cost of diesel, etc., it is likely that the gross margin will be reduced, which will pose serious challenges for

the sustainability of the farm. This is a significant challenge that other land reform projects will face, and suggests that enterprise changes will be needed for survival, including diversification, expansion and on-farm processing. This needs to be addressed as an early priority – not simply replication of the original farm enterprise.

- *Access to credit.* The Trust has not yet addressed the question of accessing credit, as it has been able to proceed using other resources. In addition, the Trust is averse to accessing credit and prefers the cheaper government support for finance. On paper, the Trust is in a better position to access credit as a group – particularly as it is registered as a legal entity and thus does not have the constraints of individuals in a communal property arrangement. However, other factors about its future profitability may make it difficult for the cooperative to access credit.

## 4.7 Lessons from case 4 – Prince Albert Commonage

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The aim of the Prince Albert Commonage programme is to enable secure access to land at different levels of enterprise and this has been significantly achieved in the Prince Albert case. The programme provides access to land to a spread of emerging farmers (primarily former farm workers) in a system in which they are able to engage in agriculture with reduced risk: if they do not succeed in the early, and very risky, stages of enterprise development, their investments would be less than if they had been required to buy the land. Moreover, the Prince Albert commonage in particular (unlike many other commonage arrangements) highlights that when there are a number of established agencies that can support the farmers in this process, success is enhanced. There are a number of specific aspects which assist the farmers in achieving their production goals, but a number of aspects that the commonage arrangement in itself constrains. They are discussed below.

Success in agriculture on land acquired through land reform depends on an *enabling environment* being created. This ensures a basket of production support services that are all available for farmers, including: extension, training, credit/finance, marketing, inputs, infrastructure, management, labour, and capital equipment. On the other hand, there is a crucial need for the farmers to be supported by individual development facilitators or extension officers who are able to engage with the farmers at their own level and in terms of their own wishes. The current extension system in South Africa, comprising extension officers (and, critically, their information support base in Departments of Agriculture and Agricultural Research Stations), does not appear to have the requisite skills and systems. This is also discussed below.

### 4.7.1 Secure land rights and tenure arrangements

The land rights acquired through access to commonage can be very secure, depending on the contractual arrangements with the Municipality. The fact that the contracts aren't finalized at this point means that some uncertainty exists in a legal sense. However the land-users have a sense of security and are building their farming enterprises on that security.

The tenure arrangements are mediated by a number of institutional arrangements which interlock and are successful in practice. The allocation of land, and the related contract (although only verbal at this point and in a situation where the Municipality is

not very clear about its role) is on the basis of individual enterprises – each livestock/vegetable/onion seed farmer has his own contract. This is important because it gives each farmer the freedom of not being saddled with other farmers' inability or reluctance to adhere to the terms of the contract – for example, to pay the fees. It also makes it easy for the municipality to deal with any transgressor directly. On other commonages (in the Central Karoo, for example), the contract arrangements are between the entire farmers' association and the municipality. This has resulted in some farmers not paying fees, and the municipality unable to act against the actual transgressors.

To ensure that the tenure arrangements work, farmers have a strong farmers' association. This ensures that the farmers' voice is heard in the discussion and negotiations around the tenure arrangements, and it is also a vehicle through which the farmers are encouraged to adhere to the terms of their contracts.

Another feature that appears to make the tenure arrangements work, and thus gives the farmers security in their land rights, is the other agencies involved in the commonage and the healthy tension between them. These include the management committee, the DoA and the Municipality. These different players are all involved in ensuring that the land rights are secure over the long term and these new and appropriate land arrangements are effectively becoming entrenched.

In all land reform initiatives, but particularly in arrangements which individual access to public land, it is vital to ensure that the tenure arrangements are clear, simple and actually implemented. It is easy for the arrangements over such land to disintegrate into "open access", which can have a devastating effect on the land, and which is very difficult to rectify. Clear tenure arrangements provide the security for farmers to invest in such land.

#### **4.7.2 Clarity of responsibilities and benefits in the different enterprises**

The enterprises operating on the commonage range from small-scale individual enterprises to collective enterprises engaged in joint production and marketing of goods (for example, the onion seed initiative). In many jointly owned enterprises, there is little clarity on the requirements and responsibilities of members and also on the benefits that accrue to the different members. This appears to be the case in the onion seed and angora goat collective enterprises, where it is not clearly stipulated what is required of each individual and what they can expect from any profit made. While this may currently not be an issue in the two groups, it is likely that it will emerge in the future if some members work harder than others, or if some members feel that they deserve more and it is not stipulated how the profit should be distributed – in terms of further investment in the business and distribution amongst the workers or farmers. Such clarity in membership, responsibilities and benefits is a critical aspect that needs to be addressed in agricultural enterprises.

#### **4.7.3 Access to markets and information**

The markets for the various products that are produced on the farm are reasonably well established in the town, which is also nearby. What has been very important is the significant assistance being given to farmers who are engaging in new niche-market enterprises – in particular, the onion seed and mohair farmers. In the onion seed initiative, the DoA has given the farmers substantial assistance in negotiating seed supply. In the mohair initiative, farmers have gained access to the market through a local commercial farmer, and through the special programme of developing emerging farmers within the SA Mohair Association.

In developing emerging farmers, it is important for them to have access to information on the market opportunities related to the products within their capability. It is also important for them to have the support to actually access those markets. With the development of the white commercial farmers in previous periods in South African history, immense support institutions were established (in particular, cooperatives). Many of these institutions do not support emerging farmers nor are they trusted by emerging farmers. Therefore, it is through these smaller initiatives within very particular industries such support needs to be sought and the linkages made.

#### **4.7.4 Access to production and other credit**

Access to credit is a fundamental problem for emerging farmers. The profile of the emerging farmers, with an average household income of R1,540,<sup>20</sup> shows that it will be very difficult for the majority of them to gain access to credit. Moreover, in the context of commonage land, where the individuals do not have the land as an asset of security against a loan, it is almost impossible to gain access to credit. This means that production is limited by the extent to which an individual can gain access to available cash through other livelihood strategies – wage labour, state grants and so forth.

This is unfortunately a seemingly insurmountable problem in the nature of land reform in South Africa. The Micro Agricultural Financial Institutional Scheme of South Africa (MAFISA), a credit scheme introduced and managed by the National DoA, has been piloted and is about to be relaunched in South Africa again. This may address some of the issues and provide some access to credit at the lower end of the spectrum (under R25,000). However, above that level the farmers will have substantial difficulty as the Department requires further collateral for the loan. A key problem remains in the circumstances on commonage land, as the farmer is required to have at least a three year lease if the farmer is not an owner of the land. Therefore, the contracts that farmers sign will need to take this into account.

#### **4.7.5 Post-settlement support**

Although a number of the initiatives at Prince Albert do not have clear business plans, the initiatives are active and many of them successful. This appears to be due in large part to the availability of post-settlement support. This support takes the following forms:

- The farmers are involved in the controlling and supportive body (the Commonage Committee) in an organized way – they can advocate for support and other needs on behalf of the larger group
- All the relevant stakeholders are part of the Committee, in particular those that are specifically advocates for the farmers, such as SCLC.
- There are individuals who are locally available to give ongoing support to the farmers – the community development officer of the DoA, with the back-up of the technical extension officer.
- A number of different agencies offer the package of services described above and are easily available for the community development officer or farmers to draw in when necessary.

What is also evident from the Prince Albert situation, however, is emerging farmers' continued tension with and mistrust of commercial farmers. While there are good examples of collaboration between the two (for example, the angora goat farmers),

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<sup>20</sup> Phuhlisani Solutions survey of emerging farmers on the commonage.

it is apparent that the emerging farmers have kept their distance from the organized commercial farmers as well as such institutions as the Prince Albert People's Skills Trust. It has been said in different fora that many commercial farmers may have the technical skills to assist emerging farmers, but not many have the skills of being a mentor. Given the history, where many rural areas have been completely dominated by commercial farmers, the complexity of overcoming these divisions in a way which is determined by the emerging farmers and results in a common objective remains a vexing problem in post-settlement support.

#### **4.7.6 'Agents of change' in post-settlement support**

Linked to the post-settlement support discussion above, a key factor highlighted in the Prince Albert case is the existence of a number of agents of change who are advocates of the initiative in general. In Prince Albert there are a number of such people and jointly they have a very important influence on the success of the farming on the land. These 'agents of change' include:

- *The chairperson of the Emerging Farmers Association (EFA)* plays an extremely important role in: ensuring that the Association acts together when lobbying for issues; ensuring that they remain committed to the initiative in general, including adhering to the terms and conditions of the contracts on the land; and providing a trusted voice for any issues that the members want to take up.
- *The SCLC official* has responded to the well organized group and similarly provides support in the various lobbies that are needed – with the state as well as with the private sector.
- *The DLA official* is also a committed advocate and is able to provide support and consistent pressure, when necessary, to ensure that agreements made are implemented.
- *The team of the extension officer and community development officer from the DoA* has proved to be a key driver of the various initiatives and the project as a whole.

It appears that most agricultural initiatives on land-reform land depend on a central 'agent of change' who motivates and spurs the initiative. The combination of the different key players in the Prince Albert case has led to its success during its first 18 months of existence. The combination has meant that the voice of the farmers is very strong in any developments that are planned and carried out, and the different key government departments of Land Affairs and Agriculture are represented by motivated and seemingly committed and connected individuals.

## **4.8 Lessons from case 5 – Melkkraal Collective / Heiveldt Cooperative**

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### **4.8.1 Summary of achievements and challenges**

A key factor in any land reform agricultural initiative is clarity around land rights. While there have been significant improvements in recent years, the future of Melkkraal farmers still depends on the clarification of land rights and the promised development support from the Northern Cape provincial government hinging on the clarification of land rights at Melkkraal.

It seems that there are still a number of outstanding processes in Melkkraal:

- Consolidating tenure arrangements, including creating a map of the different current land uses, and facilitating discussion and agreements between owners, the Communal Property Association (CPA) and landholders;
- Gaining a deeper understanding of other land uses (in addition to the main land uses);
- Consolidating the land management structure; and
- Considering development options for the future.

The experience with the Heiveld cooperative illustrates how, given the right conditions, poor communities in the South might participate successfully in global alternative food networks. The Heiveld cooperative has undoubtedly had a significant impact in addressing local development needs and in improving the overall socio-economic well-being of a marginalized region. Furthermore, there have been important economic multiplier effects in regional centres such as Clanwilliam where processing occurs. The initiatives clearly demonstrate how in the production of an 'alternative food', both social capital and indigenous knowledge have been firmly embedded in the development process, giving the initiative a distinctively 'alternative' character.

The cooperative is producing a commodity that is environmentally sustainable, meets ethical criteria, is destined for the international market, and is traded through processes which, locally at least, do not interface with multi-national corporations (Nel, et al, 2007). In relation to environmental sustainability, the communities have shown awareness, through their detailed local knowledge, of the importance of managing natural resources sensitively; by not over-exploiting the *rooibos* plant (Oettle et al., 2002).

The local communities from which the Heiveld cooperative has emerged have also recognized the importance of and potential for diversifying their local economies. Diversification can also include efforts to increase value added by becoming involved in more stages of the supply chain. Interestingly, the Heiveld cooperative has worked with another *rooibos* cooperative (Wupperthal) in a Cape Town-based venture, 'Fair Packers', where *rooibos* is packaged for export (Nel, et al, 2007). This packing plant provides some employment for local people who have migrated to Cape Town.

The cooperative's constitution guarantees that 30 percent of the profits are used for community development projects (Oettle, n.d. b). This shows the potential for wider economic development in the local area on the basis of a successful local cooperative with strong local identity, roots and commitment. This differs from a privately owned or investor-owned enterprise whose interest will primarily be to owners or shareholders before the needs of the local community.

In addition to the benefits of collaborating with an international Fair Trade organization, the fact that the community also produces the tea organically has helped to secure a defined market share. Nel, et al (2007) also underline that a crucial underpinning aspect of the Heiveld success has been the pre-existence of a market for the produce.

#### **4.8.2 NGO support**

In the case of Melkkraal, the Legal Resources Centre, the Environmental Monitoring Group and the Surplus Peoples Project were central in undertaking the 2004 Land

Rights Clarification Study. These NGOs continue to provide social facilitation and expertise support to the community. This ongoing support will be critical in the long and complicated process to clarify land rights, secure tenure arrangements, consolidate the land management structure as well as the longer process of developing a vision and a process for development and investment.

Nel, *et al* (2007) note that while NGOs can have a very positive impact on local development initiatives, there is also evidence of their negative impact. However, they observe that in the case of the Heiveld cooperative, the experience has been overwhelmingly positive. This has included local training, conducting needs assessments, assisting in the acquisition of key resources and the successful identification and targeting of markets. With the support of NGOs, the communities have gained confidence, and have enhanced their production, marketing and management skills. The Heiveld farmers strongly feel that they 'own' the process and benefit directly from it. Rather than completely taking over the production process, the NGOs have sought to facilitate the development initiatives, thus preserving community independence through democratically managed participatory processes (Nel, *et al*, 2007, Satgar & Williams, forthcoming).

Nel, *et al* (2007) also observe that the NGOs have been highly sensitive about engaging, and then disengaging, with the communities at an appropriate point in the development cycle. Consequently, Heiveld demonstrates a strong case of the consolidation and improvement of a 'social infrastructure' linked to local engagement, voluntary support and commitment of local leadership as a basis for successful community-based development (Nel, *et al*, 2007).

#### **4.8.3 The relevance of the 'Alternative Foods' movement**

The success of the Heiveld cooperative has to be situated within the broader contexts of alternative food networks, alternative economic spaces and local/community-based development (Nel, *et al*, 2007).

What Nel, *et al* (2007) describe as 'alternative foods' are now appearing in increasing quantities on the shelves of South African supermarkets. Concerns about healthy lifestyles, and an increasing global desire to ensure that products are produced and traded fairly, have encouraged the development of production and marketing systems which differ from mainstream capital-intensive agribusiness-style systems. Rooibos fits right into this development. This is a very positive connection between isolated communities and international trade regimes – and a very rare experience.

#### **4.8.4 Replication and upscaling**

The Heiveld experience is not easily replicable, since its success has been predicated on the existence of a number of time- and space-contingent factors, such as the pre-existence of socially cohesive communities and the easy availability of a marketable commodity (Nel, *et al*, 2007). Nel, *et al* (2007) also remind observers that the Heiveld farmers have received considerable external support, including the donation of resources to implement necessary physical infrastructure and/or training, which has ensured that resources have been well targeted. They also note that other avenues for sourcing finance may be required, including pressure for public finance as a basis for rolling out similar initiatives.

The Heiveld case shows that rooibos and other small-scale farmers could address some of the problems they face through setting up the proper business infrastructure, become more involved in value-adding at the local level, and increase their

capacity to respond to market trends and demands. In this regard, Arendse (2001) suggests practical actions such as the opportunities offered by the fair trade movement to small-scale farmers to increase their share in the market by exploring and developing alternative and untapped markets. Arendse (2001) also argues that the regulatory environment needs to be more favourable to small-scale farmers. Key changes in this regard would include enabling small-scale farmers to undertake their own certification, supporting conversion to organic production and simplifying or facilitating compliance with product design restrictions. Arendse (2001) also points to the need for improved government support, especially from the Departments of Agriculture; Trade and Industry; and Environmental Affairs and Tourism.

According to The Western Cape Investment and Trade Promotion Agency (WESGRO), the Western Cape's Department of Economic Affairs, Agriculture and Tourism has identified rooibos and honeybush tea as a flourishing market that could stimulate job creation, economic growth and entrepreneurship.

As there are *other* rooibos products that could provide alternative sources of income for small-scale rooibos farmers, Arendse (2001) also sees their future growth as being linked to ongoing diversification. This would help to minimize risk in an unpredictable market and obtain a more secure income. Possibilities include the production of unfermented or green rooibos tea (whose popularity is growing in export markets), cosmetics, functional foods, nutraceuticals, flavourants, instant rooibos and traditional medicines as well as environmentally conscious tourism (Arendse, 2001). However, government support is needed in order for small-scale farmers to be able to develop new businesses or enter into partnerships with suppliers to ensure that they receive some of the benefits from these new markets.

Even though the Heiveld cooperative has received very limited government support, there are opportunities housed under the Department of Trade and Industry. In 2004, the Department of Trade and Industry launched its Customised Sector Programmes (CSPs) to promote competitiveness in specific sectors that have been identified as having strong potential for growth, employment creation and value addition. One of these sectors is agro-processing, and more specifically the honeybush and rooibos sectors. Small-scale farmers could benefit from these programmes by securing support of the development of training programmes, and apprenticeship and business mentorship programmes.

#### **4.8.5 Key lessons from the Melkkraal collective**

- Lack of clarity on land rights can result in insecurity and inability to undertake development and investment (in the case of rooibos farmers, at least five-year access to land is needed, as the entire cycle requires the soil to be prepared for cultivation every five years);
- The importance of a legitimate land management structure with authority and transparent processes;
- Access to land secures a basic level of livelihoods (in this case through access to land for the various uses central in providing income to community members);
- The need for social facilitation to support community processes;
- The need for all levels of government as well as other external agencies (such as NGOs) to provide support and expertise;
- Community conflict can be a barrier to the clarification of land rights, development and investment; and
- The importance of a community-driven process in defining the vision and goals of development.

#### 4.8.6 Key lessons from the Heiveld cooperative

- The importance of clarifying land rights as a basis for development of farmers, who then provide a regular supply of produce to the cooperative;
- The need for patience and commitment amongst members of the Heiveld cooperative;
- The importance of independence and self-reliance of the cooperative, and the increased capacity that this gives the initiative;
- The importance of non-governmental support, when available, in local development;
- The extent to which a product can have a niche market, bearing in mind that a niche market can also make the cooperative vulnerable;
- The importance of alternative trade for small-scale farmers – without access to the fair trade market, the Heiveld cooperative may not have secured sufficient income to survive;
- The rooibos plant is a suitable product in terms of local knowledge and capacity;
- The importance of institutional capacity to support the growth, development and consolidation of the cooperative as a viable enterprise;
- The importance of infrastructure maintenance and investment toward the future growth of the cooperative;
- The importance of ongoing and broader training for all beneficiaries; and
- The ability of the cooperative to use the diverse skills and attributes of all its members.

### 4.9 Lessons from case 6 – Opperman's Gronde

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#### 4.9.1 Summary of achievements and challenges

The main objective of the Vaaldam Irrigation project was to improve the livelihoods of families in the Oppermansgronde through irrigation development and profitable crop production. The various stakeholders involved in the project mostly concur that the project is a success so far. From an economic perspective, stakeholders are largely satisfied with the outcomes. Farmers point out that the monthly allowance they are receiving has transformed their lives, as most were unemployed and had no source of income. Wage income during labour-intensive operations such as potato harvesting is also an important injection to household cash, despite the limited period during which this occurs. Production performance has also surpassed expectations and good profit margins have been recorded for the first crop. Although farmers have not started receiving profit shares, they have reason to be optimistic about the future, as the company account has a substantial positive balance. Opinions on profit sharing are varied. While some of the farmers prefer that profits are shared out as early as possible, some of the stakeholders such as DoA and the mentor believe there is a need to build a reserve that can help stabilize the project in turbulent times.

Despite the positive outlook there are many areas of concern to different players in the project. Farmers are sceptical about the long term success of the project if government does not provide the second-phase funding to purchase farm machinery and also to finance a start-up input package. Failure to obtain this funding would mean the project may have to borrow money to finance these aspects, and most farmers insist this would undermine their chances of success.

#### **4.9.2 Institutional arrangements around land leasing and enterprise**

One of the striking characteristics in this case are the very clear institutional arrangements around access to sub-portions of high-value land (the irrigation portion of 210 ha) by a small sub-group who formally leases it from the larger group of beneficiaries (the CPA). The systematic legal approach ensures security of tenure and provides a platform to attract commercial partners. This key lesson has application for any sub-group of beneficiaries that wants to use a portion of the farm for their own productive use (individual or group enterprise), not only in the case of commercial partners.

While there may be debate about the content of the leasing amounts, time durations, etc., clear security of tenure is a critical factor at Oppermans and is an essential platform for the joint venture with the external commercial partner.

#### **4.9.3 Successful joint venture partnership model but with empowerment questions**

Although the partnership model with the commercial partner is generally perceived positively, there are several aspects of the agreement about which both the farmers and the mentor expressed unease. The first issue of concern is the timeframe. The farmers felt that the five-year period for which the partnership is expected to run is too long. They pointed out that initially the partnership was supposed to be restricted to potato production on a 40 ha annual allocation. Because of pressure for the project to start delivering results, the new farmers had little choice but to mortgage the rest of the farm to the partnership on the same 50/50 basis. Both the mentor and farmers insist that this is too expensive for the project, and there could have been other ways of doing things. From the first crop, the partnership paid the commercial partner a 50 percent profit share amounting to about R1 million and they feel that this is too costly, especially in a situation where there is a mentor who can take on much of the role played by the commercial partner.

This perception of the mentor being able to assume the role of a commercial partner does not seem realistic, even though the farming background and knowledge base of the two may be similar. The commercial partner brings substantial critical resources to the partnership, not least market and brand development, knowledge of and access to sophisticated marketing channels, mechanization availability at critical times and production financing. The reality in South Africa is that while there are many opportunities for commercial farmers (individual or corporate) to partner with communities such as Oppermans that have the primary resources of land, water and infrastructure, willing commercial partners are in fact very difficult to find. One example is the 180 irrigation schemes in Limpopo which have been earmarked for commercial partners and have received a heavy investment in high-tech irrigation systems to attract such partners. Yet, only one commercial partner, Simba Chips, is active on three of the 180 schemes growing potatoes. A profitable partnership for both parties in which the landowners receive a substantial dividend, is even less common. In partnerships, the more common situation is an income linked to a wage labour for the majority of landholders and a few middle-management positions.

Thus, observation of this case suggests caution may be justified unless a real workable option of another willing commercial partner, with similar commercial skills and production capability, is sitting in the wings.

What the joint venture arrangement does expose is the lack of an 'exit strategy' for the commercial partner and the high dependency of landholders at present, which is likely to remain in the future. There is a need to ensure that landholders (who are

partners in the joint venture) are included in the operational structure of the venture itself, so that skills are developed on the job and that a five- or ten-year strategy is in place to empower these people with the necessary production, financial, administration and marketing skills over time. Joint ventures need to be structured with this in mind – regardless of whether the commercial partner has a short-term or a long-term interest in the arrangement.

#### **4.9.4 Land and infrastructure rental fees**

The issue of a fair price for land is also another area of contention. A rental rate of R3,000 per ha per year that the partnership is paying for the land is said to be just about half of the market price. This effectively means that the emerging farmers are subsidizing the commercial partner. Although the commercial partner provides machinery for all operations, these are hired at market rates. In many ways farmers feel that these problems are symptoms of an unequal negotiating platform during the design of the partnership model. Some of the farmers feel that it is in their interest to renegotiate the partnership agreement in order to address these concerns.

#### **4.9.5 Land and infrastructure rental fees**

Ensuring harmony between the partnership and the mentorship model also seems to be a daunting challenge for the project. It is not clear how the duplication of roles that is apparent between the commercial partner and the mentor will be resolved. Both are supposed to make decisions that result in the best outcomes for the project but they are motivated by different interests. The mentor is driven by his central role of ensuring transfer of skills to the emerging farmers, while the commercial partner's thrust is generating economic returns that justify his investment and the risk that he takes on by being part of the partnership. In this project it is not clear whether any thought was given to how to harmonize these potential sources of conflict of interest. As a result, the current approach seems to have marginalized the mentor and the element of skills transfer. All operations are designed to ensure the highest productivity standards and efficiency, with little space for learning-by-doing by the new farmers. Much of the training of the land-reform beneficiaries who are in the joint venture partnership has been restricted to theoretical courses, with little hands-on exposure.

#### **4.9.6 Participant selection for the farming enterprise**

Most stakeholders are not convinced that participants were selected with the success of the project in mind. The main assumption seems to have been that everyone will gain sufficient interest once they participate and will be motivated by profits to contribute fully. However the reality seems to suggest that a high number of the farmers will be happy to remain simply as 'shareholders', with minimal active interest in the farming process and decisions. The project is not designed to set minimum standards expected of everyone in order to continue as a member. Instead incentive structures such as paying allowances for farmers to attend training courses are in place with the hope of keeping them interested. The effectiveness of this approach is already in question as some participants still miss training sessions despite the R30 daily allowance. Although opinions vary among stakeholders, only about one third of the new farmers are said to be promising candidates to graduate as fully fledged commercial farmers in the future. The biggest weakness in the project is there is no exit strategy for those who are not interested or fail to make the grade.

#### **4.9.7 Lack of medium-term vision**

None of the stakeholders are clear on the project's long-term strategy. A range of questions were voiced which reflect a lack of common vision. "Is this just a training exercise for commercial farmers who will possibly graduate and get land elsewhere to practice commercial irrigation?" "Is the scheme eventually going to be subdivided into individual units, operating as independent farms?" "How many farmers will be accommodated?" These questions suggest that a common and explicit vision needs to be developed for the future.

## 5 Case Analysis

### 5.1 Introduction

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The six case studies presented as part of the review were not a representative sample of experiences and lessons from emerging farmers in South Africa. Nevertheless, they still provide a valid body of evidence from which lessons can be drawn. Furthermore the case studies were not the only source of material for drawing conclusions in this research. It is important to note that all the researchers were senior and experienced individuals with a long track record in this sector of the development arena. Their experience has added to the depth of the analysis of the case study outcomes.

### 5.2 Institutional types as a basis for analysis

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The case studies were selected through consideration of different criteria as described in Section 3. However the cases are best categorized for analysis in terms of their institutional framework in regard to farm operations. In taking summary conclusions into account, it must be remembered that each project reflects different circumstances, and the categorization below is not an attempt to promote a 'model' for emerging farmers, but rather to understand how different farming situations will require different factors to be in place to achieve success.

#### 5.2.1 Centralized 'professionalized' management under beneficiary oversight

This applies to the cases of eMpangisweni and Oppermans Gronde. In these examples the beneficiaries have recruited a commercial farmer to run the farming operations. Beneficiaries (except for one or two key individuals) tend to be marginalized from the management processes related to the farming.

The positive outcomes from the case studies are clearly related to effectiveness, profitability, and enterprise stability. The cases demonstrate a growing enterprise which is making profits and investing in infrastructure and new production for the future.

Factors for success appear to be: tangible financial returns; high levels of infrastructure development coupled with high levels of grant investment into this infrastructure; a commercial framework and orientation for farm management (the one case being a commercial partnership, the other being the employment of a successful farm manager); high levels of external strategic/mentoring support despite the presence of a commercial 'partner'; clear land rights; and a strong and uncontested leadership.

Concerns raised in response to the results of the case studies relate to: lack of beneficiary participation and empowerment; beneficiary role largely relegated to labour; the rate of return on the financial investment and the ability to replicate such a model on a mass scale; and success factors largely dependent on the success of the non-beneficiary partner.

This approach therefore reflects a commercialized model, with business success that can be justifiably compared to that of any of the commercial farms in the local

district. The approach also offers stable food production in a time of an international food crisis. However, in terms of core land reform objectives – establishing black farmers and initiating agrarian reform – this generic model fails to achieve them.

### **5.2.2 Group-run enterprises with management from a core of beneficiaries**

This applies to the cases of Noku Development Trust and Basotho Letjabile. In these two cases the projects have a core group of farm workers, and a small leadership group under the direction of a more dynamic and skilled individual. The farming operations are therefore beneficiary-run, although this must be understood to mean that a small group of leadership runs the farm on behalf of the beneficiaries. However, the commonalities between the projects in terms of their status and operations within this categorization are not strong, as the one project reflects the status of much higher levels of support, management skills and commercialization.

The positive outcomes noted from these two case studies included: financial returns and an improved livelihood for the active participants in the project and their immediate families; and skills development and the genuine creation of new black farmers with a strong sense of ownership of the farm and the enterprise.

Factors for success underpinning these two cases appear to be: good yields and profit generation coupled with a lack of project-threatening debt; stability in the core leadership of the farm/project (and the ability to overcome internal problems); a strong and/or skilled leadership individual; good work ethic among the farmers; external support and capacity building; and the ability to grow the business.

Concerns raised for the projects relate to their individual profiles in the development sector. Noku is substantially more commercial and dynamic than Basotho Letjabile, which to some extent exists without substantial support and capitalization. It is therefore unsurprising that that factors for success identified are much more evident in Noku Development Trust, while Basotho Letjabile appears much more vulnerable to failure. In fact, there is a concern that Basotho Letjabile could be achieving its profit levels through lack of investment in the farm in general, and in livestock in particular. The lack of financial management systems and productive and financial information enhances this concern. A common thread in the two projects is the cohesiveness of their core group and the lack of integration/cohesion between this group and the 'non-participants'. A key weakness for the Noku Development Trust is its inability to deliver benefits to its non-participating beneficiaries (which is not a realistic expectation and represents a structural flaw in the project set-up).

The framework discussed in this institutional framework is perhaps the most pervasive of approaches adopted in land reform in the last ten years. This approach has been extensively criticized, particularly by the commercial farming sector, as it is based on group initiatives, which have a particularly poor rate of success. Nevertheless it is likely that such group projects will continue to predominate in land reform initiatives in the future. Hence, it is vital to understand the factors for success and failure of these projects, and further research and piloting of support interventions with respect to these project 'types' is essential.

### **5.2.3 Individual enterprise management with common association and shared resources**

This applies to the cases of Prince Albert and Melkkrad. These two cases reflect a scenario where the land is centrally owned – in one case by the municipality and in the other case by the beneficiaries' land-owning entity – but the farming takes place in independent enterprises. These enterprises may be individuals or small groups. In

each case the enterprise has obtained a right to utilize land and infrastructure for a period of time for its own benefit, while making a small contribution to the group needs either in the form of a rental or a payment for utilizing a common resource.

Positive outcomes in these case examples include: multi-enterprise use of farms, diversifying risk; the creation of opportunities for small farmers to develop their skills and farming businesses in a lower-risk environment; linking of small farmers to niche markets; and the improvement of livelihood incomes for participating farmers.

The factors for success can be summarized as follows: access to land and the means of production for the small farmers; good financial returns from specialist production (mohair and rooibos tea); a strong farmers' association bringing together the different entrepreneurs on common matters; a range of support actors working together on the range of initiatives, including specialist institutions for niche-market production and marketing; strong project advocates and intensive facilitation from the support agents; previous or current farming employment in the selected farming enterprises; and farming without debt.

The concerns identified include: weak land management structures resulting in confusion over land rights, lack of infrastructure management and lack of enforcement around land use agreements; lack of business experience and skills among the farmers; lack of individual tenure/ownership, which impedes accessing credit; and, certainly with respect to the commonage case study, a lack of a longer-term vision/perspective for the future of the project by the land owners.

Lessons from current state land reform policy and subsidy frameworks point to the extreme difficulty facing resource-poor farmers who are trying to enter the commercial agricultural field. This model of micro farming enterprises on commonly managed and resourced land for developing emerging farmers is not currently implemented on scale. However, it certainly offers a crucial alternative in taking forward the strategic objective of agrarian transformation and for the development of black farmers.

## 5.3 Case insights and experiences

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### 5.3.1 Experiences: institutional and ownership elements

a) *Key leadership individual*: This person usually has both business and social (political) skills and is the driver within the beneficiary group (acknowledged by beneficiaries and other stakeholders). However, overlap of leadership in ownership and management generates centralization of power and tensions around this, as well as creating project vulnerability. There is a need for systems/organizational structures to be developed 'around' these people which are acceptable to all. The larger the project and the number of beneficiaries, the more important this need becomes.

b) *Trusts have tended to be established in an undemocratic manner*. While a Trust as a legal entity is not pre-determined to become undemocratic, the legal structure allows for power to be centralized more easily than in the other legal structures.

c) *The success of projects with large numbers of beneficiaries have tended to rely on the isolation of the majority of the beneficiaries from the farming operation, and by limiting returns to this majority to a predefined 'slice' of the production potential (usually limited land rights)*.

d) Where the project includes access to land by a group for individual use, the clarity of the tenure arrangements and the enforcement of these are crucial for long-term viability.

e) Within group enterprises it is important that responsibilities of each member are made clear at the project set-up phase, particularly where group size overshadows labour needs. The lack of appropriate selection processes for projects often fuels problems later in the project, related to members' responsibilities and commitments.

### **5.3.2 Experiences: farming operations and financing**

a) Most successful projects have generated profits, which has contributed to perceptions of their success by the beneficiaries and support agents. There is a need for income generation/profits to reward efforts and to improve livelihoods. Rewards for beneficiaries (participating in the actual farming) do not have to be large salaries or personal incomes, but can be that people see the results of their efforts in terms of growth of the enterprise in assets and infrastructure improvements.

b) Centralization of farming through a farm manager has occurred in three of the six cases. In larger group projects, this centralization almost automatically excludes most beneficiaries from decision making, although decision making can be fragmented to different fora, allowing for extended opportunities to participate. In small projects, individuals have opportunities to be involved in decision making although all decision making tends to be located within one forum (committee) under the direction of the project leader.

c) Despite profit generation, most returns seen by beneficiaries are limited to wages: limited capitalization of projects at start-up means that almost all profits tend to go back into the business (for operations, maintenance and expansion).

d) The ability to secure finance has been critical for all major commercial production cases studies. The initial finances have always been inadequate, leaving the projects vulnerable to the support and motivations of state departments for grant funding. Success has therefore been linked to the projects' ability to generate funds for repairs and operations at critical timeframes in the projects history, particularly soon after start up to get production profitably underway. This support may be in grant form and/or commercial finance. A number of factors play a role in attracting this support, including commercialization, the ability of the project to attract attention based on its initial productive success, and the entrepreneurial leadership.

e) Where farmers/enterprises do not own the land, clear leases and length of lease of at least three years are essential for financial support.

### **5.3.3 Experiences: marketing and support strategies**

a) Success requires the establishment of an enabling environment. The cases reinforced the well established 'systems perspective' that a basket of production support services underpins success. These include extension, training, credit/finance, marketing, inputs, infrastructure, management labour and capital equipment. The provision of facilitation and strategic services appropriate to emerging farmers' needs was also observed and calls for replication in future initiatives.

b) All projects have had some form of mentoring and an active skilled agent supporting their production initiative, although this has taken different forms in the

different cases. Significantly, such support needs to be in place for a number of years, rather than be ad-hoc or short term.

c) A hands-on relationship between the project beneficiaries and supporting authorities/agencies is crucial to obtaining the right type of support at the right time for an emerging enterprise. In cases where the hands-on contact has been limited to staff without managerial responsibilities, support has been limited primarily to advice.

d) Administration and financial skills development appears to have been limited amongst the beneficiaries, who usually relied on the skills of the 'imported' manager. Often these aspects are ignored in the support framework, as support takes the form of extension and agricultural advice. Support is often aimed at making emerging enterprises 'skill independent' when in reality few successful businesses or farmer do not rely on importing specialist skills.

e) Offers of support from the white farming community do occur, particularly once a project shows initial success. However there is not always a relationship of trust or understanding of how to work together from either side. A mediator or broker can facilitate a positive outcome from the relationship, at least in its initial phases.

f) For marketing expansion and development, the provision of specialist support is key, not only for access to information but also access to markets.

g) The case studies reflect little integration of land reform projects into local farming association networks, either in terms of existing commercial farmers' associations or emerging farmers' associations. Farmers' associations and neighbourhood support are important sources of knowledge for commercial farmers, and it is likely to be even more important for new farmers struggling to establish themselves. The one case study of Melkkraal reflects the value and importance of the regional Rooibos cooperative as a vehicle for supporting the individual project.

## 6 Best practice findings

### 6.1 Best practice in establishing new black farmers in South Africa

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What constitutes best practice in a particular process depends in no small measure on the desired outcome.

Initially, the principal outcomes that were being pursued were to increase the asset base of poor black people by transferring land to them (redistribution), to restore land to individuals and groups that had been dispossessed as a result of racially discriminatory legislation (restitution) and to strengthen the tenure rights of vulnerable groups living on commercial farms and in the former homelands (tenure reform). These reforms did express the expectation that livelihoods of beneficiaries would be improved but the way in which this was to occur was left open-ended.

In his review of South African land reform initiatives, Laker (2004) lamented the absence of projects that could be regarded as successful. He considered a project to be successful when the beneficiaries were making fruitful use of the land to the extent that poverty had been alleviated or food security had been improved. This was indeed a rather modest requirement and yet he was unable to find an example. Similarly, none of the sources on which this review is based contained descriptions of successful land reform projects from which best-practice lessons could be distilled. This does not mean that there are no successful land reform projects, only that there appears to be a lack of documented success stories. For this reason, the review of best practice presented had to be derived from experiences of what did not work and from the alternatives that had been proposed to address the problems and constraints that were identified as reasons for the lack of success. Most of these alternatives still need to be tested in the field before their status as best practice can be confirmed.

De Lange (2004) and De Lange et al. (2004) consider new farmers to be established or empowered successfully when:

- they know what to do (farmers have internalized their plans);
- they are able to do it (farmers have the required skills to implement their plans);
- they have access to the means of production, such as land, infrastructure and equipment (farmers have the assets to implement their plans);
- they have access to production inputs (farmers are able to source the consumables to produce commodities);
- they have access to markets (farmers are able to sell their produce); and
- they have a voice in determining policy issues that affect them directly (farmers form part of a lobbying body that is effective).

One addition to these measures of success has been made:

- Farmers are established when they are able to earn sufficient income through profitable production such that it makes a substantial and essential contribution to their livelihoods.

Consequently, in this review, the strategies, interventions and practices that have most successfully assisted new black farmers with achieving the aforementioned state of empowerment were considered to be best practice.

In considering these factors for measuring success, it is important to evaluate specific projects in relation to their objectives. The above evaluation criteria specifically relate to the objective of developing new black farmers in the South African context, but as highlighted above, the policy framework also allowed for transfer of land for simple redistribution of land ownership objectives. Whatever the objective of the project, the overall goal is the achievement of a sustainable livelihood outcome.

The best practice guidelines and evaluation criteria as set out below are specifically intended to be, and must be read as, a guide to planning and evaluating a farmer support initiative in the context of land reform.

## **6.2 Best practice in land reform beneficiary selection<sup>21</sup>**

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### **6.2.1 Beneficiary selection with farming or settlement emphasis**

Where the primary objective of support is to develop capable farmers and consequently a profitable farm enterprise, then best practice which relates specifically to beneficiary selection seems to be a key element to planning for success. However where land transfer, settlement and food security objectives dominate, it is appropriate to accept the beneficiaries' aspirations and capabilities, and then focus on institutional design (to facilitate transfer and settlement), and on the choice of farming systems which fit the capabilities that are present.

Beneficiary selection as a working concept in the planning process aims for the best possible chance of farmer development and farm enterprise success. However, the project context may not always allow for such an approach; in cases where beneficiaries are pre-defined, a careful assessment must be made of the beneficiaries, followed by an adjustment and matching of project objectives, institutional design and enterprise planning with the beneficiaries' profile.

### **6.2.2 Transfer to individuals or groups of beneficiaries**

Land reform beneficiaries represent the human resources or human capital in land reform projects. The review of land reform experiences indicated that selecting beneficiaries using poverty as the principal criterion is not conducive to the sustainable establishment of farmers. It also indicated that using self-selection of beneficiaries by means of an own-contribution requirement might have improved the success rate in establishing new farmers, but not sufficiently so.

Taking into account the conclusions of Kirsten and Machete (2005), McIntosh & Vaughn (1996), Laker (2004), the case studies elaborated above, and practical experience in a variety of (unrecorded) project experiences, the following components should be considered in terms of best practice planning.

1. Beneficiaries have experience in small-scale commercial agriculture, preferably as managers and decision makers, not just as farm workers. In other words

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<sup>21</sup> Selection of beneficiaries requires that the decision on who is to benefit from land reform is with agencies other than the beneficiaries themselves. At present, this is not the case. Instead, the practice has been that potential beneficiaries lodge a claim, with the own-contribution requirement of LRAD acting as a self-selection mechanism. Taking the power of selection away from beneficiaries would reduce their power from that of claimants to that of applicants.

beneficiaries are not simply becoming involved in farming because of subsidy opportunities or because they are currently unemployed.

2. Where beneficiaries do not have experience as independent farmers, they should at least have high levels of production experience in regard to the crop types and production methodologies on which the new enterprise is being planned.
3. Beneficiaries should have other sources of financial income and resources besides farming, whether this be own income streams, income from other family members or simply ownership of bankable assets.<sup>22</sup>
4. Where beneficiaries are a group, they should have a history of interacting together and demonstrated ability to make decisions and revolve problems within this group framework. The larger the group, the more important this aspect becomes.
5. Where beneficiaries are a group, the emergence of an individual or individuals within the group with clear leadership dynamism and entrepreneurial vision is required. Dynamism relates to organization and problem solving (getting things done), while entrepreneurial vision can be related very simply to an understanding of the concepts of business sustainability and business opportunities within the project/enterprise context.

Where beneficiaries do not possess significant personal attributes as described above, the project becomes a high-risk initiative in terms of the objective of developing independent emerging farmers. In such cases the adjustment of the project objectives may be considered. The context may require a de-emphasis on farmer development goals, at least in the short to medium term, and result in a shift to other options. These options would include lower-risk production choices (such as extensive grazing instead of cropping), and the engagement of professionalized management to achieve enterprise profitability where the production, marketing, and or financing realities are complex.

### **6.2.3 Beneficiary selection in farm equity schemes and partnerships**

The majority of farm equity schemes and partnerships have involved farm workers (De Lange et al., 2005; South Africa, 2005). The key issue for selection in such schemes relates to the objectives of the equity scheme or partnership. If the objective is a simple shareholding/profit-sharing arrangement, then selection prioritization would likely relate to no more than a specific interest in the success of the venture (such as a farm worker employed in the business or a landowner receiving rental for use of the land).

However if the situation involves longer-term goals of empowerment and management transformation, then selection best practice calls for identifying those who have the personal attributes needed for management and leadership, to allow these individuals to be formally supported through targeted supplementary education, and or mentored in-service.

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<sup>22</sup> It needs pointing out that the data provided by Hart (2006) suggest that introducing this selection criterion would reduce the population of potential land reform beneficiaries to about 100,000 households.

## 6.2.4 Beneficiary selection in commonage projects

In commonage projects, municipalities are the owners of the land. Consequently they are in a position to select beneficiaries. Different institutional arrangements with specific implications for beneficiary selection are found to work in practice.

1. An open-access policy (with or without a user fee) implies selection on the basis of 'first come, first served'. Here, commonage management rules become important. Commonage use in these circumstances is usually aimed at food security and is therefore not really considered in terms of best practice guidelines, although consideration of best practice for commonage management would have merit.
2. A specific resource allocation system in the form of demarcated plots, or grazing portions, is the alternative and this is illustrated by the commonage case study in the Western Cape (Prince Albert). This situation, whereby individuals or groups gain access to discrete portions of the commonage resource, calls for careful user selection along similar lines as when selecting groups or individuals on other land (owned by a Communal Property Institution - CPI). A key difference is that because the land remains in the ownership of the Municipality, commonage situations present a real opportunity to be used as a place for learning, or 'incubators', for emerging farmers. Continued access to, or ejection from, the land (such as in the case of misuse, non-use, non-payment of fees) can be clearly set out in the tenure agreement. In this context, the best practice guidelines for beneficiary selection within groups which is presented earlier should be treated as a starting point. It should be noted that an emphasis on productive farming and farmer development is implicit in a commonage situation, as the settlement component does not apply.

## 6.3 Best practice in transfer planning and institutional design

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### 6.3.1 Transfer of farms to individuals

De Lange et al. (2004) considered the transfer of farms to individuals as the preferred route of establishing new black farmers. They argued that the farmer-owner model has been applied successfully in most countries and identified no reasons why it would not work for black people in South Africa. One of the main advantages of this route was that it avoided the institutional complexities of establishing new farmers as part of a group.

De Lange et al. (2004) warned that the productive value of farmland in South Africa was substantially lower than its market value. This value differential and the cost of capitalizing the farm for production have made farms unaffordable for most people, irrespective of race. De Lange et al. (2004) explained that new white farmers usually started out by renting a farm or working on a farm with a view to eventually buying a farm. They recommended the inclusion of local commercial farmers in the panel that assessed farm prices, because they were knowledgeable of the productive value of farms in their area.

De Lange et al. (2004) suggested the use of a sliding scale of rent, with a view to buying as a possible way to supply finance to black individuals who wished to farm on their own. The PLAS mechanisms does allow for state land acquisition and temporary rental of farmland, with the intention of beneficiaries taking ownership

within one or two years. However in the absence of a major adjustment to the LRAD grant, actual transfer of ownership of land to individuals through state-assisted land reform programmes remains unlikely.

### 6.3.2 Transfer of farms to groups

Bosch and Hirschfeld (2004) identified five key issues that must be addressed in the structuring of institutional relationships in land reform projects:

1. Form must follow function: land holding and land management arrangements (the form) must be determined by the land use purpose (e.g. residential settlement, cultivation, and livestock production), the goals of production, and how they intend to organize production (individually or collectively).
2. Land use planning and the institutional arrangements must precede occupation and use (i.e. the institutional and land management arrangements must be concluded before the beneficiaries occupy and use the land).
3. The terms and conditions subject to which a person may use the land must be spelt out clearly, with due regard to different types of land uses. Residential, arable and grazing use of land typically demand their own terms and conditions. To optimally cater for these different types of land use, the creation of different legal entities may be necessary.
4. Land tenure systems require ongoing institutional maintenance. The initial allocation or confirmation of land rights in accordance with the specified land holding and land management institutions is only the start. Tenure systems require ongoing maintenance and administrative support, for example to take care of exits and new entries. At this stage in the land reform process in South Africa, there appears to be no clarity on exactly who is responsible for this type of after-care.
5. For land reform to result in beneficiaries engaging in suitable ways of using the land, rights (of individuals or sub-groups within the larger beneficiary group) must be strengthened, redistributed and effectively administered. Historically, CPIs have been weak in addressing the administration of rights, and this needs attention in future projects.

Communal Property Associations and Trusts (referred to as CPIs) are the two main legal entities that have been used to transfer farms to groups of beneficiaries in the context of land reform (Bosch & Hirschfeld, 2004). In both of these entities, the constitution is critical. Case-study experience reflects a tendency of centralization of power and a lack of representative functioning, particularly in the case of Trust structures.

According to Bosch and Hirschfeld (2004), a key ingredient of a successful CPI is a constitution that provides adequate clarity, consistency, predictability and fairness in the process that determines 'who gets what' in terms of CPI assets. This relates to the initial allocation of use rights and to subsequent transactions.

Recommended practice is that the group discusses, agrees upon and records the rules regarding which assets and opportunities will be shared and how the management of assets will be regulated before the farm is occupied and used (Bosch & Hirschfeld (2004).

In the CPI establishment process, the group must be constituted so that a structure (committee or board of trustees) representing the group can enter into agreements on the group's behalf (Bosch & Hirschfeld (2004)). This involves the following steps:

1. determining present and future membership with set criteria;
2. establishing democratic procedures for electing the representative structure;
3. establishing procedures and a code of conduct for the functioning of the structure;
4. establishing rules to call and report to membership.

In the process, decisions must also be made on the identity of the land and what the group wants to do with it. The subsequent section provides more detail on this aspect. These decisions should inform the type of entity that should hold and manage the land and how the rights to use and benefit should be configured.

Criteria that determine the quality of CPIs, include:

- The extent to which the institutional arrangements build on past practices and procedures; particularly beneficiary experience in relation to decision making and beneficiary expectations of the constitutional operations;
- The extent to which internal relationships of the CPI are certain, determinable and fair in regard to: objective criteria for the admission of members; procedures and objective criteria for the allocation of land use rights to members; and consequential obligations in relation to land use rights;
- The extent to which relationships between the CPI, the group and outside parties concerning land use rights are certain, determinable and fair;
- The extent to which the CPI is operationally self-sustainable;
- The routine accessibility of the CPI constitution, minutes and other documentation to members at all times.

Further best practice recommendations from the literature review advised the placement of residential land under municipal jurisdiction when the settlement pattern is dense. It follows that the option of excising the residential portion of the land and establishing a township should be considered. Individual sites could then be registered in the name of individuals, who would become the legal owners.

### **6.3.3 Practical aspects of institutions and groups**

Experience in implementing land reform projects involving groups of beneficiaries has revealed several trends in the evolution of these projects. These trends need to be considered when planning new projects:

- Successful projects with large groups often have the characteristic that only a few members of the group gain access to most of the farming benefits. Research data show that of groups that acquired a farm in the land reform process, only 20 percent of the group members were actively farming shortly after the transfer of the farm (Kirsten & Machete, 2005). In many cases the constitution was not constructed to cater for beneficiary exit, nor did it cater for different levels of involvement (and benefits) for members in the project.
- Against the background of widespread post-transfer beneficiary withdrawal, Kirsten and Machete (2005) identified the need for suitable membership exit arrangements. In most of the cases, the prevailing position among the groups was that members exiting the project should receive 'their share'. This suggests the need for a mechanism that allows remaining members to purchase shares

and exiting members to gain a direct benefit. The institutional arrangement, as well as the pricing structure of this 'share' mechanism, needs to be developed at the outset of the process, and the means of financing this needs to be explicitly addressed. This will provide clarity on the part of beneficiaries on the consequences of their choice of exiting or not at any time.

- Lack of separation of user rights (and obligations) from ownership rights (and obligations) acted as a brake on farm development. From a user perspective, it is important to be clear on the rights of use of land and on the allocation of the benefits that accrue from such use. It must also be clear what the user obligations are, e.g. is there a cost (rental) attached to land use or not? From an owner perspective, it is important to be clear on who is responsible for operational costs (e.g. electricity for pumping) and for the maintenance of farm infrastructure (e.g. the maintenance and repair of buildings and fences). In practice, this means that income derived from allocating common property resources to land users needs to be allocated partly to the maintenance and repairs of farm infrastructure.
- Group-based farm enterprises are complex organizations that need support to develop the relationships between the different components, such as developing clear rules around how group-member labour and time-input are monitored and linked to remuneration or dividends from the enterprise. In the absence of adequate support, these enterprises have tended to run into problems. This has prompted some observers to recommend that institutional arrangements should be geared towards creating conditions for individuals to plan and implement their farm enterprises. However, as the case studies show, when adequate support is provided, group-based farm enterprises can be successful.

#### **6.3.4 Transfer of farms to share equity institutions**

The widespread phenomenon of passive ownership and management in farm equity schemes and partnerships reflects a lack of empowerment of beneficiaries. De Lange (2004) proposes that beneficiaries need to change their outlook and shift identity from employee to co-owner and co-manager. To facilitate this change of mindset among beneficiaries, he recommended visioning exercises and facilitated exposure to power and organization in the commodity sector concerned. This must be an explicit process over extended timelines and may need repeated effort over many years if it is to be seriously addressed, given the often wide gap between new beneficiary and entrenched power-brokers in the partnership. This wide gap relates to knowledge (production, processing, market access, financing, technical and working language) as well as prevalent socio-cultural factors, such as previous employer-employee perceptions, individual wealth, gender and culture.

South African Government (2005) identified low equity shares by beneficiaries as being responsible for organized passive ownership and management, and consequently recommended that minimum shareholding needs to be raised to 50 percent in future projects. No evidence was provided that this requirement was a success factor, but in principle this recommendation makes sense. However, for large concerns the achievement of 50 percent shareholding by beneficiaries may be difficult to achieve as it would demand government funding and transfer of assets (farm equipment, irrigation systems, etc.) to CPIs, which is well beyond the scope provided for by existing support programmes. A possible alternative to insisting on a minimum of 50 percent shareholding from the start could be to plan for incremental

increases in shareholding by means of the staggered release of public funds, based on the project meeting specified empowerment performance criteria.

Besides shareholding percentages, the following institutional issues should be addressed:

- Participation of the new equity partners in ownership and management fora; how participation should occur; what transformation or development targets are to be put in place; and how the new equity partners are to be prepared and equipped to adequately participate in such fora. Preparing and equipping beneficiaries may include formal training, exposure training/mentoring, access to independent specialist support, and modifications to business procedures to allow greater learning and understanding for the equity partner representatives.
- Clarification on what types of enterprise decision making takes place at what level in relation to the farm enterprise, from production planning to processing and marketing. Specifically, it is necessary to define the decision making that requires ownership-level debate and approval (which includes the equity partners) and which strategic decisions can be made by senior management (which often excludes the new equity partners).

### **6.3.5 Transfer of farms to holders of communal resources**

On public-owned commonage land, the land holder is usually a local municipality. In such circumstances the municipality will have a property management or administration section charged with the formal administration of the land, while the land use development and developmental aspects of the property will fall to a planning or economic development section within the municipality. Although this review has not specifically assessed such municipal institutional arrangements, experience has shown that without specific commonage management capacity in place, property administration sections tend to treat commonages in terms of normal lease arrangements, while economic development sections focus on 'active' projects only. This leaves day-to-day management unattended or 'under-attended'. A strong and active management entity with both administrative and developmental experience for such land is essential.

Other best practice experience identified includes:

- The need for a long-term vision and programme for the use and development of commonage resources on the part of the land owner.
- Clear lease arrangements for commonage users that clarify all aspects of rights and responsibilities, and the period for which rights are secured. This is particularly important for farmers to secure any form of loan or even grant finance, to make decisions about investment in production assets, and even to select enterprise types. The latter issue implies that the period of lease agreement needs to consider the proposed production on the land.
- A forum through which the land users and support agents can engage with the management entity in an ongoing manner, and the organization of the land users into a farmers' association to coordinate such engagement in their best interest.

## 6.4 Best practice in planning the farm enterprise

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### 6.4.1 Planning the farm enterprise for groups and individuals

One of the important weaknesses of farm planning in the context of land reform has been the domination of the process by external agencies, usually consultants (Laker, 2004). The gap between the vision of consultants and the vision and capabilities of land reform beneficiaries is an important cause for business plans not being used at all, or when used, being unrealistic (Laker, 2004; Kirsten & Machete, 2005). Without disputing the validity of these observations, they imply an incorrect simplification of the working mechanism of failure, and suggest that failure is embedded in an external agency undertaking the planning, rather than the fundamentals of how an external agency engages.

Denison and Manona (2007) accepted that the complex reality of farm enterprise planning demands the involvement of multiple external agencies, or what they termed 'outside experts'. The 'outside experts' were required to cover highly specialized subject areas of soils, crop selection, crop budgeting, institution-building, marketing etc. At the same time, these 'outside experts' were dependent on information and input from 'local experts' (beneficiaries), especially on social dynamics, institutional planning and local production conditions. Denison and Manona developed a scenario-based approach, called the Iterative-Consultative Planning (ICON) Approach to farm feasibility planning. The approach ensured a multi-directional flow of ever-refining information between beneficiaries and technical experts, using a combination of scenario-feedback loops, and Participatory Rural Appraisal methods, to bridge this critical planning gap (Denison and Manona, 2007). Thus it is both the tone of engagement, and the methodologies adopted by outside agencies (or consultants) that define their ability to achieve realistic and responsive plans.

Planning needs to be done collaboratively with beneficiaries and needs greater emphasis on and investment in the establishment process of new farmers. Best practice experiences in planning are as follows:

1. Identify the prevailing farming systems on farms surrounding the project. Local farming systems reflect adaptation to both agro-ecological and market conditions. They also indicate the scope of the expertise among local farmers to assist the establishment of new farmers, for example through the Mentorship Programme.
2. Determine in detail the suitability of the land on the farm for the different potential commodities being considered.
3. Identify opportunities to modify particular elements in the farming systems of suitable commodities, particularly those that allow for capital to be replaced by labour, one of the potential strengths of smallholder agriculture.
4. Determine the economic viability of the farming systems being proposed, with due regard to the required capital investments, labour requirements, other variable production costs and the stability of markets. Ascertain the availability of the resources to meet the different requirements (this is particularly relevant in the context of support programmes that provide financial assistance, such as CASP).

5. Estimate maintenance and investment requirements for sustainable production and ensure that these are built into the financial and operational planning for the initiative.
6. Ensure that the proposed farm plan provides the new farmers with a benefit stream within a short period of time.
7. Determine the existing technical and managerial capability of the new farmer to implement and manage the proposed farming systems.
8. Where investment finance (either through commercial or grant sources) is required, ensure appropriate abilities and institutions are in place well in advance of the needed finance. Initial production achievements are also important to demonstrate capabilities to potential funding agents. Where the project beneficiaries do not have the abilities or the appropriate institutional structures to secure the financing, then partnerships or other arrangements need to be considered as part of the enterprise planning.
9. Determine the training and technical support the new farmer needs to implement particular farming systems effectively, and the practical accessibility of these services to the new farmer.

#### **6.4.2 Planning farm equity schemes and partnerships**

Farm equity schemes and partnerships typically involve ongoing concerns which are often technically sophisticated and to some extent commercially unpredictable. In such arrangements it is often difficult to define in advance what the exact dividends payable to the equity partners at the end of the cropping season will be. De Lange (2004) and De Lange et al. (2004) stress that farm equity schemes and partnerships must be planned to provide new members with tangible benefits within a short period of time (this has been a deficiency in most of these projects – see also South Africa, 2005).

#### **6.4.3 Planning commonage projects**

Commonage land belongs to municipalities. As the custodians of this land, municipalities are responsible for ensuring that the different natural resources are utilized sustainably. From their perspective this is a critical concern in planning land use of commonages. It involves determining what constitutes permissible levels of grazing, harvesting or removing of the different plant species on the commonage, and capturing the findings in the municipal regulations that govern the use of the commonage.

Commonage and municipal land is used in a myriad of ways (grazing, farming, gardening, leasing, open-access, to name a few) and in enterprises which are individually or collectively operated. This means that planning needs to take place with the individuals involved in these farms in ways that are similar to the individual or group farm enterprises discussed earlier, but within the framework of the commonage management regulations.

## 6.5 Best practice in farmer support

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The reports that were reviewed did not indicate that existing farmer support instruments to establish new farmers (including the Planning Grant and the Mentorship Programme) were inadequate to cater for the implementation of best practice in planning proposed here. However, while planning grants exist in practice, the obstacles to unlocking them in a timely fashion limits their availability and, therefore, their usefulness. In addition, the lack of long-term support planning, and up-front funding assignment, negatively affects farmer support.

Business planning for land reform projects has tended to rely on a one-off assessment of beneficiaries' educational qualifications and a record of their practical experience on paper. Experience in implementing such support suggests that the plans have often not taken account of beneficiaries' ability to apply themselves to farming challenges; neither does it involve any practical assessment of their abilities. Support planning done in this way will always be based on inadequate information, not only in terms of beneficiaries' qualifications, but also their insights and knowledge. Support planning tends to be presented as a 'shopping list' of needs, not viewing farmer development as a continuum of a learning experience.

Specific best practice guidelines to emerge from the reviews include:

- The establishment of a comprehensive enabling environment of support agents; in other words, a 'basket' of available support services that beneficiary groups can use as needed. These include: extension, training, credit/finance, marketing, inputs, infrastructure, administration and management.
- An active, skilled agent supporting the production process, usually in the form of a mentoring service. However, for this to be successful it is best that the mentor have a clear managerial counterpart in the beneficiary organization. This counterpart must be able to engage the mentor in active dialogue about the advice provided and the best way forward for the project.
- A facilitator with the ability to assist in creating linkages between beneficiaries and a diverse range of role players with whom the project will need to engage in order to maximize its potential. These role players may be technically orientated, 'corporate'-orientated, or even the local commercial farmers who may support the project's development.
- A hands-on relationship between the project and its supporting agents and institutions. This hands-on relationship ensures that support responds to the needs of the project and is not a generic standard package delivered by the agency. It also helps ensure that support takes place at the right time and in the right form.
- Administrative and financial support. This support can be aimed at developing full in-house capacity for larger enterprises, or limited administrative capacity with an appropriate contracted-out service.
- The inclusion of the new farmers in a local farmers' association, either with the existing commercial farmers and/or with a new network of emerging farmers.

## 7 Opportunities for the FAO-supported Pilot Programme

The team has identified five opportunities that are well-suited for inclusion in the FAO supported pilot programme. The current policy dynamics in South Africa present a strong case for taking these opportunities to implementation.

### 7.1 Current policy dynamics

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While the study was able to highlight key issues for best practice in emerging farmer support, the potential for turning best practice into a support programme needs to take account of important shifts in government policy debates. While some of the new directions have found their way into formal policy (but with the reality of its application and impacts untested), others aspects of the debate remain in discussion or concept documents. It is therefore important for a new pilot initiative, such as what FOA is considering, to take the lessons derived from case studies and apply them to the design of a programme in the context of this national debate.

Agrarian reform in South Africa is currently going through a substantial period of flux. There is a ministerial drive for collaboration between the departments of Land Affairs and of Agriculture at national and provincial levels and important concurrent policy development. Identification of opportunities for the pilot programme must take careful account of these key areas of change:

- **The Settlement and Implementation Support (SIS) Strategy** adopted by the DLA in February 2008 and which looks at: functional and spatial integration; rights and institutions; human settlements and integrated natural resource management; livelihood security; and enterprise development. This is a complex but essential mix for successful development.
- **The Area-based Planning process (ABP)**, which identifies the needs in a district and strives to ensure that various role players plan and budget jointly. Such plans are in the process of being developed for every municipal district in the country.
- **The Land and Agrarian Reform Project (LARP)** is an outcome of the Leadership Alignment process and aims to integrate the SIS Strategy, the Area-based Planning process, agricultural developments and the LARP. This is being rolled out by the national DoA, with impact on the provincial offices of the DLA and the DoA.
- **Changes to the LRAD grants**, which have recently increased substantially (previously R20,000 to R100,000 per person and now R111,152 to R430,857 per person).
- **The Proactive Land Acquisition Strategy (PLAS)**, introduced by the DLA, has also introduced a new process of land acquisition in which the Department acquires and holds the land for a period, and the beneficiaries lease that land from the Department. Emerging farmers can access land as they need and are not dependent on large numbers of people, who may not be interested in farming, to access grants and land in a situation of relatively lower risk.

Without describing the policies in detail, the key shifts in policy that are emerging can be summarized as follows:

- A focus on agrarian reform as opposed to a narrower land reform agenda.
- A clear focus on a more aggressive, pro-active state, in driving the transformation agenda (even if this is not backed up in budgetary allocations).
- Public acknowledgement that the 2014 target date for 30 percent redistribution is not only unlikely, but potentially detrimental. ("Quantity versus quality transformation agenda").
- Recognition that settlement support is a long-term commitment and that such support cannot be one-dimensional (i.e. through DoA extension services).
- A recognition that for agrarian reform to be successful, support and servicing of transformation needs to integrate a range of governmental inputs.
- An acceptance of decentralization of programme management to the district level, and to an extent even to the local level (i.e. involving local municipalities and local stakeholders).
- Acknowledgement that non-state actors can play a useful role in driving/supporting land and agrarian reform.
- Acknowledgement that the current subsidy levels (such as through LRAD) need to be raised/transformed to meet the new economic realities in farming.
- The desire to focus land and agrarian reform resources on geographic areas of 'higher need' (such as areas with high levels of farm worker evictions, or with high demands for access to land by aspirant black farmers) and areas of high potential (such as areas along major access routes and with good market access).

The opportunities that follow are recommendations for action in the pilot phase, informed by the entire study process: the review, case analysis and the stakeholder debates.

## **7.2 Opportunity 1: Incubator approach using commonage, PLAS or communal land**

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It is proposed that the pilot should identify groups of farmers or individual farmers who acquire land through the DLA's commonage programme, through their PLAS programme or through accessing currently unused communal land. The farmers do not become owners but lease the land and are encouraged to develop their farming skills in conditions of reduced risk. Enterprise growth can then lead to additional land acquisition.

It could be that the farmers would graduate from using commonage land to using PLAS land, as is anticipated in the Prince Albert case study. In these conditions, the individuals are exposed to the important issues of membership of a group (even if their actual enterprise is an individual one), the need to clarify and adhere to rights and the importance of developing clear tenure arrangements on both the land and in the businesses (if these are group-owned businesses). Farmers can be supported by a spread of service providers or partners with regard to the business development aspects, including farm management, administration and finances.

### **7.3 Opportunity 2: Identifying and supporting farming project 'Dynamizers'**

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A common factor which enhances the success of enterprises is the involvement of a 'motivator' or 'activist' within the beneficiary group – even when the enterprises are individually driven.

This is a project-level activist who drives the objectives of a single group of land reform beneficiaries forward. It is proposed that this 'Dynamizer' role is formalized in the pilot programme. The proposed name is taken from the Mozambican post-independence experience where Frelimo (the Mozambican Liberation Movement) successfully tasked Dynamizers to motivate people in a locality on development issues.

The Dynamizer works at ground level with the emerging farmer(s) – mobilizing the group around joint and individual activities, and acting as the spokesperson in negotiations while motivating others to develop these skills. It is anticipated that such a person would need to have a vested interest in the group and the outcome of its initiatives –as a result of a financial interest, a relationship or from a political, social or other commitment perspective. The skills and attributes of such Dynamizers are diverse and need to be defined in the pilot process, along with the design of an appropriate training and/or mentorship programme.

### **7.4 Opportunity 3: Agrarian Reform Coordinators**

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The current land reform experience in most parts of the country shows that service delivery is generally uncoordinated and a 'silo-approach' prevails. Through a piloting process, there is a need to define the role of an Agrarian Reform Coordinator. This is a person who works at a district or local municipality level with a number of beneficiary groups and is pivotal in networking to ensure coordination and collaboration between role players, the government and the private sector. The aim is to ensure that a coordinated basket of services is provided according to the ABP or LARP plan for the area.

The Coordinator needs to have knowledge of land reform and farmer establishment processes in general and must have clarity about the farming opportunities in that area. The Coordinator must be located so that he or she has access to strong agricultural economic expertise and is able to respond quickly to the developments amongst emerging farmers in the area. Streamlining of bureaucratic processes as well as compliance of role players and service providers need to be piloted. The Coordinator could be located in the DLA or PDA in the district, or could be outsourced to the private sector. Where applicable, the Coordinator could be located in the One-stop Shop discussed in the overleaf pages.

### **7.5 Opportunity 4: Occupational training and accreditation for Agrarian Reform Coordinators**

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Skills shortage in South Africa is a priority development issue nationally. The skills needed for the proposed Agrarian Reform Coordinators cut across a range of social-science, agricultural and project-management disciplines. This cross-sectoral character is not covered by any one existing current educational curricula, and those with suitable skills will be in short supply. While outsourcing may be a practical short-

term solution, there is a need for a longer-term approach that ensures government capacity given that agrarian and land reform are expected to extend beyond the next decade. This leads to the motivation for an occupational development component in the pilot programme, covering role definition and curricula development.

In 2008, the National Qualifications Framework in South Africa was expanded to contain a 'Trades and Occupations' component under the Quality Council for Trades and Occupations (QCTO). This is a major national accreditation initiative driven by the Department of Labour. It is in response to calls from workplace leaders in the government and private sector for graduates to be more appropriately trained for a specific role in the workplace, rather than the generalized and theoretical training that demands extended on-the-job training.

The process of defining an 'occupation' within the QCTO is demand-driven. Where an industry-sector or government department sees a need for an 'occupation', they work with the Department of Labour to set up expert advisory committees, and define roles, skills levels and course curricula. Training can be embedded in existing courses (agricultural colleges or universities) or can be stand-alone certificate and higher-diploma to degree level. A long-term view of land reform requires an emphasis on training, and the pilot programme can initiate this key element. There is a need to start the process of defining the role and functions of this proposed facilitator/coordinator and practical course content and accreditation pathways, linked to the most likely educational institutions, which are Agricultural Colleges and Universities.

## **7.6 Opportunity 5: Development of the “One-stop Shop” concept**

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In the 1990s, the concept of locating all services related to land and particularly agricultural development in one location received limited attention within the National DoA. In 2005, it was developed further but still remained a draft idea. More recently, it has found its way into the LARP document of 2008. While it is still not clearly defined, it is presented as the institutional level of government service delivery that is closest to beneficiaries and draws on a wide range of players. The concept has substantial promise to locate in one place a full basket of services needed by emerging farmers. However, it needs to be further developed, implemented at pilot level and evaluated.

This pilot stage opportunity has overlap with others presented earlier, in that the Agrarian Reform Coordinator is a strong candidate to head the One-stop-Shop, and the Dynamizers could be located within it (if Dynamizers are employed and not project members). The DLA has recently accredited 30 organizations nationally to be “strategic partners” in land reform delivery, and it could be that a “strategic partner” takes on the responsibility of setting up and managing a One-stop Shop. Given the increasing importance of both ABPs and the LARP in land reform and agricultural development, developing the One-stop Shops would be a significant contribution that the FAO-funded pilot programme could make to sustainable agrarian reform in South Africa.

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**A**t the end of Apartheid in 1994, about 82 million hectares of commercial farmland (86% of all farmland) was in the hands of the white minority. Over thirteen million black people lived in crowded former homelands under extreme poverty.

Since 1994, the Government of South Africa has initiated several land reform programs in order to address the racial imbalance in land holding and secure the land rights of historically disadvantaged people. The Government also set a target of transferring 30 percent of the white commercial farms to previously disadvantaged South Africans by 2014.

This review of experiences of supporting emerging historically disadvantaged farmers examines the implementation of the land reform policy and its support programmes and documents several cases of support to emerging farmers. Programmes reviewed include the Settlement Land Acquisition Grant (SLAG), the Land Re-distribution for Agricultural Development (LRAD) instrument, Farm Equity Schemes, Municipal Commonage Programmes, Land Restitution and the Comprehensive Agricultural Support Programme (CASP). Best practices are synthesised from the review and compared with international best practice experiences.

The document will be of interest to policymakers, researchers, students and NGO staff working on land reform programs.

