Win-win solution for land reform not out of reach

December 2017 will be the make or break point for land reform in South Africa. After more than twenty years into democracy, the country's policies that drive transformation in various sectors of the economy has not quite lived up to its promise and nowhere is this more acutely felt than in the agricultural sector where time and patience is running out for the promise of access to land made more than 20 years ago. This frustration has been bubbling under the surface for a long time and as we approach the next major elective conference of the ruling party in December, the temptation will surely be great to use radical policy proposals as a trump card to gain popular support. Be that as it, any short-term gains will be short-lived if we go the route of expropriation without compensation as the realities of disinvestment will soon set in if land is stripped of its inherent value.

The state does not have enough money to satisfy the demand for land reform in South Africa, of that there is no doubt. The fiscus currently allocates roughly R4 billion per annum for land acquisition, but by its own estimates, at least R54 billion will be needed over the next 13 years to meet the targets set in the National Development Plan. Instead of trying to push down the price of land acquisitions, a far more sustainable approach would be tap into the capital and skills housed within the private sector. Faced with considerable economic challenges, the state and the private sector needs to come together and work out the best way to take the country forward. We propose that a distinction be made between transforming the commercial agricultural sector and expanding access to land as a social consideration. There is certainly room for both in our society, but different mechanisms are needed for each.

To transform the commercial sector, the state should move away from buying-up commercial farming operations outright and handing them over to beneficiaries. This is an expensive process and often results in the farms falling out of production soon after transfer. Instead, the state should offer incentives such as credit guarantees or interest rate subsidies to commercial financers, subject to strict conditions. In this way, the risk is reduced thereby making marginal applications bankable. If the same incentive is offered to all private financiers, it will be up to each financial institution to craft a 'package' deal for aspirant black, commercial farmers in the form of a soft loan. In this way, the state will get a lot more land transferred for the money they put in as it would be blended with private sector capital. In addition, the financial institutions and agribusinesses will be sure to make skills available to assist these farmers and provide the necessary support as it will reduce their risk. In this way, private sector will commit not out of altruism, but because their own money is also on the line. Such a solution could reverse the trend of restored farms falling out of production whilst simultaneously offering aging farmers with viable succession plans.

The state should in turn focus their budget on assisting those for whom no commercial case can be made, but who never the less are entitled to assistance. Aside from the economics, land reform does have a symbolic role to play in reconciliation and nation building, and one must accept that there are categories of beneficiaries who will never be viable from a commercial financing perspective. The state should therefore focus its limited budget on assisting these people by giving subsistence farmers a helping hand, farm workers with secure tenure and labour tenants with a lot to call their own.

Such a solution necessitates greater levels of trust and cooperation between the state and private sector, and the current focus should be directed at building such a relationship. Land reform may be at a tipping point, but a win-win situation is not out of reach just yet.

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