

OPINION PIECE:

Practical steps for a radical but sustainable redistribution of land

By Professor Johann Kirsten, [Business Day](#), 07 August 2019

Part 1 of a series on fast-track land reform that is incentivised by the state but delivered by the private sector.

Following the release of the much-anticipated report by the presidential advisory panel on land reform and agriculture, it is time to consider a clear plan with specific implementable steps. Such a plan should be simple and straightforward, with everyone playing their part in delivering on the vision of a more equitable distribution of land.

The land debate is central to our process of dealing with SA's regrettable history of dispossession, and it is therefore understandable that the solutions will be contested. This conflict is evident in the report, which presents areas of compromise and trade-offs between different schools of thought instead of providing clear advice to the government on implementation and delivery. Nevertheless, the report has provided some key principles (and conclusions) that provide some clarity and certainty as well as a clear direction for action.

These are:

- Confirming the right to private property as the basis of our economy.
- Accepting the reality of a continuum of rights from freehold to communal.
- Expressing the need for a revamped land administration system to remove inefficiencies and backlogs.
- Acknowledging the principle of land (and financial) donations to assist with the speed of land reform.
- Acknowledging the need for different approaches for urban and peri-urban land that is earmarked for housing and business development, and rural land mainly for agricultural use.
- Acknowledging and confirming again the failure of the state to bring about effective land reform over the last 25 years due to poor systems, delays, the meddling of government officials, land price manipulation, corruption and patronage.
- Proposed ways to root out corruption.
- Acknowledging the need for co-ordination between government departments and the need for a clear land reform policy, legislation and the institutional system.
- Creating innovative financing mechanisms by proposing a structuring of a land reform fund.
- Identifying and releasing state land.
- Conducting a land audit.
- Reallocating water rights in conjunction with land allocation.
- Finalising outstanding restitution and labour tenant claims.

The report does, however, raise a number of points and recommendations that are against agricultural economic logic and intuition and on which, together with agricultural economist and Business Day columnist Wandile Sihlobo, I have pronounced in an earlier series of articles on these pages.

These points are specifically:

Expropriation without compensation (EWC):

We have highlighted the problems and unintended consequences with a blanket approach to the expropriation of land and also argued that this can, in any case, be implemented without amending the constitution by merely finalising the Expropriation Bill. Care should, however, be taken in how the bill is framed, given that the various categories of land and other property for expropriation without compensation by the panel could all be challenged due to the vagueness of the concepts of “abandoned”; “vacant”; “speculative” or “indebted” land.

That said, it is worth noting that “expropriation without compensation” is the one area that the panel had limited influence over. Parliament had already resolved to re-establish the ad hoc committee dealing with a possible constitutional amendment before the panel’s report was released. Moreover, the panel’s terms of reference specified that it should clarify the areas and conditions under which EWC can be applied, not whether the panel favoured the approach or not.

Land ceilings:

Wandile and I have also highlighted the problems related to this idea and articulated the insurmountable problems the state will have in implementing a land ceiling policy. (How do you, for example, define the maximum land size in different production zones and for different farm enterprises? How do you legislate for all the different permutations and combinations?) The government effort and budget associated with this messy exercise should rather be used in improving land administration systems and allocating state land to beneficiaries and partnering with developers to establish more housing stock for the large accommodation need in urban areas.

I will use this series of articles in Business Day to present a few pointers for a detailed plan for a radical but sustainable redistribution of agricultural land. I extract the solutions for fast redistributive land reform from the key points of the advisory panel’s report, but expand them into practical steps with some clear responsibilities for the wealthy elite, agribusiness, financial institutions and farmers.

Before doing so it is important to mention the critical points of departure:

- The government budget is depleted and there is unlikely to be any additional funds for land reform. It is therefore necessary to find innovative mechanisms to redistribute farmland.
- SA can implement successful land reform in a responsible way and at the same time increase production on existing farmland to ensure that land reform beneficiaries are successfully linked to supply chains, networks with know-how, finance and inputs.
- Land reform can be implemented without lengthy bureaucratic processes and the reliance on government funds and many sets of approvals. We can go ahead and implement rapid land reform with farmers, agribusinesses,

commodity organisations, farmers' associations and financial institutions (including the Land Bank) taking the lead, but with smartly crafted incentives and nudges. In essence, the plan to be detailed in the subsequent articles is designed to be a "state-incentivised but private sector delivered" programme of fast-track land reform without creating different agencies (that will eat budget and time) to deliver.

- I concur with the panel's suggestion that private owners of property, large corporates and others make a voluntary contribution of land and capital to enhance the redistribution programme. This should be accompanied by a recognition mechanism and a system of off-budget incentives to unlock the altruistic behaviour of individuals.
- To secure any full-time livelihood on rural land — it does not matter whether it is a subsistence farmer or commercial farmer (of any scale) — a number of elements need to be in place at the same time as they are all complementary to the success of the family, household, firm or business. These elements are land, property rights, finance, human capital (know-how, advice), infrastructure (on-farm and off-farm), macroeconomic and political stability, low social conflict, markets, input supply and technology, water, and favourable climatic conditions.

These elements are complementary to the success and profitability of the farming or household enterprise and the absence of any one of them will become a binding constraint, resulting in low profitability and ultimately a "low-equilibrium poverty trap". A sustainable land reform programme can therefore not focus on land and property rights alone.

Co-ordinating the delivery of the aforementioned elements is difficult, and even more so in times of political contestation, limited government funds and no capable state. The state should therefore at best provide the framework and incentives that will inspire the various role players to act and implement initiatives that are in the social interest and that will achieve the vision of a more equitable and inclusive agricultural economy.

In next week's article, I will expand in more detail on the design of the policy to facilitate land and financial donations for a fast-track land reform programme.

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