How private sector can supply land in a way that makes reform work

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Throughout our series of bi-weekly articles in Business Day over the last 10 weeks we have endeavoured to constructively contribute to the land reform debate. While we flagged some unintended consequences of the proposed expropriation without compensation policy, we always argued for an efficient land reform process, with minimal State involvement to quickly restore land rights to the majority of South Africans.

Our view is somewhat aligned to the view of lawyers such as Advocates Tembeka Ngcukaitobi and Thuli Madonsela, as well as the African National Congress's own position accepted at their recent land summit. This position holds that the current provisions of the Constitution providing for powers related to expropriation should be implemented immediately to test the bounds of the compensation clause before considering an amendment. It also makes provision for a comprehensive land reform programme provided for in the constitution with clear principles. The Constitution also sets out a clear and defined task to the State that it should implement land reform inclusive of tenure reform in the former homeland areas. The Constitution is therefore not the impediment in returning land to the majority but the key enabler.

It will be irresponsible from ourselves to end this series without tabling, what we think could be a workable plan, to ensure a responsible but effective redistribution of agricultural land. Our views builds on the principles highlighted in Chapter six of the National Development Plan but at the same time provides an opportunity for commercial farmers, agribusinesses and the private sector at large to take charge of the process.

At a recent panel discussion at the University of the Free State, Professor Lungisile Ntsebeza of the University of Cape Town, challenged the commercial farming unions to offer land for the land reform programme in a pro-active manner. What we propose below can be considered a plan to effect just that, but which will also provide a guideline for farmers, agribusinesses and financiers to actively contribute to land reform and settling of commercial black farmers in a responsible and sustainable way. We need a comprehensive process implemented at national level and by applying criteria for beneficiary selection as we highlighted in Business Day on 22 June 2018.

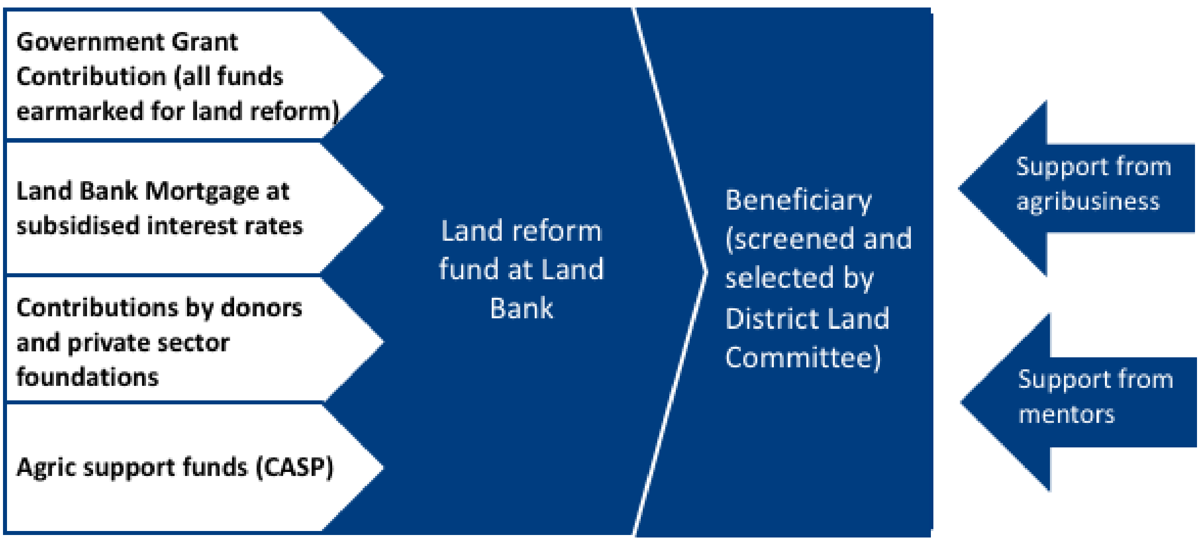
The private sector should assemble a process whereby well-located farm land is identified and committed for land reform, beneficiaries selected, and finance, mentorship and support put in place. The district land reform committees (DLRCs), which were envisaged in Chapter six of the National Development Plan, were to be established through a combination of farmers, agribusiness, financiers, donors and beneficiary community members and would require minimal government participation. Although DLRCs were established in 2015, there is considerable confusion about their roles, functions and responsibility whilst more than half of the participants are government officials. As a result, the DLRCs are not functioning optimally and many are regressing due to inaction. Contrary to this, our proposed plan in fact sees the private sector, in collaboration with beneficiaries, take charge of the process. The private sector should be able to find innovative ways to finance the acquisition of land and thereby commit a share of their own funds to transform the agricultural landscape to ensure a more equitable distribution of agricultural land.

A fast-paced, sustainable land reform programme related to agricultural land driven by the private sector, as described above, needs four big 'tickets' to activate redistribution of land without the need for legislative change or a large State machinery:

1. Incentivise the private sector (including farmers, agribusiness, etc.) to implement land reform privately by some recognition mechanism via the perpetuity AGRIBEE Scorecard or other measures.
2. An additional incentive to reward farmers for their private effort to redistribute land would be the allocation of new water rights to the existing and new enterprise (owned by the beneficiary). This will again allow the existing farmer to dispose of land and at the same time ensure the successful establishment of smaller farms on irrigated land.
3. Establishment of a land reform fund at the State owned bank (such as the Land and Agricultural Development Bank of South Africa (Land Bank)) and roll it out through one stop shops where acquisition grants, subsidised loans and subsidies for on-farm improvements can be accessed.
4. Utilise the principle of leverage through access to the land reform fund to allow farmers to dispose of land for land reform purposes but at the same time expand their existing business and employ more workers.

The creation of the "land reform fund" at the Land Bank could help to facilitate the process of rapid redistribution of agricultural land. We have continuously argued for a very simple process whereby state contributions, farmer contributions and loans could be merged into a one-stop shop. For example the funds currently sitting with the Department of Agriculture, Forestry and Fisheries (DAFF) for the comprehensive agricultural support programme (CASP) (R5.6 billion over the MTEF period 2018-2021), Ilima/Letsema conditional grant (R1.6 billion) and funds earmarked for land acquisition (R4.2 billion), land reform (R8.7 billion) and post settlement support (R1.5 billion) at the Department of Rural Development and Land Reform (DRDLR). Together there is roughly R20 billion already available over the next 3 years that could all be deposited in this fund. This is government funds which is not interest bearing and will assist in subsidising loans to the beneficiaries for land acquisition, subsidies for on farm improvement and subsidised seasonal credit identified in the process highlighted above.

This fund could also be the place where donor fund contributions to the land reform process can be deposited. In essence the 'land reform fund' will be the main element of a blended financing model for land reform whereby state funds, donor funds and the private sector contribution through loans at lower or preferential rates will facilitate the funding of land reform in a much quicker way without any additional fiscal burden. See the figure below for a brief illustration of the model:



It will now also make sense that the land reform divisions of Department of Rural Development and Land Reform are integrated with DAFF so that all funds, actions and state support towards the successful settlement of beneficiaries are achieved. This would therefore require an expansion of the mandate of the Department of Human Settlements to include urban and peri-urban land reform.

This implies the land reform programme will again – as in the period between 1999 and 2009 - have to operate under the auspices of DAFF in close collaboration with the Land Bank, but effectively decentralised to District Land Committees and implemented by the private sector. The regional Land Bank offices could, with the assistance of local expertise (the private District Land Committee), be in a much better position to screen and select beneficiaries and thereby bring about a rapid and successful redistribution of land.

There would certainly be people being averse to the idea of trusting the private sector to deliver on the land reform imperative. It is however so that the financing models, the management capacity, the support networks, the markets, the input supplies, the expertise are all located within the ambits of the private sector. There is no need to reinvent the wheel, and to design new systems and build new Agri-parks. We need to utilise the existing systems and existing networks to empower the majority of our people. If it takes a few nudges, a few incentives and a little bit of recognition and trust we will do our country a lot of good and create social stability.

Farmers, together with the commodity organisations and the agribusiness, could take up the task of redistributing the land, with minimal involvement form the State. More specifically, the agribusinesses and commodity organisations would provide post-transfer support and mentorship to beneficiaries and thereby ensure an inclusivity process of participating in the commercial agricultural economy.

In that spirit, we need more public-private partnerships (PPPs), such as the Agricultural Business Chamber and the Banking Association South Africa's land reform model, the so-called Agbiz/BASA model and the Land Bank and Afgri land reform model, etc. These should be tested in order to create joint collaboration between government and private sector, and in turn, build trust.

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