

**LAND REDISTRIBUTION FOR AGRICULTURAL DEVELOPMENT: AN
EVALUATION OF STAKEHOLDER RESPONSES IN KWAZULU-NATAL**

By

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SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE

**MASTER OF SCIENCE IN AGRICULTURE
(AGRICULTURAL ECONOMICS)**

IN THE
SCHOOL OF AGRICULTURAL SCIENCES AND AGRIBUSINESS
DISCIPLINE OF AGRICULTURAL ECONOMICS
UNIVERSITY OF KWAZULU-NATAL

PIETERMARITZBURG

2004

I hereby certify that, unless specifically indicated to the contrary in the text, this thesis is the result of my own original work.



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ABSTRACT

The objective of this study is to research how the slow process of land redistribution in South Africa can be accelerated, given the urgency of land resettlement. A sub-programme of redistribution, Land Redistribution for Agricultural Development (LRAD), was launched by the Minister of Agriculture and Land Affairs in August 2001. A redistribution project goes through five phases (refer Appendix A for LRAD project cycle). Each phase has different steps, which is an LRAD project cycle. Firstly, the thesis analyses the project cycle - the aim was to establish how long it would take a farmer to obtain ownership of land and how the process can be expedited to settle more farmers. Secondly, it studies the role and views of stakeholders involved in the programme (such as NGOs, financial institutions, design agents and governmental departments). Thirdly, it examines the performance and progress made since the implementation of the programme in KwaZulu-Natal. Lastly, the study focuses on problems and general concerns regarding the policy. Some policy recommendations on the need and performance of land redistribution in South Africa are made.

The LRAD project cycle could take at least nine months or more. During this period beneficiaries cannot buy land from auctions, while some landowners are reluctant to go through with this long process, because it may not result in a land sale. Engaging property owners in the process can accelerate land delivery. In addition, government must try to streamline its policies and procedures, so that landowners who wish to sell do not perceive it to be such a serious disadvantage to engage in selling to redistribution applicants. The LRAD programme started slowly in KwaZulu-Natal and by the end of

April 2002, the DLA had received only 105 applications for the grant. By May 2003, out of 1 300 applications only 169 had been transferred since LRAD started. According to experience by Ithala Bank, many projects are delayed and sales collapse. Long delays are a major problem, because many projects are approved but few transferred. A recommendation is that commercial banks be given a chance to approve LRAD grants, contingent on loan approval. Extending approval powers to commercial banks has the advantage of identifying creditworthy projects quickly and accurately, as private lenders are putting their own resources at risk.

Some of the problems and concerns identified around LRAD are: disposal of state land and unresolved land-claims. The Department of Land Affairs (DLA) needs to integrate the new programme with other programmes of land reform, especially in cases where different communities are competing for the same land, but through different programmes. Another problem is that the programme has missed market opportunities because landowners are reluctant to sell due to delays and uncertainty. The DLA has consistently been under-spending their budget, leading to their budget being cut. Financial assistance to farmers with no own collateral is insufficient. The farmers are not being placed in a financial position to purchase a viable farm and they will experience serious cash flow problems if maximum loans from the Land Bank are accessed. The Department of Agriculture (DoA) has postponed the training programme several times and to date it is not yet implemented. It is highly recommended that the issue of mentorship be addressed, as a matter of urgency.

ACKNOWLEDGEMENT

The author would like to express sincere thanks and appreciation to all who made this study possible, more especially the following people:

Professor W. L. Nieuwoudt, Head of the Discipline of Agricultural Economics, for his supervision, guidance and encouragement throughout the study.

The staff members of the Discipline of Agricultural Economics, for their useful advice, guidance and discussions concerning the study.

Individuals from different departments/organisations whom I interviewed: Mdu Sahabane and Collin Pillay, both from the Department of Land Affairs; Meshack Mathye of the National Department of Land Affairs; William Urquhart of the KwaZulu-Natal Department of Agriculture and Environmental affairs; Ndabe Ziqubu of AFRA; Peter Greene of Lima Rural Development, Barry James of Pietermaritzburg Agriplan (Natalfarms); and Ken George, together with Pheli Zondi, from the Land Bank in Pietermaritzburg. I also acknowledge and appreciate information from other individuals and organisations that I have not mentioned, who helped in this research.

The National Research Foundation for financial assistance. However, all views, interpretations, recommendations and conclusions expressed in this thesis are those of the author and not necessarily those of the sponsor.

My colleagues and fellow post-graduate students in the Discipline of Agricultural Economics, for their friendship and company. Special thanks to Allan Semalulu and Mohammed A. Mohammed, for their encouragement.

My family, for the support and understanding they have provided throughout my university career, most especially my grandmother, Gladys, who is a constant inspiration to me. Special thanks to all my friends who have always stood by my side.

Lastly, I would like to thank the Almighty God for his great mercy.

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ABBREVIATIONS

AFRA	Association For Rural Advancement
ANC	African National Congress
CLT	Community Land Trust
CPA	Communal Property Association
CRLR	Commission for the Restitution of Land Rights
DANIDA	Danish Agency for Development Assistance
DCC	District Co-ordinating Committee
DFID	Department for International Development
DLA	Department of Land Affairs
DoA	Department of Agriculture
ESTA	Extension of Security of Tenure
EU	European Union
FALA	Financial Assistance Land
FWES	Farm Worker Equity Schemes
GDP	Gross Domestic Products
GEAR	Growth Employment and Redistribution
KWANALU	KwaZulu-Natal Agricultural Union
LRAD	Land Redistribution for Agricultural Development
LRCF	Land Reform Credit Facility
MTEF	Medium Term Expenditure Framework
NGO	Non Governmental Organisation

NLC	National Land Committee
PAC	Pan African Congress
PGAC	Provincial Grants Approval Committee
RDP	Rural Development Programme
SASA	South African Sugar Association
SLAG	Settlement/Land acquisition Grant

INTRODUCTION

When South Africa's first democratic government came into power in 1994, land reform was among its policy priorities. It is one of the ways in which past racial exclusions and inequalities are being addressed (Hall and Williams, 2000). Land policy efforts have since then been directed towards land restitution (return of, or compensation for, land dispossessed after 1913), tenure reform (resettling of farm workers and labour tenants through land claims courts and improving tenure security in the former homelands) and land redistribution (transfer or redistribution of land to previously disadvantaged groups for residential and productive purposes) (Department of Land Affairs, 1997). Among these three elements, land redistribution was intended to be the leading edge of the programme, transferring 30% of white-owned farmland to previously disadvantaged households over five years, now fifteen years. The main instrument of land redistribution was a Settlement/Land Acquisition Grant (SLAG) of R16 000 provided to households or groups to purchase land from willing sellers, including the State. Groups of beneficiaries were formed in almost all the provinces (Kirsten *et al.*, 1996).

Land reform implementation was difficult from the beginning, although not all difficulties encountered related directly to the programme. The DLA was a new organisation that, for some years, was constrained by a lack of capacity in terms of staff numbers and skills (Hornby, 1998), together with tensions between new and old bureaucracies and bureaucrats.

Unfortunately, the land redistribution programme proceeded at a slow pace during its first few years of operation. Taken together, restitution and redistribution transferred roughly one million hectares, or less than 1.2% of the area available for redistribution, to previously disadvantaged South Africans during the period 1994 to 2000 in KwaZulu-Natal (Lyne, 2001). By March 1999, around 65 000 hectares of land were approved for redistribution, representing less than 1% of the country's commercial farmland (National Land Committee, 2001). Graham and Lyne (1999) found that, in KwaZulu-Natal, private purchases redistributed more land wealth than did government-assisted transactions.

Some of the major reasons for the slow pace and poor performance of land redistribution (SLAG programme) are: First, the excessive centralization of administration that required ministerial approval for every project and a cumbersome grant approval procedure (Kirsten & Van Zyl, 1999); Second, it is not economically feasible to partition large commercial farms into much smaller, affordable units in situations where many resources are indivisible (e.g. packsheds, irrigation equipment and machinery), and the costs of surveying, transferring and registering sub-divisions are high (Simms, 1997) and, thirdly, prospective farmers lack capital and are unable to finance land with mortgage loans from commercial banks due to cash flow problems caused by relatively high inflation rates and concomitant high nominal interest rates while current returns to land are relatively lower (Nieuwoudt & Vink, 1995).

The DLA has routinely failed to spend its budget, and most of its expenditure has been for salaries rather than for purchasing land (Hall and Williams, 2000). The quality of land delivered was poor, with many beneficiaries forced to pool their grants with other applicants in order to purchase a farm. This created problems of artificially constructed communities, comprising different and competing land needs (NLC, 2001). These problems were often compounded by weaknesses (such as lack of incentives and inability to agree on rules of land use) in communal landholding entities, or Communal Property Associations (CPAs), and a lack of after care support, including lack of basic amenities, services and production support. De Villiers (2000) observed that only between 10% and 15% of listed beneficiaries of CPAs in the Northern Province were involved in active farming, while a large number of grant beneficiaries submitted their names merely to purchase the farm and showed no interest in, or commitment to, the actual farming activities.

In 2000, the Minister of Agriculture and Land Affairs, Thoko Didiza, announced a new direction to the redistribution policy, namely Land Redistribution for Agricultural Development (LRAD). The LRAD programme aims to transfer 30% of the country's agricultural land to disadvantaged people over 15 years (Ministry of Agriculture and Land Affairs, 2001). Since the launch of this programme, LRAD has been the main tool of redistribution. This programme differs from the SLAG programme in a major respect: beneficiaries do not have to be poor to qualify for the minimum grant of R20 000, and those who have more savings and who can raise bigger loans to finance their farms will qualify for larger grants, the maximum being R100 000. Application is also

based on an individual and not on a household basis. This represents a paradigm shift in government's land redistribution policy, away from poverty alleviation and group settlement, in favour of settling emerging farmers on their own farms. A major problem with LRAD is that a farmer with no collateral cannot purchase a viable undertaking unless he has significant part time income. This problem is somewhat alleviated if LRAD is coupled with the Land Bank's loan programme.

Since the outbreak of farm invasions in Zimbabwe in 2000, the importance of addressing land issues has greatly increased, with groupings across the political and social spectrum, from the Pan Africanist Congress (PAC) to AgriSA, calling for an acceleration of the pace of reform (Lahiff, 2001). There has also been a marked increase in popular mobilization around land issues and a growing willingness by landless people to take direct action to acquire land. The experience with land reform in Zimbabwe, both during the early stage and the present situation, should provide useful guidelines for the new policy focus in South Africa.

Experience with the land reform programme has shown that it takes time to develop systems and mechanisms to implement new programmes. The LRAD programme is now in its second year and policies have been put in place and a mechanism of delivery has been developed. Even with LRAD there is concern about the slow pace of land redistribution in South Africa. The main objective of this study is to find out how the process of land redistribution can be accelerated, given the urgency of land resettlement in South Africa. A redistribution project of the LRAD programme goes through five

phases, each phase with different steps, which is an LRAD project cycle. Firstly, the study will analyse the project cycle - the aim being to establish how long it will take a farmer to get ownership of land and how the process can be expedited to settle more farmers. Secondly, it will look at the role of stakeholders involved in the programme (such as NGOs, financial institutions, design agents and government departments). Thirdly, the performance and progress made since the implementation of the programme in KwaZulu-Natal will be evaluated. Lastly, the study will focus on problems and general concerns regarding the policy and make some policy recommendations on the need and performance of land redistribution in South Africa.

The structure of the thesis is as follows: Chapter 1 presents a background on South African land reform. The topic mostly highlights how the programme was developed and discusses the three elements of land reform (tenure reform, restitution and redistribution) in more detail. Past performance of land redistribution in KwaZulu-Natal is also discussed in this chapter. Chapter 2 focuses mainly on the new programme, LRAD. The policy is discussed in more detail in order to provide a basis for understanding stakeholder responses. The results of the study are discussed in Chapter 3 and 4. Chapter 3 presents the analysis of the project cycle and the role and responses of stakeholders. Chapter 4 presents LRAD performance and progress made in KwaZulu-Natal since implementation. Problems and other concerns regarding the programme are discussed in the chapter. The study concludes with conclusions and policy recommendations in Chapter 5.

CHAPTER 1

LITERATURE REVIEW

The attainment of a hard-won democracy in South Africa after the 1994 general elections was accompanied by high expectations of the ANC-led government to transform property rights dramatically and to reverse the history of land dispossession (Tilley, 2002). The new government undertook the challenge of redressing the daunting historical legacy inherited by its administration; 87% of the land was owned by the white minority, while the black majority owned 13% of the land.

South African land reform policy was formed in terms of three broad areas, *viz.* restitution, tenure reform and redistribution. The key focus points were poverty reduction and the redistribution of land to the dispossessed poor, farm workers, women, labour tenants and emerging farmers. The Land Redistribution for Agricultural Development is a sub-programme of redistribution and will be discussed in more detail in Chapter 2.

1.1 Background to South African Land Reform

South Africa's legacy of racially based land ownership was formalised in 1913 when the Natives Land Act was promulgated. Black land ownership was restricted to "native reserves", where tribal chiefs applied customary land tenure. The 1936 Native Trust

and Land Act expanded the area of these “homelands” to 6.2 million hectares, or about 13% of the national area (Darroch and Lyne, 2002) These laws prevented “non-whites” from owning commercial farmland, whilst other laws prevented white farmers from leasing their land to black tenants and sharecroppers.

As early as 1993, the World Bank, arguably the institution most dedicated to the protection of private property rights in the world, warned that if post-apartheid South Africa did not undertake “a major restructuring of the rural economy centred on significant land transfers and smaller scale agricultural production units”, the country faced the danger of rural violence and possibly even civil war (Thwala, 2003). It was against this backdrop, and amid growing concerns about the need to inspire the confidence of foreign investors in a rapidly globalising world economy, that South Africa’s multiparty constitutional negotiators approached the thorny question of whether and how to reverse the centuries’ old racial maldistribution of the country’s 122 million hectares of land.

Later policy documents and statutory laws drafted by the new government, including the 1994 Reconstruction and Development Programme (RDP) and the 1997 White Paper on South African Land Policy, further committed the government to redistribute 30% of agricultural land. The adjudication process on land restitution claims was to be completed in the first five years of South Africa’s democracy (1994–1999). The government was committed to a land reform programme that would address “the injustices of racially-based land dispossession of the past; the need for land reform to

reduce poverty and contribute to economic growth; security of tenure for all; and a system of land management which will support sustainable land use patterns and rapid land release for development”, respectively. Another policy, released in 1997, was the Land Reform Gender Policy. The Policy “aimed at creating an enabling environment for women to access, own, control, use and manage land; as well as access credit for productive use of the land”. The Policy further committed the Ministry and Department of Land Affairs to an extensive set of guiding principles to actively promote the principle of gender equity in land reform.

In addition to the RDP, the government adopted a neo-liberal macro-economic policy – the Growth, Employment and Redistribution policy (GEAR). This macro-economic framework respects the protection of private property rights, advocates reliance on market forces and promotes fiscal restraint through tightly controlled public spending. Overall, GEAR aimed to reduce state intervention in the economy. In the spirit of GEAR, the government supported the World Bank - promoted “market-assisted” approach to development and social transformation. One outcome of GEAR was a massive deregulation of the previously heavily protected and subsidised agricultural sector. Agricultural budgets have been cut and the marketing boards set up by the Agricultural Marketing Act of 1968 have been abolished (Fox, 2000). These market-oriented shifts have been so extensive that South African agriculture is now one of the least state-protected agricultural sectors in the world and probably better able to adjust to global market conditions.

1.2 Three aspects of land reform in South Africa

Three cornerstones of land reform (redistribution, restitution and tenure reform) are discussed.

1.2.1 Land redistribution

Land redistribution aims to provide the poor with access to land for residential and productive use, in order to secure their tenure and improve their livelihoods. It aims to assist the poor, labour tenants, farm workers, women and emergent farmers, based on the “willing seller/willing buyer” principle, to acquire land with full rights of ownership. Lahiff (2001) states that the original aim of this programme has been lost, that redistribution and land reform have come to focus on technical criteria for access to the programme and on the type of land use that should be supported.

Land redistribution is not simply a legal transfer from the current landowner to a buyer. It is a long process that begins with the articulation of a land need, land identification, applications and negotiations, beneficiary identification, land use planning and formation of legal entity. These processes take place before the actual transfer of the land. Most of the delays come from problems that originate from these processes. For example, various people contest land, disagreements arise on how land should be owned and used and government is constrained by budgets (Mkhize and Mwelase, 1996).

As part of this programme, the government awarded beneficiaries a Settlement Land Acquisition Grant (which started at R15 000 and was later fixed at R16 000). Groups of beneficiaries were formed in almost all the provinces (Kirsten *et al.*, 1996). Beneficiary households had to pool their meager grants in order to buy a farm from a willing seller. This was due largely to the Sub-division of Agricultural Land Act, Act 70 of 1970 that not only limits the subdivisions of farms into smaller parcels of land, but also prohibits co-ownership in undivided shares of farmland by individuals other than husband and wife. The delay in repealing the Sub-division Act is attributed to the absence of zoning legislation regulating the conversion of farmland into residential or commercial use (Graham, 2000). In the meantime, subdivision of farmland requires approval by the Minister of Agriculture and Land Affairs. ✖

Various categories of redistribution projects have been provided for, including group settlement with some production; individual production; commonage schemes; on-farm settlement; share equity schemes; rapid land release in an urban context; and others that hinge on policy innovation (Camay and Gordon, 2000). Groups of buyers had to establish a legal entity, usually a Community Land Trust (CLT) or Communal Property Association (CPA), to take ownership of the land. Beneficiaries of the SLAG programme were not required to make a financial contribution towards the purchase of land and, as a result, few listed beneficiaries of CPAs were involved in active farming. Also, a large number of grant beneficiaries submitted their names merely to purchase the farm and thereafter showed no interest in, and commitment to, actual farming activities (De Villiers, 2000).

Most beneficiaries took up residential sites and went on with their multiple rural livelihood survival strategies. Since individuals have their own differences and expectations, decision-making by the established CPA, although democratic, does not necessarily address every member's needs. Furthermore, beneficiaries do not have tangible proof that they own the land. Title to the land is vested in the legal entity. If beneficiaries decide to leave the Trust or the CPA, the possibility exists that they may lose their rights to the land if they are not aware of all the various legal procedures that need to be followed. They also have no second opportunity to access the grant (Tilley, 2002).

In 1994, the post-apartheid government forecast land redistribution at the rate of six million hectares per year (Lyne and Roth, 2002). Progress with land reform has fallen far short of the goals set by the government. This argument is based on the DLA's performance between the years 1994 and 2001. The Department only delivered 1.2 percent of commercial agricultural land or 1 098 008 hectares (Kepe and Cousins, 2002). The greatest number of hectares approved for transfer was in 1998, when about 0.33% of all commercial farmland was redistributed (NLC, 2001).

Through the DLA, the government suspended the land redistribution programme in 1999 and 2000, to allow for an intensive review of its role in land delivery. The parameters of this review were defined by the government's search for economic efficiency, a central focus of the Gear strategy. This led to changes centred on the decentralisation of land reform delivery, an emphasis on increasing the speed of

delivery and a greater stress on market production. A major new goal emerging from the review was the development of an African commercial farming class, able to compete with the country's historically white agricultural sector. The Land Redistribution for Agricultural Development (LRAD) programme resulting from this review was finally launched in August 2001 and is now the official redistribution programme of the Department (to be discussed in Chapter 2).

1.2.2 Land restitution

The aim of this programme is the restoration of land or the payment of compensation to people who were previously dispossessed of their land as a result of discriminatory legislation and apartheid policies. The scope of this programme only includes people who were dispossessed of their land as from 1913. Those who lost their land before 1913, through wars of conquest, colonisation or other forms of dispossession, are excluded. The Government's policy and procedure for land claims are based on the provisions of the Constitution and the Restitution of Land Rights Act, No. 22 of 1994. A restitution claim qualifies for investigation by the Commission provided that the claimant was dispossessed of a right to land after 19 June 1913 under, or for the object of, a racially discriminatory law or was not paid just and equitable compensation if expropriated under the Expropriation Act.

Soon after the passing of the Restitution of Land Rights Act a five-member Commission for the Restitution of Land Rights was appointed. A three-year period, during which

people could lodge claims according to the provisions of the Act, started on 1 May 1995. The deadline (May 1998) for submitting claims was later extended to December 1998. A total of 68 878 restitution claims (the highest number from KwaZulu-Natal, with 14 808 claims) were registered with the Land Claims Commission, which investigates the validity of each claim and recommends a resolution to the Land Claims Court for approval or adjudication in the event that a claim is contested (DLA, 2002). Of the total number validated, about 400 of the claims are not valid (DLA, 2003a).

During the formative years of 1994-99, the restitution process turned out to be legalistic, bureaucratic and slow (Turner and Ibsen, 2000). However, following amendments to the Restitution of Land Rights Act in 1997 and 1999 (giving claimants direct access to Land Claims Court without first going to the Commission and delegating the power to resolve uncontroversial claims to regional Commissions) and an instruction to the Commission by the President, Thabo Mbeki, to finalise all land claims by the end of 2005, the rate at which claims are being processed has improved remarkably. By the end of July 2003, 40 323 claims have been settled (28 555 claims still outstanding), with a total of 781 493 hectares of land restored and benefiting 526 249 people (DLA, 2003b).

The vast majority of settled claims are in urban areas and derived from forced removals under the Group Areas Act. In many cases, land restitution took the form of monetary compensation, as opposed to the original land or similar land being provided as restitution. In most urban claims, restoration of the claimant's original land is not

feasible, as the land has invariably been developed in some way. In most rural claims, people desire to return to their original land or, if this is not possible, to settle on alternative land. Far fewer claims have been resolved in the provinces where rural claims are found in large numbers, particularly Mpumalanga, Northern Province and KwaZulu-Natal – and which also have the highest quality agricultural land under claim (Lahiff, 2001). The prioritisation and rapid settlement of urban claims has been criticised as politically expedient, because urban claims tend to be high-profile cases, earning government better publicity (NLC, 2000). Turner and Ibsen (2000) raised a concern that restitution was not sufficiently integrated in the development process and this reinforced claimants' status as victims, rather than as empowered people claiming their rights.

1.2.3 Tenure Reform

The South African Constitution states that a person or a community whose tenure of land is legally insecure as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to tenure which is legally secure, or to comparable redress. Steps were taken to strengthen the land rights of occupants on commercial farms, and land tenure rights in general, through a number of pieces of legislation. The 1996 Land Reform (Labour Tenants) Act provides for the protection of the rights of labour tenants and gives them the right to claim land. The 1996 Interim Protection of Informal Land Rights Act was passed as an interim measure to protect people in the former homelands against abuses of their land rights by corrupt

chiefs, administrative measures or property developers who fail to consult the occupiers of affected land, while a new comprehensive law was being prepared. The Extension of Security of Tenure Act (ESTA) of 1997 aims to protect people who live on land with the consent of the owner or person-in-charge against unfair eviction and create long-term tenure security through on-or-off-site settlement assisted by a government grant and the landowner.

The Communal Land Rights Bill has yet to be finalised and currently leaves many questions unanswered. According to the NLC (2001), the Bill undermines established occupation rights and opens up opportunities for the transfer of state land to “communities” controlled by powerful and sometimes traditional leaders who cannot be held to account. With the NLC as its mouthpiece, many development activists suggest that the draft Land Rights Bill should be scrapped and that a truly consultative process of drafting be initiated by the DLA, to ensure that the land rights of South Africans living on communal land are adequately secured.

1.3 Other forms of redistribution

In addition to the government’s land redistribution programme, private and semi-private initiatives have emerged to redistribute farmland to previously disadvantaged people. These initiatives include private land purchases and equity sharing schemes.

1.3.1 Private land purchases

Most creditworthy farmers did not qualify for SLAG, as the means test that applied to potential beneficiaries precluded individuals with a monthly household income greater than R1500. They therefore resorted to buying land privately, with mortgage loans. However, conventional mortgage loans amortized with constant payments of principal, plus interest, created severe cash flow (liquidity) problems for borrowers during the early years of their enterprise, when inflation rates were high (Nieuwoudt and Vink, 1995).

According to Nieuwoudt and Vink (1995), the cash flow problems arise because inflation increases nominal interest rates on mortgage loans while deferring returns (future returns on land are increased by inflation). This creates temporary, but severe, cash flow problems to service debt repayments for borrowers, who are unable to make a substantial down payment on the purchase price of the farm. The liquidity problem diminishes over time, as inflation raises future earnings relative to the fixed loan repayments. In other words, the farmers' debt repayment capacity improves over time, in line with inflation. Therefore, the initial cash flow problems can be removed by providing an interest rate subsidy that diminishes at the expected rate of inflation, over a finite period of time (Nieuwoudt and Vink, 1995). The subsidy allows for a below-market interest rate to be charged in the early years of the bond, making it possible for the new farmer to meet his or her instalment payments from the limited cash flow

earned by the enterprise during its early, critical years. The approach outlined by Nieuwoudt and Vink (1995) was partially adopted by Ithala Bank in KwaZulu-Natal.

Ithala Bank has facilitated private land transactions since 1996 (Lyne *et al.*, 1999). Earlier, when the Illovo Sugar Company invited applications for 20 medium-scale sugarcane farms (ranging from 55 to 105 hectares in area), none of the more than 100 disadvantaged applicants could afford an equity contribution large enough to reduce the size of a conventional mortgage loan to a level that could be serviced from farm income (Lyne and Darroch, 1997). To mitigate this problem, the Company agreed to sell the farms at market-related prices and invest 18% of the purchase price with Ithala Bank. This capital, plus interest accrued, funds a finite interest rate subsidy for the borrower (Simms, 1996). In effect, Illovo Sugar Company discounted the prices of its land by 18%, and Ithala Bank used the private subsidy to reduce the current mortgage loan rate from 16.5% to 10% in the first year. The subsidy then declines to zero at the end of year six, in line with expected increases in nominal income associated with an annual inflation rate of roughly 10%. The buyer pays the full annual interest rate of 16.5% for the remaining 14 years of the 20-year loan period. By 1999 this scheme had assisted approximately 90 disadvantaged farmers to acquire medium-sized sugar farms in KwaZulu-Natal (Graham and Lyne, 1999).

One criticism of the above graduated repayment scheme is that it focused on medium-scale farms and excluded smaller, more affordable farms that were creditworthy (Lyne and Darroch, 2003). The scheme emphasised medium-scale farms because the sugar

millers providing the interest subsidy insisted that land should be sold to full-time farmers and subdivision and transaction costs are largely fixed costs that raise the unit price of land as farm size diminishes. Other criticisms are that the subsidy is not sufficient and that part time farmers are excluded.

1.3.2 Farm worker equity-sharing schemes (FWES)

Mather and Adelzadeh (1997) describe farm worker equity schemes as 'a method of redistributing land without affecting the structure of individual farms or overall production; with better job satisfaction and a greater participation, productivity should increase on farms where workers are also owners'. Equity-sharing saves on a range of transaction costs such as subdivision costs, survey costs and transfer fees (Van Rooyen and Njobe, 1996), and has the advantage of redistributing wealth and income streams, as opposed to just land. In addition, unlike many other land reform projects, these FWES have empowered women. Findings from the case studies of the equity-sharing projects analysed by Knight and Lyne (2002) in 2001, showed that more than 50% of the farm worker shareholders were women, on six of nine projects analysed.

1.4 Past performance of land redistribution in KwaZulu-Natal

At the time of South Africa's political democratisation in 1994, 50.04% of the farmland (including provincial parks) area of 8.19 million hectares in KwaZulu-Natal was controlled by a small minority of white owners. It is estimated that 6 755 large-scale

commercial farms accounted for 4.13 million hectares (Lyne and Ortmann, 1996). Of the remaining 4.06 million hectares, 2.84 million hectares were occupied by some three million black South Africans under communal tenure, 0.04 million hectares were privately owned by 'non-whites' and 0.42 million hectares were farmed by the State itself (including forests) and the remaining 0.76 million hectares were used for provincial parks.

Empirical evidence about the progress of land redistribution is scarce, especially if the relative performance of the government redistribution programme is compared to other modes of redistribution, such as private land purchases, as very little is known about private land purchases. Unfortunately, such comparative data only exist for KwaZulu-Natal, where both government and private farmland transactions have been monitored annually since 1997.

Between the years 1997 and 2001, 121 484 hectares, or 2.3% of farmland available for redistribution in KwaZulu-Natal, has been transferred to disadvantaged owners (Lyne and Darroch, 2003). Table 1.1 summarises the area of farmland acquired each year by disadvantaged owners in KwaZulu-Natal during the calendar years 1997-2001. The census estimate was used to compute the rate of land redistribution for each study year, by expressing area acquired by disadvantaged entrants as a percentage of total area of farmland potentially available for redistribution in the province (5.31 million hectares = 4.13 million hectares owned by whites plus 1.18 million hectares of State farms and game parks) at the time of political democratisation in 1994.

Annual farmland transfers to the disadvantaged group ranged from 17 345 to 36 109 hectares per year, representing between 5.8% and 11.8% of the farmland transferred annually. Although this rate is low, it is considerably higher than that of 0.09% estimated in 1995 by Lyne and Darroch (1997). This indicates that there has been a considerable growth in the rate of land redistribution in the province since 1995, albeit still far off the government's target.

Table 1.1: Estimated annual rates of land redistribution to disadvantaged people in KwaZulu-Natal, 1997-2001

Study year	1997	1998	1999	2000	2001
1. Area of farmland originally available for redistribution (ha)	5 308 559	5 308 559	5 308 559	5 308 559	5 308 559
2. Area of land transacted (ha)	372 995	603 522	306 433	300 799	267 233
3. Area of land acquired by, or for, disadvantaged people (ha)	22 934	17 772	36 109	17 345	27 324
4. Rate of land redistribution (%) ([number 3 ÷ number 1] × 100)	0.43	0.34	0.68	0.33	0.52

Source: Lyne and Darroch, 2003

In their study, Lyne and Darroch (2003) continued to analyse transactions involving disadvantaged entrants according to the method of financing/acquisition – grant financed (government-assisted), private market transfers (mortgage loan financed or cash purchases) and private non-market transfers. There were far more private (905)

than government-assisted (89) transactions redistributed. The total area of farmland redistributed by private market purchases (60 266 hectares, this being 36 148 hectares via private mortgage loans and 24 118 hectares via cash purchase) comfortably exceeded that redistributed by the government-assisted transactions (45 121 hectares) and consisted of higher quality land (greater weighted farmland price per hectare).

More than half the farmland purchased by historically disadvantaged people in KwaZulu-Natal transferred to groups, not individuals. This poses a major challenge to policy makers, since farms acquired by groups of land reform beneficiaries already show symptoms of becoming open access resources (Lyne and Roth, 2002). The relatively poorer performance of government programmes in redistributing farmland, especially high quality land, has been compounded by other problems (Lyne and Darroch, 2003). Under the SLAG programme, diverse groups of beneficiaries struggled to assign exclusive property rights to individual beneficiaries, or to design and enforce sound constitutions to manage communal resources. Prospective farmers also lack capital and are unable to finance land with conventional mortgage loans from commercial banks due to cash flow problems caused by high nominal interest rates. However, the situation is expected to change now that the LRAD programme has replaced the SLAG programme.

Land Redistribution is being characterised as poverty policy for rural South Africa (van Zyl *et al.*, 1996a; DLA, 1997 and Deininger *et al.*, 1999). Given that well over half of black rural people are poor and that they account for 71% of poor households in South

Africa (Deininger and May, 2000), there is unquestionably a need for an anti-poverty programme that is specifically aimed at the rural poor. At the same time, given South Africa's sordid history of racial land expropriation, there is a political need for a racial restructuring of agricultural land ownership (Baber, 1991).

CHAPTER 2

LAND REDISTRIBUTION FOR AGRICULTURAL DEVELOPMENT (LRAD)

2.1 Basic features of LRAD

The new programme, LRAD, went through a series of drafts before it was implemented and launched in August 2001. The policy provides for transfer of land to large, medium and small commercial farmers and to subsistence producers. Land for settlement, commonage and non-agricultural production activities are dealt with under different policies. The target of 30% for land redistribution amounts to about 24.6 million hectares, or an average of 1.64 million hectares every year over 15 years (Tilley, 2002). At six times the amount of land transferred in 1998 (the most successful year for land redistribution, when 273 416 hectares were involved in project approvals and transfer) the annual average requires an extraordinary escalation in the rate of delivery.

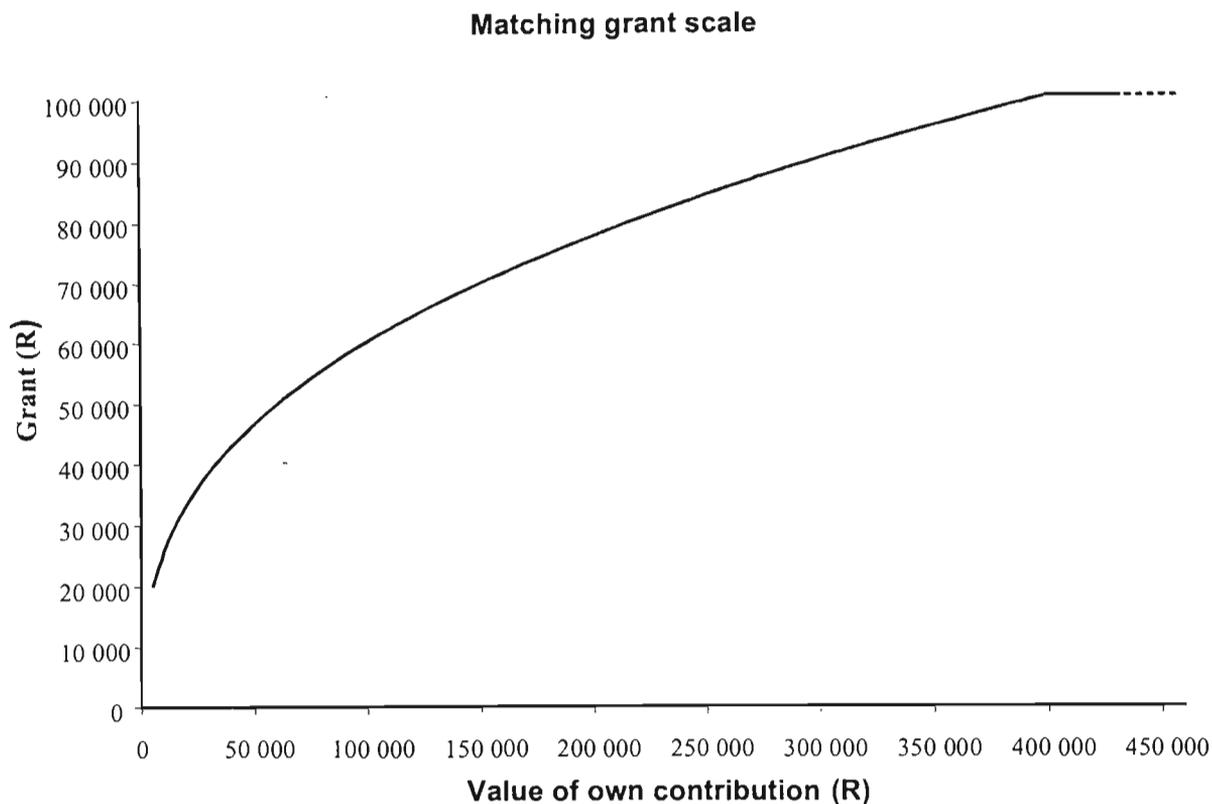
Some of the objectives of the new programme are to improve nutrition and incomes of rural poor who want to farm on any scale, to expand opportunities for women and young people staying in rural areas, to contribute to relieving the congestion in overcrowded former homeland areas and to empower beneficiaries to improve their economic and social well-being whilst, at the same time, promoting environmental sustainability of land and other natural resources. The LRAD grant and LRAD planning grant (maximum of 15% of the total project costs) can be accessed by formerly disadvantaged South African

citizens aged 18 years or older, on an individual basis only, for agricultural projects. The means test no longer applies. All individual members (no longer households, as in the past) are eligible, regardless of income, provided they can offer their own contribution. People who have acquired land as a result of redistribution can acquire further land through the LRAD grant. Politicians, who hold public office, and civil servants do not qualify and will not be eligible for the grant.

LRAD offers grants on a sliding scale, ranging from R20 000 to R100 000, depending on the amount of the beneficiary's own contribution. **Figure 2.1** shows how the value of the contribution matches the grant. The minimum contribution of R5 000 matches the grant of R20 000 and the maximum grant of R100 000 requires an own contribution of at least R400 000. Own contribution may include own labour (sweat equity) for up to R5 000 per applicant, which is to ensure that poor people can participate in the programme. In order for the applicant to claim the full R5 000 in own labour towards the own contribution requirement, the business plan has to show evidence that the applicant intends to devote a significant amount of own labour towards the establishment and operation of the project (Ministry for Agriculture and Land affairs, 2001). Beneficiaries may benefit several times through trading, although lifetime benefits for a single applicant are limited to an accumulated amount of R100 000. Existing land holding cannot be counted towards own contribution and assets acquired by means of the grant cannot be counted as an own contribution when applying for an additional grant.

Sliding scale of grants and own contribution

The minimum grant amount is R20 000 which can be accessed with an own contribution of R5 000. The maximum grant is R100 000, which will require an own contribution of at least R400 000. If the participant contributes more than this amount(s) he/she still can only access a grant of R100 000. Between the minimum and maximum amount, a continuum of grant amounts is available, depending on the participants' own contribution (as highlighted in the graph).



Taking a range of own contributions as illustration, we have the following:

Own contribution R	Matching grant R	Proportion of total cost %	
		Own contribution	Grant
5 000	20 000	20	80
35 000	40 871	46	54
145 000	68 888	68	32
400 000	100 000	80	20

Figure 2.1: LRAD: Sliding scale of grant and own contribution. Source: Ministry of Agriculture and Land Affairs, 2001.

LRAD has proposed four basic redistribution projects to provide for the different needs of farmers (Ministry of Agriculture and Land Affairs, 2001):

- (a) Food safety-net projects - the acquisition of land for crop or livestock production to sustain and improve household food security.
- (b) Equity schemes - beneficiaries buy into an existing farm operation and become both an employee and co-owner of the farm operation. It has been shown that the scheme provides a useful basis for preparing new black farming entrepreneurs to enter into commercial production (De Villiers, 2000).
- (c) Production for markets - participants will access the grant and combine it with normal bank loans, their own assets and cash, to improve existing farming operations. These types of farmers have more farming experience and expertise than those accessing land for subsistence or food safety-net type of projects.
- (d) Agriculture in communal areas - this is for people living in communal areas who already have a secure access to agricultural land, who need the grant to invest in their land for improving household food security or becoming more commercially oriented.

Applicants for the grant are expected to live on or near the land and to work on it. After acquisition of the grant, beneficiaries are expected to participate in a training programme. If people choose to apply as a group, the number of individuals represented in the group scales the required own contribution and total grant upwards.

2.2 Key shifts in the programme

LRAD differs from SLAG in important ways. One of the key principles underpinning the new policy is that beneficiaries should make at least the minimum contribution in kind, labour or cash. LRAD also appears to be more focused on individual settlement rather than the group settlement of SLAG. By making grants available to individuals rather than to households, it substantially increases the level of grant funding obtainable, since each adult in a household can apply. Under LRAD, a typical poor black household with three adults would, in theory, be able to obtain three grants of R20 000 each (a total of R60 000) rather than one grant of R16 000 under SLAG. LRAD is open to individuals or groups, although large groups are discouraged from applying. Group projects require the setting up of an appropriate legal entity, such as a communal property association (CPA), a trust or a close corporation. The new policy promotes gender equality, by allowing adult individuals to apply in their own right, rather than as members of a household. This will facilitate grants for “women-only” projects. It may also enable households to maximize benefits by aggregating grants of individuals. Furthermore, at least one third of transferred land must accrue to women. The policy does not, however, explain how this will be achieved.

The programme is described as ‘demand-led’, meaning that beneficiaries themselves must define the type of project in which they wish to engage and, with appropriate assistance, identify available land. Zimmerman (2000) criticized demand-led targeting, as participation requirements will tend to favour those who already have a reasonably

strong asset base and will tend to exclude those who have nothing. In response, it may be pointed out that the poor receive a minimum grant. Requiring some contribution from beneficiaries reduces moral hazard (the beneficiary has something to lose from non-performance), while the overall cost to the government is lower. The minimum grant is, however, not sufficient to purchase a viable enterprise. It is suggested that LRAD should be complemented by an interest rate subsidy programme as proposed by Nieuwoudt and Vink (1995). In the latter case no collateral is required.

Of particular importance is decentralization of approval and implementation of projects to provincial and district level, respectively, closer co-operation between various government departments and spheres of government, with an enhanced role for district municipalities, and what the LRAD policy document refers to as 'the substitution of *ex post* audits and monitoring for a lengthy *ex ante* approval process' (Ministry for Agriculture and Land Affairs, 2001). Acquisition of land, from either private or public sources, continues to be on the basis of the willing-buyer, willing-seller approach.

2.3 The Role of Stakeholders

In addition to the national and provincial Departments of Land Affairs, the White Paper on Land Policy also identified the private sector and non-governmental organizations as important institutions in the redistribution process.

Land Bank

The DLA has identified the Land Bank as a key institution to assist in the LRAD process, for the efficient delivery of the grant. The Land Bank is to administer the LRAD grant on behalf of the Department, thereby allowing it to:

- * Speed up access to grants for applicants;
- * Introduce good control measures for assessing and awarding LRAD grants;
- * Provide loan financing for LRAD applicants at the same time as the grant.

The advantage of having the Land Bank administer the LRAD grant is that the size of the grant will determine the extent of the loan finance. By administering both the grants and the loans the Bank provides a “one-stop shop” for applicants. Applicants who do not meet standard Land Bank criteria will be redirected to the DLA. It also provides the Land Bank with the potential to dramatically expand its business. In 2001/02 financial year the Land Bank received R50 million from the DLA for release of LRAD grants simultaneously with loan funding. To date, other commercial banks have not been given the same opportunity as the Land Bank.

NGOs

NGOs play several different roles regarding land reform issues. Some NGOs have been involved in protecting/assisting communities threatened with removal from their land. Others lobbied government for land reform, conducted research on land and rural development issues, worked with disadvantaged communities and helped them to establish organisations which could speak for them. In KwaZulu-Natal, AFRA is a

National Land Committee (NLC) affiliate that works with black rural people, particularly the marginalized, who have been dispossessed of their land, are subject to insecure tenure, or who do not have the resources to access land. Lima Rural Development Foundation has been actively involved in LRAD as design agents (Greene, 2002). LIMA is a non-governmental, non-profit company registered in terms of Section 21 of the Companies Act. Lima's project implementation is in KwaZulu-Natal and the Eastern Cape, but consults throughout South Africa. Lima's objectives are to provide an integrated rural development service to rural communities through the establishment of appropriate institutions, local economic development and training to empower rural people, particularly women, in their own development efforts, in order to overcome poverty. Other local organisations are also actively involved in land reform issues, i.e. KWANALU – a farmer representative organisation - and Agrilink II Project – a USAID funded project which facilitates land transfers, work with farmers, the Land Bank and other institutions to help emergent farmers access agricultural land.

In August 1995 the NLC (organisation that represent other NGOs in different provinces), in their Land Reform Proposal, suggested that the NGOs should assist with the development of community structures and facilitate needs assessments and planning, through participatory methodologies. NGOs should also have a role in disseminating information to communities so that the latter can choose wisely from the options available. They argued that “the DLA cannot both implement and monitor its own land reform programme”. A mechanism should be established for civil society and

community structures, especially the NGO and academic communities, to carry out monitoring and evaluation, in partnership with the DLA, at all levels (NLC, 1995).

The Land Reform Credit Facility (LRCF)

The Land Reform Credit Facility (LRCF) is a wholesale finance facility, whose aim is to stimulate and encourage private sector participation and involvement in the Land Reform process. The LRCF was launched by the Minister of Agriculture and Land Affairs on 26 May 1999 (DLA, 2000b). It was set up to assist the establishment of commercially viable land reform projects, by offering long-term credit with deferred repayment schedules to commercial banks that finance land or equity in commercial farming enterprises. Khula Enterprise Finance Ltd., on behalf of the DLA, administers the facility, which is co-financed by the DLA, the European Union (EU) and Denmark-DANIDA (The Danish Agency for Development Assistance). Khula Enterprise Limited is an agency of the Department of Trade and Industry, which was established in 1996 for SMMEs to access credit through various delivery mechanisms like commercial banks, retail financial intermediaries, and micro credit outlets (www.khula.org.za).

The facility operates as a wholesaler, extending credit to commercial banks, or for on-lending to retail borrowers who conform to pre-determined land reform criteria. Loans extended by the LRCF have a deferred repayment schedule to reflect the circumstances of the enterprise in question. The EU, Denmark-DANIDA and the UK's Department for International Development (DFID) helps to finance organisational and technical skills training for land reform participants in projects supported under this scheme. The

LRCF was initially capitalised at a level of R63 million, via a R32 million grant made by the DLA that was matched by grants from the EU (R29.4 million) and DANIDA (R1.7 million) (LRCF, 2000). Between May 1999 and April 2001, the Facility approved loans worth R322 million, with applications for another R34 million pending its re-capitalisation. In May 2001, the DLA and the European Union accepted proposals to re-capitalise the LRCF. The DLA approved a grant of R60 million during the 2001/02 financial year and the EU is likely to provide a further grant of R10 million (LRCF, 2001a). ABSA Bank, the facility's largest client, intends to make much greater use of the LRCF in future, especially if the DLA accepts a recommendation to allocate a portion of the proposed LRAD grants to the LRCF and to fast-track these grants to the beneficiaries of projects financed by the Facility (LRCF, 2001b).

Department of Agriculture & Department of Land Affairs

The Department of Agriculture and of Land Affairs at national level jointly share responsibility for the design of LRAD, policy issues and the design of training programmes. The DLA is responsible for monitoring flows of funds to the provincial level and auditing the use of funds, as well as monitoring and evaluating outcomes (Ministry for Agriculture and Land Affairs, 2001).

Provincial Departments of Agriculture and Land Affairs sit on the provincial grant committee and access information from the national monitoring effort to track the performance of LRAD in the province. The Departments of Agriculture and of Land Affairs have operational structures at local government level. Where both departments

have staff in place, they should share responsibilities under LRAD. Local governments and municipalities should be requested to provide an audit of agricultural smallholdings within their boundaries. The agricultural staff advise on technical and agronomic issues relating to farm proposal and offer an opinion concerning its technical and financial feasibility. Staff from the Department of Land Affairs could advise on the land price and assist with the title search. Because the Land Bank deals with clients needing or wanting loan finance or rather, more advantaged beneficiaries, the DLA by default deals with poorer clients who do not expect to take loans.

Another important responsibility of the DLA is **the management of State land**. The extent of State land in South Africa is 25 509 004 hectares, of which 13 332 577 hectares are the responsibility of the DLA, the bulk of which is in the former homelands (Sibanda, 2001). Of the State land for which the DLA is responsible, about 700 000 hectares are potentially available for land reform and development purposes. Much of it is leased, informally occupied or the subject of restitution claims. Rights to most of the land are disputed, which makes it difficult for the DLA to legally dispose of it.

CHAPTER 3

ANALYSIS OF IMPLEMENTERS' PERCEPTION

This section will discuss the research methodology, five phases of the project cycle, the duration and constraints of each phase, the roles of the stakeholders and suggestions concerning how the LRAD process of land delivery can be improved (refer Appendix A for LRAD project cycle).

3.1 Research methodology

The following research procedure was followed. As the thesis analyses stakeholders' responses in KwaZulu-Natal, stakeholders in the province were interviewed. Information was gathered by the author during 2002 in Pietermaritzburg by conducting in-depth consultations with different stakeholders such as NGOs, estate agents, financial institutions and government departments (DoA and DLA). Some of the main issues discussed with stakeholders during interviews were: (a) their roles, (b) familiarity with the LRAD grant and (c) how to improve the process of land redistribution.

The main objective was to study how the process of land redistribution could be expedited. Therefore a structured questionnaire (refer Appendix B) was used to determine the length of the LRAD process of acquiring land (project cycle divided into five phases). The project cycle differs slightly depending on whether or not the beneficiary is to rely entirely on the amount of grant support available through DLA, or

requires a loan available through the Land Bank. For each step, the questionnaire was used to determine: (a) who is responsible, (b) time duration for processing an applicant, (c) number of applicants processed simultaneously and (d) constraints to successful implementation. The purpose is also to identify factors constraining the land redistribution process.

3.2 Analysis of project phases

Applicants have to follow a defined procedure to obtain ownership. A redistribution project goes through five phases, each phase with different steps. The aim in this study was to determine how long it will take for beneficiaries/applicants to obtain ownership of land and how the process in each phase can be expedited. The order of steps within each phase may vary from one project to another, while phases may overlap. The DLA and the DoA, together with the Land Bank, are involved in the implementation of the programme. Two of the major proposed institutions under LRAD are (1) the Provincial Grant Approval Committee (PGAC) – some of the proposed functions for PGAC are: approval or rejection of applications; allocation of planning grant and capital budget to the project; assessment of completed business plans; and recommendations to release the balance of the planning grant and land grant. (2) District Coordinating Committee (DCC) – the DCC's functions are: initial screening of project proposal; formal assignment of a project manager to recommend projects; and review of completed business plans and recommendation for approval to the PGAC.

(a) First Phase: Introduction

Phase 1, which includes the completion of application forms, submission of projects to the DCC (District Co-ordinating Committee) and recommended projects being forwarded to the PGAC (Provincial Grants Approval Committee), could take two months to complete or process for an individual project. DCC meetings are held only once a month and PGAC meetings are held twice a month. More than twenty projects could be processed simultaneously, in this phase. The DoA identifies time as the main constraint in this phase, but it also depends on the commitment of the beneficiary to giving the required information, completing application forms on time and submitting them to the DLA. Time is a constraint because of lack of skilled staff in the Department. The process can be expedited and more applicants can be handled with more skilled staff (Urquhart, 2002).

(b) Second Phase: Planning

In this phase, design agents draw up the business plan. Only projects that have been recommended from the first phase can be processed in this phase. Constraints identified in this phase are manpower and finances. The process includes valuations, negotiation of land prices and changing of land use, if applicable. After the business plan is completed it will be referred to the DCC. The time needed to complete this process could be two months or more. Urquhart (2002) explained that if more business plans are forwarded to the DCC, additional manpower would be needed to process applications. Five to ten projects could be processed simultaneously in this phase. For each project, the Department assigns a project manager. To speed up the process,

property owners should be engaged, the DLA should increase its manpower and beneficiaries are advised to have, on hand, all the requirements that could be asked for.

(c) Third Phase: Assessment and approval of business plan

In this phase, business plans approved by the DCC are sent to the PGAC. It is the duty of the project manager to forward applications. Again if more applications are sent to the PGAC, additional manpower will be needed, or else other applications will have to wait for the next meeting in another two weeks' time. All projects approved under LRAD must meet certain eligibility criteria. The approval of the grants is based on the viability of the proposed project, which takes into account total project costs and project profitability. The main constraints in this phase are manpower and time. It could take two months for the project to be gazetted and only one project can be processed at a time. The length of time needed to complete this phase is more than three months. A proposal is to schedule PGAC and DCC meetings every week instead of every two weeks and every month, respectively. This will help to process more applications per month. However, in a case where the project has secured loan finance, this process is unnecessary, as financiers consider the plan as having low risk. It is recommended that DLA consider allowing commercial banks (where loans are financed by LRCF) to approve grants contingent on loan approval, which would remove a major constraint. Extending approval powers to commercial banks has the advantage of identifying creditworthy projects quickly and accurately, as private lenders are putting their own resources at risk.

(d) Fourth Phase: Transfer

Phase four includes four steps: (a) registration of legal entity; (b) signing of sale agreement; (c) appointment of surveyor and (d) transfer of property. This phase can only take place after completion of the first three phases, so there will not be a transfer of land or of grant money if there is no agreement on the sale of land and if the business plan has not yet been approved. The process of transferring property is facilitated by the Deeds Office and it can be completed at least three months after approval of the grant. Financiers have also complained about the release of grant money; projects have been approved but could not start because grant money had not been released. Some approved projects have to wait long for the grant money to be released and in the process some landowners get impatient and withdraw from selling or tend to look for some better offers. The main constraint in this phase is, again, manpower, because only one project can be processed at a time. For a single project this phase takes about three months. This phase could be expedited by adding more manpower for the transfer of property.

(e) Fifth Phase: Post-transfer support

After the transfer of the property a mentor should be appointed immediately. The DoA carries out this process. The DoA has pointed out that there should not be any constraints in this phase if all the other phases were completed well. The balance of purchase grant to the applicant can be deposited into the applicant's account, using a voucher system. Extension officers will be used to monitor the implementation of the business plan, to provide extension support and to monitor the mentors. The process of

mentoring is an ongoing process until the project is over. The process can be speeded up if mentors are available and ready to provide support and train beneficiaries. Beneficiaries are expected to co-operate with mentors and avail themselves for training.

The idea of the analysis of the project cycle was to find the constraints in order to improve the rate of delivery. According to the analysis there are three main constraints, under-staffed departments, funding and time. The LRAD programme is an applicant driven process. In all phases, only projects recommended and forwarded from the previous to the next phase are processed. Therefore it is not easy to conclude that if twenty applications were processed in a certain phase, then all of the twenty projects would be processed in the next phase. According to Urquhart (2002), if some projects are not addressed in a scheduled PGAC meeting because of time constraints, arrangements could be made for an extra meeting to speed up the process. The DoA reported that more commitment by stakeholders could reduce the long process. The time duration for the project cycle also depends on the type of project and on the number of beneficiaries. At the time of the present study, the two departments had a problem with personnel resigning, which meant the loss of skilled staff. If the manpower problem can be overcome, more farmers could be settled simultaneously. The target for the programme also depends mainly on the available budget. It is highly recommended that applicants and stakeholders work co-operatively to speed up the process of land redistribution.

3.2 Stakeholders' views and roles

This section discusses the role and views of different stakeholders – NGOs, financial institutions, design agents and governmental departments.

(a) NGOs

Representatives from the Association of Rural Advancement (AFRA) and from LIMA Rural Development Foundation, were interviewed. Local NGOs play different roles with regard to the implementation of land reform. AFRA's main concern is that the existence of the grant and its operation is not well known amongst intended beneficiaries (Ziqubu, 2002). Ziqubu (2002) suggested that the DLA could be more pro-active in marketing the grant amongst rural communities. AFRA also suggested that workshops be held to inform communities about the programme. It is important that the DLA integrates the new programme with other land reform programmes such as restitution, especially in cases where different communities are competing for the same land, but through different programmes.

Ziqubu (2002) observed that very poor people are marginalized by previous grants (e.g. SLAG), as they need small areas of land for subsistence purposes. According to Ziqubu (2002), the very poor are also marginalized under LRAD. It needs to be pointed out that under LRAD, very poor farmers can access the minimum grant, although LRAD's main focus is emerging farmers. AFRA also contends that the grant should accommodate people who want to improve their land, rather than being available only for the purchase of land. There is sympathy for this, but it will be more costly to

monitor the cost of land improvements than to monitor the purchase of the land. The author suggests that land improvements should not fall under LRAD as suggested, as it may distract from the focus on land redistribution. LIMA personnel, acting as design agents, argue that the process of designing projects for applicants is risky, because there is no guarantee that projects will be approved (Greene, 2002). A clear mechanism is recommended to ensure that target groups (especially women and farm workers) participate in the programme. It was suggested that good communication and co-ordination with other stakeholders could accelerate the process of land redistribution.

(b) Financial institutions

Representatives from the Land Bank, ABSA, Ithala Bank and Homenet Agriplan were interviewed. The LRCF offers long-term credit with a deferred repayment schedule to commercial banks (and Ithala and the Land Bank), which finance land reform projects. The Land Bank is simultaneously providing loan financing and a LRAD grant to applicants. The Land Bank was identified by the DLA as a key institution assisting in the LRAD process. If applicants apply for Land Bank loan financing or wish to purchase a property owned by the Land Bank, the approved loan will be considered as an 'own contribution' in determining the grant. The coupling of LRAD with Land Bank loans enables farmers with no collateral to purchase a farm of up to R500 000. Under this scenario the farmer qualifies for a R100 000 LRAD grant and borrows R400 000 from the Land Bank at 10%. Given an expected return in agriculture of about 5%, this implies that the borrower is placed in a serious negative cash flow in the initial years as his expected profit is R25 000 per year (5% of R500 000) while the bond repayment is

R40 000 per year (10% of R400 000) (Nieuwoudt, 2003). Greater subsidies in initial years are required in order to avoid cash flow problems. He suggested that as inflation increases future profits, that subsidies can be reduced accordingly. Nieuwoudt (2003) further contends that other initiatives for land redistribution, such as by commercial banks and the sugar millers, all suffer from insufficient initial interest rate subsidies to an even greater extent. Farmers with no collateral all face serious cash flow problems in initial years and have a high probability of default. To date (2003), the agency agreement between the Land Bank and DLA to disburse LRAD grants has expired (George, 2003). The Land Bank exhausted their R50 million initial disbursement but carried on committing to projects out of its own resources, and it has now approved far more than R50 million worth of LRAD grants. According to George (2003), the contract was supposed to be renewed earlier this year, but it has not been renewed because of financial problems in the DLA.

Beneficiaries can apply for loans either through the Land Bank or through any other commercial bank. However, commercial banks offer loans to projects which are viable and which are more sustainable and to projects that will redeem their loan (Van den Hoven, 2002). The maximum funds that a farmer with no collateral can access from commercial banks is only R40 000 through coupling with LRAD as banks require 50% collateral (Nieuwoudt, 2003). An individual cannot purchase a viable farming enterprise with R40 000 and the funding is used for equity share schemes or group purchases. Unlike other financial institutions, Ithala Bank acts as both financier and design agent, which makes it easier for clients to access funds and therefore reduces the long process

of acquiring a grant. Van den Heever (2002) suggested the need for close co-operation among all relevant stakeholders, which could improve and accelerate the process.

Estate agents are also working together with the DLA in selling land, as they know property owners. Applicants can also approach estate agents to identify land that they are interested in (James, 2002). However, Agriplan estate agent has not facilitated any property sales. James (2002) explained that some property owners are not prepared to wait for the lengthy process of LRAD, especially if there is no guarantee that it will culminate in a sale.

(c) Design agents

All design agents must be approved by the DLA, although applicants can appoint their own design agents and notify the Department, because payment comes from the planning grant, which is 15 % of the total grant applied for. Design agents have their own interests and incentives, e.g. surety of payment or upfront payment. However, if applicants appoint their own design agents without notifying the department, the responsibility shifts onto the applicants and can be counted towards their own contribution. Most design agents fall under organizations such as S.A. Farm Consultants, Metroplan and Ithala Bank. Some are involved in designing only commercial projects. The length of the project cycle depends on how long it takes to draw up a business plan (designing phase), while the latter depends on the type and size of the project (Greene, 2002). It is important for design agents to liaise with applicants and the DLA in order to speed up the process, especially when the requirements of the

applicants are included in the plan. If the applicants appoint their own design agents, the DLA will not be liable for payment, if they are not informed in time.

(d) Department of Land Affairs and Department of Agriculture

Both Departments of Agriculture and of Land Affairs share responsibilities under LRAD. They jointly share responsibility for the design of LRAD, policy issues and design of training programmes at the national level. At the provincial level both Departments sit on the Provincial Grant Committee and access information from the national monitoring effort in tracking the performance of LRAD in the province. Also at the provincial level, the DoA provides support and training after approval of grants. The DoA offers advice on technical and agronomic issues relating to project proposals and offers an opinion concerning their technical and financial feasibility. Staff from the DLA could advise on land price and assist with the title search.

The DLA faces the problem that people who want to participate in the programme are not well informed, even though it is the duty of the Department to advertise and inform the nation about LRAD (Shabane, 2002a). Shabane (2002a) explained that they are faced with many challenges, lack of understanding of policy by service-providers, poor quality of business plans by service-providers and lack of appropriate skills in the Department. The DLA thinks that the process could be speeded up if beneficiaries could put in more effort and be drivers of their projects. The DoA stated that the project cycle is long because every phase with steps in the cycle is very important and every applicant has to go through it. The DLA, however, will try to reduce the time

taken to complete the steps. The logic underpinning LRAD is to link land acquisition to support for agricultural development. The duty of the DoA is to offer support and training after the approval and transfer of the property. Even though some projects have already been approved, the training programme has as yet not started and was expected in 2003.

CHAPTER 4

LRAD PERFORMANCE AND PROGRESS IN KWAZULU-NATAL

LRAD relies heavily on private design agents to assist prospective buyers to identify willing sellers, prepare their land-use plans and cash flow projections, negotiate sale arrangements, arrange finance and to facilitate applications for LRAD. The agents recover their costs from a planning grant (15% of the value of the project). Part of the costs is awarded at an early stage (i.e. when the Land Bank Loan is approved). This has become a source of embarrassment to the DLA, who have paid several million Rands to design agents for projects that did not materialise.

The Land Bank has an agency agreement with the DLA to hold a certain amount of money for LRAD applications. The Bank also has its own procedures that an applicant has to follow before receiving the grant. When the Land Bank receives an application, it checks that a person qualifies for a grant and then subjects the application to normal loan assessment procedures. If applicants apply for Land Bank loan financing or wish to purchase a Land Bank property in possession, the approved loan is considered as 'own contribution' in determining the grant size.

4.1 What LRAD has achieved to date

The 30% target of agricultural land in KwaZulu-Natal equates to about 700 000 hectares of land in KwaZulu-Natal (Shabane, 2002a). LRAD in KwaZulu-Natal started slowly. Few applications were received during the first months. To put the necessary approval structures in place was time-consuming, while sufficient communication of the programme to beneficiaries and potential design agents was lacking. By the end of April 2002 the Department had received and processed 105 applications, consisting of 1100 potential beneficiaries. Of these applications, 53 were approved.

Ending April 2002, applications were received as follows:

88 applications from the Land Bank, with 88 beneficiaries

12 from Ithala Bank (later 11), with 12 beneficiaries

One from ABSA Bank, with 35 beneficiaries (farm equity scheme)

Four from DLA/DoA, with 965 beneficiaries

From the 12 applications received from Ithala, one applicant later withdrew. The KwaZulu-Natal Provincial Department of Land Affairs (PDLA) appears not to be supporting equity-sharing projects, despite the success of these projects in other provinces (Lyne and Darroch, 2001). Only one equity-sharing project was identified in their census survey and this project was negotiated and financed privately. One equity sharing project received from ABSA (Lowridge Farm), consisting of 35 farm workers, was initially approved for the LRAD programme. At a later stage the owner of the farm was found to be insolvent and the project was rejected.

The DLA showed a major increase in the number of applications received from April 2002 to December 2002 (2 416, as compared to 105 received by April 2002). Out of the 2 416 applications, at least 699 applications were approved and 54 already transferred. Applications approved increased significantly since April 2002 (from 53 to 699). Table 4.1 shows LRAD applications received in KwaZulu-Natal by the end of December 2002. Figures include applications assessed by the Land Bank.

Table 4.1: LRAD applications in KwaZulu-Natal, 13 August 2001 - 31 December 2002.

Total Applications	Number	Hectares	Grant allocated (R)
Received	2 416	47 624	87 704 339
Approved	699	17 746	19 652 433
Transferred	54	5 548	3 910 240
Pending	1 521	14 800	31 177 466
Withdrawn	125	5 584	7 772 674
Pending loan and grant approval	589	10 255	29 199 232

Source: Shabane, 2002a.

Out of the 54 transferred applications 11 (6 men and 5 women) are from Ithala Bank and 43 (only 14 are women) from the Land Bank. To date, the 11 individuals from Ithala are the only people who benefitted from LRAD. There are still applicants who are waiting for approval of the grant. It is disappointing that only 54 applications have

been transferred, but part of the reason is that the programme only recently started and that time is required for processing applicants.

According to the DoA, project approval depends on whether the projects meet financial norms. These norms have two aspects: the future of land use and whether it continues to be used for agricultural purposes; and the future of the occupants in terms of whether the financial returns are sufficient. The criterion adopted for non-food security projects is the poverty line, i.e. whether a profit margin of R2 000 a month per applicant is delivered (off-farm income not included). Food security has, as yet, no criteria. It has been suggested that these amounts and rates of return are unrealistic and will vary over time (AFRA, 2002). When originally announced, the food safety net programme was clearly intended to be a distinct programme that would address the needs of very poor households wishing to produce food crops primarily for their own consumption (i.e. not for sale). Over time, the concept of a food safety net, as originally applied to households engaged in subsistence or non-commercial agriculture, has disappeared from official discourse, but the term lives on and is now used by the DLA to refer to the lowest end of the LRAD programme, that is the grant of R20 000 (Cousins, 2002).

Table 4.2 shows the progress with LRAD in other provinces up until May 2003. These projects have been approved but not necessarily all transferred. Eastern Cape Province leads with the highest hectares approved for LRAD and the lowest is Gauteng. The highest number of people who benefited from LRAD is in Mpumalanga, with about 100 projects. Mpumalanga is the province where LRAD was launched at the Nkomazi

Sugar Project. In the first phase of the Nkomazi project, 714 farmers were granted 5 362 hectares of land, varying in size from 7-10 hectares (Davis, 2001). The second phase of the project entails the establishment of irrigation development for 1 828 hectares of farming land, for the settlement of 241 small-scale commercial sugar farmers, 456 women's group members and 50 youth club members. This entails 1 728 hectares for the 241 commercial farmers, 76 hectares for the 56 women's club members and 25 hectares for the 50 youth club members. The grant portion of the project has been estimated at R 37 million. According to the Minister's report (DLA, 2003a), the Nkomazi project has reaped its harvest and realised an income of R100 000, beyond its R65 000 expectations.

Table 4.2: LRAD application approved in all provinces as to date (May 2003) since inception.

Province	Projects	Hectares	Beneficiaries (no.)
Eastern Cape	169	64 781	1 702
Free state	299	86 558	1 798
Gauteng	51	2 982	1 809
Mpumalanga	100	51 978	4 865
Limpopo	68	44 080	495
KwaZulu-Natal	43	31 106	1 300
North West	75	32 395	1 040
Northern Cape	45	41 281	422
Western Cape	62	32 920	4 124
Total	918	388 081	17 553

Source: Van der Merwe, 2003.

In KwaZulu-Natal, 31 106 hectares were approved, which are an improvement, compared to 17 746 (refer Table 4.1) realized at the end of 2002. Out of the 43 projects approved 30 projects were already transferred by end of May. The 31 106 hectares represent about 4.5% of the targeted area (700 000 hectares in KwaZulu-Natal). The number of applications approved in KwaZulu-Natal increased from 53 in April 2002, to 699 in December 2002 and to 1 300 in May 2003.

The DLA has land reform programmes other than LRAD. There are two separate line function arms of the DLA in the province (KwaZulu-Natal), *viz.* the Provincial Land Reform Office (PLRO) and the Commission for the Restitution of Land Rights (CRLR). The CRLR is currently finalising the validation of restitution claims. The result of this process will be the actual number of valid claims lodged with the CRLR in the province. The DLA has agreed that the successful claimants can also qualify for LRAD grants (Shabane 2002b).

The other programme of the DLA that will assist in achieving its 30% target is the land reform labour tenant programme. Labour tenants, usually heads of households and their dependants above the age of 18, qualify for grants. Most, if not all, labour tenants reside on privately owned agricultural land. It is estimated that around 500 000 hectares in KwaZulu-Natal will be affected by labour tenant claims.

Progress is being made in resolving labour tenant cases in KwaZulu-Natal and Mpumalanga, where the majority of labour tenants are to be found (DLA, 2003a). This

is not only being achieved in terms of the provision of land, but is also ensuring that the land is used productively, to improve the quality of life of labour tenants. For example, the Glenbella project in Estcourt in KwaZulu-Natal is benefitting 59 households, who have received 800 hectares of land. This land is being utilised for small-scale farming and eco-tourism, with the assistance of the previous farm owner, who is serving as a mentor for emerging farmers.

4.2 Types of Projects

A range of project types or products, with different objectives, is accommodated within the programme, such as food safety net projects, commercial agricultural projects and equity-schemes (which has low support in KwaZulu-Natal). Applications to the DLA and the DoA involve eco-tourism, cut flowers, poultry, sugar cane and mixed agriculture. Given that 2 600 428 hectares of agricultural land in the province are under grazing, it is expected that Stockowners will play a more prominent role in assisting redistribution. The Department has not received any applications from the timber industry, thus far.

The Land Bank-routed projects are generally more commercially oriented, having smaller beneficiary groups, and having larger grants per individual. The DLA-routed projects generally involve larger groups with smaller grants per individual. Most of the Land Bank applications are for sugar cane, but include poultry, cash crops, dairy and stock farming. Out of the 13 already transferred projects approved by the Land Bank,

seven are for sugar cane. The average number of applicants per project for grants from the Land Bank is three. One approved and transferred project (a co-operative) has 22 beneficiaries. Two of the transferred projects are sole proprietorship. The Land Bank contends that it is better to limit the number of people and to be able to bind members to surety, in order to ensure repayment and cost recovery of the loan. Applicants through the DLA and DoA have large numbers, ranging from 10 to more than 500 beneficiaries per project. Maloa (2002) suggests that group projects should be allocated with assistance from design agents who have a socio-cultural understanding of beneficiaries, to avoid recommending business legal entities that have not proved to be successful in the past, e.g. formation of agricultural co-operatives with no distinction from the communal-way of life of many rural Africans.

4.3 Problems and concerns around LRAD

4.3.1 Implementation issues

Implementation of the programme was postponed several times, before finally being launched in August 2001 (DLA, 2001). The NLC clearly identified the key problem as a lack of political will on the part of government (Manji, 2001). Manji (2001) argued that some of the reasons for the delay might be unclear policies, lack of understanding within the DLA and service providers and lack of staff and trained personnel. Conflicts at community level (through land claims) and resistance among the 'beneficiaries' of the law can hold up the process of implementation. Walker (1997) cites conflicts at community level as an obstacle to implementation. The experience of setting up

Communal Property Associations (CPA) serves as an important illustration. Poorly articulated demand among the poor and landless, and limited capacity among NGOs in the land sector, can also be cited as factors contributing to lack of progress.

4.3.2 Gender issues

Despite adoption of the Land Reform Gender Policy in 1997, land reform implementation has not adequately delivered on the DLA's commitments to gender equity (Walker, 2002). Within beneficiary communities, poor rural women face many barriers - social, cultural and economic - to participating in land reform projects and processes. The DLA has substantially failed to build the systems and procedures that are necessary to ensure gender-sensitive land reform projects and planning (NLC, 2002).

In monitoring the impact of land reform on beneficiaries, the DLA has been able to measure the level of women's participation (the number of women who have been registered as beneficiaries, either as heads of households or as co-applicants), but has not developed the indicators and methods for monitoring the extent to which women are gaining real benefits from the land reform process. The LRAD policy encourages more women to participate in the programme, but it does not clearly state the mechanism in doing that. In reality, women and men beneficiaries are treated equally in acquiring the grant. Given that African women living in rural areas are substantially represented amongst the poor in South Africa, it is imperative that land reform programmes

specifically target this group and put in place special affirmative action measures to ensure that they are able to gain access to, and control over, land on an equitable basis.

4.3.3 Budgetary issues

The new programme of land redistribution contains substantial shifts that have distinct budgetary implications for the DLA, the NDA and provincial departments of agriculture who receive funds through provincial government budgets. The budgets of the two national departments and provincial departments should show increasing allocations as the programme is established. The budget allocation is, however, decreasing (Mayson, 2001). In part, this is attributed to the DLA under-spending its budget for the past-several years. The government's equivocal stance on land reform can be inferred from lack of resources being channelled towards achieving it. Less than 1% of the national budget is allocated to land reform (Mayson, 2001, Manji, 2001). Between the years 1999 and 2001, actual capital expenditure for land redistribution declined. The Medium Term Expenditure Framework (MTEF) allocations for redistribution were cut. The National Treasury's three-year expenditure guidelines for land redistribution dropped by 23%, at a time when spending should have increased rapidly to meet government's stated delivery objectives. The major problem was that DLA have consistently been under-spending their budgets.

Land acquisition budgets decreased from R304.5 million in 2001/02 to R194.7 million in 2003/04 (Mayson, 2001). The current redistribution target set by government, 30% of agricultural land over 15 years, would cost about R15 478 million which, if spread

over 15 years at constant prices, would cost R1 031 million per year. This is far less than the entire budget of land reform (Cousins, 2002), which points to a lack of coherence between the targets quoted by government, the resources available in terms of the land reform budget and the capacity of the DLA to deliver on the required scale. According to Walker (1997) and Lahiff (2001), the DLA has routinely failed to spend this small sum because of a severe shortage of staff and a bureaucratic structure that is cumbersome. Under-spending appears to be still a problem in 2003.

The 2003/04 budget makes provision for R1.9 billion to be spent on land restitution and land reform. Most of the budget is expected to be used for restitution, because the programme is supposed to be finalised in 2005. Lack of transfer for approved projects will lead to provincial departments under-spending, e.g. in Table 4.1, out of the 699 projects approved, only 54 have been transferred, meaning roughly R4 million has been spent and about R15 million is highly likely to be remain unspent.

Tilley (2002) thinks that the declining budget allocations to agriculture may be related to the sector's relatively small contribution to the Gross Domestic Product (GDP). Commercial and small-scale farming contributed less than 4% of South Africa's GDP in 2000. Farming in South Africa plays a much smaller role in the economy than in many other sub-Saharan countries. This may explain why land reform may have a lower priority in South Africa than in other countries on the continent.

4.3.4 Land acquisition process

The targeted land in the LRAD policy is white owned with the aim of correcting the skewed pattern of land ownership. Acquisition of land continues to be on the basis of a willing-buyer, willing-seller approach. The problem with this approach is that willing-buyers have to negotiate with landowners, who are not necessarily willing to sell. If they do sell, they often retain the best land and allocate the poor quality land to the new owners. The process of land acquisition involves beneficiary verification, buyers (beneficiaries) negotiating with landowners, project planning, feasibility studies, preparation of business plans, valuation of the land and even valuation of beneficiary contributions, if necessary. This process takes place in advance of the approval of funding for the project. The process could take more than nine months before the transfer of land and the grant can be finalized (Urquhart, 2002). This is creating uncertainty for property owners and, in cases where the project is not approved, it could result in the transaction being abandoned, with no recourse for the disappointed seller or design agent or financier who invests time and money in the process. The long duration and uncertainty surrounding the purchase of land have undoubtedly led to many property owners withdrawing from the process and deterred others from becoming involved (James, 2002; Cousins, 2002).

Cousins (2002) points out that, since grants for the purchase of land are released only towards the end of the lengthy project cycle, it means buyers cannot, in practice, acquire land through auctions or opportunistic purchases as farms come on the market. It also means that planning is abandoned should the price eventually offered by the

DLA be rejected by the landowner, thus obliging the applicants (and the DLA) to abandon the project or to start the entire planning process over again for another property.

4.3.5 Planning process

A major problem associated with the planning of the project is its size, which includes the number of applicants/members and agricultural activities carried out on their project. Their needs, resources and experiences are undoubtedly varied. Some want no more than a small patch of land to grow food for household consumption, or land on which to graze existing livestock, others have the desire and resources to engage in a larger scale of production for the market. Some have years of experience working their own land or as employees on commercial farms; others have no direct experience of agriculture at all. Yet DLA officials and the consultants appointed by them, on the whole, attempted to fit applicants to existing agricultural enterprises, rather than the other way round (Cousins, 2002). This has added to the complexity of project planning and goes a long way towards explaining the slow pace of implementation. It has also had highly undesirable consequences for applicants who have made it through the lengthy implementation cycle to the point of land transfer, with a growing number of project failures being reported.

Project planning begins with the offer of a farm, or set of farms, for sale. In some cases, the size of the land available is not well matched with the needs of would-be beneficiaries, or is beyond their price range. This has typically meant reducing or

expanding the size of applicant groups, so that the combined value of the grant matches the asking price of the farm, with little or no regard for the potential of the land to support that number of people.

Lahiff (2001) observed some limitation with LRAD, such as the responsibilities allocated to the provincial DoA, with no new commitment of resources (e.g. increase in the allocation of budget); volume, location and price of the land will be determined largely by current owners; no positive mechanism to ensure that more women, the unemployed and the very poor can participate; and the integration between different legs of land reform – tenure, restitution and redistribution remain unaddressed, as do links between land reform and wider aspects of rural development.

4.3.6 Hindrances to land disposal by the State

The State currently holds a total of 1.9 million hectares of land within KwaZulu-Natal. This land is used for a number of different purposes and is held by various State Departments (DLA, 2000a). There is a need to re-look at the land being held by the State in order to appropriately allocate ownership, so that the historical consolidation processes are redressed, to relieve the State of the cost and the burdens of maintenance and management of land, additional to state purposes, so that development takes place.

There are a number of challenges that face government with regard to disposal of State land. Urquhart (2002) identifies some of the reasons for the delay of state land disposal in KwaZulu-Natal. The resolution of land claims is happening too slowly. Perceived

lack of capacity in respect of the Provincial Land Claims Commission is a problem. Urquhart's (2002) suggestion that the price of the state land should depend on its productive value is questioned, as this value is subjective. It is suggested that market value be used, or that the land be used for restitution cases. There is no objective way in which productive value can be determined, as it depends on unobserved expected inflation, profitability and interest rates.

There are several problems with State land. Servitude applications can result in complications. Establishment of land rights resulting from beneficial occupation adds to some of the delays. State assets are deteriorating, especially during care-taking. In some cases, upgrading of irrigation infrastructure is needed before land disposal, e.g. R120 000 000 are required over five years to upgrade Makhathini Irrigation Scheme. The mechanism for interaction with the national department regarding the FALA land (the Financial Assistance Land, which was bought from insolvent farmers and ex-Public Works Agricultural Land) in the disposal process is not clear.

In some cases the land needs to be managed well for a year to prepare it for disposal as a going concern, e.g. sugar farms. In other cases, local farmers lack capacity and economic productivity has to be encouraged, with the introduction of entrepreneurs to initiate the production and marketing aspects to which the beneficiaries can be introduced. The farmers, once capacitated, gradually take over the production and share in the marketing functions. Examples are Makhathini and Gundrift Farms. These developmental aspects often involve prolonged interaction with local tribal authority

structures, to ensure buy-in and smooth flow of disposal. Lastly, there is lack of capacity in the provincial DLA, as skilled personnel have been resigning.

4.3.7 Sub-division of farmland

Constraining the subdivision of large farms is the fact that the Subdivision of Agricultural Land Act of 1970 is still law, despite its repeal having been approved by Cabinet, some years ago. In terms of this Act, farm owners must get permission from the government to subdivide their land. It will remain in place until the Sustainable Utilisation of Resources Bill (which provides for the protection of high-value agricultural areas) becomes law. The delay has been attributed to the absence of national zoning legislation regulating the conversion of agricultural land into residential or industrial uses (Graham, 2000). The Department of Agriculture receives about 300 applications per month from farmers wanting to subdivide, mostly because of financial distress (Aliber and Mokoena 2002). As Lahiff (2002) suggests, subdivision could assist in more appropriate project planning for land reform but, once again, this will require more sympathy for the kinds of production and livelihood systems likely to be used by the rural poor.

4.3.8 Mentorship programme

Initially, the idea proposed was that mentors be appointed immediately after approval, for a one-year period, which can be extended, to advise the new farmer, introduce him or her into the farming community and help establish links to service providers. The mentor would be paid R1000–R1500 a month, hours of time, plus a travelling

allowance. The DoA has been postponing the implementation of the programme since LRAD started. Most of the transferred projects have been assisted by previous farm owners, private sectors and NGOs. This outstanding issue raises questions and doubts about the willingness of the DoA to support the LRAD programme.

Most sugar growers get support from the South African Sugar Association (SASA), Illovo Sugar and Tongaat-Hulett Sugar Limited. Tongaat-Hulett has accepted that a properly designed land redistribution programme for the sustainable commercial production of sugarcane by a significant core of black cane growers is a preferred and viable strategy for the future (Boyce, 2002).

4.3.9 LRAD project cycle

According to Urquhart (2002) the process could take nine months to complete. This period is lengthy. Some of the reasons that make the process to be long are: (a) during the application stage, beneficiaries do not furnish all the required documents, so their applications had to be referred back which means that steps are repeated, (b) the appointment of the facilitating agent takes long – the process starts with advertising, giving time for response and selecting the appropriate agent, (c) transfer and registration process – the process is facilitated by the Deeds Office and it can be completed within at least three months after approval of the grant, and (d) release of funds – since there is a problem of funds in the DLA, some approved projects have to wait long for grant money and in the process some landowners get impatient and withdraw from selling or tend to look for some better offers. This is discouraging

because if landowners withdraw in the process, it means beneficiaries have to look for a new seller and start the process again. Sellers looking for early payment are discouraged to engage themselves in the process of land redistribution. Also, during the process, beneficiaries cannot buy land from auctions.

4.3.10 Capacity of the DLA to deliver and delay projects

Lack of capacity in provincial departments, and long delays, are major problems. According to Ithala, many projects are delayed and sales collapse. It is therefore very important for them, when dealing with land transactions, to know whether to structure the loan with or without a LRAD grant. If the loan is structured with the grant and later the grant is not available, in most cases the deals collapse. It is a waste of manpower to apply for a loan, to do the business plan and write the submission. It raises the purchaser's hopes and may cost the seller an alternative sale, since he is tied up by the contract. Again, if applications are structured without the grant and funds become available, it is not easy to then apply after registration, as part of the funds must be used to finance the purchase of farmland and the grant is not retrospective.

Farmers with no collateral cannot purchase a viable farm, as the grant is only R20 000. These farmers can, however, couple the LRAD grant with a loan from the Land Bank in which case a farm of R500 000 can be purchased. The DoA has run out of LRAD funding for this financial vehicle while rate of return data in agriculture indicates that prospective farmers will experience serious negative cash flows in initial years accessing these funds.

The Land Bank has been favoured as the only bank that may approve LRAD applications, but the Bank has not processed many of the deals for which it has approved grants. It is thus recommended that commercial banks be authorized to approve LRAD grants, contingent on loan approval. Extending approval powers to commercial banks has the advantage of identifying creditworthy projects quickly and accurately, as private lenders are putting their own resources at risk.

Lastly, there has been little effort to publicise LRAD, or to spread information about the programme, especially in the former homelands. Overall, LRAD is not well known to the public and in many cases prospective beneficiaries first learn about the programme from farmers. In addition, LRAD is said to be a sub-programme of the land redistribution programme, but there is currently no other tool to the land redistribution programme. The time factor needs addressing. As opposed to the old SLAG programme, LRAD is not only about settling people on the land but also about the commencement of commercial agricultural activities.

CHAPTER 5

CONCLUSIONS AND POLICY RECOMMENDATIONS

The LRAD programme aims at redistributing 30% of commercial agricultural land over a period of 15 years, meaning at least 2% of land should be distributed in a year. Some of the key principles underpinning the new policy proposal are that all beneficiaries make a contribution in kind or cash, it is demand driven and implementation is decentralized. The process for acquiring land is lengthy, it could take nine months or more. The programme relies heavily on private design agents who are expected to recover their costs from the planning grant (15% of the value of the project).

Concerns expressed about the new programme are (a) lack of funds in the DLA – this may block landowners, design agents and applicants to implement projects; (b) the disposal of state land – the process is slow; (c) the shift from providing grants to households (as was done under SLAG) to providing grants to individuals under LRAD is an important improvement in the design of land redistribution from the standpoint of women applicants, but the problem is that there are no specific measures in place to ensure that they participate and benefit from LRAD grants; (d) the land acquisition process – the long duration and uncertainty surrounding the purchase of land has led many property owners to withdraw from the process and deterred others from becoming involved, which is evidence of missed market opportunities; (e) farmers with no collateral cannot purchase a viable farm as the grant is only R20 000. These farmers can, however couple the LRAD grant with a loan from the Land Bank in which case a farm of

R500 000 can be purchased. The DoA has run out of LRAD funding for this financial vehicle while rate of return data in agriculture indicates that prospective farmers will experience serious negative cash flows in initial years accessing these funds, and (f) the issue of mentorship, which has not yet been implemented.

The process of land delivery can be expedited, by engaging property owners, by overcoming the problem of manpower within departments, especially skilled labour and by transferring information to communities so that they understand the process and know requirements. DLA should consider more financial institutions to approve grants and get private enterprise to investigate areas where there are problems. Design agents should be informed clearly what is expected of them. It is also important that the DLA integrates the new programme with other programmes of land reform. This is important in cases where different communities are competing for the same land, but through different programmes. It has been recommended that the DLA work closely with other governmental departments, especially those that are holding State land, for easy disposal of State land.

In KwaZulu-Natal the programme started slowly, but by the end of May 2003, the number of applications approved increased. The number of applications approved in KwaZulu-Natal increased from 53 in April 2002, to 699 in December 2002 and to 1 300 in May 2003. Besides the implementers (DoA, DLA and Land Bank) of the programme, the programme also involves a wider array of role players than the old programme while the involvement of the private sector seems to be increasing. The provincial, DLA and

DoA do not have the required capacity to provide the necessary support to the land reform beneficiaries. A suggestion is that departments should spend their allocated budgets as the need exists and the increase in capital budgets is needed. Under-spending in the past has led to budgets being cut. It is highly recommended that the issue of mentorship be addressed, as a matter of urgency. The role of the private sector, commodity organizations and private landowners is critical in ensuring that emerging farmers receive required support and have access to markets. A balance has to be found between speeding up land delivery and ensuring that agricultural land remains productive, so that it contributes to economic growth and poverty alleviation.

Government must try to streamline its policies and procedures, so that landowners who wish to sell do not perceive it to be such a serious disadvantage to engage in selling to redistribution applicants. There should be a clear and open communication among stakeholders, including beneficiaries. Lack of co-ordination between stakeholders will undermine the existence of LRAD in the long run.

Government should encourage sub-division. One way more land could be made available on the market for redistribution would be if large-scale commercial farmers, especially those who are struggling to service their debts, sold off portions of their properties. This will be possible only once the Sub-division Act is repealed. In addition to increasing the supply of land for redistribution, this would increase the supply of smaller properties that would be suitable for emerging farmers. LRAD discounts the impact of Act 70, stating that “permission to subdivide for sale under LRAD will be

effective immediately upon the launch of LRAD” (Ministry for Agriculture and Land Affairs, 2001). While this commitment is welcomed, it does not address other significant costs associated with the formal subdivision, registration and transfer of agricultural land. In addition, transaction costs (registration and transfer) associated with subdivision must be reduced. Repeal of the Act will make it easier for the many poor and part-time farmers who will be excluded from the proposed LRAD programme to finance smaller, more affordable farms. There is no requirement that people should stay on farms after obtaining a grant and purchasing the land. One may generate income by acquiring land through LRAD, developing it and selling it after some time. This may defeat the objective of land redistribution and more policy guidance is required.

Land provides crucial support to livelihoods of poor rural people, and a successful land reform programme would contribute greatly to poverty reduction by boosting poor people’s access to productive assets. LRAD may not be the solution for rural poverty, since not all rural unemployed are interested in farming or agricultural activities and a proposal to government should be to establish other programmes that can contribute to rural development and poverty alleviation.

SUMMARY

A sub-programme of redistribution, LRAD, was proposed by the Minister of Agriculture and Land Affairs, Thoko Didiza, in 1999 and launched in August 2001. Unlike the previous programme (SLAG), beneficiaries make a minimum contribution of R5 000 in kind, cash or labour. The amount is paid to individuals rather than to households.

Experience with the land reform programme has shown that it takes time to develop systems and mechanisms to implement new programmes. Targeting agricultural production specifically, LRAD is intended to speed up delivery, and has reformulated the un-met 1994 RDP goal of redistributing 30% of South Africa's farmland within five years, and now aims to achieve this goal within 15 years. The 30% target means at least 2% of agricultural land should be redistributed in a year.

The main objective of this study is to find out how the process of land redistribution can be accelerated, given the urgency of land resettlement in South Africa. The study was conducted in KwaZulu-Natal, during 2002. Information was gathered by conducting in-depth consultation and interviews with different stakeholders such as NGO's, estate agents, financial institutions and government departments, DoA and DLA.

The LRAD project cycle is divided into five phases, each phase with different steps. The order of the steps within each phase may vary from one project to another, while

phases may overlap. The project cycle was analysed to find out how long does it take for a farmer to obtain ownership of land and how the process could be expedited to settle more farmers. A complete cycle could take at least nine months or more. During this period beneficiaries cannot buy land from auctions, while some landowners are reluctant to go through with the process, because it may not result in a land sale. Engaging property owners in the process can accelerate land delivery. It is concluded that to accelerate the process of land delivery, the DLA should consider reducing the length of the project cycle.

In KwaZulu-Natal the LRAD programme started slowly, by the end of April 2002, the DLA had received only 105 applications (which involved 1100 beneficiaries) for the grant. By the end of December 2002, the Department made some progress, out of the total application of 2 416, about 699 applications were approved and 54 already transferred. By the end of May 2003, 43 projects had been approved, with a total of 31 106 hectares of land and benefiting 1 300 people. This shows an improvement in the rate of redistribution since the launch of LRAD.

Some of the problems around LRAD are: the disposal of State land, there is contestation over some particular pieces of state land held by DLA, unresolved land claims and lack of capacity in the provincial departments. The DLA needs to integrate the new programme with other programmes of land reform, especially in cases where different communities are competing for the same land, but through different programmes. The DLA must work closely with other governmental departments,

especially those who are holding State land. There is lack of funds in the DLA due to under-spending. To date (2003), the agency agreement between Land Bank and DLA to disburse LRAD grants has expired. The mentorship or training programme has not yet been implemented, the Department of Agriculture has postponed the implementation of this programme several times. There is a lack of capacity in the provincial departments and many projects are delayed and the DLA continue to spent more money on paying design agents, whereas there is no surety that the projects will materialize.

LRAD is open to men and women, but there are concerns that women will not be able to compete for access to land and grants on equal terms with men, because of their weaker social and economic status. It is imperative that government puts in place mechanisms to ensure that women fully participate in the redistribution programme through affirmative action measures. The department could dedicate some of the money allocated to LRAD to women only. Most women are already employed as farm workers. Through equity sharing schemes the wealth redistribution imbalance could be corrected.

A deficiency with LRAD is that at the lower end of the scale, the farmer with no collateral and no own contribution cannot purchase a viable enterprise with R20 000. It is suggested that as programme complementary to LRAD, that interest rates for farmers be subsidised on a declining basis. This will provide access to a viable farming unit for a farmer who has no collateral and no own contribution.

Sustaining land reform projects or enterprises funded through LRAD and the enhancement of rural livelihoods to alleviate poverty remains one of the greatest challenges facing government and all stakeholders. The provincial departments, DLA and DoA do not have the required capacity to provide the necessary support to the land reform beneficiaries. Therefore, the role of the private sector, commodity organizations and private landowners is critical in ensuring that the emerging farmers receive the required support and have access to markets.

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APPENDIX A

LRAD PROJECT CYCLE

PHASE 1 - INTRODUCTION

Step 1

INITIAL CONTACT

1. Access to information
 - pamphlets
 - access to options (verbal/ written)
 - explanation
 - availability of application forms
2. Registration of enquiry (name; contacts details, LRAD/Referred)
3. Referral - LRAD official refers applicants to other programs or departments, or gives further LRAD info.

Milestone: Informed decision taken

Step 2

APPLICATION

1. Explanation of application form
2. Land identification – database
 - willing seller
3. Completion of application form by applicant
 - option to purchase
 - assets/contribution
 - proposed land use plan
 - check if more than one application by same person submitted
4. Submission of application form & registration of application (allocation of reference number)
5. Initial assessment by LRAD coordinator.

Milestone: Submission of completed application forms.

Step 3

PROPOSAL

1. Application form directed to dedicated DLA/DOA official
2. Completion of sections 2, 3 & 4 by DLA, DOA and District Council
3. Project proposal completed
4. Project proposal sent to DCC with covering memorandum.

Milestone: Submission of project proposal to DCC

Step 4

1. Assessment: - financial viability
 - agricultural viability
 - qualifying criteria
 - environmental implications
 - conformity with District council plans
 - refer back multiple application for choice by applicant
2. Recommend for approval/ refer back to applicant
3. Prioritisation
4. Assign project manager
5. Approval of release of portion (3%) of planning grant funding against invoices, to a maximum of R10 000

Milestone: Recommended projects forwarded to PGAC

Step 5

PRESENTATION TO PGAC

1. Commitment of budget
2. Release of portion of planning grant

Milestone: Budget committed and portion of planning grant released

PHASE 2 – PLANNING

Step 1

DESIGN

1. Select design agent
 - use database
 - applicant does it himself (DIY)
 - accredit own agent
2. Land valuation and price negotiation

Milestone: Design agent appointed and land price agreed to.

Step 2

BUSINESS PLAN COMPILATION

1. Business plan compilation
 - financial viability
 - agricultural viability
 - qualifying criteria
 - environmental implications
 - conformity with District council plans
 - refer back multiple applications for choice by applicant
 - finalisation of legal entity
 - training needs
 - possible mentors identified
2. Advertise change in land use

Milestone: Completion of business plan and forwarding to DCC and agreement for change in

PHASE 3 – ASSESSMENT AND APPROVAL OF BUSINESS PLAN

Step 1

PRESENTATION TO DCC

1. assessment – checklist of contents
2. Recommend approval/ refer back
3. Submission to PGAC

Milestone: Business plan submitted to PGAC

Step 2

PRESENTATION TO PGAC

1. Assessment
2. Approval or rejection
3. Memo to PDLA Director (to authorize release funds)

Milestone: Business plan approval or rejection and memo to Director

Step 3

RELEASE OF FUNDS

1. release of grant funding
2. Release of remaining portion of planning grant to ensure project completion

Milestone: Authorization for release of funds

Step 4

GAZETTEMENT

1. Gazettement if necessary

Milestone: Project gazetted

PHASE 4 - TRANSFER

Step 1
Registration of legal entity

Step 2
Signing of sale agreement

Step 3
Appointment of surveyor

Step 4
Appointment of conveyancer
Transfer takes place
Milestone: Transfer of property

PHASE 5 – POST-TRANSFER SUPPORT

Step 1
APPOINTMENT OF MENTOR
1. Provision of training

Step 2
TRANSFER OF BALANCE OF PURCHASE
GRANT TO APPLICANT
Three proposed methods
1. Deposit into applicant's account
2. voucher system
3. credit at co-operatives

Step 3
IMPLEMMENTATION OF BUSINESS PLAN

Step 4
MONITORING AND EVALUATION AND
SUPPORT BY EXTENSION
1. Monitor mentor
2. Monitor implementation of business plan
3. Provide extension support

Step 5
PROJECT CLOSURE

APPENDIX B

QUESTIONNAIRE FOR THE DEPARTMENT OF AGRICULTURE

LRAD PROJECT CYCLE

PHASE 1 - INTRODUCTION

Steps	Who is responsible	Time duration for processing for an individual	No. of applicants processed simultaneously	Constraints eg. Manpower or Financial
1. Informed decision taken				
2. Submission of completed application form				
3. submission of projects to DCC				
4. Recommended projects forwarded to PGAC				
5. Budget committed and portion of planning released				

PHASE 2 - PLANNING

Steps	Who is responsible	Time duration for processing for an individual	No. of applicants processed simultaneously	Constraint eg. Manpower or Financial
1. Design agent appointed and land price agreed to				
2. Completion of business plan and forwarding to DCC and agreement for change in land use (if applicable)				

PHASE 3 - ASSESSMENT AND APPROVAL OF BUSINESS PLAN

Steps	Who is responsible	Time duration for processing for an individual	No. of applicants processed simultaneously	Constraints eg. Manpower or Financial
1. Business plan submitted to PGAC				
2. Business plan approval or rejection and memo to Director				
3. Authorization for the release of funds				
4. Project gazetted				

PHASE 4 - TRANSFER

Steps	Who is responsible	Time duration for processing for an individual	No. of applicants processed simultaneously	Constraints eg. Manpower or Financial
1. Registration of legal entity				
2. Signing of sale agreement				
3. Appointment of surveyor				
4. Transfer of property				

PHASE 5 - POST-TRANSFER SUPPORT

Steps	Who is responsible	Time duration for processing for an individual	No. of applicants processed simultaneously	Constraints eg. Manpower or Financial
1. Appointment of mentor				
2. Transfer of balance of purchase grant to applicants				
3. Implementation of business plan				
4. Monitoring and evaluation and support by extension				
5. Project closure				