Research Support to the Limpopo Centre for LED

Understanding the Economics of Land Reform in Limpopo and Developing a Best Practice Model for Post-Settlement Land Restitution

Second Draft Report

4 August 2008

Prepared by:

Cardno Agrisystems Limited –
Lead Member of Agrisystems-Led Consortium
# Research Support to the Limpopo Centre for LED

*Understanding the Economics of Land Reform in Limpopo and Developing a Best Practice Model for Post-Settlement Land Restitution*

4 August 2008

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### Abbreviations and Acronyms

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<th>Description</th>
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<tr>
<td>ACS</td>
<td>Agricultural Credit Scheme</td>
</tr>
<tr>
<td>ARDC</td>
<td>Agricultural and Rural Development Corporation</td>
</tr>
<tr>
<td>B-BBEE</td>
<td>Broad Based Black Economic Empowerment</td>
</tr>
<tr>
<td>CASP</td>
<td>Comprehensive Agricultural Support Programme</td>
</tr>
<tr>
<td>CDE</td>
<td>Centre for Development and Enterprise</td>
</tr>
<tr>
<td>CLARA</td>
<td>Communal Land Rights Act</td>
</tr>
<tr>
<td>CLRDP</td>
<td>SADC Centre for Land-related, Regional and Development Law and Policy</td>
</tr>
<tr>
<td>CPA</td>
<td>Communal Property Association</td>
</tr>
<tr>
<td>CPI</td>
<td>Communal Property Institutions</td>
</tr>
<tr>
<td>CRLR</td>
<td>Commission on the Restitution of Land Rights</td>
</tr>
<tr>
<td>DBSA</td>
<td>Development Bank of South Africa</td>
</tr>
<tr>
<td>DLA</td>
<td>Department of Land Affairs</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>ESTA</td>
<td>Extension of Security of Tenure Act</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plans</td>
</tr>
<tr>
<td>JVP</td>
<td>Joint Venture Partnerships</td>
</tr>
<tr>
<td>LCC</td>
<td>Land Claims Court</td>
</tr>
<tr>
<td>LDA</td>
<td>Limpopo Department of Agriculture</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development (strategy)</td>
</tr>
<tr>
<td>LIMPAST</td>
<td>Limpopo Agriculture Support Team</td>
</tr>
<tr>
<td>LRAD</td>
<td>Land Redistribution for Agricultural Development</td>
</tr>
<tr>
<td>LARP</td>
<td>Land and Agrarian Reform Project</td>
</tr>
<tr>
<td>LIMPAFU</td>
<td>Limpopo Province Farmer's Union</td>
</tr>
<tr>
<td>LRP</td>
<td>Land Reform Programme</td>
</tr>
<tr>
<td>LTA</td>
<td>Labour Tenants Act</td>
</tr>
<tr>
<td>MAFISA</td>
<td>Micro-Agricultural Finance Schemes of South Africa</td>
</tr>
<tr>
<td>NDA</td>
<td>National Development Authority</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>PGDS</td>
<td>Provincial Growth and Development Strategy</td>
</tr>
<tr>
<td>PLAAS</td>
<td>Programme for Land and Agrarian Studies – University of the Western Cape</td>
</tr>
<tr>
<td>PLAS</td>
<td>Proactive Land Acquisition Strategy</td>
</tr>
<tr>
<td>PPECB</td>
<td>The Perishable Products Export Control Board</td>
</tr>
<tr>
<td>PSLR</td>
<td>Partnership for Sustainable Land Reform</td>
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<tr>
<td>RLCC-L</td>
<td>Regional Land Claims Commissioner - Limpopo</td>
</tr>
<tr>
<td>RLRA</td>
<td>Restitution of Land Rights Act</td>
</tr>
<tr>
<td>SIS</td>
<td>The Settlement and Implementation Support Strategy for Land and Agrarian Reform</td>
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<tr>
<td>SLAG</td>
<td>Settlement/Land Acquisition Grant</td>
</tr>
<tr>
<td>WSWB</td>
<td>Willing seller, willing buyer</td>
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### Acknowledgements

The Consultant acknowledges Sustainable Livelihood Consultants as the local partner in conducting the research. We wish to acknowledge the team of consultants who undertook the research, namely: Andrew Charman, Andrew Hartnack, Leif Petersen, James Mabela, Philly Manavhela, Glen Steyn and Fuad Cassim. The team was assisted by Kuda Murwira. Acknowledgement goes to Alfred Netshifhefhe of the DLGH and Chris Burman of the LED Centre for their supervision and guidance. We acknowledge technical input from Prof Peter Franks of the University of Limpopo, Mark Priestly, Tim Wilkinson, Andre Bakker and David Wood of the EU LED Programme Unit, Lukani Manyaga of the DLGH and Bigman Maloa of the LDA. We appreciate the support given to the research team by the Moletele, Nedondwe and Nemamilwe CPA committees and the strategic partners, especially Mike Scott, Peter Nicholson and Gerrit Booyens.
Definitions

Agrarian reform
The notion of ‘agrarian reform’ is widely used, though ill-defined, in radical-populist arguments for land reform. Although its meaning is vague, the idea has become a central tenant of current government policy. In recent policy documents, such as the ANC Polokwane position paper on land reform, agrarian reform refers to the (re) establishment of small-scale, family owned and operated farm that are able to sustain livelihoods and also meet the country’s need for food and agricultural exports. In this interpretation, the notion is oriented towards an agrarian socialism, with farming offering marginalized communities a means to become self-sufficient and (although less clearly articulated) democratically organized (i.e. outside tribal control).

AgriBEE
AgriBEE is the sectoral legal instrument for broad-based black empowerment in the agricultural sector. The framework objective is to facilitate the ‘deliberate and systematic’ advancement of black persons to participate in the agricultural sector as owners, managers, professional, skilled employees and consumers throughout the agricultural value chain. AgriBEE sets out transformation targets, through a score card mechanism, towards which the industry must aspire to become BEE compliant.

Communal Property Association
A Communal Property Association enables a group or community to form a legal entity to buy, hold and use land productively. CPAs are governed by the CPA Act (1996) which ensures that the rights of members are protected, democratic practices and management transparency is ensured and that individual liability is limited.

Game farm
A commercial enterprise in which game animals are produced for consumption or resale.

Game ranch
An area of land on which game animals are kept in a natural environment for the purposes of safari tourism and/or hunting.

The Land Reform Programme
Although the three pillars supporting land reform fall under one programme (LRP), they were developed and have largely been implemented in isolation to one another. They are enabled by a number of different acts and are implemented by a number of government departments and their agencies.

Land reform
Land reform here refers to the transfer (redistribution) of land and agricultural enterprises to black persons in fulfillment of the government’s objectives to address the past injustice of land dispossession and promote BEE. The AgriBEE set the objective of redistributing 30% of agricultural land to black persons and enabling black persons to lease or own 20% of high potential and unique agricultural land by 2014.

Small farmer
A class of black farmers living on state land but also encouraged in the land reform programme, operating small-scale, family-oriented farming enterprises.

Land restitution
Land restitution refers to the claim for the return of land by disposed persons, as individuals or communities, in terms of the Restitution of Land Rights Act.

Tenure reform
Tenure reform refers to the strengthening of land use rights and residential rights for persons a) residing on commercial land due to their existing or past employment and b) residing on communal land under customary custodianship.

Willing seller, willing buyer
The ‘willing seller, willing buyer’ principle was officially endorsed in the 1997 White Paper on South African Land Policy. This principle has since underpinned the government’s approach to land reform, affirming the right of land owners to sell their land on open markets to the highest bidder or otherwise. The WSWB principle is applicable in the context of land reform, where the state must therefore content with private buyers, but no applicable in the context land restitution where the state is the sole buyer.
### Key Legislation

<table>
<thead>
<tr>
<th>Act</th>
<th>Year</th>
<th>Objective</th>
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<tr>
<td>Natives Land Act</td>
<td>1913</td>
<td>Scheduled land to be ‘reserved’ for ownership / settlement by black South Africans. The Act also prevented black persons (except those living in the Cape Province) from purchasing or leasing land outside these reserved areas. The Act effectively removed the security of tenure for sharecroppers and tenants, restricting the terms under which they could reside on farms owned by white persons.</td>
</tr>
<tr>
<td>Development Trust and Land Act</td>
<td>1936</td>
<td>The Act sought to carryout the aims of the 1913 Act through consolidating the ‘reserve’ areas through land purchases and eliminating ‘black-spot’ areas. In terms of the Act, the area reserved for occupation by black persons was 13.6% of the total land area.</td>
</tr>
<tr>
<td>Restitution of Land Rights Act</td>
<td>1994</td>
<td>The Act provides for the restitution of rights in land to black persons or communities dispossessed of such rights as a result of the 1913 land act and subsequent measures. The Act provided for the establishment of a Land Claims Court and the Commission on Restitution of Land Rights to give effect to the Governments land reform policy.</td>
</tr>
<tr>
<td>Land Reform (Labour Tenants) Act</td>
<td>1996</td>
<td>The Act recognises that the institution of labour tenancy is the result of racially discriminatory laws and practices which have led to the systematic breach of human rights and denial of access to land. The Act therefore provides for security of tenure for labour tenants and those occupying or using land as a result of their association with labour tenants. It also provides for the acquisition of land and rights in land by labour tenants.</td>
</tr>
<tr>
<td>Interim Protection of Informal Land Rights Act</td>
<td>1996</td>
<td>Aims to protect people with informal rights and interests from eviction from private land in the short term, pending more comprehensive tenure reform legislation.</td>
</tr>
<tr>
<td>Communal Property Associations Act.</td>
<td>1996</td>
<td>Provides for the holding, management and acquisition of land by groups in the form of a Communal Property Association.</td>
</tr>
<tr>
<td>Extension of Security of Tenure Act</td>
<td>1997</td>
<td>Protects rural occupiers of land (other than labour tenants) against arbitrary eviction</td>
</tr>
<tr>
<td>Land Restitution and Reform Laws Amendment Act</td>
<td>1997</td>
<td>Amends the Restitution of Land Rights Act to bring it into line with the Constitution. Among other things, it provides that a regional land claims commissioner or an interested party may apply for an interdict prohibiting the development of land and for the election of one or more persons to represent a community for the purposes of a claim. It also prohibits a person from developing claimed land without having given the regional land claims commissioner notice of his or her intention to do so; extends the powers of the Court; provides for direct access to the Court by any person entitled to claim restitution of a right in land; and empowers the Minister to grant financial aid for the development of land in certain circumstances. Also amends the Land Reform (Labour Tenants) Act to bring it into line with the Constitution of the Republic of South Africa.</td>
</tr>
<tr>
<td>Land Restitution and Reform Amendment Act</td>
<td>1999</td>
<td>Important amendments to the original Act were made here, which resulted in speeding up of the restitution process by doing away with the need for a claim to be referred to the Court where interested parties have reached agreement as to how a claim should be finalised. The Minister of Land Affairs was given authority to make an award, pay compensation and grant financial aid.</td>
</tr>
<tr>
<td>Communal Land Rights Act</td>
<td>2004</td>
<td>Seeks to provide security of tenure by transferring ownership of communal land to communities and setting out mechanisms to ensure the democratic administration of land assets.</td>
</tr>
<tr>
<td>Restitution of Land Rights Amendment Act</td>
<td>2004</td>
<td>Empowers the Minister of Agriculture and Land Affairs to expropriate land for land reform purposes.</td>
</tr>
<tr>
<td>Expropriation Bill</td>
<td>2008</td>
<td>The Department of Public Works has released a Draft Policy on the Expropriation Bill which seeks to harmonize Acts and Ordinances relating to expropriation. The Bill stipulates that expropriation must be in the public interests, whilst payment of compensation is to be aligned to the provisions of the constitution.</td>
</tr>
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### Timeline: The Land Reform Process in Limpopo

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Description</th>
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<tr>
<td>1960-1980</td>
<td>Forced removals</td>
<td>Between 1960 and 1980, close to four million black persons were forcibly moved from non-scheduled areas to the designated African “homelands.”</td>
</tr>
<tr>
<td>1993</td>
<td>Interim Constitution endorsed</td>
<td>Contains provisions which allow Africans to regain ownership of land taken away during apartheid.</td>
</tr>
<tr>
<td>1994</td>
<td>Introduction of the restitution process.</td>
<td>Restitution was conditional on claimants not being paid just and equitable compensation as a result of their dispossession. The Act set a deadline for claims to be lodged not later than 1 May 1998.</td>
</tr>
<tr>
<td>1994</td>
<td>Introduction of the Reconstruction and Development Programme</td>
<td>The RDP set a policy target of transferring 30 % of commercial farm land to black South Africans in the first five years of the programme. It only managed to transfer one percent nationally during this time.</td>
</tr>
<tr>
<td>1995</td>
<td>Commission on Restitution of Land Rights established</td>
<td>The aim of the LCC is to promote justice, facilitate negotiated settlements, promote sustainable use of land, and foster reconciliation. Headed by the Chief Land Commissioner and seven Regional Commissioners. Their functions involve investigating merits of claims, mediation and dispute resolution, &amp; drawing up reports on unsettled claims for the courts. The preferred route of resolving land claims is through amicable settlement, but disputes are referred to the Land Claims Court.</td>
</tr>
<tr>
<td>1995</td>
<td>Settlement/Land Acquisition Grant (SLAG) introduced</td>
<td>To support the three pillars of the government programme: redistribution, restitution and tenure reform.</td>
</tr>
<tr>
<td>1996</td>
<td>Constitution of Republic of South Africa adopted</td>
<td>Section 25 of the new Constitution sets out details relating rights to property, conditions under which the state may acquire or expropriate land, the state’s powers to redistribute land on an equitable basis, and the right of persons or communities to claim back, or be compensated for land. This section also allows for the establishment of an Act of Parliament in order to achieve land restitution.</td>
</tr>
<tr>
<td>1996</td>
<td>Land Claims Court constituted</td>
<td>If, after investigation, a negotiated settlement cannot be reached, the matter is referred to the Land Claims Court. The court has an independent adjudicatory function and holds the same status as High Court. Has power to determine a right to restitution, rule on counter claims and determine compensation for expropriated / purchased land. Appeals may be lodged with the Supreme Court of appeal or Constitutional Court. Amendments to the Act brought in a fast track procedure to allow claimants direct and speedy access to Court.</td>
</tr>
<tr>
<td>1996</td>
<td>Agriculture and Rural Development Corporation established.</td>
<td>To run commercial agricultural farms (on state land) and promote sustainable development in Limpopo.</td>
</tr>
<tr>
<td>1997</td>
<td>Amendment of the Restitution of Land Rights Act (1994).</td>
<td>Amendment brought the Act in line with the new Constitution. It also extended the cut-off date for the lodgment of claims until the 31 December 1998.</td>
</tr>
<tr>
<td>1998</td>
<td>Second Amendment of the Restitution of Land Rights Act (1994).</td>
<td>To provide for the secondment of officers to the Commission to further regulate mediation and extend the cases in which money may be granted for the development of land.</td>
</tr>
<tr>
<td>1998</td>
<td>Final closing date for restitution claims</td>
<td>63 455 claims are filed with the LCC.</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
<td>Description</td>
</tr>
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<td>------</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1999</td>
<td>Third Amendment of the Land Restitution Act</td>
<td>Significant amendments to original Act made to speed up of restitution process by doing away with the need for a claim to be referred to the Court where interested parties have reached agreement as to how a claim should be finalised. The Act gives the Minister authority to make an award, offer compensation, grants and financial aid.</td>
</tr>
<tr>
<td>2000</td>
<td>Land Redistribution for Agricultural Development (LRAD) introduced, replacing SLAG.</td>
<td>LRAD is an ambitious program, providing grants and technical support to bring about the government’s objective of creating 70 000 commercial black farmers in 15 years and redistributing 30% of commercial farm land to black farmers by 2014.</td>
</tr>
<tr>
<td>2001</td>
<td>Strategic Plan for South African Agriculture.</td>
<td>In November 2001 the Strategic Plan for South African Agriculture was announced. It set out the strategic vision for the sector, including many aspects of land reform and sector transformation.</td>
</tr>
<tr>
<td>2001</td>
<td>Progress in settling claims.</td>
<td>Government statistics show that nearly half of all land claims (nationally) have been settled (33,510 out of approximately 69,000).</td>
</tr>
<tr>
<td>2002</td>
<td>Formation of Limpopo Agricultural Strategic Team (LIMPAST)</td>
<td>LIMPAST was formed jointly by commercial farmers and small emerging farmers with the aim of improving agricultural production through capacity building programmes.</td>
</tr>
<tr>
<td>2003</td>
<td>Progress in settling claims.</td>
<td>CRLR announces that almost two million hectares of land have been transferred to claimants. This amounts to 2.3 % of all commercial agricultural land.</td>
</tr>
<tr>
<td>2003</td>
<td>Limpopo MEC for Agriculture announced that ARDC management were retrenched.</td>
<td>ARDC achieved little during its seven years. As a result of poor management, 285 agricultural projects collapsed, including formerly successful estates such as Zebediela. The organization subsequently becomes defunct.</td>
</tr>
<tr>
<td>2003</td>
<td>Limpopo MEC for Agriculture outlines a policy shift towards engaging ‘strategic partners’ to assist running land reform agricultural enterprises.</td>
<td>The MEC announces that the government would henceforth be engaging ‘strategic partners’ (private sector) to assist new land owners with running land reform projects to ensure the sustainability and profitability.</td>
</tr>
<tr>
<td></td>
<td>The Regional Land Claims Commission (Limpopo) establishes the Partnership for Sustainable Land Reform (PSLR)</td>
<td>This initiative seeks to form partnerships and engage relevant expertise from the public, private and NGO sectors to ensure a sustainable legacy for land reform, particularly the restitution programme. Partners include LDA, LIMPAST, CLRDP, NAFU, LIMPAFU, Agri-Limpopo and AgriSA. One of the outputs was the publication ‘Operational Framework for Post-Settlement Support Interventions’.</td>
</tr>
<tr>
<td>2004</td>
<td>Further amendments to Restitution of Land Rights Act</td>
<td>Thabo Mbeki signs several amendments to the 1994 Act, enabling the minister of agriculture to expropriate farms without going to court. The amendment raises concern from organized agriculture and civil society bodies.</td>
</tr>
<tr>
<td>2004</td>
<td>Forestry land transferred.</td>
<td>In a major land transfer, Land Affairs Minister hands over 18.28 million hectares of land to residents who had been forcefully removed after the Forestry Act of 1941 claimed it as forestland.</td>
</tr>
<tr>
<td>2004</td>
<td>Comprehensive Agricultural Support Programme (CASP) launched</td>
<td>CASP aims to provide post settlement support to the targeted land reform beneficiaries. Support includes a once-off grant for infrastructure installation.</td>
</tr>
<tr>
<td>2004</td>
<td>Agricultural Credit Scheme (ACS) announced</td>
<td>President Mbeki announces his State of the Nation Address that one billion rand is to be put into the ACS.</td>
</tr>
<tr>
<td>2004</td>
<td>AgriBEE framework launched</td>
<td>After a drafting process over several years, the AgriBEE framework was launched, with the aim of bringing about transformation in the agricultural sector.</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2006</td>
<td>Policy shift away from the ‘willing seller, willing buyer’ approach.</td>
<td>Evidence of corruption in several cases of land restitution prompts the government to order a review of the verification and evaluation procedures. President Mbeki said that government would no longer automatically apply the ‘willing buyer, willing seller’ policy in restitution cases, and would instead consider expropriation. Mbeki also said the government was reviewing land acquisition models and possible manipulation of land prices.</td>
</tr>
<tr>
<td>2006</td>
<td>Proactive Land Acquisition Strategy (PLAS) launched</td>
<td>PLAS emphasizes area-based planning for land reform in conjunction with local government. It is meant to enable district-level land reform plans and improve coordination among state agencies and others involved with the LRP.</td>
</tr>
<tr>
<td>2007</td>
<td>Progress in settling claims</td>
<td>LCC reports that 74,000 of the 79,000 claims (i.e. 90%) lodged between 1995 and 1998 have been settled.</td>
</tr>
<tr>
<td>2007</td>
<td>AgriBEE Sector Transformation Charter finalized</td>
<td>Having been taken through a process of consultation and public discussion, the AgriBEE steering committee finalised the Charter.</td>
</tr>
<tr>
<td>2007</td>
<td>ANC conference Polokwane</td>
<td>The ANC reaffirms the policy objective of redistributing 30% of ‘agricultural land’ before 1914. The resolution on land reform suggest a shift towards using expropriation and non-market mechanisms to hasten the redistribution of land.</td>
</tr>
<tr>
<td>2007</td>
<td>Suspension of RLCC-L</td>
<td>The Regional Land Claims Commissioner, Limpopo, was suspended on the basis of suspected irregularities in certain land settlement outcomes.</td>
</tr>
<tr>
<td>2007</td>
<td>First farm expropriated</td>
<td>In February 2007 the DLA expropriated the first farm, for a restitution case.</td>
</tr>
<tr>
<td>2008</td>
<td>The Settlement and Implementation Support (SIS) Strategy for Land and Agrarian Reform launched.</td>
<td>SIS was launched with the aim of developing comprehensive planning for the LRP to ensure that beneficiaries receive technical and financial support to ensure sustainability. The strategy recommends that land reform must be acknowledged as “everybody's business”, and places land reform at the centre of local government ensuring that all projects are embedded in IDPs, LEDs and PGDS.</td>
</tr>
<tr>
<td>2008</td>
<td>AgriBEE transformation charter approved</td>
<td>The Department of Trade and Industry approved the application for the Charter, opening the way for the elimination of racial discrimination, gender and racial inequality in the agricultural sector.</td>
</tr>
<tr>
<td>2008</td>
<td>Land and Agrarian Reform Project (LARP) launched.</td>
<td>LARP aims to provide a ‘one stop shop’ of agricultural services to meet all of the needs of land reform beneficiaries. LARP is part of the government's latest policy approach of providing holistic services in a decentralised manner.</td>
</tr>
</tbody>
</table>

Sources: See Annex 2
Executive Summary

Since the first democratic elections of 1994, land reform has been of high priority on the government’s policy agenda. Land reform has been undertaken through a range of interventions to pursue the triple objectives of i) land redistribution, ii) land restitution and iii) tenure reform. The overarching aim of the land reform programme is to effect the transfer of 30% of commercial farmland to black farmers by 2014. In Limpopo, 61% of commercial farms have been claimed for restitution. The government can therefore go a long way towards fulfilling the 30% goal in this Province through returning land to communities and individuals with genuine claims of dispossession in terms of the Restitution of Land Rights Act.

The overriding objectives of the study are twofold: first, to undertake a cost-benefit analysis of the land reform process in Limpopo, and second, to develop a best practice approach, outlining viable scenarios, for post-settlement land restitution. The specific tasks of the consultancy were to:

- Review and collect existing studies undertaken on land reform
- Review and summarize existing land reform process and procedures and identification of delays
- Analyze land reform status to date
- Assess the economic impact of land reform (outputs, productivity, multiplier, land use and utilization assessment) historically and with scenario setting for the future
- Assess the institutional framework supporting land reform (government bodies and communal property associations) and the situation of restituted land with CPAs
- Review 2 pilot projects supported by Limpopo LED and outline and Draw up lessons learned from this approach and develop this into a model for further roll out and for training.

The main thrust of the research was to investigate the economic and development opportunities that have arisen as a result of the emergence of partnerships between CPAs and strategic management partners. The government is of the opinion that strategic partnerships have the potential to maintain export oriented commercial production, especially in the important horticulture sector. Partnerships also have the potential to strengthen the capacity of CPAs to assume a strong management role and oversee various income streams for the benefit and empowerment of land restitution beneficiaries.

The research seeks to contribute towards an improved understanding of the economics of land reform and enable the Limpopo LED Centre to facilitate policy dialogue on how best to achieve sustainable land reform outcomes.

The research took place over the period May – July 2008. Field work was undertaken in June and July in Polokwane and two sites, one in Mopani district, in the Maruleng Municipality (Moletele/Hoedspruit Land Initiative) and one in Vhembe district, in the Musina Municipality (Nzhelele Valley Initiative). These cases were chosen because the communities had received grants from the Limpopo LED programme to build the capacity of the respective Communal Property Associations (CPAs).

The research approach involved:

- Desk top studies of literature and publications;
- Analysis of data on agriculture and land reform;
Semi-structured interviews were conducted with identified key persons to address specific topics;
Focus group discussions were held with members of the CPAs to clarify the organizational role and objectives of the partnership; and,
A series of mini-workshops were conducted with community members to scope their views on the partnership / CPA and understand their ‘needs’ and long term expectations;
Interviews with a range of institutional stakeholders from the Department of Land Affairs (DLA), Regional Land Claims Commissioner – Limpopo (RLCC-L), and Limpopo Department of Agriculture (LDA) in Polokwane.

The research team held a series of internal focus discussions to reflect on their observations during these processes.

Literature

There is a considerable body of literature that addresses land reform in South Africa. The subject has been examined on both the national and provincial level by a range of stakeholders, including academic institutions, civil society organisations, advocacy groups and government. There are divergent opinions on the subject, reflecting opposing political and ideological interests, with currents drawing from both mainstream political debates and more radical positions, outside formal politics, on the ‘left’ and ‘right’.

Within the field of academic writings, the major standpoints have been classified as ‘modernist-conservative’, ‘neo-liberal’ and ‘radical-populist’. Significantly, all three positions acknowledge the importance of land reform as a means to rectify historical injustices and reduce poverty. They differ, however, on how these objectives can be achieved. Moreover, all three positions recognize the importance of sustaining food production and ensuring agricultural growth, though their arguments contrast on both the weighting afforded to the economic outcome of land reform and also the kind of agricultural system that can best achieve growth and sustainable livelihoods.

The private sector, civil society stakeholders, and the government are in agreement that land reform is both necessary and morally justified. But there are significant differences between government and other stakeholders on how to undertake the reform process. The main contenders in this debate are civil society organizations representing ‘landless’ persons, academic lobby groups and think tank organizations, and organized agriculture. Four main points of dispute are evident from the literature:

1. **The scale of land reform**: Arguments over whether or not setting a 30% benchmark is advisable.

2. **The operation of land markets**: Arguments over the use of market-driven approaches as opposed to state controlled approaches.

3. **The pace and scale of investment in restitution and redistribution**: Arguments over whether land reform should be speeded up or a more cautious approach adopted.

4. **The scale and scope of post-reform technical and financial support services**: Arguments over the quality and focus of support to land reform beneficiaries.

Land reform in Limpopo has come under close scrutiny from academic, farming and civil society stakeholders. The scrutiny from these quarters is attributable to several factors,
including the relatively high proportion of commercial farmland land under claim (approximately 20%), the land requirements of marginalized, poor, communities in the former homeland areas, the seemingly slow pace of transferring land and, notably, the relatively poor achievement of many land reform initiatives.

In the literature on land reform in Limpopo, a number of themes emerge, including: weak community cohesion among land reform beneficiaries, poor institutional capacity of CPAs, inadequate support for CPAs, and poor integration of land reform into municipal plans. There has been little original research on the development possibilities of strategic partnerships. Another major gap in the base of knowledge is the lack of research and understanding on the economics of land reform in Limpopo, the subject of this Consultancy.

**Land Reform Process**

The land reform process has evolved over the last 14 years with the policy and the approach undergoing several changes. The land reform programme has three pillars: land redistribution, land restitution and tenure reform, and their crucial sub-component, post-settlement support. All of these ‘pillars’ have come under criticism, most relating to the speed of their implementation and the effectiveness of the instruments used by the government to carry them out. The government is now moving towards greater state involvement and the use of expropriation to speed up the land reform process. This shift away from the willing seller, willing buyer approach has profound implications for the future of commercial agriculture. At the same time the government is currently introducing a much more decentralised approach in which local government plays a key role, as well as adding to the range and effectiveness of its services to land reform beneficiaries.

The land reform process has proceeded slowly in Limpopo. By 2008 the Department of Land Affairs (DLA) had transferred only 3% of the land area to land reform beneficiaries. The gradual pace of land reform has negatively impacted on the agricultural sector as delays have given rise to uncertainty, thus undermining long term investment. Although the government has put considerable resources into creating a black farming class, there are concerns that these emerging farmers still lack the capacity, skills and know-how to farm commercially. Despite these set-backs, the reform programme has achieved some success, most notably in the public-private partnerships between CPAs and strategic agri-business partners. These ventures have been positively endorsed as a practical means to achieve the government’s policy objectives.

**Conclusions**

The research found that the current approach to land restitution in Limpopo Province is nearing a crisis point. Land restitution has neither achieved its political objectives nor resulted in a favorable economic outcome. If this desired outcome is to be achieved, policy markers need to carefully consider the economic aspects of land reform.

Our first main conclusion is that the cost of land restitution has become far greater than anticipated. National government estimated in 2008 that the cost of completing land restitution would be R10.6 billion. It has allocation R6 billion to the land restitution process for the period 2007/08-2010/11. The study found that the cost of purchasing the remaining 2,183,852 hectare under land claim in Limpopo at current market prices would be about R25.9 billion Rand. There are simply insufficient funds available to the RLLC-L to complete land purchases in Limpopo.

Our second main conclusion is that the ‘hectare driven’ approach to land restitution could profoundly undermine agricultural output and revenue. The study found that horticulture
sector in Limpopo accounts for 62% of farm income. The bulk of this production is undertaken on 304,450 hectare, equal to about 0.02% of the total land area. This high potential land sustains the bulk of the province's export-oriented agricultural production in citrus and sub-tropical fruit. This land should be seen as a strategic asset which the government should ensure remains profitably farmed. However, almost 40% of this land is under claim and in some districts, such as Mopani, 90% has been claimed. The government should therefore re-consider whether acquiring land under restitution is an appropriate approach to ensure the continuity of production in these high productive areas or whether other instruments of the land restitution policy, such as financial compensation, would not better serve the overarching objectives.

Our third main conclusion is that strategic partnerships, while having the potential to maintain high levels of commercial output, can only achieve the desired land reform outcome if the government transfers both the land assets and the dedicated financial grants to the benefiting CPA. Without these grants, the strategic partner may prove unable to leverage capital sources, whilst the community would have no equity in the operating enterprise, hence gaining little benefit from their empowerment.

Government has began to favour strategic partnerships between land reform beneficiaries and commercial agri-business actors. In the case studies investigated, it was found that partnerships can fulfill three objectives:

- Ensure the continued production in quantity and quality of high value crops, especially citrus and sub-tropical fruit,
- Ensure the harmonization of AgriBEE and land reform, enabling the beneficiary communities to gain both an asset (land) and an empowerment stake in a competitive agro-enterprise,
- Provide a means to transfer skills and know-how to the beneficiary community who may, ultimately, acquire the expertise to run the enterprise independently.

The research shows that these objectives can best be pursued in highly developed commercial enterprises. The precise nature of these enterprises must be able to vary from situation to situation and no blue-print or model should be advocated. But partnerships should not be seen as a panacea to the challenges of land reform. The value of joint-ventures that evolve out of local needs and responses to land reform are illustrated by the case studies. The study therefore cautions against imposing partnerships on land reform beneficiaries involving outside stakeholders.

With respect to joint-venture partnerships in general, the research sustains five overriding conclusions:

I. Land claimants accept that entering partnerships with strategic partners provides a pragmatic solution to address their 'needs', giving them both ownership of land and a stake in a viable enterprise.

II. The institutions responsible for land reform are still struggling to adequately support land claimants to advance in the strategic partnerships. The tardy release of grants to land reform beneficiaries and the delayed completion of elementary legal procedures has characterised restitution projects. The government is falling behind its commitment to public-private collaboration and co-operation.

III. Local and District Municipalities appear to provide next to no support for land reform projects. Despite the new policy direction, they are not yet becoming meaningfully involved with planning for or assisting in the implementation of land reform projects at a local level.
IV. CPAs have very little capacity to partake as equal partners in complex enterprise structures. In the short-run, this constraint may affect the scale of benefits they derive and their ability to run successful community initiatives. In the long run, their power to influence enterprise decisions will progressively increase, so long as their capacity is steadily enhanced.

V. Land reform policy has increasingly emphasised the role of local government as an implementing agent. This process needs to acknowledge that most land restitution beneficiaries do not intend to be farm labourers nor to live on a farm under paternalist control. While many have a strong desire to obtain employment opportunities in agrarian enterprises they desire to reside in towns or villages where they can benefit from social services and continue to engage in a modernising cultural milieu. Local government therefore needs to plan for a new future, supporting the growth of towns and villages that can enable these individuals to be part of the agricultural economy, but at the same time sustaining modern lives off the farm.

Recommendations

The Consultant recommends three roles that the Limpopo LED Centre could play in conducting further research and training on land restitution.
1 INTRODUCTION

1.1 Problem Statement

Land reform is of high priority on the government’s policy agenda. The land reform process commenced with the promulgation of the Restitution of Land Rights Act in 1994. Since this time, land reform has been undertaken through a range of interventions to pursue the triple objectives of i) land redistribution, ii) land restitution and iii) tenure reform. The overarching aim of the land reform programme is to engineer the transfer of 30% of commercial farmland to black farmers by 2014. This objective is to be achieved through the redistribution and restitution mechanisms. In Limpopo a significant proportion of commercial land has been claimed by communities for restitution. The government can therefore go a long way towards fulfilling the 30% goal through returning land to communities and individuals with genuine claims of dispossession after 1913.

The land reform process has proceeded slowly. By 2008 the Department of Land Affairs (DLA) had returned about 360,929 hectares to land claimants; a figure equivalent to about 3% of the land area of Limpopo Province. The gradual pace of land reform is a cause of great concern. The slow progress has negatively impacted on the agricultural sector as delays have given rise to uncertainty, thus undermining investment. Although the government has put considerable resources into creating a black farming class, there are concerns that these emerging farmers still lack the capacity, skills and know-how to farm commercially. The Minister of Agriculture recently stated that 77 restitution projects in the post-settlement phase in Limpopo were experiencing operational difficulties or were considered dysfunctional. Despite these set-backs, the reform programme has achieved some success, most notably in the public-private partnerships between Communal Property Associations (CPAs) and strategic agri-business entities. These ventures between land reform beneficiaries and commercial farmers have been positively endorsed by the Limpopo government as a practical means to achieve the policy objectives.

The research will investigate the economic and development opportunities that have arisen as a result of the emergence of partnerships between CPAs and strategic management partners. These partnerships have the potential to maintain export-oriented commercial production, especially in the important horticulture sector, develop new opportunities up-stream and down-stream and, most importantly, to strengthen the capacity of the CPA to assume its management role and oversee various income streams for the benefit and empowerment of the land owners (the beneficiaries). In this respect, this research seeks to contribute towards an improved understanding of the economics of land reform and enable the Limpopo LED Centre to facilitate policy dialogue that can positively support a ‘win-win’ outcome for both beneficiaries and investors.

1.2 Terms of Reference

The overriding objectives of the study are twofold, first, to undertake a cost-benefit analysis of the land reform process in Limpopo, second, to develop a best practice approach, or viable scenario, for post settlement land restitution. The specific tasks of the consultancy were:

- Review and collect existing studies undertaken on land reform.
- Review and summarize existing land reform process and procedures and identification of delays.
- Analyze land reform status to date.

The terminology used in this report is explained in the table of definitions.
• Assess the economic impact of land reform (outputs, productivity, multiplier, land use and utilization assessment) historically and with scenario setting for the future.
• Assess the institutional framework supporting land reform (government bodies and community property associations) and the situation of restituted land with CPAs.
• Review 2 pilot projects supported by Limpopo LED and outline.
• Draw up lessons learned from this approach and develop this into a model for further roll out and for training.

The full ToRs can be found in Annex 1.

1.3 Research Process

The research process entailed 7 steps:

Step 1: Undertake a literature review of key academic studies and reports on land reform,

Step 2: Collect and review official documents and research reports to assess the institutional framework to support and enable land reform,

Step 3: Collect data on the status of land reform in Limpopo, identifying progress in the performance of the DLA in carrying out the programme. Additionally, collect data on the status of the agricultural economy, identifying the impact of land reform on commercial farming and investment within the sector.

Step 4: Undertake field research of two partnerships between CPAs and strategic partners to manage commercial agricultural enterprises so as to ensure the empowerment and benefit of the beneficiaries.

Step 5: Compile a report outlining the main findings and results of the analysis.

Step 6: Workshop policy recommendations with the Limpopo LED, DLGH and relevant government stakeholders.

Step 7: Conduct training to the Limpopo LED and relevant stakeholders on the results, significance, and policy implications of findings from the land reform study.

1.4 Research Approach and Methodology

The research took place over the period May – July 2008. Field work was undertaken in June and July in Polokwane and two sites, one in Mopani district, Maruleng Municipality (Moletele/Hoedspruit Land Initiative) and one in Vhembe district, Musina Municipality (Nzhelele Valley Initiative).

The Consultant utilized a range of standard methodologies to collect data for the case studies:

• semi-structured interviews were conducted with identified key persons to address specific topics;
• focus group discussions were held with members of the CPAs to clarify the organizational role and objectives of the partnership; and,
• a series of mini-workshops were conducted with community members to scope their views on the partnership / CPA and understand their ‘needs’ and long term expectations.
The research team held a series of internal focus discussions to reflect on their observations during these processes. The study drew upon accessible documented sources to bolster the primary research; these included a funding proposal submitted to the Limpopo LED and community manuscripts detailing their land claim.

The Consultant interviewed a range of institutional stakeholders from the Regional Land Claims Commission – Limpopo (RLCC-L), and Limpopo Department of Agriculture (LDA) in Polokwane. Follow-up interviews were undertaken via electronic means of communication. A list of key persons interviewed is given in Annex 2.

Statistical data on crop production was obtained from the LDA, StatsSA and the Perishable Products Export Control Board (PPECB). The Consultant obtained data on land reform mainly from private service providers and official records of the DLA and CRLR.

The research team held a research review and policy recommendations workshop with key stakeholders from the government, EU-LED programme and the University of Limpopo on 29 July 2008 in Polokwane. Recommendations and comments arising out of the workshop were incorporated into the research report, informing the final recommendations of the research.

1.5 Limitations

The Terms of Reference required the Consultant to undertake consultation with government bodies and other parties. The Consultant approached the DLA, RLCC-L, and the LDA. The Consultant received excellent support from the LDA who provided data and shared their experiences in the provision of post-settlement support services. The Consultant also received excellent support from the Department of Local Government & Housing (DLGH) and Limpopo LED Centre. However the Consultant found it difficult to obtain official statistics and up-to-date information on the status of land reform as initially, despite repeated attempts, we were unable to meet with the relevant officials of the DLA and RLCC-L. Eventually, the Consultant managed to interview a key official from the RLCC-L, which went some way to address this problem. The Consultant still found it difficult to cross-reference the data used in this study against official information.

The ToRs required the Consultant to draw up lessons from the ‘partnership’ approach and then develop this into a model for further roll out and training. Our preliminary assessment of these partnerships highlighted the unevenness in the outcomes, owing to differences in the institutional handling of the restitution claims and differences in service provision to the beneficiaries. As a result of these differences, the Consultant is hesitant to advocate a ‘model’ which could be simply replicated. Instead, we prefer to advocate the notion of an ‘empowerment relationship’ between land beneficiaries and agri-business partners. This notion can then be aligned to current National government policy towards promoting broad-based black economic empowerment (B-BBEE) through industry’s own initiatives and codes of good practice.

1.6 Report Structure

The report is structured into five parts. Part A assesses the current state of knowledge within published (secondary) sources. Part B examines the institutional framework of the land reform programme and reports on opportunities and also on some of the challenges that confront the main institutions mandated to carry-out the land reform objectives. Part C presents the findings of an analysis of the cost / benefits of land reform and identified three possible scenarios of outcome. Part D reports on the findings of the two cases that were
investigated and draws out the main lessons learnt from these experiences. Part E presents the main study conclusions and recommendations.
Part A

2 REVIEW OF KEY STUDIES ON LAND REFORM IN SOUTH AFRICA

2.1 Literature Overview

Land reform is a politically sensitive issue in Limpopo where over 60% of commercial farms have been claimed. The research does not assess the political merits of the land reform process. Our focus falls squarely on examining the economic and development opportunities that have arisen as a result of the emergence of partnerships between Communal Property Associations (CPAs) and strategic management partners in joint ventures. These partnerships have the potential to maintain export-oriented commercial production, develop new enterprise opportunities up-stream and down-stream and, most importantly, to strengthen the capacity of the land reform beneficiaries to assume a management role and oversee various income streams for their material benefit and social empowerment. This new business-rooted concept of agrarian reform is squarely oriented towards the government’s Black Economic Empowerment (BEE) objectives.

There is a considerable body of literature that addresses land reform in South Africa. The subject has been examined on both the national and provincial level by a range of stakeholders, including academic institutions, civil society organisations, advocacy groups and government. There are divergent opinions on the subject, reflecting opposing political and ideological interests, with currents drawing from both mainstream political debates and more radical positions, outside formal politics, on the ‘left’ and ‘right’. The most recent writings that seek to influence policy include Bernstein and McCarthy (2008), Bosman (2007), Hall (2004), Lahiff (2007), Wegerif (2004) and Hall, Isaacs and Saruchera (2007).

Within the field of academic writings, the major standpoints have been classified as ‘modernist-conservative’, ‘neo-liberal’ and ‘radical-populist’ (Lahiff, 2007). We will here refer to these positions as ‘Modernist’, ‘Liberal’ and ‘Populist’ as all three positions contain both ‘radical’ and ‘conservative’ thinking. It is important to recognize that each of the three positions acknowledge the importance of land reform as a means to rectify historical injustices and reduce poverty. The three standpoints differ, however, on how these objectives can be achieved. Moreover, all three positions recognize the importance of sustaining food production and ensuring agricultural growth, though their arguments contrast on both the weighting afforded to the economic outcome of land reform and also the kind of agricultural system that can best achieve growth and sustainable livelihoods.

The three positions accord, roughly, with the following arguments:

I. **Modernist**: The transfer of land should not undermine the commercial basis of developed farmland. Partnerships between the new land holders and agri-business should, wherever possible, be encouraged as a pragmatic means of retaining the skills, knowledge and the business experience necessary to produce commercial crops and compete in local and global markets. The structure of land ownership is, within this position, less important than the legal / institutional framework necessary to achieve a viable enterprise agreement between the beneficiaries and the strategic partner to utilise agricultural assets. The ideological focus falls on the enterprise, rather than the farm.

II. **Liberal**: The transfer of land should seek to provide opportunities for the emergence of a class of black commercial farmers, operating independent ‘family’ size farms...
along the lines of the ‘traditional’ South African commercial farm, if not smaller in size and scale. The reform process should not distort the land market and market mechanisms for land transfer, but create opportunities for new entrants on terms necessary for commercial production. This position strongly articulates the need to entrench individual property ownership. Both modernist-conservative and neo-liberal positions argue that the market is an effective means for transferring ownership and both oppose land expropriation without market related compensation. The ideological focus falls on the farm and farmer, drawing upon a classical ‘agrarianism’ philosophy.

III. **Populist:** The transfer of land should re-create the lost (i.e. pre-1913) South African ‘peasantry’, through allocating land rights to individual households to farm on a smallholder basis. This position argues that land reform should, in the first instance, address livelihoods needs, rather than productivity. Both populists and neo-liberals argue that the small farm is labour efficient and given sufficient technical and financial support has a competitive advantage over large-scale agribusiness. In neo-liberal thinking, this argument is expressed philosophically as the ‘inverse farm size-efficiency relationship’. The ideological focus within the populist standpoint falls on the farmer as a progressive actor, rather than the farm as a business entity, and the broader agrarian environment needed to sustain values and principles that uphold rural self-reliance. It is important to recognise that although both liberal and radical schools advocate small-scale farms, there are no studies that conclusively demonstrate the size advantage in the South African context.²

Within the architecture of these positions, the literature addresses the three aspects of the Governments’ land reform programme, namely: land redistribution, land restitution and land tenure reform, and their crucial sub-component farming support services. In our assessment of the literature, the Consultant has focused on writings about land restitution in Limpopo (see below), especially on cases of the transfer of land under restitution to legal entities representing claimant communities, particularly CPAs.

Throughout the literature there is agreement on the need for land reform. The private sector, civil society stakeholders, and the government are in agreement that land reform is both necessary and morally justified. Land reform forms part of the constitutional settlement of the transition to democratic representation. Land reform is premised on the recognition that black South Africans were dispossessed of land and property as a result of the 1913 Land Act and subsequent segregationist interventions. All sides in the land debate agree that reform of the land system should be afforded a high priority and expediently undertaken. An important recent study on the status of land reform by the Centre for Development and Enterprise (Bernstein and McCarthy, 2008), for example, argues that land reform should be a policy instrument to:

- Accelerate the establishment of a class of black commercial farmers,
- Provide farming and settlement opportunities for the historically dispossessed,
- Recognize the loss of ‘rights’ through dispossession, whereby this loss should be addressed through restitution or compensation.

A further argument, though suggested rather than formally articulated, is that land reform can create opportunities for agri-enterprise growth and development, creating new economies of scale and developing income opportunities that were hitherto restricted by the

² The literature is discussed in Lahiff (2007: 19-20).
structure of individual farm ownership. These enterprises would differ significantly from traditional farms, focusing on the management of agricultural assets (such as orchards) rather than farms themselves. The land reform beneficiaries, under this outcome, would derive benefit from both their ownership of the land and shareholding of these enterprises. As large enterprises, these businesses would enable vertical integration between the production, post-harvest and process aspects. Through their scale and through the technical, financial and human resources they could potentially mobilize, this new form of agricultural enterprise would be able to raise productivity and enter global export markets more competitively.

Within the literature there are significant differences between government and other stakeholders on how to undertake the reform process. The main contenders in this debate are civil society organizations representing ‘landless’ persons, academic lobby groups and think tank organizations, and organized agriculture. Government officials, including former Land Claims Commissioner Tozi Gwanya and former Director-General in the Department of Land Affairs Glen Thomas, have also weighed in on the land reform debate (Gwanya, 2004; Thomas, 2004), affording government a role in shaping broader intellectual opinion. In the studies we examined, there are four main points of dispute, we examine these differences below:

I. **The scale of land reform:**

*Government policy is to carry out the redistribution of 30% of commercial farm land from white to black ownership by 2014.*

There is significant polarization between the three positions on this issue. Populist writings have used this goal as a benchmark against which to assess and thus criticize government performance (Hall, 2004). These writings see the 30% benchmark as means of rectifying the historically skewed distribution of land between black and white owners. Liberal writers and think tank organizations, such as CDE (2008) and Bosman (2007), argue in contrast that benchmarking detracts from the spirit and intentions of land reform, and importantly ignores the diversity of agri-ecological zones within the country that make comparing high rainfall arable land with semi-arid grazing land nonsensical. These writings question the process of benchmarking these targets, noting that the meaning has shifted over time from encompassing all land to only encompassing commercial land. Liberals and modernist writers argue that the land reform process should begin with redistributing state land and unproductive commercial land, but should simultaneously avoid unnecessarily impacting on highly developed commercial farms.

II. **The operation of land markets:**

*Government policy is increasingly backtracking from the ‘willing buyer, willing seller’ approach, seeing land markets as an obstacle to the reform process, through increasing use of instruments such as expropriation and the right of first refusal on all transactions.*

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3 The land reform policy and institutional process is examined below (section 4).
4 Key studies are Bernstein and McCarthy (2008) (CDE), which assesses the current status of land reform, nationally, and addresses criticisms towards the land market and policy re-orientation towards non-market intervention strategies, and Bosman (2007) (FW De Klerk Foundation), who examines the current approach to land reform, to comment on the policy re-orientation away from market based mechanism and the unintended consequences that may arise.
Populist writings such as Lahiff (2004) and Hall (2004) have called upon the government to depart from the 'willing buyer, willing seller' policy and utilize expropriation, offering 'fair' rather than market compensation as a means to hasten land reform. These writings argue that the power relationships between farmers and prospective black buyers are asymmetrical and weighted against the latter. Moreover, it is argued that land owners have inflated land values, which has resulted in disputes over compensation. This has, in turn, hamstrung the achievement of settlement between buyers and sellers. Liberals and modernists have challenged this argument, pointing out, firstly, that average land values have risen no more than the increase in the Consumer Price Index (CPI), hence they conclude that farm prices reflect their true value. Furthermore, they argue that the slow progress in land reform is primarily attributable to capacity constraints within the DLA and CRLC and as a result many willing sellers await years to be bought out. These writings argue, on the contrary, that land markets have played an important role in land reform, not least because the market has enabled black persons to purchase farm land privately. There is also significant evidence of private sector driven land reform initiatives wherein small scale farmers have been established as independent producers.

III. The pace and scale of investment in restitution and redistribution:

Government recognizes that the land reform process has been slow, but points to their achievements and the increased budgetary allocation towards land reform as evidence of its commitment towards carrying out reform expeditiously.

The pace of land reform is the cornerstone of populist critiques of the government’s performance. These writings (see Hall, 2004) argue that the land reform process has been undertaken too slowly and that given the level of resources allocated towards land reform, it is unlikely that the government will achieve the overriding objectives by 2014. Most stakeholders accept that the process has been slower than planned. But whereas populist commentators have called on the government to hasten the process through expropriation and increasing budgetary allocations, liberals have argued for a more cautious approach, citing the many land resettlement failures that occurred in the first decade of land reform. The ‘solution’ to land reform, these authors counter, lies in establishing successful black farmers and joint venture partnerships, not simply returning land to the dispossessed.

IV. The scale and scope of post-reform technical and financial support services:

Government has introduced a number of financial instruments to provide finance to land reform beneficiaries and increased institutional support services to provide technical support to land reform beneficiaries.

The government has been roundly criticized over its post-settlement farmer support programme. Across the board writers have argued that too little has been done to support emerging farmers and that the services that should be available are have not been fully accessible. These arguments will be considered later in the report. The government has largely acknowledged these criticisms through enhancing interventions at both national and provincial levels. We must point out, however, that the schools of opinion differ in their expectations of farmer support services. Both liberals and populists seek to support small farm development, including the amendment of legislation to allow for the sub-division of large land holdings into small plots. It has been argued, for example Hall (2004), that there is a ‘mismatch’ between the policy objectives of creating a range of entry points for black agriculturalists at
different levels of scale and the provision of land holdings, which correlate to the relatively large scale farms acquired through restitution and reform. These writers call for the subdivision of large land holdings to enable emerging producers to individually acquire smaller units. Liberal and modernist writers have focused on the need to create and operationalize financial mechanisms that can enable agri-enterprises to acquire investment capital.

2.2 Case Studies of Land Restitution / Reform

Land reform in Limpopo has come under close scrutiny from academic, farming and civil society stakeholders. The scrutiny from these quarters is attributable to several factors, including the relatively high proportion of high-value commercial farmland under claim (almost 40%), the articulated land requirements of marginalized, poor, communities in the former homeland areas, the seemingly slow pace of transferring land and, notably, the relatively poor achievement of many land reform initiatives. There are now many documented cases wherein once highly productive commercial farming enterprises (land, infrastructure and agricultural assets) were handed over to communities only to be neglected and infrastructure destroyed (see CLRDP, 2006). The government has acknowledged these problems. The Minister of Agriculture and Land Affairs admitted in 2007 that in Limpopo there were 77 restitution projects in the post-settlement phase which were experiencing operational difficulties or were considered dysfunctional.\(^5\)

The Consultant examined key literature on the land reform process in Limpopo. The scope of literature comprised desk top studies (drawing on published sources and reports) and primary research. The case studies within this literature are summarized in Annex 3. The main studies consulted were:

**Academic Institutions:**

- CLRDP (2006): The study appraises the land reform process in Limpopo and advances an operational framework for undertaking post-settlement support interventions for land reform and restitution beneficiaries.
- PLAAS / SDC (2006): The study assesses post-settlement support services in three restitution case studies in Limpopo.
- Wegerif (2004) (PLAAS): This study examines the status of the LRAD programme in Limpopo, focusing on specific cases.
- Hall, Isaacs, and Saruchera (2007) (PLAAS): This study looks at land reform in relation to the extent to which Municipalities are incorporating the programme into their Integrated Development Plans.

\(^5\) Minister Lulama Xingwana, Agricultural and Land Affairs Budget Vote Debate for 2007/08 in the NCOP, 06/06/07.
Scholars:

- Groenewald (2004): The article identifies some of the most important conditions for successful land reform in Africa, focusing on South Africa.
- Pentz (2005): The article analyses the prospects for successful land reform and community participation within a specific land claim/CPA scenario in Limpopo.
- James (2007): The book analyses the land reform process in Mpumalanga and Limpopo through case studies and assesses the role of organizational / civil society stakeholders in the articulating land demands and influencing settlement outcomes.
- Robins and Van der Waal (2008): The article examines the reasons for the success of the highly-acclaimed Makuleke restitution case in the Kruger National Park and considers some of the challenges.
- Ramutsindela (2007): This study looks at land restitution in Limpopo with specific reference to its geographical imprint on the Province, and what impact it is likely to have for land ownership patterns.

These studies have utilized published sources and primary data. Primary data has mainly been obtained through interviews with officials (at national, provincial and local level), commercial farmers, land reform beneficiaries, CPA members and funding agencies. Their focus, in general, is on the land reform process and the details for the institutional relationships between the stakeholders, rather than the agricultural or agrarian outcome. This emphasis is attributable to the early phase of most settlements, with many of the resettled beneficiaries yet to fully engage in agricultural production. At this early stage, nonetheless, the literature is swayed towards the conclusion that most restitution projects in the Province have not been commercially sustainable (CLRDP, 2006).

Within this body of scholarship on land reform in Limpopo, the main findings with respect to the land reform process are:

I. **Weak Community Cohesion**

In many restitution cases, the claimants are no longer an intact or cohesive entity, the individuals having disbursed with some members residing in communal areas, others settled on farms, whilst a significant number reside in urban areas. This has led to considerable difficulty in defining or reconstituting the community, a challenge given the movement of people between rural and urban areas. While the land claims process can itself result in forging a collective, albeit an ‘imagined’ identity (Pentz, 2005: 28), in many instances these communities comprise a range of diverse interest groups and class strata. Studies have shown how the ‘middle class’ tend to assume a disproportionate influence within the new community. Furthermore, because kinship affiliation is often a key factor in the recognition of community claims, influential families are often selected to represent the community. But their elevation has sometimes led to inter-family or clan disputes, which in turn has delayed the resettlement process. Hence the complexity of power relationships within claimant communities has been an important factor in undermining and retarding the land claims process (in restitution). These conflicting relationships also threaten the long-term sustainability of community development plans (CLRDP, 2006).
II. Individual Challenges and Organisational Capacity

The establishment of Communal Property Associations (CPAs) follows a largely top-down, institutional / legal, process. This organisational development process has been set-out by the DLA/ CRLR to ensure that the CPA complies with the requirement of the Act. Yet many claimants, notably in Limpopo, are poorly educated and thus struggle to comply with the basic requirements, such as producing identity documents, death certificates, marriage certificates and affidavits, a fact recognised by senior administrators (Gwanya, 2003: 5, cited in Pentz, 2005: 38). This has meant that the claimants have struggled to construct family trees (to identify community members) and document their involvement in the CPA process through means such as recording minutes and important resolutions. The CPA committee members, similarly, have had trouble understanding complex legal principles and development jargon. The dispersion of the community has added to the challenge of seeking broad engagement.

It is generally concluded that most CPAs have very limited capacity and weak leadership to ‘manage’ the restituted land in a fair and equitable manner, and their governance structures have typically been poorly constituted (CLRDP, 2006; James, 2007). Furthermore, a large number of CPAs have not been able to live up to the expectations of their members, while some have become insolvent simply managing the bureaucratic process (Groenewald, 2004). In some cases where failure has occurred, elements within CPAs have begun to call for a more customary approach to land management, whereby the role of traditional leadership is strengthened (James, 2007). This demand for more custodial authority runs contrary to government policy. The members of CPAs have limited experience to manage and resolve conflicts and little recourse to outside mediation.

III. Inadequate Post-Settlement Support for CPAs

Land restitution case studies have illustrated the problems CPAs have experienced with post-settlement support services (PLAAS/SDC, 2006; CLRDP, 2006). The inadequacy of these services has been identified in this literature as one of the main barriers towards successful restitution. The specific challenges include:

- **Service coordination gaps in post settlement support:** While there is a clear need for institutional support to be provided to CPAs, along with ongoing monitoring and evaluation, these are seldom being carried out by any of the government departments. The role of the DLA’s Land Reform Office has not been well defined and municipalities are not yet willing to provide land reform projects with electricity or water.

- **Weak technical support services, limiting productivity:** Projects have not been provided with adequate farm inputs, extension services and credit, and cannot become productive without investment in fencing and irrigation. In some cases, applicants for CASP and MAFISA receive no support from the DoA (LDA). Emerging farmers on land restitution projects have also been provided with little assistance to accessing markets for their produce (CLRDP, 2006).
Poor business and developing planning: In most restitution projects, land use and business plans are drawn up by consultants. These have, in numerous cases, proposed inappropriate strategies which have failed to consider the needs of beneficiaries and viable agricultural options.

Organisational training: Most CPAs have not received any organisational development, guidance or training support.

IV. Funding models

An obstacle to the success of the land reform has been the failure, by government, to provide funding models appropriate to the planned agricultural practice intended after the land has been transferred. Land reform policy has tended to view agriculture as uniform in nature while in fact different forms of production are characterised by varying degrees of risk and intensity, depending on factors such as “the amount of investment needed, the arability of the land, financing and development possibilities, and private sector involvement” (Pentz, 2005:22-23). Government has now acknowledged that it needs to provide a broader range of funding mechanisms supporting different levels of agricultural projects, from low-investment subsistence farming (for poverty alleviation) to high-level investment commercial farming (Thomas, 2004).

V. Poor integration of land reform into Integrated Development Plans

A study of local government and the performance of municipalities in incorporating land reform projects into their IDPs and LED strategies (Hall, 2007) found that the extent to which land reform is being incorporated into IDPs is highly variable. While land and agriculture were seen to be priorities for municipalities in the more rural provinces such as Limpopo and KwaZulu-Natal, there was often a disjuncture between this acknowledgement and the extent to which such activities were planned for in IDPs. Even where land reform is incorporated into IDPs, it was found that many municipalities were not able to implement their IDPs effectively. Under pressure to achieve their ‘core business’ municipal officials tend to pay little attention to land reform objectives. There are also problems in accessing DLA funds, aligning the duties of various role-players, managing and accessing relevant information and municipal jurisdiction, among other things.

VI. Weak Institutional Capacity

The main institutions driving the land reform programme, such as the DLA, LDA, and RLCC, have reportedly struggled to meet service demands. Internally, these institutions took a long time to adapt to the complexities of the LRP as “new, and often bureaucratically inexperienced officials [had] to negotiate a range of new power relations, legislation, procedures, and interdepartmental politics” (de Wet, quoted in Pentz, 2005:23). These challenges were accentuated by staff shortages and inadequate budget provisions. The net result was that many land reform beneficiaries went without training and technical support, whilst financial services and grants have not been provided in accordance with the protocol. In Mpumalanga Province, the weakness of institutional capacity has meant that much land acquired for restitution has not been settled; by April 2008 more than 80% of the farms transferred for restitution in Badplaas, for example, had not been allocated and lay unused (Bernstein and McCarthy, 2008). The authors report a similar situation in Limpopo, where there is reportedly declining confidence in the capacity of the key institutions to perform their mandated roles. The scholarship is in broad agreement that most land settlement projects
are characterized by an absence of established systems of planning, benchmarking, monitoring, evaluation (CLRDP, 2006).

VII. Strategic Partnerships

Land restitution beneficiaries typically lack the necessary skills and capacity to sustain, manage and operate commercial farms (CLRDP, 2006). As a result of past failures, the government has come to recognize the value of strategic partnerships between beneficiaries and commercial farmers. Leading officials have spoken about ‘public-private partnerships’ as an ‘innovative’ approach (Gwanya, 2004). These enterprise partnerships not only ensure the commercial viability of the restituted land, but can potentially create new income streams for the community from land rental, shareholding in the agri-business entity and investment in other income generating ventures such as tourism. In a number of cases, the partnership approach has enabled the land reform beneficiaries to gain ownership of the most profitable aspects of agriculture, namely marketing and value-adding and hence benefit from the continued productivity of the farms. These partnerships also align with the AgriBEE framework.

In several cases, including Zebediela, Lisbon and Gillemberg estates, partnerships have resulted in the revival of the enterprise and new investments, highlighting their potential to achieve a ‘win-win’ outcome for beneficiaries and the commercial partner. Scholars have argued that although these partnerships make sense in situations in high-value commercial agriculture, it is important that the resulting enterprise develops multiple income streams to off-set the high expectation for employment among beneficiaries. One scholar has observed that the settlement of claims appears to be conditional on a partnerships outcome (Hall, 2004: 20). The LDA and RLCC-L regard the strategic partnerships forged in the case of the Makuleke, Zebediela, and Bjatla communities as success stories (CLRDP, 2006). The factors determining the success of these cases have been “the communities’ effective transition to land ownership through profitable joint venture partnerships, continued effective land use (e.g. farming and eco-tourism) and the communities’ ability to generate tangible (financial, skills transfer and land use) benefits after the land was restituted” (ibid.: 36).

VIII. New Development Possibilities

The case of the Makuleke community on the border of the Kruger National Park shows that forging partnerships with strategic partners to manage restituted land can have a positive developmental outcome (Robins and Van der Waal, 2008). The Makuleke have benefited from various income streams and job opportunities, whilst the outcome has itself attracted NGOs to support the community in a range of development projects. Writers report that the success is attributable to the role of the CPA, which established an early strong and supportive relationship with the Traditional Authority.

2.3 Gaps in Research

- Developmental Benefit

Despite the breadth of literature, it is argued that “little is known about the extent to which land reform is in fact promoting justice and reconciliation, or bringing about development and improved livelihoods for beneficiaries” (Hall, 2004: 60). While recent studies have attempted to address this lacuna through case studies, there is little research that specifically focuses
on the economic and developmental outcome of land reform. An exception is the analysis of the Makuleke community (Robins and Van der Waal, 2008), though this case focuses on the management of community based natural resources rather than agricultural assets. In the three cases studies on CPAs in the Vhembe district (PLAAS/SDC, 2006) the beneficiaries acquired unused state land which was then used for subsistence purposes.

The outcome of strategic partnerships has yet to be carefully studied. Many of these partnerships are relatively new, although evidence has begun to show how the beneficiaries are beginning to profit from allied initiatives such as Fair Trade (Limpopo Guide to Fair Trade, 2008). Studies that specifically assess partnerships between CPAs and strategic partners (such as CLRDP, 2006) have focused less on the developmental outcome and more on recommendations on how these initiatives can be better supported by public and private role-players.

- **The agricultural environment**

The agricultural environment in which land reform beneficiaries have to engage to sustain their livelihoods and farm profitably has been under-researched. The available literature tends to assume that improved planning within the LRP, more appropriate land parcels, enhanced technical and financial services will result in a sustainable agrarian outcome. But few studies have seriously considered the nature of the economy that will impact on this transition and the conditions in which small farmers are to operate profitably. The Consultant has been unable to identify any systematic studies that detail the economic impact of land reform in Limpopo.

- **Local economic development**

The secondary literature has given little attention to the implications of land reform on LED and municipal planning processes in terms of service provision and spatial development. One of the only studies that has been done on land reform and LED, a self-acknowledged ‘exploratory study’ of the topic (Hall, 2007), confirms that there is an urgent need for in-depth research on this topic to determine what the challenges and lessons from local government are in their attempts, or lack thereof, to incorporate land reform into their local development plans.

### 2.4 Policy Debates

Land reform policy has altered since 1994. The shifts and changes have been influenced by the research undertaken by think-tank organizations and academic institutions. The main policy recommendations propounded by these stakeholders are:

- **Centre for Development and Enterprise:** CDE argues that a thorough policy review is necessary and justified by past mistakes. It argues for the need to treat land for housing differently from land for agricultural settlement. Land reform, it argues, cannot by itself relieve mass rural poverty and therefore requires other programmes to ensure viable, commercially oriented, outcomes. CDE advocates an action oriented multi-sectoral partnership to manage the land reform process. This partnership should accomplish five core tasks, namely: complete restitution speedily, get redistribution on the right track, deracialise commercial agriculture, tackle rural poverty directly and spend more resources on land reform.

- **Programme for Land and Agrarian Studies (PLAAS):** PLAAS has consistently argued for policy revision to expedite the land reform process and improve support to small-scale farmers. It has led calls on the government to revise market-based
approaches such as LRAD and move away from the WSWB doctrine as these approaches, it argues, have failed to transfer significant areas of commercial land or achieve sustainable outcomes. PLAAS has advocated joint policy development and convergence in the areas of land affairs, rural development, agriculture and local government. At the National Land Summit (see below), PLAAS recommended a policy of market-assisted land reform in which redistribution occurs via state grants, market transactions are mediated by the state (using expropriation, if necessary) rather than using WSWB.

- **SADC Centre for Land-Related, Regional and Development Law and Policy (CLRDP):** CLRDP has emphasized the need for policy improvement in the governance of the land reform programme. It advocates increased national-level commitment, especially in fiscal and strategic planning to post-settlement farmer support. It calls for the establishment of provincial land reform forums to enable integrated planning and the incorporation of land reform projects into PGDS and IDPs. CLRDP argues that a range of provincial and local-level support services should be identified and mobilized. Municipalities should play an increased role, thus decentralizing service delivery and improving community outreach.

- **FW de Klerk Foundation:** The Foundation stresses that land reform must be part of a broader socio-economic transformation process. However, land transfers should be undertaken in an equitable and Constitutional manner, being fair to all those involved. The outcome should ensure that farmland is utilized productively. Fifteen specific recommendations are made, including the call that Land Affairs be sufficiently capacitated before initiating proactive land expropriation and that if expropriation is to be used, the government should clarify what is meant by ‘fair’ compensation as should the methodology through which the state will use to determine how much to pay if it has the right of first refusal.
Part B

3 THE INSTITUTIONAL FRAMEWORK OF LAND REFORM

3.1 The Evolution of the Land Reform Programme

Background

A brief historical description of the land reform process is presented in the Timeline, showing the chronological sequence of major events. The most important Acts pertaining to land reform are shown in the Summary of Key Legislation.

Between 1960 and 1980, close to 4 million black persons were subjected to racially-based dispossession of their land and forced removals under apartheid policies. The Group Areas Act and the Urban Areas Act ensured that non-white persons were removed from 'white' urban areas. The 1913 Native Trust and Land Act mandated the removal of black persons from areas outside the homeland territories (which had been 'scheduled' as reserves for black persons). These areas included the so called 'black-spots' within 'white' commercial farmland and mission stations. Communities were dispossessed of their land as commercial farming modernized with labour being replaced by machinery. This process of removal, however, was often gradual, with communities slowly dispossessed over many years as surplus labour was expelled from farms. Most persons forcibly removed from commercial areas ('non-scheduled areas') were officially resettled in the homelands, though many moved and resettled in urban centres. A significant number of forced removals also occurred within the homelands as a result of "betterment" planning and as part of the then government's strategy to consolidate ethnic communities.

In 1990 President FW de Klerk admitted that the government's "homeland" policy was a failure and promised to reintegrate the homelands into South Africa. The following year the government promulgated the Abolition of Racially Based Land Measures Act, revoking much of the segregationist legislation. The 1993 Interim Constitution included measures enabling black persons to regain land they had lost under apartheid. This intervention laid the foundation for the introduction of the Land Reform Programme (LRP) soon after the first democratic elections were held in 1994.

Land Restitution, Redistribution and Tenure Reform

The first and most central piece of legislation passed to undertake land reform was the Restitution of Land Rights Act (RLRA) (No. 22 of 1994). The aim of this Act was to provide for the restitution of land rights to individuals or communities who had been deprived of their land after June 1913, the date of the original segregationist act, provided that the claimants had not received just and equitable compensation previously. The RLRA provided for the establishment of the Commission on Restitution of Land Rights (CRLR) and the Land Claims Court (LCC). The CRLR was duly established in 1995, consisting of the Chief Land Claims Commissioner and seven Regional Commissioners. The commissioners were mandated to investigate the merit of claims, facilitate negotiated settlements, mediate in conflicts, report on unsettled cases to the LCC, promote sustainable use of restituted land and fulfill all other stipulations of the Act. In 1996 the LCC was constituted, with the same status as the High Court, to hear disputes and determine rights to restitution and land compensation. While claimants initially had to approach the LCC through the CRLR, a later amendment to the RLRA made provision for a procedure whereby claimants could have direct access to the court, a move which hastened the finalization of claims. RLRA was amended in 1997 to bring it in line with the Constitution and extend the cut-off date for restitution claims (to 31 December 1998); a year later it was again amended to allow officers...
Further amendments to the RLRA were made in 1999. These sped up the restitution process by doing away with the need for a claim to be referred to the LCC where the interested parties had reached an agreement. The Minister of Land Affairs was given the authority to make an award, pay compensation and grant financial aid in support of these agreements. Ministerial powers to make awards were also delegated to officers in the regional commissions, decentralizing the process and making it more efficient. The amendment enabled the land reform process to shift from a judicial process to an administrative, procedural, process.

The land redistribution component of the LRP also got underway in 1995 with the introduction of the Settlement/Land Acquisition Grant (SLAG), providing small grants to black persons to purchase agricultural land. Tenure reform was enabled the following year with the passing of the Interim Protection of Informal Land Rights Act, which protected those with informal rights from eviction in the short term, pending the introduction of the Land Reform (Labour Tenants) Act. This Act sought to improve the security of tenure for labour tenants and allow them to acquire land rights on the farms on which they have historically lived.

In 1996 a number of other legal and institutional measures were introduced to support land reform. The Constitution was adopted, which in Section 25 set out conditions for land reform, property rights and the powers of the state to acquire or expropriate land. Section 25 states that no person may be deprived of property except in very specific circumstances and that the amount of compensation and the time and manner of payment must be just and equitable. The Constitution partially off-sets these provisions against the need to balance public interest against those of the affected land holder.

The Constitutional imperative to protect private property and ensure just and equitable compensation had a significant influence on the conception and implementation of the LRP. As a result of this influence, the willing seller, willing buyer (WSWB) principle entered into the land reform discourse. It has been argued that by 1997 this principle had become the cornerstone of the LRP (Lahiff, 2005). Acceptance of the WSWB principle meant that willing sellers are free to sell to anyone they choose at a price they are free to negotiate: they are not obliged to offer their land to the government or to sell to land reform beneficiaries. Where the willing buyers were beneficiaries of the LRP, they would have to identify land and then negotiate with willing sellers in order to secure the purchase. In case of land under restitution, where government is the sole buyer, the WSWB approach means that negotiations to purchase the land at market value are undertaken, but referred to the LCC for a ruling were the parties remain in dispute.

**Progress, Pressure and Rethinking**

By 1998, the final cut-off date for lodging claims, some 67 531 claims had been submitted to the CRLR for verification. After three years, government reported that nearly half of the claims had been settled (33 510). However, most of the claims settled by this date were either urban claims (which constitute about 80% of all claims), where restitution most often took the form of cash settlements, or claims for state land. Rural claims, especially complex claims (involving large areas and numbers of beneficiaries) and costly rural claims, where the land value was disputed, remained to be settled.

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6 Although 63 455 claims were initially submitted, the number increased after verification, ostensibly because many group claims were subsequently divided into separate cases. Consequently, by 2007, CRLR statistics suggested there were an estimated 79 694 claims in total (see Ramutsindela, 2007).
In 2001 the government replaced SLAG with the Land Restitution for Agricultural Development (LRAD) programme as the main instrument to advance redistribution. LRAD was designed as a market-driven programme, providing larger grants to emerging black farmers with the aim to create 70 000 black commercial farmers within 15 years. LRAD was seen as a vehicle for advancing the policy objective of distributing 30% of (white-owned) commercial agricultural land to black farmers. By 2003 over 2.3 million hectares had been transferred to emerging farmers.

The early 2000s were characterized by growing discontent among civil society and land activist groups at the perceived slow pace of land reform. The opposition drew on research which showed that the government had failed to meet its benchmarks and allocated too few resources towards land purchases. The slow pace was attributed to capacity constraints and the perceived ineffectiveness of market mechanisms. Groups such as the Landless People's Movement called on the government to abandon its acceptance of the WSWB approach and utilize means such as expropriation. The radicalization of the land debate was also influenced by events in Zimbabwe as the government there commenced its 'land grab', a move (initially) applauded by populist groups and intellectuals.

By 2003, key stakeholders in the National and Limpopo Governments had begun to recognize that many of the land resettlement initiatives were not sustainable. Poor management, inadequate skills and know-how among beneficiaries and weak institutional capacity to provide resources and technical services had led to multiple failures. The Limpopo Agricultural and Rural Development Corporation (ARDC), for example, had singularly failed to manage 285 projects in the seven years since its launch in 1996. As a result of these disclosures, provincial leaders began to seek more pragmatic solutions to achieve the overarching land reform objectives. One solution was to support the engagement of private sector ‘strategic’ or ‘joint venture’ partners to assist new land owners in profitably running farms. The RLCC Limpopo thus established the Partnership for Sustainable Land Reform (PSLR), an initiative whose aim was to form partnerships and engage expertise from the public, private and NGO sectors.

President Mbeki signed several amendments to the RLRA in 2004, including an amendment to enable the Minister of Agriculture to expropriate farms without first going to court. Farmer organizations saw this amendment as a threat to their rights and a sign that the government was contemplating a more radical approach to land reform. In the same year government launched the Comprehensive Agricultural Support Programme (CASP) to improve post-settlement support measures. CASP aims to provide grants to emerging farmers for infrastructure and to mobilize extension services. The President also announced that one billion rand would be set aside for an Agricultural Credit Scheme (ACS) to support land reform beneficiaries. In the same year the AgriBEE framework was launched, setting out benchmarks and the protocol for the compliance of agricultural enterprises with Broad-Based Black Economic Empowerment (B-BBEE) legislation. The AgriBEE Charter was approved in March 2008, setting specific transformation targets and monitoring compliance through a score card mechanism.

Opposition to the government’s land reform policy reached a high point in July 2005 when over 1000 stakeholders from the government, political parties, NGOs, the private sector, academic institutions and land reform beneficiaries meet at a National Land Summit to deliberate policy. The outcome was documented in the booklet A Partnership to Fast Track Land Reform: a New Trajectory Towards 2014. The Summit produced the following agreements and resolutions:

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7 In his 2003 budget vote speech, the Limpopo MEC for Agriculture outlined a policy shift towards engaging ‘strategic partners’ to assist running land reform agricultural enterprises.
• At least 30% of ‘white’ commercial farmland should be redistributed to emerging and small-scale black farmers by 2014.

• ‘Current approaches’ failed to achieve objectives. The Summit concluded that ‘current approaches’ (including reliance on the WSWB principal) was unable to deliver land at the speed or on the scale needed. It was also felt that the market approach did not permit the realization of favored development outcomes, such as the creation of sustainable small-scale farmers.

• Partnerships are needed. The Summit advocated the creation of inclusive partnerships between the government, beneficiaries, farmers and other civil society, drawing upon the respective resources and expertise of each.

• A stronger role for the State: In order to accelerate and ensure sustainable land reform, the State should play a stronger role. Market mechanisms alone, the Summit concluded, would not achieve the kind of change needed / desired. The capacity and resources of the state should therefore be substantially enhanced at all levels.

• Improve the lives of farm dwellers: Delegates regretted that the LRP has done little to improve the lives of farm dwellers, some of whom, reportedly, continue to endure human rights abuses. Urgent action was encouraged to protect their rights.

In the wake of the Land Summit, the government began to shift its policy in line with the major resolutions and recommendations. The shift occurs, notwithstanding, at a time that evidence of corruption has prompted a full scale review of the verification and evaluation procedures for land claims. In his 2006 State of the Nation Address, the President announced that the government would no longer automatically apply the WSWB principle, but would instead consider expropriation in certain cases. He further reported that it was reviewing land acquisition models and investigating allegations of land price manipulation. The shift in the policy mood was born-out at the ANC’s Polokwane Conference.

An important aspect of this policy shift was the government’s embrace of the recommendation for the LRP to be more decentralized, locally driven and coordinated at municipal level. Local government is now required to play a more active role in all areas of land reform, including in the provision of services to beneficiaries and in identifying their needs. This has meant that local governments have to include land reform in their Integrated Development Plans (IDPs). To strengthen their capacity to fulfill this role, the Proactive Land Acquisition Strategy (PLAS) was launched in 2006. PLAS aims to support local government to develop area-based planning and improve coordination among the institutions responsible for land reform. Adding a further pillar to bolster local government capacity, the DLA has introduce the Area Based Planning (ABP) programme, which aims to improve the alignment and sustainability of land reform projects and generally ensure that municipalities incorporate land reform into their LED strategies. A further measure to enhance institutional capacity is the Settlement and Implementation Support (SIS) Strategy. The SIS aims to develop comprehensive planning for the LRP, ensuring that land reform must be "everybody's business" and placing it at the centre stage of local government, ensuring that all land reform projects are embedded in IDPs, LEDs and PGDS. The government has recently introduced the Land and Agrarian Reform Project (LARP) as a ‘one stop shop’ to streamline land reform, again underlying the general commitment to decentralize land reform service provision.

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8 The conference reiterated the 30% redistribution target and called for the establishment of smallholders and family farms. It advocated state intervention in land markets, through introducing a land tax, and the use of expropriation.
In 2007 the government announced that 74,000 out of the 79,694 land claims, or at least 90%, had been settled. Yet many rural claims remain unresolved. As a demonstration of its new resolve, the government used expropriation for the first time to bring a land claim to completion. Clearly intent on advancing the use of expropriation, the DLA developed a new Expropriation Bill, which was approved by Cabinet on 6 March 2008. The Bill was tabled in Parliament in April 2008 and is awaiting debate. Both the Bill’s content and the way public participation on the Bill has been undertaken have raised the concern of opposition parties and civil society institutions, who have said it is unconstitutional. Land reform activists, on the other hand, have welcomed its development and called for its speedy passage.

3.2 Instruments of Land Reform

The three main instruments of land reform are restitution, redistribution and tenure reform. These instruments seek to cater to varying land needs, from historical and ancestral links to land to the economic needs of small-scale and emerging farmers.

Restitution

Restitution seeks to return land / or provide compensation to individuals or communities dispossessed of land after 19 June 1913. There are various restitution settlement options, these include:

- The acquisition and return of the land of which claimants were dispossessed. Land is acquired and restored to the claimants or the legal entity representing a claimant community. The restoration process is implemented in accordance with a land use plan.

- The acquisition and transfer of alternative land to claimants.

- Financial compensation, determined using a specific formula. Most urban claims have been settled through financial compensation.

- Placing claimant/s in housing or other developments in the area they were removed from, or in an alternative area.

In the case of rural claims, the government has favored settling these claims through restoring land rights. Claimants who chose to settle on restituted land are afforded priority in accessing state resources, including housing and agriculture development support.

The restitution claims process is summarized below in Table 1. There are six stages, beginning with the lodgment of the claims with the CRLR. The CRLR, through the RLCCs, then validated the claims; this process was completed in December 2002. Claims determined to be valid were then gazetted. The RLCCs then undertook a process of verification to determine the validity of the claim and adjudge counter-claims. Once claims are validated, the process becomes more complex as it requires negotiation between the RLCC, the claimants, the land owners and other institutional stakeholders. If the parties agree to the valuation outcome and the claimants agree upon a land use management plan, then the process results in settlement and the land can then be restored.
Table 1: The Restitution Process

<table>
<thead>
<tr>
<th>Stage</th>
<th>Key Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgment</td>
<td>• Preliminary research carried out; all lodgment completed by 31/12/1998.</td>
</tr>
<tr>
<td>Validation</td>
<td>• Claims complying with criteria for acceptance are validated.</td>
</tr>
<tr>
<td></td>
<td>• Validation campaign completed by December 2002. Valid claims gazetted.</td>
</tr>
<tr>
<td>Verification</td>
<td>• Verifies valid claims and claimants.</td>
</tr>
<tr>
<td></td>
<td>• This process runs parallel to negotiating and settling claims.</td>
</tr>
<tr>
<td></td>
<td>• Measures to speed up verification embarked on in 2003/04.</td>
</tr>
<tr>
<td>Preparations for Neg and Settlement</td>
<td>• Valuations conducted, identifying appropriate alternative awards, where appropriate, such as a standard settlement offer.</td>
</tr>
<tr>
<td></td>
<td>• Stakeholder meetings and discussions regarding appropriate settlement facilitated.</td>
</tr>
<tr>
<td></td>
<td>• Agreements finalised.</td>
</tr>
<tr>
<td></td>
<td>• Implementation and post-settlement plans agreed.</td>
</tr>
<tr>
<td>Negotiations</td>
<td>• Claims prioritized.</td>
</tr>
<tr>
<td></td>
<td>• Accepted and gazetted claims batched and final screening takes place.</td>
</tr>
<tr>
<td></td>
<td>• Legal entities for claimant communities (CPIs) established.</td>
</tr>
<tr>
<td>Settlement</td>
<td>• Final Ministerial approval must be obtained.</td>
</tr>
<tr>
<td></td>
<td>• Financial compensation paid.</td>
</tr>
<tr>
<td></td>
<td>• Purchase and transfer of land completed.</td>
</tr>
<tr>
<td></td>
<td>• Handover, where relevant, for implementation.</td>
</tr>
</tbody>
</table>

Source: Adapted from CRLR information leaflet: “The Business Process”.

Redistribution

Section 25 (5) of the Constitution obliges the government to undertake a land redistribution programme, stating that “the state must take reasonable legislative and other measures...to foster conditions which enable citizens to gain access to land on an equitable basis”. The government has set the target of redistributing 30% of white-owned commercial agricultural land to black beneficiaries by 2014.

SLAG, the initial mechanism to support redistribution, provided grants of R16 000 to qualified persons to purchase and develop agricultural land. Under this mechanism, further money could be sought for planning, facilitation and dispute resolution. The government replaced SLAG with the LRAD programme. LRAD grants were available to all black South Africans over 18 years of age who wished to enter farming and could invest R5000 towards this objective. Those applicants who could obtain loans from commercial banks or invest their own capital were entitled to apply for larger grants up to R100 000). The basic grant was subsequently increased to R20 000; it may be used either to purchase land, or shares in an agri-business, or to buy inputs for agricultural activities in communal areas (Bosman, 2007). Both SLAG and LRAD grants have been used to purchase equity in farming enterprises. Farm workers are often the beneficiaries of these share equity arrangements (Hall et al, 2007). Municipalities may also purchase land through LRAD for use as municipal commonage or to provide arable allotments for disadvantaged residents.

Tenure Reform

Tenure reform is intended to improve the security of tenure of both workers dwelling on commercial farms and persons living in former homelands. This has been the slowest and most contested aspects of the LRP to date. A number of Acts have been passed to support tenure reform objectives. The Land Reform (Labour Tenants) Act ensures the protection of tenure rights of farm dweller. The Extension of Security of Tenure Act (ESTA) protects other rural occupiers of land against arbitrary eviction.

The Communal Land Rights Act of 2004 (CLARA) was introduced to provide security of tenure for communities in communal areas by transferring land ownership from the state to
It further seeks to ensure the democratic administration of this land by these communities through the establishment of land administration committees. Communities have been left to decide what role traditional leaders will play within these committees, though the door has been left open for communities to effectively transfer the responsibility for land management to traditional councils. CLARA is currently being challenged in the Transvaal Provincial Division High Court on the grounds that it does not ensure gender equity, whilst tribal control over land affairs will impact on vulnerable and marginalized groups.

3.3 Land Reform Outcomes

**Settlement:** Land reform beneficiaries have often used the land simply as a place to settle and carry-out low investment agricultural activities. Some of the SLAG beneficiaries decided to pool their grants to purchase land on which to settle. In many cases, no agricultural activities were subsequently carried out on the land, a tendency referred to by critics as the “rent-a-crowd” syndrome (see Hall, 2004; James, 2007). A large portion of the beneficiaries of restituted land have only used the land for settlement. The 2006/2007 Annual CRLR report states that “housing will play an increasing role” in settlement outcomes; the percentage of beneficiaries that have used land for housing alone has risen from 8% to 16.5%.

**Small-farmer establishment:** The land redistribution component of the LRP has seen the establishment of small farmers. By 2004 SLAG grants had supported 599 settlements on 358,201 hectares of land for 95,871 beneficiaries (Hall, 2004: 33). This achievement did not, however, translate into sustainable agricultural entities as most of the settlements remain marginalized, engaged in no more than low level subsistence production.

The introduction of LRAD in 2001 was meant to integrate land acquisition with agricultural development. While criticized for moving away from a pro-poor approach that allowed for the resettlement of poor households on land for subsistence purposes (Hall, 2004), LRAD has seen the establishment of increased numbers of black farmers engaged in small scale commercial production on redistributed land. By 2004 the LRAD programme had supported 1001 projects, representing 465 beneficiaries, on 376,963 hectares (Hall, 2004: 29).

Forty-eight percent of land in settled restitution claims has been set aside by beneficiaries for agriculture or a combination of housing and agriculture (CRLR annual report 2006/07: 65). The remaining land has been reserved for a combination of agriculture and other uses such as tourism and game farming.

**Community land ownership:** Because restitution claims typically involve large numbers of claimants, rather than individuals, the land reform process needed to accommodate mechanisms of communal land ownership. Communities can register a closed corporation (cc) if they wish to manage their land as a business for profit, or form a trust, through which a small number of trustees are empowered to manage the assets and make decisions on behalf of the beneficiaries. But to ensure that land assets were democratically managed, the government made allowance for the creation of Communal Property Institutions (CPIs).

The **Communal Property Association (CPA)** Act was passed in 1996 to advance this objective, setting in place legal means through which groups of claimants could acquire, hold and manage property, as agreed by members in a written constitution. The requirements for establishing a CPA are set out in Box 1. CPA members have rights, including rights to live on the land, use the land or parts of the land. The Act allows a CPA to determine its members’ rights. The Act stipulates that the members must elect a committee to perform specific functions, in line with a democratically developed written constitution. If the

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community lacks the capacity to form a CPA, they may nevertheless form a provisional association, which allows them to settle and use land, but not own, sell or mortgage the land. The community then has 12 months to develop a constitution and register their CPA.

**Box 1: Steps for Establishing a CPA**

<table>
<thead>
<tr>
<th>Step 1) Inform the DLA of your intention to form a CPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The DLA will then appoint an official or service provider to assist the community with the organisational process.</td>
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</table>

<table>
<thead>
<tr>
<th>Step 2) Run preparation workshops</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Hold an initial meeting. All people affected by any decisions related to the potential CPA must be engaged. At least a weeks notice should be given and an agenda drafted. At the meeting, the DLA should explain the requirements of the CPA Act.</td>
</tr>
<tr>
<td>• The meeting must elect a working group to ensure agreed actions are acted upon. The minutes of this meeting (and all meetings) must be recorded.</td>
</tr>
<tr>
<td>• Hold a second meeting to discuss the community's land use plans and aspirations. The meeting must ensure that everybody understands how a CPA will affect their legal rights to the land and other relevant laws.</td>
</tr>
<tr>
<td>• Hold a series of workshops at which all aspects of the CPAs, such as rights, duties of members and committee, community structures, inheritance etc., are discussed and recorded. This information will be used to form a draft constitution.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 3) Develop a constitution for the CPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A committee or task group must be elected to draft the CPA's constitution. The constitution should adhere to the requirements of the Act. It should include the name, address and details of members and requirements for membership; the types of membership will exist; member’s rights; the land and how it will be shared out and used; how the committee will be elected or changed as time passes; their powers; whether they will be paid; when the AGM will occur every year, its procedures and how many members make up a quorum; the same details for general meetings; the powers of the CPA; who is responsible for taking and looking after minutes; how members will receive minutes; how finances will be managed, including who can write cheques or operate accounts, who will record financial matters and where, who will look after the financial records and how members will be informed about these records; details about the auditing of finances; how to share earnings and profits; rules for changing the constitution; how to close down the CPA; what happens to CPA property in this event; how to discipline members; and details of conflict resolution measures.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 4) Adopt the constitution</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A general meeting of all members must be called to agree on the constitution. A DLA official should be invited.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Step 5) Apply to register the CPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The application should include the following information: the draft constitution; a formal agreement to follow the principles of the CPA Act; the names of the committee members; information on who lives on the land and how it is used; what services are needed (roads, electricity and water); the name of the nearest town or settlement; details of agreements with service providers responsible for social or development.</td>
</tr>
<tr>
<td>• The DLA will then register the CPA and issue a certificate with a number.</td>
</tr>
</tbody>
</table>

**Duties of CPA members**

Follow the rules of the Constitution; ensure the Committee follows the Constitution; ensure the Committee is working for the good of members; attend, speak and vote at meetings; make sure everyone is treated fairly; hold copies of the Constitution, records of decisions, minutes and financial statements.

**Duties of the CPA committee**

Follow the rules of the Constitution; ensure that members and committee members follow the Constitution; ensure the Committee is working for the good of members; attend, speak and vote at meetings; make sure everyone is treated fairly; inform members of meetings by giving public notice in good time (2 or 3 weeks); allow members to look at minutes and other records; act for the good of members of the CPA.

Over 600 CPAs have been formed by claimant communities nationwide. There are 113 CPAs involved with post-settlement land restitution projects in Limpopo. A number have taken over what were highly productive farms in prime agricultural areas such as the citrus sector. But due to lack of capacity, knowledge and skills, poor leadership and insufficient
post-settlement support, many of these enterprises subsequently failed (see CLRDP, 2006). In her 2007 budget vote speech the Minister of Agriculture and Land Affairs, Ms Xingwana, acknowledged that there were 77 ‘troubled’ land reform projects in Limpopo.9

**Strategic or joint venture partnerships:** In the last five years, the evident failure of many land restitution initiatives has prompted various role players to propose that CPAs engage ‘strategic’ or ‘joint venture’ partners from the private sector (see CLRDP, 2006). These partners could then assist the CPAs to manage commercial agricultural enterprises on their land for a share of the profits. It was envisaged that the strategic partners would undertake skilling and capacity building with a view to handing management back to the CPA in due course.

Since the endorsement of strategic partnerships, two kinds of partners have come forward. On the one hand, a number of the strategic partners are the previous landowners, who have either approached the CPA or been approached by the CPA to run the enterprise in the manner formerly operated, but with profits shared. On the other hand, a small number of specialist agri-business management consulting firms have come to the fore, some with significant access to finance and global markets, who have entered partnerships with communities through open tender processes.

The CPA enters into an agreement with the strategic partner, specifying the length of the management contract (for a set timeframe, usually less than 15 years), human resources mobilization and capacity building, and the modalities of profit share. Partnerships typically involve share ownership in the agri-enterprise, divided 51% to the CPA and 49% for the partner. In some arrangements, 2% of the profits are invested in a farm worker trust. In an ideal situation, the partner and the beneficiaries should both invest capital into the joint venture; but in most cases, the beneficiaries are dependant on the provision of state grants and until these are released the community holds only nominal ownership in the enterprise. In Part C we elaborate on the opportunities and constraints of joint venture partnerships.

**Safeguards and limitations:** In all these outcomes, safeguards and limitations have been put in place to ensure sustainability. In the case of communal ownership of common property, the CPA Act ensures basic legal safeguards are upheld, whilst the management of CPAs has been detailed in several official handbooks and manuals. CPAs are required to abide by their constitution, operate transparently and accountably, hold regular meetings with members; produce annual reports & financial statements and ensure democratic participation on all important matters. Furthermore, CPAs are prevented from selling the land they have been given. In joint venture partnerships, officials from the LDA and local government departments sit on the CPA committee to provide advice and oversight to ensure transparency.

### 3.4 Institutional Support Services

Various government ministries have been mandated to provide post-settlement support to beneficiaries of land reform. The NDA (and Provincial LDA) plays a lead role, with supportive roles provided by the Settlement Support Units of the RLCCs and local municipalities. Effective communication between these players has been challenging and partly accounts for the poor results from post-settlement support interventions achieved up to 2004 (Hall, 2004). Over the last three years, however, government has sought to improve service delivery through the introduction of additional grants and new programmatic interventions which involve local-level planners.

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Financial Assistance

A range of financial assistance packages are available to land reform beneficiaries, including:

- **LRAD Grants**: As well as being used to purchase land, LRAD grants can be used to cover additional expenses such as land improvements, agricultural infrastructure investments, capital assets, inputs and lease options. LRAD Planning Grants are also available to beneficiaries to enable them to plan projects and prepare larger grant applications. In May this year the Minister of Agriculture announced that the LRAD grants would be increased, the basic grant going up from R20 000 to R111 125 per beneficiary, with a maximum of R450 085 available to those who can provide suitable capital of their own.

- **Comprehensive Agricultural Support Programme (CASP)**: CASP provides a range of post-settlement support services to small farmers through the provincial departments. The government has allocated R750 million to CASP over three years. Between R10 and R20 million are set aside for land reform beneficiaries in each province. CASP funds are given in the form of a once-off grant, usually for investment in infrastructure. CASP also provides start-up capital to emerging farmers to initiate their projects. While all land reform beneficiaries are eligible for funding, officials report that restitution projects often do not get first priority as they receive other grants. CASP funding is rarely given to land reform beneficiaries who have entered into strategic partnerships as they are perceived to have already accessed their own sources of capital to invest in and run their enterprises.10

- **Restitution Discretionary Grant (RDG)**: The RDG is awarded by the RLCC to restitution beneficiaries to assist them to secure, relocate to and begin to manage restored land upon settlement. The RDG is set at a maximum of R3 000 per beneficiary household, although the government cautions that ‘budgetary constraints’ may determine whether the grant is awarded or not (MALA, 2001). Claimants (CPA members) may pool their RDGs and the use the capital in accordance with the rules and provisions of the Constitution of the CPA.

- **Settlement Planning Grant (SPG)**: SPG grants are administered by the DLA to assist land reform beneficiaries to plan for the acquisition, settlement on, use and development of their land and to mobilise the resources they need to do this. The SPG must be used to select and enlist the services of accredited planners and other professionals to assist applicants to develop settlement plans. An amount of up to nine % of the total project cost can be granted for the planning stages: three percent for a feasibility study and the remaining six percent for detailed project design. Specific services covered by the SPG include land valuation and survey, assistance with land purchase negotiations and the formation of a legal entity, land use planning, legal and financial-planning assistance, infrastructure planning, and the management, administration and disbursement of other grants received by the beneficiaries, such as the RDG. Tenure reform beneficiaries may access the grant to clarify and record their rights to land (MALA, 2001).

- **Development Assistance Grant (DAG)**: The RLCC may provide DAGs to restitution beneficiaries to enable land claimants to invest in their land and develop the agricultural enterprise. An amount of up to 25% of the value of the land may be awarded towards developing infrastructure or other necessary capital investment.

10 Interview with M. Nthai, Land Reform Adviser, Limpopo Department of Agriculture. 12/06/08. Sekororo.
The RLCC has recently relaxed the conditions to allow the DAG to be used by beneficiaries to purchase equity in joint agricultural ventures with strategic partners.

- **Agricultural Credit Scheme (ACS):** Government announced in 2004 that additional funds would be available to emerging farmers and new entrants through the revived ACS. One billion rand has been set aside to support small and medium agricultural enterprises with their credit needs.

- **Micro-Agricultural Finance Schemes of South Africa (MAFISA):** MAFISA was piloted in the 2006/2007. It provides funding to financial institutions such as the Land Bank for on-lending to beneficiaries of land reform and other target groups. In its first year, MAFISA allocated R150 million to finance small-scale crop production, broiler production, ostrich farming and enable emerging farmers to purchase agricultural equipment. In 2007/08 the annual allocation of funds for MAFISA was increased to R250 million. The average size of individual loans was R13,000, with the loans required to be paid back at an interest rate of eight percent.

- **Infrastructural Provincial Grant (IPG):** Funds for the IPG are given by National Treasury to the LDA for infrastructural development. Whereas CASP funds are very restrictive, IPG is a more flexible financing mechanism that is available to strategic partnerships. For example, a number of the joint venture partnerships in the Luvhubu area were given R20 million for infrastructure development. The grant is managed by the LDA, who in turn pay service providers and contractors.

- **Land and Agrarian Reform Project (LARP):** LARP is administered by the LDA and seeks to address the gaps in the provision of technical and financial services to land reform beneficiaries. LARP funding is more flexible than CASP, affording support to a wider section of agricultural projects.

**Technical Assistance**

Land reform beneficiaries receive a number of post-settlement technical assistance support services, as detailed below. Beneficiaries of restitution are entitled to use their SPGs to hire professionals who can assist them with activities they have no capacity to perform. This does not, of course, lead to capacity building or skills transfer. In strategic partnerships, CPAs often rely on development facilitators to provide training and capacity building, especially around governance and leadership issues and in developing the enterprise plan. These facilitators are either contracted by the supporting institutions or the strategic partner; in most instances, the CPA has no independent resources to hire such services. Strategic partnerships typically have skills transfers and capacity building responsibilities written into the partnership agreements, especially around technical and management issues.

- **Extension services:** District based extension officers are required to provide technical advice and information, organize field days and host regular discussion groups. The DoA recognizes that the extension services have not provided as much support as the new land owners have required. The Minister reported in May 2008 that the DoA was short of 5490 extension officers nationwide.  

- **Presence of officials on Boards/Committees:** In most cases, LDA and officials from local municipalities sit on the various boards or committees of land reform initiatives, including CPAs, providing advice, guidance and oversight.

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Minister of Agriculture and Land Affairs, Ms L. Xingwana, Agriculture and Land Affairs Budget Speech, 21 May 2008, Parliament.
Facilitation services: The DLA provides land reform beneficiaries with information about services and it seeks to facilitate awareness of existing programmes, both before and after land transfer.

3.5 Land Reform Status in Limpopo

The current status of the progress in settling land restitution claims is shown in Table 2. The data shows that the RLCC-L has, at end of the 2007/08 financial year, succeeded in settling 2,815 claims. The CRLR reports that 5,814 claims have been lodged. Private sector data records that 5,425 claims have been gazetted, whilst a further 1,644 claims are yet to be gazetted; the current status of these latter claims is not known. On the basis of the above information we can conclude that the RLCC Limpopo has settled approximately half of the gazetted claims, though these claims equate about 22% of the total land claimed.

Table 2: Progress in Settling Land Claims - Limpopo Province

<table>
<thead>
<tr>
<th>Claims Settled</th>
<th>Households</th>
<th>Beneficiaries</th>
<th>HA</th>
<th>Land Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>Rural</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995-2004</td>
<td>1,214</td>
<td>13,822</td>
<td>59,963</td>
<td>54,575</td>
</tr>
<tr>
<td>2004-2005</td>
<td>0</td>
<td>136</td>
<td>9,323</td>
<td>63,346</td>
</tr>
<tr>
<td>2006-2007</td>
<td>98</td>
<td>0</td>
<td>9,855</td>
<td>59,723</td>
</tr>
<tr>
<td>2007-2008</td>
<td>0</td>
<td>26</td>
<td>2,461</td>
<td>11,287</td>
</tr>
<tr>
<td>Cumulative Statistics</td>
<td>1,445</td>
<td>526</td>
<td>35,466,756</td>
<td>219,979</td>
</tr>
</tbody>
</table>

The total cost of settling these land claims has been R2,031 billion, a sum equating to R9,236 per beneficiary. The settlement of the remaining claims may yet prove to be more protracted. In their recent annual report, the RLCC-L reported that many of the remaining claims are ‘complex’ in that the claims are large (involving large areas, crossing farm boundaries), often involving contesting groups (whose claims overlap) and large numbers of beneficiaries. Some of these claims relate to the most productive and commercially developed farmland in Limpopo and the government is therefore anxious to ensure that the land reform process does not result in a collapse in production. The slow appointments of strategic partners to support the relevant CPAs to manage these farms will no doubt further reduce the speed at which these claims are processed.

The disbursement of financial grants to land restitution beneficiaries is shown in Table 3.

Table 3: Disbursement of Financial Grants to Land Restitution Beneficiaries

<table>
<thead>
<tr>
<th>% of grants of Total Award</th>
<th>Development (R)</th>
<th>RDG (R)</th>
<th>SPG (R)</th>
<th>RSG (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2005</td>
<td>14%</td>
<td>23,273,246</td>
<td>11,128,880</td>
<td></td>
</tr>
<tr>
<td>2005-2006</td>
<td>8%</td>
<td>16,728,000</td>
<td>8,029,440</td>
<td></td>
</tr>
<tr>
<td>2006-2007</td>
<td>31%</td>
<td>23,835,000</td>
<td>11,440,800</td>
<td></td>
</tr>
<tr>
<td>2007-2008</td>
<td>35%</td>
<td>5,349,000</td>
<td>2,567,520</td>
<td></td>
</tr>
<tr>
<td>Cumulative Statistics</td>
<td>27%</td>
<td>231,121,259</td>
<td>4,471,410</td>
<td></td>
</tr>
</tbody>
</table>

The data shows that the proportion of grant funding of the total award (i.e. including land value) has risen since 2004 to approximately one third of the land value. The bulk of funding has been allocated through the mechanism of development grants. In terms of the cumulative expenditure on land restitution over the period 2004/05-2007/08, the sum allocated to development equals 34% of the value of the land acquired.

There appears to be little detailed data on the status of CPAs in Limpopo. However, the Manager of settlement support at the RLCC-L estimates that there are around 113 CPAs...
involved in land reform settlement outcomes at present. There are currently 11 functional strategic partnerships between CPAs and agribusiness partners in Limpopo, seven of them in the Levhubu Valley. Several more potential strategic partnerships are still in the planning stages and should be running in the near future.

An assessment of the performance of CPAs within the land reform programme falls outside the ToRs. It should be noted, however, that those CPAs that have gone alone in managing their newly acquired lands (i.e. not entered into strategic partnerships) appeared to have performed little better than independent small farmers. In her most recent budget speech, the Limpopo MEC for Agriculture reported that a number of CPA run irrigation schemes had been experiencing problems with conflict and vandalism of their equipment, which she attributed to the conflict among members and poor leadership.

3.6 Other Initiatives

In 2006, the RLCC-L called together partners from civil society, the agricultural unions, commercial agriculture and other government departments to form the **Partnership for Sustainable Land Reform (PSLR)**. The PSLR was intended to provide a new, comprehensive approach to post-settlement support in the province, setting out the responsibilities of various role-players. In collaboration with its partners, the PSLR developed a framework for post-settlement support services; it is understood that this framework has not been operationalised. The PSLR advocates the establishment of strategic partnerships between land reform beneficiaries and commercial producers.

The **Development Bank of South Africa (DBSA)** has financed, on commercial terms, a number of restitution projects in Limpopo. DBSA co-sponsored the development of the PSLR’s framework for post-settlement support.

Many civil society organisations and private organisations have been involved in various aspects of the land reform, these include:

- **Nkuzi Development Association**: An NGO, Nkuzi provides a range of support services relating to land-rights and agriculture. Through its land reform programme, Nkuzi have assisted many claimant communities undertake each step in the land claim process, including researching the validity of claims, verification, legal assistance, formation of CPAs, liaising with government officials, training and so on.

- **The Post-Graduate School of Agriculture and Rural Development (University of Pretoria)**: The School has undertaken training with CPAs in a range of areas to strengthen their capacity to run successful land reform projects and manage communal assets. The School has recently embarked on a three year capacity building programme with the Moletele CPA.

- **Wits Rural Facility**: A rights based organization, affiliated to the University of the Witwatersrand, it has assisted communities to lodge land claims.

**Commercial agriculture**

Land reform posed a direct challenge to the established order of commercial agriculture in Limpopo. In response, many commercial farmers have sought to resist land claims, individually through the LCC and working in collaboration with organized structures to lobby...
against the process. This topic is beyond the scope of the ToRs. While there has been much resistance, there are also many farmers and agricultural organizations that have accepted the need for / reality of reform and become involved in the process. Their engagement has taken a number of routes, including:

- **Limpopo Agricultural Strategic Team (LIMPAST):** LIMPAST is a joint initiative between large commercial farmers and emerging farmers. The initiative was launched in 2002 with the aim of improving agricultural production through building capacity among small-scale producers. LIMPAST has so far supported a number of land reform beneficiaries.

- **Partnership for Sustainable Land Reform (PSLR):** The commercial agricultural sector was involved in the formation of the PSLR, through Agri Limpopo, AgriSA and LIMPAST.

- **Joint Venture Partnerships:** While joint-venture partnerships are a relatively new development, many commercial farmers are looking to collaborate with CPAs and enter partnerships. The nature of the partnerships ranges from leasing back restituted land to establishing joint venture companies to manage high-value export-oriented agri-businesses, sharing the profits. Several farms have been rehabilitated in this fashion, including Zebediela and Limburg Estates. In some areas, partnerships have however been hard to find, partially due to the reluctance of commercial farmers to collaborate with poorly organised CPAs (CLRDP, 2006).

**AgriBEE and Standards Compliance:** Since the AgriBEE process was first unveiled, the more progressive commercial farmers started to undertake farm worker empowerment initiatives. These range from affording workers with equity, to incorporating the workforce into management structures, and allocating workers with land for their productive use. It is mandatory for producers exporting fruit / vegetables to European and North American markets to fully comply with ethical labour practices and minimum health and safety standards.
Part C

4 THE ECONOMICS OF LAND REFORM IN LIMPOPO

4.1 Introduction

This section examines the potential economic impact of the land reform programme on commercial agriculture in Limpopo. The literature, as we noted above, has devoted little attention to this aspect of land reform. Little is known of the measurable impact of land reform, or impending land claims, on current production and investment opportunities. The topic has mostly been addressed through focusing on worst case situations, where functioning commercial farms have been handed over to claimants, only to be run to ruin. There are many examples in Limpopo (see Du Toit: 2004) such as the case of Sapikoe Tea estate, once the largest tea plantation in South Africa. As a result of land claims, the estate was forced to cease production in 2004, resulting in the loss of 4000 jobs and having knock-on effects on downstream industries.

A number of studies convincingly argue that land reform has negatively affected investment in South African agriculture. This argument is certainly true in the case of commercial farms under land claim, as the farmers are discouraged from long term investment since they may never get to reap the rewards. The Restitution of Land Rights Act states that no person may sell, exchange, donate, lease, subdivide, rezone or develop land under restitution without permission from the land claims commissioner until the claim has been settled. These conditions, it has been argued, are amplified by the long timeframes it has taken to settle claims, with some farmers having to wait years before receiving compensation (Pentz, 2005).

In making our assessment of the economics of land reform, our analysis draws on publically accessible data sources. These sources include statistics provided by the National Department of Agriculture, Statistics SA and the PPECB. As there are many gaps (and inconsistencies) in this data, the Consultant has also utilized private data sources. In order to assess the validity of the data, whether private or public source, the Consultant obtained expert opinions from specialists, government officials and farmers’ organizations.

The analysis here focuses predominantly on commercial land. This bias is justified on two grounds; firstly, commercial farming accounts for approximately 80% of the agricultural share of the provincial GGP, secondly, strategic partnerships are based on the management of high potential and well developed commercial farms. These partnerships have arisen with the objective of managing existing enterprises, rather than developing new enterprises from scratch. Though we focus on commercial farmland, we recognize that land reform has profound economic implications for the small-farmer sector, firstly, because a significant proportion of land within the former homelands has been claimed, and secondly, because smallholders are the main recipients of government agricultural policy. This topic falls outside the bounds of the Consultancy.

4.2 An Overview of Agriculture in Limpopo

4.2.1 Land Use

Limpopo Province comprises a land area of 12,580,326 million hectares. It has three distinct climatic sub-regions, namely the lowveld (arid and semi-arid), the middleveld (semi-arid, mid-altitude plateau region) and the escarpment region with a sub-humid climate and rainfall exceeding 700 mm per annum.
In agricultural terms, the Provincial area comprises three land-use categories, namely commercial land, land held by small-farmers in the former homeland areas and land under conservation. The land use division between these overarching categories is shown in Table 4. Commercial land comprises privately owned land, under freehold title, utilized for agricultural purposes and rural enterprises, including game ranching. Small-farmer land refers to state-owned land, including land allocated to individuals under customary use rights, para-statal farms and small size freehold farms. Land under conservation refers to state owned land that has been formally set-aside for conservation and forestry purposes, including national parks and forest. Commercial farmland was and is still predominantly owned by white persons. The Consultant was unable to obtain accurate data on the extent of commercial farms owned by black persons apart from those farms restored under the land reform programme.

Table 4: Broad Land Use Categories

<table>
<thead>
<tr>
<th>District</th>
<th>Total Land Area</th>
<th>Commercial Farm Land</th>
<th>Nature Conservation</th>
<th>Former Homeland Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>12,580,326</td>
<td>7,534,643</td>
<td>3,055,368</td>
<td>3,307,174</td>
</tr>
<tr>
<td>%</td>
<td>100%</td>
<td>74.6%</td>
<td></td>
<td>25.32%</td>
</tr>
<tr>
<td>Waterberg</td>
<td>4,952,484</td>
<td>4,643,880</td>
<td>365,217</td>
<td>No data available</td>
</tr>
<tr>
<td>%</td>
<td>94%</td>
<td></td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Capricorn</td>
<td>1,698,916</td>
<td>835,967</td>
<td>92,339</td>
<td>862,949</td>
</tr>
<tr>
<td>%</td>
<td>49%</td>
<td></td>
<td></td>
<td>51%</td>
</tr>
<tr>
<td>Sekhukhune</td>
<td>1,342,854</td>
<td>676,273</td>
<td>18,737</td>
<td>666,581</td>
</tr>
<tr>
<td>%</td>
<td>50%</td>
<td></td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Vhembe</td>
<td>2,135,442</td>
<td>1,423,330</td>
<td>145,883</td>
<td>712,112</td>
</tr>
<tr>
<td>%</td>
<td>67%</td>
<td></td>
<td></td>
<td>33%</td>
</tr>
<tr>
<td>Mopani</td>
<td>2,450,630</td>
<td>1,815,195</td>
<td>1,268,545</td>
<td>635,435</td>
</tr>
<tr>
<td>%</td>
<td>74%</td>
<td></td>
<td></td>
<td>25.9%</td>
</tr>
</tbody>
</table>

Source: Genis Consultants

The commercial sector comprises 12,100 farms, which are internally sub-divided into units. There are 44,344 farming units in Limpopo. This division of land reflects both a historical process of land consolidation and an investment approach to land management, where enterprise investment and risks were mitigated through land sub-division, often to distinguish between high potential, irrigated land, and low potential land. The process of land consolidation was accompanied by the concentration of land ownership in fewer and fewer hands. Limpopo has approximately 5000 farm owners, though the figure may be much lower, at 3000, as implied in the 2002 StatsSA agricultural survey.

Limpopo Province has diverse agro-ecological regions, characterized by significant variation in natural endowments, such as soil, rainfall, and access to water. The productive potential and commercial value of commercial farm land thus varies considerably between these regions. As commercial farming has been based on seeking to utilize these endowments efficiently, current land use patterns reflect (fairly accurately) land use opportunities and potential. At the macro level, it is possible to distinguish between land utilized for ranching, arable production, and production under irrigation (hereafter referred to as high potential land). The division is shown in Table 5 and illustrated in Map 1 (Annex 5).
Table 5: Commercial Land Use Categories

<table>
<thead>
<tr>
<th>District</th>
<th>Total Land</th>
<th>Exempt Game Farms/ranches</th>
<th>Grazing Land</th>
<th>Arable Land</th>
<th>High Potential Arable Land</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7534,643</td>
<td>2,129,532</td>
<td>5,984,030</td>
<td>Unknown</td>
<td>304,450</td>
</tr>
<tr>
<td>%</td>
<td>74.6%</td>
<td>28.3%</td>
<td>79.4%</td>
<td>Unknown</td>
<td>0.02%</td>
</tr>
<tr>
<td>%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waterberg</td>
<td>4,643,880</td>
<td>1,387,847</td>
<td></td>
<td></td>
<td>94,214</td>
</tr>
<tr>
<td>%</td>
<td>94%</td>
<td>30%</td>
<td></td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Capricorn</td>
<td>835,967</td>
<td>50,310</td>
<td></td>
<td></td>
<td>47,991</td>
</tr>
<tr>
<td>%</td>
<td>49%</td>
<td>6%</td>
<td></td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Sekhukhune</td>
<td>676,273</td>
<td>5000</td>
<td></td>
<td></td>
<td>72,100</td>
</tr>
<tr>
<td>%</td>
<td>50%</td>
<td>1%</td>
<td></td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Vhembe</td>
<td>1,423,330</td>
<td>383,847</td>
<td></td>
<td></td>
<td>34,593</td>
</tr>
<tr>
<td>%</td>
<td>67%</td>
<td>27%</td>
<td></td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Mopani</td>
<td>1,815,195</td>
<td>1,815,195</td>
<td></td>
<td></td>
<td>302,530</td>
</tr>
<tr>
<td>%</td>
<td>74%</td>
<td>74%</td>
<td></td>
<td></td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Source: Genis Consultants; Stats SA 2002 Agricultural Survey

The division between these categories varies between and within districts and between different agro-ecological zones. In the Waterberg District, for example, land used for exempt game farms/ranches, in other words those farms legally permitted to hunt, capture and sell wildlife, comprise 40% of the commercial farming area. It is important to recognize that area of high potential arable land suitable for cultivation under irrigation equates to less than 0.05% of the total commercial area. Up to a third of this land is under claim. Approximately 18% of the total commercial land area is classified as arable and suitable for dry land cultivation. The bulk of commercial farmland (roughly 80%) is best suited for extensive cattle ranching or game farming and cannot be utilized for dry land cultivation. Exempt game farming is currently undertaken on 28.6% of commercial land.

Crops

Since the early 1990s, commercial agriculture has had to withstand decreasing levels of state support, both quantitatively and qualitatively. Farmers had to forgo a range of benefits, such as production subsidies, technical support (with extension and research services re-orientated towards the emerging farmer sector), and the marketing monopolies afforded to co-operatives. Commercial farmers have also had to adjust to both the opportunities and competitiveness challenges from trade liberalization, notably tariff reduction (both unilaterally and in response to the WTO process). Other challenges include:

- Little political leverage within the new government;
- Insecurity on farms, manifest in farm murders;
- An increase in livestock theft;
- Conflict with rising levels of predators from game ranch enterprises;
- Global warming (though the impact, within Limpopo, is not yet clearly understood) and other environmental challenges such as bush encroachment; and
- Labour legislation, which has had the unintended consequence of discouraging farmers from providing housing to their laboring staff, which nevertheless has introduced a minimum wage and ensured that Basic Conditions of Employment apply in all farming enterprises.
The response to these constraints has been varied, depending on the crop and market opportunities (especially exports), linkages within cluster/value chain, state of debt/dependency on investment and recurrent finance, and substitution opportunities.

Limpopo is largely a dry region with crop production limited by the region’s endowments. Production is highest in small geographic land pockets, where irrigation is possible and micro-climates permit high quality fruit or crop production. Under these conditions, Limpopo supplies roughly 75% of South Africa’s mangoes, 65% of its paw paws, 60% of its avocados, 54% of its macadamia nuts and 25% of its citrus fruit and litchis (Trade and Investment, 6/3/2008). In addition to supplying the domestic market, Limpopo farmers export a significant quantity of citrus and stone fruit to international markets, especially in Europe and to the USA. Since the mid 1990s, after the lifting of economic sanctions, producers have expanded their penetration of international markets. Their engagement in export markets has increased over the past five years, partially due to three factors; improvements in the management of supply chains, depreciation of the Rand against importing currencies, and the improved reputation of South African products in global markets. Figures 1-3 illustrate the trend in the export of citrus and stone fruits in recent times.

**Figure 1: Citrus Exports from Limpopo**

![Figure 1: Citrus Exports from Limpopo](image)

Source: PPECB
It has been argued that “for land reform to succeed, a considerable proportion of the products of beneficiaries will have to be sold on foreign markets” (Groenewald, 2004: 680). This statement is certainly valid for horticultural crops, where the domestic market is over-supplied and only export markets can ensure enterprise success. South African agriculture,
however, continues to receive a very low level of protection, but must nevertheless compete with industrialized countries that provide significant domestic support and tariff protection.

The distribution and frequency of rainfall places a major constraint on dry land cultivation. The climatic conditions, whilst severely limiting grain crops - especially maize, permit production of fine quality cotton, allowing producers such as those in the Springbok flats region to develop a comparative advantage in this sub-sector. Tomato producers similarly hold a strong comparative advantage which has enabled them to supply roughly 75% of the domestic demand. Conditions are also favorable for potato production, with local commercial farmers supplying roughly one quarter of the South African crop. Where the province’s natural resources favor specific crops, farmers have successfully exploited the agroecological conditions and marketing opportunities. This is noticeable in the case of soya-beans; the production of which has significantly increased over the past decade in response to a buoyant commodity price. However, it has not been possible to apply site specific strategies to the production of grain and maize crops. Rainfall, in particular, inhibits the production of maize with Limpopo commercial producers currently accounting for only 1.3% of the country’s yellow maize crop and smallholders accounting for only 2.4% of the national white maize crop respectively. Figure 4 shows the trend in the production of yellow and white maize over the past 20 years, showing the profound impact of rainfall on output. The area under field crops has, apart from the cases mentioned above, generally declined since the early 1990s.

**Figure 4: Maize Production**

![Figure 4: Maize Production](image)

Source: NDA Crop Statistics

**Livestock Production**

The province has strong endowments in its grazing lands, which are generally high in minerals and nutrients, thus partially compensating for the dry conditions. The high quality of the grassland enables producers to raise their herds using less nutrient inputs than farmers in the Highveld, the Free State, and KwaZulu-Natal regions. The livestock sector (or cluster)
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Second Draft Report – August 2008

has relatively strong linkages with specialist research institutions. The total cattle herd has remained fairly constant over the past decade at 13.5 million units, representing 9% of the national (SA) herd; approximately 55% of the herd is owned by emerging farmers in the former homeland areas. Commercial cattle farming has undergone a number of transitions over the past decade. These include, i) a shift in the supply of technical services from public institutions to private service providers, ii) a shift, either partially or wholly, to game farming, driven in part by the privatization of wildlife property rights, iii) greater vertical integration within the value chain, including upstream linkages between commercial farmers and downstream linkages with feedlots.

The comparatively low red meat price has also affected cattle farmers in Limpopo. With constant prices having declined since the 1980s many cattle farmers have been encouraged to switch to game farming which promised higher net returns on investment, with the grassland affording game producers a comparative advantage. The production of indigenous game species requires large land holdings with the average game farm measuring 1,435 hectares. It is thought that the trend to divert investment from cattle to game is likely to continue (Afrivet Business Management), though the recent increase in red meat prices may reverse this shift. This finding was confirmed in the Competitiveness Study. The game industry in Limpopo is thought to generate about R367 million per annum, with the revenue streams comprising trophy hunting, live game sales, biltong hunting, game meat, tourism and services.

Pig production is an important sub-component within the livestock sector, with most production undertaken commercially. Limpopo producers currently farm 25% of the national pig population. The production trend in Limpopo according to NDA statistics shows an increase from 325,053 units in 1997 to 416,604 units in 2008. A similar growth trend is reportedly evident in the poultry sector, especially in broiler production.

Employment

Farm employment in Limpopo, according to the Labour Force Survey by StatsSA, has declined over the period September 2001 to September 2007 from 91,000 persons to 79,000 persons. The LFS reports that in 2006 (i.e. the year prior) total employment in the commercial sector stood at 49,000, a figure in line with previous data showing a quickening trend in the declining level of employment. In the informal agricultural sector, employment levels have similarly dropped over the same period, from 50,000 persons to 21,000 persons. The trends for both commercial and informal sectors are shown in Figure 5. It is interesting to note that employment in the informal agricultural sector is much lower than the commercial sector, whereas other provinces with a similar demographic profile, such as KwaZulu-Natal or the Eastern Cape, report the opposite.
The trend in agricultural employment should be seen in the context of a shift from permanent workers to seasonal/casual workers, many of whom are sourced through labour brokerages. As many workers in this sector are migrants from Zimbabwe and Mozambique, some working illegally, it is fair to assume that the figures represent an under reporting. If the decline is accurate, however, there are numerous causal factors apart from the increasing reliance on casuals, including: wage regulation, enterprise concentration and consolidation, and land reform. It should also be noted that the decrease in overall employment levels on South African farms represents a long-term trend. Research has found that between 1970 and 1995 the number of farm employees decreased by 50%. Over the same period, however, the employment of managers and professionals within farming operations grew exponentially, with the number of managers increasing by 633% and professionals by 150% (cited in Vink and Kirsten, 2003: 12-13).

Many of the Limpopo farms under claim, in other words the gazetted farms, have ceased production in anticipation of the finalization of the sale, whilst others have downscaled and focused on short-term crops. Land reform will have a significant impact on farm employment. If we assume that the 12,100 farms in Limpopo employ, on average, 6.53 workers (using the StatsSA total figures) then we can estimate that the restitution of the 5425 farms may result in 35,425 job losses should the enterprises collapse. If the claimed, but not yet gazetted farms are including in the analysis, then land reform will consequently affect 46,160 workers under these circumstances. Migrant workers in particular face job losses (and thus tenure insecurity) where farms are claimed and the beneficiaries re-occupy the land, though under partnership agreements those workers may be retained due to their expertise and comparative willingness to undertake field work tasks.
## 4.2.2 Enterprise Trends

### Land Prices

The price of farmland in Limpopo has risen swiftly since 2002. The increase in farmland prices is attributed in some quarters, particularly among those critical of the current policy towards land reform, to the impact of the ‘willing seller, willing buyer’ approach. These critics argue that the WSWB approach has allowed land owners to hold out for above market prices. The CDE study (2008), discussed in the literature review above, addresses this criticism. The report refers, in the first instance, to a study conducted by the Human Sciences Research Council which shows that the average price of average-quality farmland increased on par with the consumer price index (CPI) in the period 1994 to 2003 (Bernstein and McCarthy, 2008:26). In the second instance, the CDE commissioned a specific study, looking at two areas in Mpumalanga and two areas in Limpopo, to compare the price of land increases on claimed land versus non-claimed land by examining Deeds Office records. The study found that land prices in claimed areas had not risen out of proportion to price increases in non-claim areas. This finding is reflected in Figure 6, which illustrates the comparative price increase in Limpopo against the national average increase.

![Figure 6: Farmland Price Trends - Limpopo vs RSA](image)

Source: NDA, Abstract of Agricultural Statistics, 2008

While the WSWB principle may not singularly have a strong effect on property prices, anecdotal evidence suggests that the land reform programme has directly impacted on farm prices. Property agents report that farmers who have sold their land to the state often seek immediately to re-enter the market, using their funds received to purchase an equivalent farm elsewhere (SA Property News, 08/3/2005). Their re-entry into the market has enhanced the demand for land and driven prices beyond prevailing market levels. The most significant price increase in agricultural land has occurred in high value niche sectors, notably game, citrus and sub-tropical fruit farms. A survey conducted by ABSA AgriBusiness in 2007 found...
that the steepest increases in Limpopo had occurred in the sale of game ranches, which had increased by 157% over three years (52% per year), citrus and sub-tropical fruits by 75% over three years (25% per year) and livestock by 43% over three years (14% per year). The rapid increase in game ranch land was reported to be driven by foreign investors who, despite the increase, still regard the land prices in Limpopo as relatively cheap in international terms, given the available infrastructure to support game farming and game tourism (See; Land Prices in SA Rise Sharply, 11/9/2007, www.property24.com).

Finance

Since the liberalization of the agricultural economy and reform of agricultural support services, South African farmers have increasingly had to adopt new strategies to raise finance. Before these changes, farmers could rely on recurrent and development loans from the Land Bank, often through co-operatives, as well as loans from commercial banks. But beginning in the 1980s, policy shifts began to erode the once supportive agricultural finance environment; these shifts included (inter alia) (see Coetzee, 2003:225-242):

- A process of deregulating the marketing of agricultural products, which resulted in the promulgation of the Marketing of Agricultural Products Act (47 of 1996), doing away the monopolistic powers once afforded to co-operatives and marketing bodies;
- Revision of the fiscal treatment towards the agricultural sector, including tax breaks and downscaling investment in services oriented towards commercial agriculture;
- Trade reform, aimed at liberalizing food and agricultural commodity markets; and
- The ending of measures aimed at subsiding interest rates, which in the mid 1980s made credit cheaply available to farmers.

South African farmers have therefore had to rely, increasingly, on commercial sources to finance their participation in markets. Over the period 1975 to 2007, the share of commercial loans within the total loan portfolio has increased from 22.6% to 60.9%. The overarching trend can be seen in Table 6 which shows the changing structure of debt among commercial farmers in Limpopo since 2002. The data highlights two major themes: firstly, the decreasing level of long-term debt (mortgage based) and an allied decrease in total debt, secondly, the increasing level of seasonal debt in both relative and absolute terms.

**Table 6: Farming Debt in Limpopo**

<table>
<thead>
<tr>
<th></th>
<th>Mortgages</th>
<th>&lt;1 Year</th>
<th>1-5 Years</th>
<th>&gt;5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>R945,341,000</td>
<td>R337,557,000</td>
<td>R1,451,335,000</td>
<td>N/A</td>
<td>R2,734,233,000</td>
</tr>
<tr>
<td>2006</td>
<td>R550,787,349</td>
<td>R406,371,224</td>
<td>R413,799,444</td>
<td>R203,612,514</td>
<td>R1,634,530,531</td>
</tr>
</tbody>
</table>


Despite the overall trend in farm debt, there has emerged over the past decade a broader range of financial products for the agricultural sector. Some of these products, for example, are tied to new forms of land ownership to provide preferential treatment to BEE enterprises and land reform beneficiaries. These include finance products tied to the land reform programme in the guise of development grants, post-settlement grants, and discretionary grants.
4.3 Agriculture's Economic Importance

Macro Level

Agriculture directly accounts for about 2.5% of the provincial gross geographic product (GGP). The DBSA estimates that agriculture contributes about 15% of the GGP. The sector contributed R1.8 billion in 2002. Yet indirectly, the contribution of the agricultural sector is far greater than this figure, in terms of upstream and downstream linkages. The manufacturing sector, for example, is reported to contribute 27% to the final agricultural output. The meat and horticultural clusters alone sustain a broad range of service industries - including input suppliers, technology specialists, cold chain management enterprises, and logistic oriented businesses - and institutions that provide education, training and research. Furthermore, the agricultural sector underpins key growth enterprises, especially those in the tourism cluster, including game viewing and niche recreational activities.

Micro Level

Gross farming income in Limpopo is falling. The recently released Abstract of Agricultural Statistics (2008) reports that total farm income fell between 2002 and 2006, from R4,577 million to R3,969 million, a 13% absolute decrease. This change is largely attributable to the steady decline in the volume of field crops and earnings in the livestock sector, as reported above. The trend, shown in Table 7 below, indicates the growing importance of the horticulture sector in revenue terms; the sector currently accounts for 62% of farm income in Limpopo.

<table>
<thead>
<tr>
<th>Year</th>
<th>Field Crops</th>
<th>Horticulture</th>
<th>Livestock</th>
<th>Livestock Products</th>
<th>Other Products</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>R785,982,000</td>
<td>R2,319,058,000</td>
<td>R1,368,681,000</td>
<td>N/A</td>
<td>R104,181,000</td>
<td>R4,577,902,000</td>
</tr>
<tr>
<td>2006</td>
<td>R289,622,126</td>
<td>R2,445,021,680</td>
<td>R1,045,779,544</td>
<td>R173,989,907</td>
<td>R14,853,907</td>
<td>R3,969,266,981</td>
</tr>
</tbody>
</table>


Provincial Strategies

The Limpopo Provincial Growth and Development Strategy (PGDS) identified two key clusters in the agricultural sector, namely: the red and white meat cluster in all districts and the horticulture cluster (fruit and vegetables) in Vhembe, Mopani and Bohlabela. In the meat cluster, the strategic development objectives are to foster growth in commercial and emerging cattle and poultry sub-sectors, through strengthening animal feed production capacity and improving the efficiencies in abattoirs, packaging and distribution supply chains. The strategy also aims to incorporate game meat within the cluster to create enterprise synergies. In the horticulture cluster, the strategic development objectives are to foster growth upstream in services enterprises - to provide plant material, nurseries, pesticides and fertilizers – and promote value-adding through fruit and vegetable processing facilities. In both these cluster strategies, the PGDS calls for the fulfillment of current public sector initiatives in terms of:

- Commercializing state farms;
- Developing water resources, including rehabilitating community irrigation schemes;
- Building the skills of emergent farmers;
- Encouraging public-private partnerships with established commercial farmers;
- Improvement in logistical capacity; and
- Investment in science and technology development services.
4.4 The Scale of Land Reform

Detailed official statistics on the status of land reform in Limpopo are not publicly available. The Consultant was unable to secure the support of either the RLCC-L or DLA to obtain reliable data. The research therefore mostly utilises published official statistics and data supplied by private sector service providers, along with what official data is available.

Scale

The DLA reports that a total of 5814 land claims were lodged in Limpopo. These claims translate into claims against 7430 farms, equal to 61% of the registered agricultural properties (Genis Consultants, 2008). According to Genis Consultants, a GIS specialist service provider, claims have been lodged against 1,644 farms, but not yet gazetted, whilst gazetted claims stand against 5,425 farms. The number of resettled (or restored) farms is unclear; private data reports 362 farms. Official figures, as reported in the 2007-08 annual report of the CRLR, show that 2815 claims have been settled. These claims encompass an area of 395,990 ha, equivalent to roughly 3% of the provincial territory. The extent of land claims in terms of area and district breakdown is shown in Table 8 and illustrated in Maps 2 and 3 (Annex 5).

### Table 8: Area of Land Claimed (Hectares)

<table>
<thead>
<tr>
<th>Area of commercial land claimed</th>
<th>Limpopo</th>
<th>Waterberg</th>
<th>Capricorn</th>
<th>Sekhukhune</th>
<th>Vhembe</th>
<th>Mopani</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area of commercial land claimed</td>
<td>1,859,220</td>
<td>434,078</td>
<td>309,966</td>
<td>Unknown</td>
<td>706,377</td>
<td>408,799</td>
</tr>
<tr>
<td>% of total commercial land</td>
<td>20%</td>
<td>9%</td>
<td>37%</td>
<td>Unknown</td>
<td>50%</td>
<td>22.52%</td>
</tr>
<tr>
<td>Area of high potential commercial land claimed</td>
<td>132,740</td>
<td>7,183</td>
<td>11,022</td>
<td>5,952</td>
<td>17,136</td>
<td>91,447</td>
</tr>
<tr>
<td>% of total high potential commercial land</td>
<td>38%</td>
<td>8%</td>
<td>23%</td>
<td>8%</td>
<td>50%</td>
<td>92.97%</td>
</tr>
<tr>
<td>Area of former homeland claimed</td>
<td>720,622</td>
<td>36,346</td>
<td>110,808</td>
<td>264,602</td>
<td>224,030</td>
<td>84,836</td>
</tr>
<tr>
<td>% of former homeland claimed</td>
<td>25.32%</td>
<td>6%</td>
<td>51%</td>
<td>50%</td>
<td>33%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

Source: Genis Consultants CC.

The data reveals that the area of commercial farmland under claim is 20%. This figure varies widely between districts with only 9% of commercial farmland under claim in Waterberg, whilst 50% of commercial farmland in Vhembe district is under claim. More significantly, given the distribution of farm income within the agricultural sector and the key role of horticultural crops, is the extent of high potential commercial farmland under land claims. This land use type is defined as land under irrigation. The data shows that 38% of all high potential commercial land is under claim. Whilst the proportion of this land category under claim in Waterberg and Sekhukhune districts is merely 8%, in Vhembe and Mopani districts, 50% and 92% respectively of irrigated farmland is under claim. Land reform may therefore have a dramatic and potentially negative impact on the horticulture industry in these latter districts, should productive farms cease commercial production.

In addition to claims on commercial land, a large number of land claims relate to land in the former homeland areas. The data indicates that 25.3% of the former homeland areas are subject to claims. Again the figures vary from district to district, with only 8% of the former homeland areas in Waterberg under claim, but roughly half these areas in Capricorn and Sekhukhune districts are under claim.
Costs

The total annual expenditure on restituted land is reported in the CRLR annual reports. In the period 2004/05 to 2007/08 the RLCC-L spent R1.89 billion to purchase 360,929 hectares. An analysis of the data shows that the average cost of purchased farmland over this period was R5,239 per hectare. The cost of settling land claims has risen over this period. The increasing sum expended on purchasing land is attributable to several factors, including:

- Rising farmland prices;
- The higher overhead costs associated with settling complex claims, many of which require land sub-divisions and bloc land purchases; and
- The wide cost differentials between semi-arid grazing land and high potential land under irrigation, sustaining orchards or permanent crops.

In 2007/08, the RLCC-L spent on average R11,862 for each hectare purchased. Using these figures, we are able to estimate the possible costs of purchasing the claimed farmland. A simple calculation shows that, at current prices, the cost of purchasing the remaining 2,218,913 hectares under claim would require an expenditure of over R26 billion. This figure is over four times greater than the current budget allocation for land purchases countrywide (just over R6 billion for 2008/09-2010/11). The CRLR estimates that it will need only R10.6 billion to acquire land for the outstanding claims countrywide (CRLR strategic plan 2008/09-2010/11), which is clearly unrealistic given the situation in Limpopo alone.

4.5 Land Reform Outcomes: Scenario Setting

4.5.1 ‘Nobody Wins’ and ‘Everybody Loses’ Outcomes

The CDE Report (2008), reflecting on 10 years of the land reform programme, outlined two potential scenarios to indicate future trends. The one scenario they labeled ‘nobody wins’ the other they labeled ‘everybody loses’. In the ‘nobody wins’ scenario, the outcome is one of a stalling, stagnant reform processes, characterized by current levels of state inefficiency, where as a result investment in commercial agriculture slowly declines, where rural landless persons lose interest in agriculture, and where emerging black farmers find themselves worse off than before. Other features of this scenario are:

- An inability, throughout key institutions, to meet targets, especially the target of creating a sustainable class of black commercial farmers;
- Increasing suspicion and hostility towards market mechanisms, including the WSWB;
- Widening corruption and nepotism among officialdom; and
- Growing racial tension over land matters, with land increasingly occupying centre stage in political dialogue.

In the ‘everybody loses’ scenario, the outcome reflects a policy shift towards populist demands, with the reform process resorting to widespread use of expropriation and opportunistic deal making with commercial farmers. The state simultaneously embraces a range of measures to depress land values, through taxes for example, and affords the DLA a ‘right of first refusal’ on all open market property transactions. The reform process is carried out using a sustained campaign of propaganda against current land owners, allied
with more direct threats against those who resist or directly seek to inhibit the reform process. The CDE envisaged that this scenario would resemble the Zimbabwean ‘fast-track’ land reform approach, differing principally in the orchestration of state violence against the farming community that accompanied the reform process in Zimbabwe.

From an investment perspective, the respective outcomes of the ‘nobody wins’ and ‘everybody loses’ scenario is illustrated in Figure 7. The diagram shows the potential loss of investment in the period between the start of land reform in 1998 and the target date for the redistribution of 30% of commercial agricultural land. The diagram also shows the potential fall in investment should the government pursue a strategy of widespread expropriation.

Figure 7: E Scenarios - Investment Outcomes

The Consultancy did not find evidence to support the ‘everybody loses’ scenario. It is yet uncertain whether or not the government plans to utilize widespread expropriation and other market distorting tools to expedite the land reform process. The poor performance of the DLA and especially the RLCC-L in fulfilling its mandate does nevertheless point to the ‘nobody wins’ scenario.

4.5.2 A ‘Win-Win’ Outcome

Whilst the Consultant recognizes current criticism of institutional performance, the research identifies a third scenario, where existing land holders and land reform beneficiaries could both achieve a potential ‘win’ result. This scenario can be described as a ‘win-win’ outcome. There are many sub-outcomes within this scenario, reflecting different partnership agreements and enterprise dynamics, though all share three basic elements. These elements are i) the potential to raise production and enhance agricultural productivity, ii) the diversification of risks through broad-based black economic empowerment within the enterprise and value chain, and iii) the availability of new income streams for socio-economic development within the beneficiary communities.
By forming a BEE company, the partnership should also be able to access funding set aside for black-empowered businesses. Figure 8 shows a theoretical structure of all role players involved in partnerships between CPAs and strategic partners as well as the various streams of investments, inputs, duties and potentials created by such partnerships.

**Figure 8: Theoretical Structure of Strategic Partnership Linkages**

The ‘win-win’ scenario reflects the range of opportunities that exist within the current land reform process. The key to unlock these opportunities is the emergence of strategic partnerships between CPAs and agri-business entities within the framework of the land reform programme. These partnerships have the potential, especially to increase investment in the Limpopo agricultural sector and build competitive and vertically integrated enterprises, and also in theory to mobilize human resources and up-skill workers, develop non-farming income streams and channel investment into community development. However, we are not suggesting that these partnerships translate into a ‘model’ of land restitution, but rather they are a potential production and empowerment relationship which can be encouraged in specific contexts within the land restitution framework.

Indeed, a limitation to this ‘win-win’ scenario is that these strategic partnerships are only really worthwhile in the high-value agricultural sector or in areas where high-value activities such as tourism or game farming / ranching can enable a range of income streams for partners and land reform beneficiaries. Thus, we are not suggesting that strategic partnerships of this nature can be applied to all areas under land restitution in Limpopo, particularly marginal agricultural areas.

However, from a purely business perspective, strategic partnerships hold many advantages (in theory) over existing agri-enterprises in Limpopo; these include:
• **Advantages of Scale:**

Strategic partnerships permit greater economies of scale than those that have been achieved among individuals or through co-operative activities. As the land claims process has generally afforded beneficiary communities all the land that was historically ‘theirs’ by claim, these partnerships have typically involved the management of large sized farms, either the entire land claim or the commercially viable portion thereof. Whereas the previous land owners were reliant on cooperation with other producers and on-farm investment to achieve efficiencies, strategic partnerships can rationalize use of infrastructure, facilities, equipment, inputs and labour. Vertically integrated agri-enterprises are particularly advantageous in the horticultural sector where markets demand adherence to complex standards and systems to ensure product integrity. Large scale enterprises can more easily meet these demands through the lower unit costs they are able to achieve from investment in technologies, infrastructure and human resources.

• **Advantages of Land Use Efficiency:**

Small commercial farms have historically sought to reduce their risks through multiple cropping strategies and mixed farming. The farmer’s ability to plan and manage their land resources was therefore restricted by the necessity of maintaining several crops and livestock, even though some of these crops may not have been ideally suited to the micro-climatic and agro-ecological conditions. Large scale enterprises, such as those possible under strategic partnerships, do not face these constraints. The enterprise can, instead, optimally utilize the natural endowments in each land unit, spreading their risks across a number of land units rather than within one single farm. Micro-climates best suited to a particular fruit variety can, for example, be reserved for only that variety and the land can therefore be managed for optimum productivity.

• **Advantages of Human Resource Mobilization:**

Strategic partnerships can more effectively mobilize human resources to support the agri-enterprise than most family run commercial farms. The advantage these enterprises hold derives partly from the scale of their operations and partly from their organizational structure and ownership. As large scale entities, partnership agro-enterprises can afford to employ professional managers and specialist technical personnel. Their overall labour requirements, however, are generally lower than family farms, as large enterprises can operate more efficiently and thus require less labour per unit produced. But as these enterprises are community owned (usually with 52% shareholding), they are more able to foster B-BBEE within the enterprise than commercial farms, which tend to operate under tight family control. Over time the B-BBEE ownership structure will allow the community shareholders to ultimately control, from management level downwards, the operation of the business. In the short term, although the enterprise remains *de facto* under the control of the partner, the partnership agreements demand that the enterprise provide opportunities for up-skilling workers in more senior positions and broadening employment opportunities for the beneficiary community. Unlike many commercial farms that rely on migrant labour, these partnerships will be able to provide preferential employment to the community (and thus gradually replacing positions currently filled by immigrants and outsiders). As shareholders in the agro-enterprise, the employees of partnership agri-enterprises have a vested interest in ensuring the success of the business, ensuring that the enterprise develops profitably and sustainably.
• **Advantages for Community Development:**

Partnership agro-enterprises are advantageously positioned to facilitate socio-economic development within the beneficiary community. As part of the agreement between the beneficiary community and the strategic partners, the community is able to derive income from various streams, including land rent (levied, per annum, at between 1.5% - 3% of the land value), shareholding in the operating enterprise, and income from other enterprises that utilize the land resources, such as tourism, game farming, and mining. In most cases where partnerships have arisen, CPAs are constitutionally mandated to adhere to an agreed development plan which can ensure that the community as a whole derives benefit from the income that accrues through the enterprise partnership. As democratic organizations, CPAs are appropriately structured to ensure that the broader community development needs are fairly addressed and that the demands of individuals for revenue are off-set against interventions that service the greater community good.

Apart from direct revenue to the CPA/community, partnership enterprises can derive benefit from engagement in ethical trade. These enterprises can more easily comply with the requirements of **Fair Trade**, for example, as a result of their ownership structure and shareholder mandate to uplift the community. The benefit should not be underestimated. In the case of Zebediela, a partnership between the Bjatladi CPA and South African Farm Management Services, sales of Fairtrade citrus in 2007 returned R700,000 for community development. In the previous year, the CPA used the premium to upgrade a crèche and turn an auditorium into a community leisure centre (see the Limpopo Guide to Fair Trade, 2008).

• **Advantages for Mobilizing Investment:**

Partnership agri-enterprises can potentially attract greater investment than that available to private commercial entities, through mobilizing public and private investment funds. Most commercial farms in Limpopo have significant capital resources ‘locked-up’ in the land asset and are only able to leverage funds through offering the land as surety, thus securing finance at rates usually much higher than the prime lending rate. Strategic partners, on the other hand, typically rent the land assets from communities at no more than 3% of the land value, per annum. The finance that the partner would otherwise have to expend to purchase land, or service debt, is thus available for investment in the agri-enterprise. Apart from this significant gain in opportunity costs, the beneficiaries are able to access various public sector grants for investment in the enterprise (see below). The investment outcome is illustrated in Figure 9 below.
Unlike commercial farms, strategic partnerships are not able to use the land as collateral to secure development finance. The enterprise must therefore secure funding from private sources. If the community goes into a partnership with the previous land owner, this challenge is partially mitigated as the former land owner can draw upon the capital obtained from the land sale. But the willingness of the partner to invest their own funds in long term developments, such as establishing new orchards, will depend on the length of the management agreement with the CPA and also on the structure of the enterprise. Until a strong relationship is established, the partner may chose to provide only the recurrent investment needed to ensure the continued operation of the agri-enterprise, but not in long-term productivity enhancing measures. The viability of the strategic partnership approach therefore depends significantly on public financial support. The provision of public finances to support CPAs to develop the enterprise is assured under the current land reform programme. Land reform (and restitution) beneficiaries have the right to receive financial support through a number of modalities; as discussed above, these include:

- **Restitution Discretionary Grants**, up to a maximum of R3000 per beneficiary; the CPA may pool the grant.

- **Settlement Planning Grant**, up to 9% of total project costs (i.e. developing an enterprise plan), divisible into two portions, a feasibility study (3%) and the detailed project design (6%).

- **Development Assistance Grant**, up to 25% of the value of the land, allocated to restitution beneficiaries specifically for investment in infrastructure, establishing orchards and capital expenditure.

The financing of land restitution beneficiaries through these financial envelopes, apart from other public sector financial services, is necessary to overcome the **two major challenges** of the partnership approach. The **first** challenge is to genuinely empower the CPA through securing its ownerships in both primary and secondary aspects of the agro-enterprise.
Ownership of the land does not equate, in most cases, to the agri-enterprise which are constituted as separate legal entities. The CPA therefore requires finance to secure a meaningful stake holding in the enterprise at both the primary and more profitable secondary levels. The second challenge is to secure sufficient capital investment for the enterprise to ensure its competitiveness and thus profitability and to fully utilize the natural endowments to create multiple income streams for the long term community benefits.
Part D

5 AN INVESTIGATION OF TWO CASE STUDIES

5.1 Research Methodology

The Moletele Case

Two research trips were undertaken by members of the research team to the Moletele restitution case in Maruleng District to interview key role players and beneficiaries. The first trip was on 15 May and the second was from 10-12 June 2008. The core methods used to obtain qualitative information about relevant aspects of the case were interviews with key informants, focus group discussions with beneficiaries and collection and study of documents relating to the case. A list of the informants is presented in Annex 4.

A challenge encountered in undertaking fieldwork was the large areas over which members of the claimant community were scattered. Different settlements in which community members lived were as much as 100km apart. This made accessing beneficiaries and CPA committee members difficult, while using a random sampling method was not possible. Informants were thus selected using a non-random ‘snowballing’ sampling technique.

Interviews: Nine interviews were conducted, lasting between half an hour and one and a half hours long, with the main strategic partner, the CPA chairperson and three other committee members; a representative of the Traditional Authority and a local DoA official working with the Moletele land claim. In addition, an informal discussion was held with the New Dawn Packhouse Manager to gain an idea of how the Moletele community are being integrated into the enterprise. A telephone interview was carried out with a representative of Mabedi, the company contracted to be the development facilitator for the Moletele community. To ensure a balanced gender representation, two female members of the CPA committee were interviewed, as well as two male members.

Focus group discussions: Two focus group discussions were held with beneficiaries of the Moletele land claim to assess their experiences of the process, the benefits coming out of the Moletele restitution case and their vision for the future. The focus group discussions lasted about 45 minutes each. In one focus group, senior male members of the community were included, while the other included young women who had obtained jobs in the packhouse as a result of the enterprise.

Review of secondary material: Appropriate secondary material was gathered relating to the Moletele land claim, to be incorporated into the case study. The following documents were obtained:

- Moletele/Hoedspruit Land Initiative proposal document for EU – LED grant funding submitted by T.M.L Boerdery (EDMS) BPK.
- Farmers Weekly Magazine article on Moletele, 3 August 2007.
- Email correspondence and annual report of Mabedi.
- Commission on Restitution of Land Rights Annual Report, 2006/07.
The Nzhelele Valley Initiative

A three day research trip was undertaken by members of the research team to Vhembe District to study the Nzhelele Valley Initiative (NVI). The core methods used to obtain qualitative information about relevant aspects of the case were attendance at a workshop hosted by the NVI at Alicedale Estate, interviews with key informants, focus group discussions with beneficiaries, informal discussions and observations over the course of the workshop and collection and study of documents relating to the case. A list of the informants is presented in Annex 4.

A challenge encountered in undertaking fieldwork was the large areas over which members of the claimant communities were scattered. Different settlements in which community members lived were over 100km apart. This made accessing beneficiaries difficult, while using a random sampling method was not possible. Informants were thus selected using a non-random ‘snowballing’ sampling technique. The two smaller CPAs in the NVI were not present at the workshop. This meant that interviews and focus group discussions were only conducted with representatives of the two main CPAs, Nemamilwe and Nedondwe.

Workshop: Members of the research team attended a workshop hosted by the NVI on 6 June 2008. Presentations were given by Patrick Nemamilwe (Chairperson of the NVI Secretariat), Gerrit Booyens (Development Facilitator) and Peter Nicholson (owner of Alicedale Estate and potential/proposed strategic partner). Members of the research team were given the opportunity to ask the three presenters questions relating to various aspects of the NVI.

Interviews and informal discussions: The nature of the research trip, where a number of CPA members were gathered together in one place, lent itself to focus group discussions rather than one-on-one interviews. Apart from formal focus groups, less formal discussions were held with the CPA committee members during the course of the weekend workshop, as well as with some farm workers from Alicedale Estate, whose opinions on the NVI were sought.

Focus group discussions: Four formal focus group discussions were held with key role players and ordinary beneficiaries of the NVI in various locations. The focus groups with the beneficiaries allowed for a good range of informants to be included, including youth, the elderly and women. See Annex 4 for details of the focus group discussions.

Review of secondary material: Appropriate secondary material was gathered relating to the NVI, to be incorporated into the case study. The following documents were obtained:

- Proceedings and resolutions from the Communal Property Association institutional capacity workshop (17-18 May 2008), attended by 14 CPAs.
- Document inviting development partners to join the NVI entitled “Establishing a Partnership for Sustainable Land Reform”.
- Grant application made to the Limpopo LED Programme by the NVI in June 2007

5.2 The Moletele Restitution Case in Maruleng District

5.2.1 Background

The Moletele restitution case lies in the Maruleng District, in a prime area for citrus and mango farming and tourism between the Kruger National Park and the Blyde River Canyon.
It is highly productive land, producing high-value crops, mainly for the export market. The 500 plus agricultural properties in the area are highly dependent on water that is piped in from the Blyde River and the land can only be farmed using sophisticated water reticulation systems. Prior to the development of these water systems there were limited opportunities for irrigation and therefore agriculture. Furthermore, successful farming operations in the district rely on high levels of capital, technology, skill, organisation and integration into local and global markets. The district also has a number of game farms and safari ventures which border the Kruger National Park.

The Moletele people were removed from the Hoedspruit area over the course of several decades preceding 1970, the last members leaving after the death of their Chief who resisted eviction. They were relocated to the homelands of Lebowa and Gazankulu, most going to the Buffelshoek area in Lebowa, while the rest were scattered to Manyeleti, Sekororo, Brooklyn and Arthureat. In the process of displacement many families lost their livestock and household goods.

Unsuccessful efforts were made by the community to lodge a claim to the lost lands with the Lebowa government. After 1994 the Moletele Land Claim Committee was formed to handle the claims process. The claim was for 78791 hectares, affecting 518 properties, including most of the highly productive farms. Moletele community leaders argued that even if that land was not actively farmed in the past, it was used for rituals or as hunting lands and therefore they had a right to advance the claim.

The gazetting of the Moletele claim in 2004 was a huge shock to the existing farming community. About 124 farmers disputed its validity, challenging it in the Land Claims Court, the result of which is still to be decided. However, a number of farmers decided that they should not only become willing sellers, but offer to go into partnership with the Moletele community in order to keep the land productive.

By the end of 2006, most of the first batch of 28 farms were handed over to the Moletele CPA. Their intention is to establish strategic partnerships with commercial farmers or agribusinesses to ensure productivity and consequently ensure a number of commercial income streams, employment, skills-transfer/training and small farming opportunities and eventually, the ability to fully own and manage these enterprises themselves.

5.2.2 Land Reform Process

Lodgement of the claim: The Moletele community had been attempting to reclaim their land since the late 1960s. It was only in 1994 that they finally found the legal means to lodge a claim with the passing of the Restitution of Land Rights Act. With the assistance of an advocacy organisation, the Wits Rural Facility, they lodged a claim for almost the entire Maruleng district.

Identification of the community: Identifying and verifying the claimant community was a massive task for the Moletele as there were thousands of direct claimants and their descendents scattered in different locations. An NGO was appointed by the RLCC-L to undertake claimant verification, identifying 1615 claimant families as direct beneficiaries plus another 30000 dependents as secondary beneficiaries.

Leadership: Traditionally the community had been under the leadership of their Chief. The land claim process, however, gave rise to a new kind of leadership structure, based on democratic and inclusive principles while still recognising the important role of the Traditional Authority. At around the time the claim was gazetted, the community formed the Moletele Land Claim Committee to carry out all claim-related business.
Engagement between farmers and claimants: The gazetting of the claim came as a shock to the whole farming community. Some farmers realised that the restitution process was inevitable and that there was potential for existing farmers to work with claimant communities to continue farming the land. Two farmers, Mike Scott and Julius Katzke, organised a group of 15 willing sellers offering 30 properties to approach the interim committee of the claimants with the idea of working together. The community then realised that a partnership with the farmers was possible. Mike Scott then asked a private development facilitator, Gerrit Booyens, to come in and assist with the negotiations and develop a strategic vision for the concept.

In April 2005, a meeting was held between the two groups to discuss the proposed partnership. In the beginning, both sides were wary and distrustful of each other. A ‘fear management’ workshop was held for the two groups to dispel their fears. The farmers feared that the claimants would change their position in the future and decide not to continue working with them, while community members feared that they would not be treated as equal partners. When trust and common ground was eventually established, a task team consisting of representatives from both parties was formed. Their first task was to explain the benefits of the proposed partnership to both the land claim beneficiaries and other potential partners from the farming community. The community held road shows with Moletele community members, to sell the idea of collaboration with partners, while the proposed partners went to the farming community to encourage them to sell their land and become strategic partners.

While most of the claimant community bought into the partnership idea, the farming community remained divided. Fifteen farmers agreed to become willing sellers, but nine of these were not interested in going into the partnership. They sold their land to the government and then left the area. The other six farmers agreed to sell their land and come into the partnership, together with three of their managers. The new partnership was called the Moletele/Hoedspruit Land Initiative, which the community then introduced to the RLCC-L, LDA, donors, banks, and other government officials.

Formation of the Moletele CPA: At the same time, the claimants decided to form a legal entity, the Moletele CPA. This happened on 17 September 2005. The farmers, through a facilitator, provided training and institutional support in setting up the CPA. Committee members come from all of the areas where claimants are living, consisting of 15 full members and two extra ex-officio members representing the Traditional Authority.

Land valuation process: To ensure that the verification, land valuation, processing and other administration related to the claim process was hastened, the proposed partner and other farmers took it upon themselves to make all documents available to the RLCC-L, helping their officials and the land evaluators to carry out their jobs speedily. This was crucial as land sales often drag on for years, agreements lapse, and investment and productivity consequently collapse. If commercial partnerships are to work, it is necessary that productive, ongoing farming concerns are taken over, not idle land on which production has stopped and infrastructure is run down or destroyed. Mike Scott was thus given the responsibility of coordinating all farms under claim in the district so that if a willing seller sold out they could monitor the farm and keep it in working order, making sure no equipment was vandalised. Because of this well-coordinated vigilance, not a single thing was stolen or removed from the transferred land. The farmers who came into the partnership even used their own money to fertilise the orchards to ensure that their productivity would not be compromised in the intervening period.

Strategic partnership tender process: A strategic plan for the joint venture partnership was developed with the assistance of the development facilitator. Some farmers provided
resources to assist with the speedy implementation of the strategy. However, when they took the strategy to the LDA, the CPA was advised that the choice of strategic partner would not automatically be the former farmers, but should be put out to tender. This duly happened and the evaluation of the tenders was done by a panel of 11 – comprising eight government officials and three CPA members. The CPA recommended that the current farmers, who tendered for the project under the name of TML Boerdery, be chosen as partners. They felt that they had established a good relationship with them and that they knew their land and the kinds of farming enterprise they were proposing better than outside partners. TML Boerdery’s proposal was narrowly adjudged the best and won the tender to go into partnership with the community for a period of ten years.

**Transfer of the land:** At the end of 2006, some farms in the first phase of 28 farms were handed to the CPA. An official handover took place with the Minister of Agriculture and Land Affairs on 1 July 2007. The claim has yet to be finalised because negotiations are still proceeding with other land owners in the district. The community expects to receive a second batch of 36 farms in the near future, and the remaining 400 farms thereafter. The CPA will then decide on how to use the land and new partnerships can be entered into with other strategic partners, subject to the tender process.

### 5.2.3 Envisaged Outcomes

**Objectives of the Partnership**

The broad objective, in setting up the Moletele strategic partnership, was to establish a business model that would result in a community-owned farming operation while utilising existing management and technical expertise.\(^{13}\) It is envisaged that the CPA will run the various enterprises in the medium and long term. The initiative aims to optimise the value of land ownership and transform it into a commercially successful, sustainable and internationally competitive enterprise for the benefit of the community. The partnership envisaged achieving this through the following measures:

- The maintenance of the productive value of current assets;
- The growth of existing businesses (mainly mango and citrus);
- Supplying to existing markets;
- The broadening of business ownership, transformation and improved equity;
- The return of community land;
- The transfer of business skills to the previously disadvantaged; and
- The growth of economic opportunities for a large number and range of the local community.

Before the land was handed back to the community, the Moletele leaders, both from the CPA committee and the TA, were in agreement that their land must be used wisely, to maintain current production and generate a number of income streams. There is an acknowledgement that the land they are claiming back has become, with the development of commercial orchards, water reticulation systems, internationally accredited pack houses and other infrastructure, a high-value agricultural area which should not be undermined. The option of the community settling commercially productive areas is not being considered. Settlement is only being planned for unproductive land nearer to Acornhoek. The community leaders want to see skills transfer, management training and capacity building to enable the community to be able to take the enterprise over in 10 or 15 years time.

\(^{13}\) Grant application submitted to the LED Programme by TML Boerdery.
The first phase of 28 farms represents a land area of 3453 hectares, a small fraction of the 78 791 hectares the community has claimed in total. The community realise that the first phase will be a test. If the approach can be shown to work, then similar agreements can be replicated on a broader level with the rest of the land.

With the aim of establishing a working and sustainable institutional and business model for the partnership, professional transaction advisors were appointed in 2005 in the form of the Maruleng and Bushbuckridge Economic Development Initiative (Mabedi). Mabedi replaced the previous development facilitator, who was perceived not to be neutral because he was appointed by the partner. Apart from strengthening the institutional capacity of the CPA, their core goals are to:

- set up sound shareholder agreements (voting rights, share allocations etc);
- determine and advise on the lease arrangements (length of lease, amount paid and frequency of payment); and
- develop the management arrangements (who makes decisions, skills transfer details and eventual handover timeframes).

In addition a R450,000 grant from the EU-LED programme which was awarded in 2007 is currently supporting the development of the partnership in various ways.

Of the 3453 ha in the first phase, 381 ha was already planted with mangoes at the time of takeover, 68.4 ha was under citrus and 2318 ha of grazing land was available. The partners, following guidance from the LDA, decided to consolidate the land by forming three clusters, which would focus on different agricultural enterprises, thereby ensuring economies of scale and easier management:

- **Cluster one:** Which is made up of nine title deeds and forms the Batau Farming Company. Batau’s main activities are shade net vegetables, seed maize, mangos and citrus and also tourism

- **Clusters two and three:** These were allocated to New Dawn Farming Enterprise, consisting of 18 title deeds (approximately 1000 ha) growing mangos, citrus, seed maize and mango achar. New Dawn also has a drying facility and a pack house.

- The farm Calais was taken over by the Moletele CPA. The farm is used as their new office site and possible re-settlement area. As this property used to be a game ranch there is considerable tourism potential on the site.

These enterprises lease the land from the community. The profits of the enterprise are split, the partner with 48% and the community with 52%. The CPA was allocated their shares in the businesses from the beginning despite not having contributed any capital from their grants. In some partnerships, a trust is set up to look after current workers, into which two percent of the profits are fed, but the Moletele community voted against such a measure. Instead, Moletele workers are meant to replace outside workers, by process of natural attrition, until at least 30% of jobs are occupied by members of the claimant community, a goal set for 2009.

**Land use vision of Moletele community:**

Different sectors of this diverse community have different specific visions for the land and what they want out of it.
General community vision: Molotele community members appear largely to buy into the strategic partnership idea and see the long-term benefits it could provide. Many households, however, have been pushing for cash compensation, while the CPA committee has persuaded them that getting the land back and using it as a collective asset is the best strategy. Many community members are not based in the area. This factor influences their vision for the reclaimed land, particularly the options of settling on the land, acquiring jobs from the enterprise or receiving only collective benefits.

Older community members: For older members of the community (i.e. over 65 years old), with whom a focus group discussion was held, there are several ways in which they envisage their land being used:

- Firstly they emphasise that they remember being displaced and how painful it was and the specific losses their families suffered. They also remember living together on their land as a community, land with which they had a long historical connection and on which they practiced their rituals and livelihood activities. Consequently they long to recreate this (idealised) past by moving, as a community, back onto their land so that they may resume their traditional activities and rituals. They emphasised the fact that since they had been removed they were not able to conduct their rituals and had thus lost contact with their ancestors, consequently suffering misfortune.

- Secondly they want cash compensation to be paid to each household. They feel that the wider community must not receive general compensation for the losses individual households incurred, but that profits made through the enterprise must be paid out to each household for their private use.

- Finally, the older people recognise the importance of the strategic partnerships and the commercial enterprises, as long as the farmers continue to respect community members. They pointed out that the existing farmers know the land very well and can teach the younger generations how to farm it productively.

Younger community members: Younger community members (i.e. under 30), whose views were also captured in a focus group discussion, had different expectations to the older people. Their main hope was that these enterprises would provide them with good jobs, skills transfer, training and management opportunities as time went on. Some had already been trained and incorporated into middle-management positions in the pack house. They stressed that they did not want to pick oranges or do other laborious field work, but wanted employment in the pack house. Also they had little interest in coming back to the land to live. The said they would rather be given money in compensation to build better homes in the Acornhoek area, where they now reside. The young people stressed that their friends were living in this area and so it would be difficult to leave their current place of residence. For those who would consider relocation, they expressed the hope that a clinic, school and sports facilities could be built on the reclaimed land for use by the community, as they do not have easy access to these facilities at present.

Emerging Farmers: A group of around 700 emerging smallholder farmers want to move back to the Dingleydale (communal) area to grow dryland crops as they did in the past. A pilot project has been established with 100 of the best of the emerging farmers and a cautious approach has been adopted, recognising that water, technical support, inputs and access to markets are major challenges.
Enterprise Outcome

Agribusiness Structure: Strategic Farm Management (formerly TML Boerdery) was given a 10 year contract to partner with the Moletele CPA. Use of the land would adhere to an agreed strategic plan. The strategic plan, drawn up in consultation with the community, details the agreed agricultural enterprise that would operate the restituted farms.

It was agreed that the enterprise would be managed by a management company (Manco), comprising the strategic partners and some CPA members. The Manco is responsible for running the enterprise and ensuring that crucial tasks are carried out efficiently. The Manco reports to, and is overseen by a Board of Directors that meets every two months and reports back to the Moletele community. The Board consists of three directors from the CPA and three from the strategic partners. An additional director comes from the LDA to advise the CPA and provide oversight, while the Chairperson of CPA attends as an ex-officio member.

The business was structured into two enterprises: one to concentrate on citrus and mango farming and another to focus on seasonal cash crops and local tourism. The 27 farms included at this point came with certain infrastructure, owned by the former farmers/strategic partners, which was a huge advantage since the newly created enterprises could take over going concerns and realise profits straight away. Apart from moveable assets such as tractors and other vehicles, there was an internationally accredited pack house, a mango achar processing plant and two mango drying facilities on the transferred land. The plan for these enterprises is:

- **New Dawn Farming:** This enterprise groups together all the citrus and mango farming activities, taking place on 18 of the transferred farms. The fruit grown on these farms is processed in one pack house and marketed through an export company owned by the strategic partners called Alliance Fruit. This company has been the biggest supplier of mangos to Marks & Spencers in the UK for the last 10 years. As time goes by, the Moletele community will be able to buy equity in Alliance Fruit and generally become more and more involved in other levels of the value chain. New Dawn pays R38000 per month as rent for the 18 farms it operates. Since New Dawn took over the 18 farms, none have suffered a drop in production, but there are plans to upgrade and expand the area under fruit, build another mango drying facility and improve the irrigation infrastructure.

- **Batau Farming:** The remaining nine farms in the first phase are operated through the Batau Farming Enterprise, which was set up to produce seasonal cash crops like seed maize, sweet corn, cabbage and other vegetables, mainly for the local market.

A model of the key aspects of the partnership is shown in Figure 10. Aspects of the partnership which have not materialized or are still uncertain are shown in red.
**Figure 10: Moletele Partnership Structure**

**Benefits for government:**
- Taxes
- Productive agriculture sector
- BEE compliance
- Tourism and associated multipliers
- Job creation targets met

**EU/LED Programme**
- LED grant

**Strategic Farm Management**
- Payment for land to remaining 6 farmers

**Partnership**
- One board member

**Community**
- Capital (grants), labour, cultural tourism potentials, BEE credentials.

**New Dawn**
- Commercial export citrus and mango
- 48% profit share
- 52% profit, employment, skills, rent, increased management role

**Batau**
- Seasonal cash crops and tourism

**Local Municipality**
- Role unclear as yet

**Government**
- Transfer 28 farms to CPA, still awaiting 490 farms
- Institutional legitimacy to CPA
- Training support
- Grants not received yet

**Mabedi**
- Mandate
- Funds
- Oversight

**Incomes streams:** Prior to these 28 farms being transferred to the CPA, the operations carried out on them enjoyed an annual turnover of approximately R30 million. Indications are that New Dawn and Batau have managed to maintain this turnover in the year they have been running. In March 2008, after a prolonged asset verification process by a Tzaneen-based firm and extensive consultations facilitated by Mabedi, lease and shares agreements were signed by the CPA and strategic partners. Shares in the two enterprises were allocated on the basis of 48% for the strategic partners and 52% for the community. The community will consequently be receiving money from dividends in these enterprises as well as the rent money they receive every month.

**Employment creation:** The community have benefited from various employment opportunities. The partnership has, in some areas, already surpassed the target of having at least 30% of their labour force from the Moletele community; 90% of workers in the New Dawn pack house, for example, are community members. This goal has not been realised in the fields, where jobs such as fruit picking still tend to be taken by migrant workers from outside the area. It was reported that most Moletele would prefer to work in white collar jobs. The employees of New Dawn felt satisfaction with the new employment opportunities created and stated that their pay, their working conditions in the pack house and the weekly rations of fruit were good incentives.

**Training and capacity building:** A wide range of community members have received various forms of training and capacity development since the inception of the partnership. Members of the CPA committee, and community members of the Mancom and the Board of Governors have undergone capacity building and training to assist them with their inputs into
Mabedi has trained Board members in management skills and mentored them through their first year on the Board. The University of Pretoria has also recently started a three year community development initiative in which they are working with the Moletele community.

The strategic partners also have an obligation to ensure that skills transfer and training takes place on an ongoing basis. A number of workers in the pack house have received training in agriculture and are slowly being incorporated into leadership positions.

5.2.4 Challenges/Constraints

A number of challenges and constraints threaten to undermine the success of the partnership and the commercial enterprises it is running. The following are key threats, constraints or challenges:

Delays in land transfer: Since the Moletele claim was gazetted in 2004, only 27 farms out of 518 have been transferred to the CPA. This is despite the efforts made to assist the speedy verification of the claim and the land valuations. The slow pace of negotiations, acquisition and land transfer is a threat to planned future projects. One of the major reasons is that while negotiations drag on, current owners are not likely to be investing in their farms or the maintenance of crucial farm infrastructure. The result is that by the time the land is transferred to the CPA, their strategic partners may not be able to continue with the ongoing farming operations, but will have to find capital to invest for the restarting of the activities at these farms. Consequently, these farms may take years to turn into profitable enterprises, thus putting the whole strategic partnership model at risk, especially with the relatively short period of 10-15 years that partnerships are being given by the government. While these delays in land transfers are due to complex reasons, including the challenge by land owners in the LCC, other delays point to the major lack of capacity in RLCC-L which cannot cope with the amount or complexity of the claims it has to process.

Delays in grant allocation: While the government role-players were very involved in the Moletele process up to and including the land transfer ceremony, since then, they have not delivered on the promised grants. As yet, more than a year after the first batch of land has been transferred, none of the three grants which are supposed to be allocated by the RLCC have been forthcoming (RDG, SPG and DAG). These grants, especially the Development Assistance Grant, worth 25% of the land value, are supposed to be used as the community’s capital inputs into the venture, especially for infrastructure. Three problems arise, relating to the fact that this business model is contingent on reliable funding streams:

I. Without capital from the community’s side to invest in infrastructure, the strategic partner has to bear the burden of investing in infrastructure, even though he does not own the land and should invest his capital in production. With no capital to invest in infrastructure, it is likely that high value assets such as orchards, irrigation equipment and pack houses will deteriorate, severely undermining the venture. One of the partners invested R1.6 million of his own money into maintaining the infrastructure on the farms to ensure that they would be in working order when the land was transferred. He is yet to be paid back for this investment.

II. Timing is crucial in the high-value agricultural sector. Thus, if there is no capital to invest at crucial moments in the production cycle, the business will not be able to operate efficiently, relationships with overseas markets will deteriorate and the venture will be threatened.
III. As is the case with New Dawn Farming, which wants to expand its operations, if there is no capital to invest in infrastructure such as orchards, expansion cannot take place. The business may thus not be able to maintain its competitive advantage or react fast enough to trends within the sector. Also of concern is the fact that the community has already been allocated their share of the business (52%) but now cannot make an equal contribution while their partner is exposed to all the risk.

Government role in business: While government officials do play an advisory role on the Board of Governors and other committees, they are not supposed to dictate or interfere with the running of the business because they do not face any risk in the venture. In the Moletele enterprises, officials from the DLA and the RLCC-L reportedly wanted to secure voting rights on the Board of Governors rather than remain as ex-officio members. This could threaten the venture by shifting the power to make decisions away from those who are in the best position to decide on crucial aspects of the business.

Lack of ability to access capital through loans: Because strategic partners do not own the land they operate, accessing capital for production through commercial banks is very difficult. Some partners use their own assets as surety to get around this, at great personal risk. Another constraint is that various other funding institutions favour BEE clients rather than the predominantly white strategic partners. CPAs, meanwhile, are prohibited from using their land as surety for 10 years and so cannot borrow large amounts, even from the Land Bank. One possibility is to apply for MAFISA loans, which allows each CPA member to borrow up to R25000 without surety, to be paid back at eight percent interest. Meanwhile, other ways of funding infrastructure development, such as through CASP grants, are not easy for strategic partnerships to access.

Conflict on the CPA committee: The Moletele CPA committee is large, with representatives from all five areas in which community members reside. While the leadership appears to be strong, conflicts have occurred which have threatened to break up the CPA executive. A few younger CPA committee members from the original Moletele Land Claim Committee fell out with the CPA chairperson and other members when they were accused of trying to use their position to make private deals. While they were subsequently removed from the committee they still feel aggrieved and have written to the Land Claims Commissioner to ask for his intervention. The TA in theory plays an ex-officio role on the CPA committee, but seems to have a strong influence on decision making. It was suggested to the Consultant that they are keen to exert more direct influence as time goes on, which some members of the committee see as a threat to the democratic running of the CPA. These conflicts and the potential factionalism in the committee could have a profound impact on the venture, not least by destroying the current unity of vision for the enterprise.

Threats from opportunists: In large land claims, such as the Moletele case, a number of strategic partners seek to enter partnership agreements with the beneficiaries. It is said that some of these businesses seek to break into partnerships by making deals with individual members of the CPA committee, or factions within the committee, so as to position themselves well to win future contracts. In some cases, various forms of corruption may come into these types of relationships.

Lack of capacity on the CPA committee: The CPA members have little experience of leadership and management. While there are some experienced leaders on the Moletele CPA committee, some committee members are reportedly not fulfilling their duties. The leadership challenge is compounded by the fact that committee members are scattered to faraway places where they work. For example, the treasurer, who may be needed to make quick decisions, or exercise his signing power, resides in Nelspruit, while the secretary is in...
Polokwane. At the Management and Board levels, despite mentoring efforts, it appears that the strategic partners bear the load when it comes to decision making on complex issues. Consequently, the risk of dependency is a potential threat to the plans to eventually hand over the enterprise to the community. The consultants were not provided with any concrete evidence that the CPA committee has yet fulfilled its constitutional obligations to hold a proper Annual General Meeting at which it presents its financial statements and an annual report. This has led to some CPA members questioning how the rent and other monies are being managed as no proper procedures appear to be in place.

**Role of Municipality not clear:** Municipal officials are currently not involved in the Moletele enterprise. It appears as if little has been done to incorporate support for the land reform outcome into the District Municipality’s LED strategies or IDPs.

### 5.3 The Nzhelele Valley Initiative in Vhembe District

#### 5.3.1 Background

The Nzhelele Valley in Vhembe district is a prime export citrus farming area. Situated midway between Musina to the north-west and the Soutpansberg Mountains to the south, its climate gives it a competitive advantage for citrus farming. Situated in the tropics, at low altitude and on the northern side of the mountains, the area is warmer and receives more sun, thus enabling citrus fruit to ripen here 3-4 weeks before other production areas in Limpopo. These conditions give citrus producers in the Nzhelele valley a comparative advantage in local and global markets. The water in the area is also of very high quality, reducing the occurrence of diseases such as ‘Black Spot’ while the semi-arid environment means that very few pests are present. Farmers in this area consequently spend about a quarter of the amount that farmers elsewhere spend on pesticides. These advantages also make the Nzhelele valley a prime vegetable growing area.

Alicedale Estate, at the heart of the land claim, is registered to sell citrus fruit to every market in the world except the USA, with which it is currently negotiating registration. The high quality, high-value citrus export enterprises in the Nzhelele Valley would not be possible without highly technological and skilled management of processes such as fertigation and the impeccable quality controlling, sorting, packaging and marketing of fruit. The area is also a prime tourism and safari/hunting area, with the Tshipise hot springs situated on the land under claim. The area also has unexploited mineral resources, including copper.

Several communities claim to have lived in the Nzhelele valley/Tshipise area before white farmers occupied the land. These include the Nemamilwe, Nedondwe, Mamuhoyi and Tsuni communities. According to members of these communities, their removal took place in a gradual fashion between 1930 and 1950, although not everyone agrees on the dates. While most were forced to move to the homelands, some stayed on as farm workers. Others moved further afield to places such as Witbank and Johannesburg, a branch of the Nemamilwe clan even crossing into Zimbabwe, their whereabouts not known to this day. Community members were scattered to different places after displacement, subsequently losing close contact with each other. Apart from the loss of access to the land to practice ancestral rituals, many lost cattle and households possessions in the course of their displacement.

Between the four communities that were affected by land dispossession, 265 000 hectares has been claimed. Some of the farms within this land area have been claimed by up to three different communities. The RLCC-L verified the claims and which were then gazetted in 2004.
While the claims were being verified, various community members started to interact with some of the farm owners. There was a realisation from some of the farmers that they could find a proactive solution together. Other farmers were very hostile to community members, chasing them away when they came to show verifiers the land, one going as far as to break a camera belonging to a community member. One of the most proactive farmers was Peter Nicholson, owner of Alicedale Estate. He and community leaders started meeting regularly to establish a common understanding of the kinds of options they could explore for the future. The communities signed a memorandum of understanding with each other, agreeing to explore a partnership with existing farmers. They were assisted by Dr Nkadimeng and Advocate Denga, who advised them on legal issues. As a result of this engagement, community leaders and a few existing farmers, led by Peter Nicholson, came up with the idea of forming the Nzhelele Valley Initiative (NVI).

The aim of the NVI is to establish a commercial partnership which ensures that the high-value export agricultural activities currently taking place remain at current high levels of production, acting as a base from which to link in new income streams for the benefit of the claimant communities and their partners. The government promised to hand over the first phase of land (15,000 hectares) in March 2008, but this still has not happened.

5.3.2 Land Reform Process

Lodgement of the claim: Unlike in the Moletele case, where one Chief united the community, the claim in this case was lodged by four different communities, the Nedondwe, Nemamilwe, Mamuhoyi and Tsuni, under different traditional leaders. The four communities lodged claims for 17 properties in the Tshipise area by December 1998, some claiming land on the same farms. For example, the Nemamilwe and the Nedondwe communities both claimed portions of Alicedale, coming to an agreement about which portions they were laying claim to.

Leadership: The land claim appears to have provided opportunities for new forms of community cohesion and a vehicle through which community leaders can exercise their authority. In the Nedondwe case, the late former Chief initiated the claim process, raising awareness about the claim among community members. A meeting was called at which a committee was elected to take the claim process forward. In the case of the Nemamilwe, an ordinary community member called Andrew Murunzi, who had remained on Alicedale as a worker, drove the process of reclaiming the land. Whilst working on the farms he had covertly carried out rituals at Nemamilwe graves, thus sustaining the link to the ancestors. He died in 2007. The importance of gaining land back to reconnect with the ancestors through rituals features large among the reasons for lodging the claims.

Although the restitution process has seen the establishment of new democratic forms of leadership through the introduction of CPAs, the traditional leaders are clearly still the dominant leaders of the claimant communities. Both the Nemamilwe and Nedondwe CPAs have afforded members of the TA central positions. For example, the Chairperson of the Nemamilwe CPA is Patrick Nemamilwe, the brother of the Chief, who is also on the committee. In Nedondwe’s case, prominent members of the CPA committee appear to be vying for the vacant Chieftainship.

Identification of the community: As with the Moletele case, one of the first tasks after lodging the claim was to identify who and where the beneficiaries were, a task made more difficult by the years of separation and distances people had moved. The leaders began to trace and list all the beneficiaries. Most beneficiaries were identified by examining family trees and each beneficiary helped to mobilise others that they were in contact with. The process is not yet complete but so far the Nemamilwe have identified 26 households,
representing 356 claimants while the Nedondwe have identified 70 households with 560 claimants. The number of claimants and beneficiaries of the four communities together comes to around 4000.

**Claim verification process:** Having lodged their claims, the communities began to liaise with the RLCC-L to ensure that they were assisting with the necessary steps needed to process the claim. Thereafter the RLLC-L undertook verification inspections to ensure the authenticity of their claims, visiting the farms to examine graves and other evidence of their occupation.

**Engagement with farmers:** Many of the farmers in the area viewed the claimant communities as potential land invaders, given what had happened across the border in Zimbabwe, less than 60km away. Because of the antagonism and fear between the two parties, the community leaders tried to think of ways to begin to negotiate with the farmers. One of the farmers decided that the only way for both sides to benefit, was for them to engage and form a partnership. A facilitator, Gerrit Booyens, was brought in to assist with negotiations. He had similar experience with other claim negotiations, notably at Moletele.

The community leaders and willing farmers then embarked on a process of ‘fear management’. As a result several memorandums of understanding were signed between the parties. These agreements enabled a small group of willing sellers to offer three large and very productive farms in the heart of the Nzhelele Valley, namely Alicedale, Mount Stewart and Seydrift, amounting to 15000 hectare. These farms would form the first phase of the NVI project, while a further 14 would form the second phase when negotiations with their owners were completed.

**Formation of CPAs:** During the process of liaising with the RLCC-L and negotiating with the land owners, the communities were advised to form CPAs so that they would be legally constituted. Although the communities were already working together, it was decided that they would each form their own CPAs so that one community would not be able to dominate others. The Nemamilwe and the Nedondwe CPAs were formed on 27 May 2006. While members of the TA are central in each of these CPA committees, the communities recognised the importance of including a diverse range of interest groups on the committees, voting in representatives of the youth and women. Each committee has 15 members. In order to manage their combined business interests an NVI secretariat was formed, consisting of representatives of both CPAs who would receive land back in the first phase.

**Land valuation process:** The three farms which have been offered by willing sellers have been valued and the offers have been accepted. The process of concluding the sale, however, has not advanced further.

**Strategic partnership tender process:** As yet no tender process for a strategic partner has occurred. The communities have expressed their wish to work with Peter Nicholson on the first phase, going so far as to make a resolution that they should be allowed to choose their preferred partner rather than have an outsider imposed on them.

**Transfer of the land:** The government promised to finalise the handover of the three farms by March 2008. As no land transfers have taken place, both the strategic partner and communities have become increasingly uncertain of when (and if) the land claim will be finally settled.
5.3.3 Envisaged Outcomes

NVI Objectives:

The broad aim of the NVI is to establish a commercial partnership which ensures that the high-value export agricultural activities currently taking place remain at current high levels of production, acting as a base from which to develop new income streams. As with the Moletele, the eventual outcome will be the total ownership and management of the enterprise by the claimant communities, following a process of skills transfer and capacity development over a number of years. The specific objectives of the NVI project include:¹⁴

- To capacitate the Nemamilwe, Nedondwe, Mamuhoyi and Tsuni communities to effectively participate in economic development and optimise opportunities and processes in partnership with commercial farmers on land restituted to the respective communities;
- To create and strengthen a CPA secretariat in order to support effective participation of the CPAs in the NVI (Pty) Ltd and their role as the custodians of communal assets, revenue streams and reinvestment programmes;
- To establish a commercial joint venture between farmers and the communities; and
- To develop strategies to enable the CPAs to optimise and manage their investments for the development of their respective communities.

The NVI is envisaged as a “special purpose vehicle” to commercialise the restitution process through the management of the post-settlement process and the establishment of a world-class competitive citrus exporting and agricultural and tourism enterprise. The following key activities have been planned:

- The mobilisation of commercial, community and government stakeholders to ensure a wide range of land reform partners;
- The development of a pre-settlement strategy and action plan to ensure pro-active community participation, undertake a skills audit and compile a community resource, funds and assets inventory;
- The training and capacity building of CPA committees to ensure they participate fully and manage resources soundly;
- The development of a post-settlement strategy and action plan to ensure a smooth transition in ownership, community participation in development projects and use of community assets;
- The drafting of detailed business plans and feasibility studies which identify commercial, social and community development projects and form the required support and governance structures; and
- The facilitation of post-settlement project implementation and the establishment of monitoring and evaluation criteria, infrastructure and practices.

¹⁴ From the grant application submitted to LED Programme by the NVI in 2007.
In order to achieve these goals a private facilitator was appointed to work with the CPAs and the willing sellers. His role is to ensure that all the correct structures for the partnership are set up and that the CPAs and their secretariat are suitably developed and capacitated. A grant from the EU-LED Programme enabled much of the institutional development work that has occurred so far.

The structure of the NVI, including share allocations, has been agreed. The business will become operational upon the transfer of the land to the CPAs. At present, Peter Nicholson’s company Limpopo Fresh owns the land and the NVI leases the land from it. When the land is transferred, the communities will own the land, and the NVI will lease the land from them. A system of ‘bus stops’ has been put in place whereby 51% of shares from the NVI will be transferred in stages to the CPAs once they have acquired the land and obtained the various pre and post-settlement grants to purchase their equity ownership stake. This agreement ensures that the strategic partner will not have to take undue risks without a fair reward before the communities are able to bring their resources into the partnership, but it also means that without the grants the community will remain little empowered.

The CPAs are in agreement that the existing investments on the land should be respected and that highly productive farms such as Alicedale could act as a base on which to develop multiple income streams for the benefit of their members. Many community members look forward to employment and micro-enterprise opportunities in tourism, given the potential of the NVI land assets. The CPAs have great ambitions for the NVI. Some committee members reported that they want the enterprise to be registered on the Johannesburg Stock Exchange. The community want the NVI to create jobs for future generations. In order to protect their long term interests, the CPA has proposed establishing a trust in order to ring-fence the proceeds from the business for investment in community development.

While it is acknowledged that there is a desire by many to return to the land, there is as yet no clear indication how many people will want to move back. The CPA secretariat stress that the land should be used for business. They feel that whatever relocation does occur it must be managed so as not to destroy the existing enterprises; the CPA will not permit uncontrolled settlement or use of the land in any manner that negatively threatens the activities of the enterprise. According to the leaders, when people eventually relocate there must be business and employment opportunities available on the land as well as amenities such as schools, electricity, roads and clinics. In other words, the vision is for a healthy and well serviced settlement.

Land use vision:

Members of the two communities who are participating in the first phase of the NVI (Nedondwe and Nemamilwe) support their CPAs’ vision to work with the existing farmers to keep the high-value agricultural activities going on the land. This they hope will create job opportunities and ensure a number of income streams and development opportunities. However, the two communities have different needs in that the Nemamilwe appear to be more incorporated into a semi-urbanised life while the Nedondwe are based in a very rural area and seem to have more rural aspirations. Furthermore, different sectors within these communities have different ambitions for the land and what they want it to be used for.

General community vision: There is a general acknowledgement, at least at the rhetorical level, that restitution, or getting back the land, is only the first step in the process, that land is only the key to unlock other potentials. There is an understanding that the future could be bleak if the land is not used for something productive, whereas the future could be bright if it is used wisely. Interestingly, in contrast to the Moletele case, not a single person mentioned the desire for cash compensation for individual households. This may be because
displacement took place at least 15 years before the Moletele, and less people remember their individual losses. Alternatively, it may be because the CPA committees have persuaded community members that collective rewards coming out of the NVI will be the best form of compensation.

**Older community members:** The views of older beneficiaries (over 65 years of age) were obtained through a focus group discussion with the Nedondwe community. These informants said that the return of their land will enable them to reconnect with their ancestors, through being able to conduct ritual ceremonies at their grave sites. Furthermore, there was a strong feeling that the place where they are living at present is not suitable because they are subjects of other people and do not feel they have equal footing within the society. The return of the land, it was felt, will thus enable them to receive recognition and acquire respect. One elderly person summed up the prevailing attitude among the Nedondwe elderly: “For us, if we can go tomorrow, the first thing is to restore our heritage.” The older people also pointed out that gaining control of natural resources such as the Tshipise Hot Springs is important, not just to earn wealth, but for ritual purposes. They see themselves as the original owners of this resource and feel they should benefit from its use.

**Younger community members:** The views of younger beneficiaries (below 35) were gathered at a focus group discussion with Nemamilwe community members. Young people emphasised the need for the provision of more focused training for different jobs within the NVI, for example in ICT skills and for skilled jobs in the pack house and at management level. They expressed the need to continue working with the current land owners as strategic partners in order to maintain the commercial success of the project and to develop the enterprise as planned. It was felt, however, that they would need to ensure that the strategic partner prioritises their aspirations.

The young people in the focus group discussion expressed a desire to go back to the land, but on the condition that good housing, water, sanitation and electricity are provided by the municipality, and roads, schools and clinics are built first. They would also like sports and entertainment facilities to be built there. They do not want to live in an informal settlement on the land. The young people said they would lobby the municipality to provide them with their requirements for a good settlement at the farm as they knew what their rights were and were not afraid to demand them. They also expect the government to provide them with more training and skills development opportunities and would like to see the land transferred as quickly as possible so that the project is not undermined.

In terms of their enterprise vision, young informants look to tourism to afford them opportunities to start small businesses selling beadwork, traditional dresses and crafts. They expressed a desire to operate a tourist lodge and a clothing factory on the land. Others said they would like to run a poultry enterprise and a piggery. Some young women said they had formed a group called Nemamilwe Women in Mining which would seek training so that when copper is mined on their land, they will be able to make a living from mining.

**The Enterprise Structure**

**Formation of agri and other businesses:**

The success of the NVI, as it is envisaged, is reliant on the land being transferred, the strategic partner being appointed and the government allowing a partnership of ten or more years to be formed. If these things do not happen, the NVI may never materialize. A strategic plan has been drawn up for the NVI enterprise and the structures for management control have been agreed.
The enterprise structure is more complex than the Moletele case. The business will be divided into five clusters, each separately managed. These clusters are the i) agriculture, ii) property and iii) tourism clusters, supported by the iv) human resources and skills development and v) commercial clusters.

The main focus of the enterprise will be on agriculture. The strategic plan has divided this aspect of the business into two sub-clusters. The primary agri-production cluster will encompass citrus, vegetable, cattle and game production, while the secondary agriculture cluster will comprise the citrus and vegetable pack houses, logistics and container handling and meat processing. If the existing farmer can remain on as the strategic partner, the high technology infrastructure such as the internationally accredited pack house and irrigation equipment will become part of the business and the enterprise will continue operating at current levels, while existing market links will similarly be maintained.

The conceptual model of the planned enterprise is shown in Figure 11. Aspects of the partnership that are uncertain or yet to materialise are shown in red.

**Multiple income streams:** There is great potential for beneficiary communities to enjoy multiple income streams flowing out of the NVI. But in the beginning, the community will only receive rent. The two CPAs understand that dependence on one income stream alone, such as rent, will not be sufficient to undertake development and thus the enterprise will need to develop other sources of income, through tourism and mining.

**Employment creation:** The existing commercial farming operations are likely to sustain 2500 jobs, while further investment and expansion of these operations over a three year
period could create an extra 500 jobs. The development of the tourism businesses and their support operations have the capacity to create many more jobs and income generation opportunities. In anticipation of these employment opportunities, various community members have received training. Already 12 members of the community have been employed in the pack house on the Alicedale Estate and a university graduate in agriculture has been employed in a junior management position.

**Training and capacity building:** The NVI plans to make a significant investment into education, skills development and capacity building. The CPA committees and CPA secretariat need leadership and management training so that they may effectively lead their communities in the NVI partnership. The strategy being set up is that each committee member will have a portfolio to manage to give them ownership and make them effective leaders. In order to improve their skills, the CPA asked the Department of Labour and a private trainer to provide training in bookkeeping, financial management, farm management, harvesting, irrigation and capacity building. Ultimately 37 people were trained. Whilst welcome, the training that was provided did not correspond to their needs and furthermore no skills audit had yet been undertaken.

Since the provision of EU-LED funds, and the employment of the facilitator, the CPA secretariat has undergone a number of exposure visits to meet other CPAs to learn from their experiences. These funds have also enabled the CPAs to hold meetings every two weeks and report to their communities once a month at an open meeting.

### 5.3.4 Challenges/Constraints

A number of challenges and constraints threaten to undermine the potential of the NVI partnership and the commercial enterprises it proposes to run:

**Delays in land transfer:** The delay in the transfer of land is the single biggest obstacle to advancing the partnership. Community members are unsure why the RLCC-L has not carried out its commitment, but feel that the delay could be due to shortage in manpower in the Commission. There is also speculation that there has been a directive from the DLA that no land should be transferred at present and consequently all land transfers north of the Soutpansberg mountains have been frozen until the proposed Expropriation Bill has been passed.

The NVI experience has causing insecurity among both farmers and claimant communities. It may cause farmers to stop investing in their farming activities, which will contribute to their farms becoming run down by the time they are finally bought and transferred to the CPAs. The relationship between the RLCC-L and the CPAs wanting to participate in the NVI has deteriorated as a consequence.

**Delays in grant allocation:** While most grants are only expected after the land has been transferred, the SPG is supposed to be allocated to the CPAs once the claims are gazatted so that they can plan for the future of the land. As yet the SPG has not been granted to them and most of the planning has been done with assistance of private and donor funding, including the EU-LED Programme grant.

**Buy-in of other farmers into NVI:** Only a few farmers in Tshipise are currently behind the NVI project. The lead partner would like only the best farmers within the area to partner with the NVI.

**Uncertainty over who will be chosen as strategic partner:** A solid relationship has been established between the communities and the current group of willing sellers. The NVI rests...
on the understanding that the existing farmers will partner with the claimants. However, the LDA’s insistence on a tender process could result in an outside bidder being awarded the tender to work with the beneficiaries. The CPA secretariat has made a statement to the authorities saying that they need to be able to choose their preferred partner as “you cannot bid for trust and relationships”.

**Poor institutional support for CPAs:** To date neither of the CPAs involved in the first phase have been issued with their CPA certificates, although they formed their CPAs more than two years ago. This means that they are not legally constituted, making it difficult for them to do business and enter agreements with partners. Furthermore, the two CPAs feel that their constitutions, which were developed by consultants appointed by the RLCC-L, do not adequately reflect their local needs or requirements. An example of the inadequacy of the level of institutional support is that neither CPA was given the DLA guidelines and booklets on running a CPA; these documents were only made available after the appointment of the facilitator.

**Weak organizational systems:** Neither of the CPA committees have proper financial management systems. This will present significant problems once income starts flowing into their bank accounts. Furthermore, the committees currently do not have operating budgets to meet their day-to-day needs. Funding is still mobilised from community or committee members on an ad-hoc basis and neither CPA has a reimbursement policy to pay back members for travel or expenses incurred on CPA business. This is a potential problem since some committee members are investing considerable resources into the venture, one man even selling a vehicle to make a contribution. This could lead to feelings of resentment and entitlement by those who have invested their own funds in mobilizing the community as time passes. The CPA committees also feel that their lack of resources makes them reliant on the RLCC-L for funds and consequently not in control of their own destiny. Volunteerism on CPA committees also means that nobody takes ultimate responsibility for key tasks which means that often unsatisfactory progress is made. The NVI planners have tried to get around these problems by establishing a paid CPA secretariat whose members are allocated specific portfolios to manage.

**Role of traditional leaders on CPA committees:** It seems that although traditional leaders hold leadership positions on the CPAs, this duel role will not necessarily cause problems as long as other voices are also heard. It might, in fact, be an advantage as there will not be competing power bases within the communities. In the case of the Nedondwe CPA, the vacant Chieftainship is currently being contested by different CPA committee members, which could bring conflict and factionalism into the organisation. It is acknowledged that unresolved conflicts in communities leave outsiders unsure of who to speak to as different factions struggle for control. It also makes it easier for opportunists to come in as they can exploit the conflicting factions.

**Non-attendance at meetings:** The scattered nature of the communities makes communication and attendance at meetings difficult for most CPA members. The RLCC-L told the claimants that they must hold their CPA meetings at Alicedale but most members cannot afford the transport cost with the result that they cannot attend regularly. Without an operating budget, the CPA committee also has to inform CPA members by telephone using their own money. The burden of transport also falls to those committee members with cars. The result is that seldom are the same members at consecutive meetings, giving the impression of a lack of effort and commitment from ordinary CPA members.

**Unclear future for existing workers:** Many current workers feel that the change in ownership could lead to their working arrangements becoming insecure and their
opportunities more limited. Since most claimants have no desire to work in the primary agriculture sector, it will be important to maintain the current workers in the long term.

**Role of Municipality not clear:** Neither the Musina nor Makhado Municipalities have taken a role in the NVI. While this is understandable, given the fact that the partner has not been officially appointed, both municipalities will have an important function to fulfill in terms of service provision to re-settled claimants. The first phase of farms falls on the boundary between the two municipalities, making it unclear which will take responsibility for service provision.

5.4 **Case Study Conclusions**

The two case studies share a number of common themes, especially in respect to the engagement between beneficiaries and institutional role players.

**5.4.1 Empowerment**

The Moletele land claim and the proposed NVI involve partnerships between claimant communities and the previous owners of the land. Both partnerships evolved out of a crisis situation for the former owners, in which they realized that there could be a creative ‘win-win’ for themselves, land claimants and the agricultural sector as a whole through engaging in partnerships. Claimant communities realised that in partnering with the former land owners, they could benefit from their new set of assets to a much greater extent than if they simply acquire their land. The foundations of these two partnerships are very different to other strategic partnerships in Limpopo, in which outside enterprises have been appointed as strategic partners. In these partnerships, community participation and beneficiary empowerment are written into the contract; the relationship between partners and the land beneficiaries is not shaped through a history of mutual engagement and building trust.

It is too early to judge the Moletele and the NVI. Only as each initiative progresses will it become clear if true empowerment and participation occurs, laying the foundations for a full takeover of operations by the communities. Nevertheless, steps towards empowerment have occurred in both cases. In establishing the partnerships, the claimants went through an empowerment process. Before this process, the communities were widely scattered and not very cohesive, whereas the land claims brought the communities together and has helped them to forge new collective identities. The land restitution process thus brought opportunities for new kinds of communal identification, action and empowerment.

Despite the achievement of mobilizing the land claimants, the CPA committees face major challenges in communicating with the ordinary members/beneficiaries, holding regular meetings and involving them meaningfully in decision making processes. This is in large part due to the widely scattered nature of the community, the lack of resources and the lack of capacity or commitment of some of the CPA committee members. Indicative of this weakness, the Moletele CPA has so far not held a proper AGM, but has had a series of feedback meetings in the various areas, whereby participation has been exclusive rather than inclusive.

At this stage, ordinary CPA members are heavily reliant on their CPA committees to provide them with information and access to jobs and training opportunities. The capacity of the CPA committee and depth of participation may, no doubt, improve through the provision of leadership and management training. This has been provided by development facilitators, whose role has been funded largely through grants and from the strategic partners.
One of the biggest limitations in both cases is the lack of capacity within CPA committees to fully comprehend the very complex legal, financial, and management aspects of these initiatives. The enterprise structures are organized in a manner which fragments ownership, whilst management control is organized into ‘cluster’ operations. While the CPAs have endorsed these structures, it is unclear whether they understand the implications in terms of their economic empowerment. The danger is that the strategic partners will end up taking all the business decisions by themselves. There is likewise a danger of the CPA committee members becoming dependent on the strategic partners to support the capacity development process. There are indications that the Moletele CPA committee is particularly plagued by a lack of capacity and that the strategic partner has consequently had to take on roles that the committee should perform.

5.4.2 Visions and Expectations

Pragmatism of land claim communities: The case studies show that land claim communities have learnt from the mistakes witnessed in other land reform outcomes in Limpopo and are prepared to be pragmatic in deciding on how to use their land. CPAs recognize the advantages of working with strategic partners to maintain and expand existing farming operations and create new income streams. Furthermore, rather than simply wanting to settle on the land, the CPAs have a clear vision that if settlement is to occur, it must not have a negative impact on the agri-enterprise.

Inter-generational differences in vision: There are evident inter-generational and other differences (including political) which shape the vision different beneficiaries have for the land. Old people seem largely driven by nostalgia and the desire to return to the land, establish long-lost connections with their ancestors and to be buried there. Younger members of the community do not want to live on the land unless there are genuine opportunities for a good quality of life. They are, however, interested in gaining employment in the new enterprises, especially in the more skilled or managerial jobs. The youth appear to have little desire to simply go back to the land to be farmers in their own right, but instead wish to be part of a larger more sustainable enterprise.

5.4.3 Leadership

Traditional Authorities have a strong influence in CPAs: While CPAs are supposed to be democratically constituted, old structures of communal leadership are intermeshed in the management and control of the committee structures. The Traditional Authorities hold a disproportionate influence on decision making, though their role has been largely positive and galvanized broad support of the organisations. Communities seem to recognize the important of the role of chiefs in local politics and voted members of their traditional authorities onto the CPA committees along with women and younger members. As illustrated in other cases (notably Makuleke), this symbiotic relationship may prove crucial in the success of the partnership, because wherever CPAs and TAs are at odds, development seldom occurs.

5.4.4 Institutional Relationships

The land claims process: The Moletele and Tshipise land claimants received adequate assistance from the RLCC-L and other government role-players in the process of lodging, verifying and gazetting their claims. The relationships they established with key officials ensured that their claims were processed relatively smoothly and good co-operation between sellers, claimants, and government institutions was witnessed. The spirit of cooperation given towards processing these claims meant that by 2004 both sets of claims
had been gazetted, enabling the next stage of acquiring the land, planning for its use and handing it back to the communities.

By July 2007 the Moletele community had been handed 28 farms. The partnership was considered one of the CRLR's success stories, reported on as such in its 2006/07 annual report. The Tshipise land claimants, in contrast, are still waiting for the transfer of the first land batch which the RLCC-L had indicated would be handed back to them by March 2008.

**Support of CPAs:** During the early phase of forming the respective CPAs, the communities received strong support from the RLCC-L. The commission, for example, provided consultants to assist with the drafting of respective constitutions. But at the point of transferring land to the communities, the level of support has significantly declined and further assistance has not been forthcoming. A serious concern relates to the delay in issuing the certificates of registration to the Nemamilwe and Nedondwe CPAs; these communities have waited for more than two years for the certificates. This means that the CPAs are not yet legally constituted and consequently cannot conduct business with banks and other institutions. The communities report that communication between these CPAs and the RLCC-L has progressively deteriorated.

**Financial support:** The non-delivery of grants is the most significant example of the apparent failure, or reluctance, of the government to adhere to its policy commitments and swiftly undertake the land reform process. The NVI and the Moletele beneficiaries are entitled to qualify for several grants, yet neither has received these. The pre-settlement planning process has instead had to be financed through discretionary grants, including the DLGH/EU-LED Programme grants. The development and settlement grants for the Moletele beneficiaries have apparently been approved, though not yet allocated. According to an official of the RLCC-L, the Commission is reluctant to issue grants before it is certain that a project will be sustainable. The Commission is mandated, under the Public Finances Management Act, to prevent ‘fruitless expenditure’ and can be prosecuted if the money is not administered properly.  

**Post-settlement support:** In the Moletele case, officials from the LDA and RLCC-L have provided post-settlement support. Officials from the LDA and RLCC-L sit on the Moletele Board of Governors in an advisory capacity and thereby provide oversight, institutional support and advice to the CPA committee on their relationship with the strategic partners and role in the partnership. The LDA have also invited Maruleng Municipality officials to attend their committee meetings and are working with them to incorporate the initiative into local economic development planning. Local LDA officials noted that although they regularly meet with and advise the Moletele CPA members, their role in providing technical advice is minimal as their strategic partner and development facilitators provide most of their needs for such support.

### 5.4.5 Strategic Partners

**Commercial farmers are willing to play a role in land reform:** The Moletele and NVI cases demonstrate that farmers are often willing to become involved in joint venture partnerships with CPAs, thereby contributing their skills and know-how to achieve a ‘win-win’ outcome. Where these farmers have become strategic partners, they have shown a willingness to invest capital, time, skills and energy into enterprises that have potentially high risks. The cases show how progressive farmers have succeeded in encouraging others to sell their land or to become involved as strategic partners.

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Advantages of local farmers as partners: The case studies emphasis the value of developing partnerships between local farmers and the claimant community. In these experiences, local community-farmer partnerships formed organically during a process of negotiation, relationship and trust building. From an enterprise perspective, the former land owners have intimate knowledge of the land and how the local geography, climate and farm system operates. Where local farmers are retained as strategic partners, the partnership can take over a going concern as the former landowner is encourage to maintain the enterprise assets and productive resources in optimal condition up to the point of transfer. As a partner, the former land owner is likely to be in a position to invest some of his/her capital from the land sale in the enterprise.

Development facilitators: Development facilitators played an important role in building the capacity of the CPAs and facilitating agreement between the claimants and strategic partners. The neutrality of facilitators is crucial as their role is to support the CPA to engage on equal terms in a relationship that, at the start, is heavily asymmetrical. Until the CPAs achieve full equity in the enterprise, power will remain heavily weighed in the hands of the partner. As neutral entities, NGOs can play an important role in supporting CPAs and strengthening them to participate meaningfully as a shareholder in the agro-enterprise.

5.4.6 Leveraging Funds

Access to Finance: The success of joint-venture partnerships rests largely on their ability to raise funds privately. Given the uncertainty of public grants, CPAs and the strategic partners may have to look for alternative source of finance to invest in the enterprise and assure the CPA of equity in the secondary production process.
Study Conclusions

There is broad agreement among a diverse range of stakeholders, including commercial farmers, that land reform is needed to address past injustices and provide land to dispossessed and marginalised communities. These communities have a right to land and need land to support their livelihoods. There is less agreement, however, on the economic outcome of the current land reform process. Views remain divergent on what forms of agriculture should be undertaken on restored and resettled land. This study has carefully investigated the topic. It is evident that smallholder and emerging farmers have struggled to become commercial producers and as yet do not have the experience to manage highly developed farmers. The research found that the current approach to land restitution in Limpopo Province is nearing a crisis point. Land restitution has neither achieved its political objectives nor resulted in a favorable economic outcome.

If this desired outcome is to be achieved, policy makers need to carefully consider the economic aspects of land reform.

Our first main conclusion is that the cost of land restitution has become far greater than anticipated. National government estimated in 2008 that the costs of completing land restitution would be R10.6 billion. It has allocation R6 billion to the land restitution process for the period 2007/08-2010/11. The study found that the cost of purchasing the remaining 2,183,852 hectare under land claim in Limpopo at current market prices would be about R25.9 billion Rand. There are simply insufficient funds available to the RLLC-L to complete land purchases in Limpopo.

Our second main conclusion is that the ‘hectare driven’ approach to land restitution could profoundly undermine agricultural output and revenue. The study found that the horticulture sector in Limpopo accounts for 62% of farm income. The bulk of this production is undertaken on 304,450 hectare, equal to about 0.02% of the total land area. This high potential land sustains the bulk of the Province’s export-oriented agricultural production in citrus and sub-tropical fruit. This land should be seen as a strategic asset which the government should ensure remains profitably farmed. However, almost 40% of this land is under claim and in some districts, such as Mopani, 90% has been claimed. The government should therefore re-consider whether acquiring land under restitution is an appropriate approach to ensure the continuity of production in these high productive areas or whether other instruments of the land restitution policy, such as financial compensation, would not better serve the overarching objectives.

Our third main conclusion is that strategic partnerships, while having the potential to maintain high levels of commercial output, can only achieve the desired land reform outcome if the government transfers both the land assets and the dedicated financial grants to the benefiting CPA. Without these grants, the strategic partner may prove unable to leverage capital sources, whilst the community would have no equity in the operating enterprise, hence gaining little benefit from their empowerment.

The high costs of the current approach to land restitution, allied with the growing demand for technical services and financial grants, will be difficult to sustain. In recognition of the challenges to establishing a class of successful black commercial farmers, government has begun to favour strategic partnerships between land reform beneficiaries and commercial agri-business actors. Limpopo was the first province to pilot such partnerships and the concept has since been adopted by other provinces in which high-value land has been claimed. These partnerships should not, however, be seen as a panacea to the challenges of land reform.
The study examined two cases of strategic partnerships. It is too soon to say whether these partnerships have achieved a 'win-win' outcome; in the one case, the land has not been transferred to the community. However, our research has enabled us to identify three areas in which partnerships can be regarded as favourable:

- firstly, partnerships can ensure the continued production in quantity and quality of high value crops, especially citrus and sub-tropical fruit;
- secondly, partnerships can provide a vehicle to advance AgriBEE through land reform, enabling the beneficiary communities to gain an asset (land) and an empowerment stake in a competitive agro-enterprise;
- thirdly, partnerships can provide a means to transfer skills and know-how to the beneficiary community who may, ultimately, acquire the expertise to run the enterprise or individually go into farming.

Partnerships can best be undertaken in highly developed commercial enterprises where the beneficiaries can gain income from primary and secondary streams. Farming enterprises that do not have vertically integrated systems would seem to be less suitable to joint-venture management. Partnership arrangements must be able to vary from situation to situation; no blue-print or model should be advocated. Each partnership must seek to best utilize the agro-ecological conditions and consider the community dynamics, skill levels and individual visions.

The value of joint-ventures that evolve out of local needs and responses to land reform are illustrated by the Moletele and NVI cases; in both, the community and partners have gradually achieved trust and an understanding of common goals. These relationships have taken long to develop. The study therefore cautions against imposing partnerships on land reform beneficiaries involving outside stakeholders, where mutually beneficial relationships have not been established. It is crucial that the partnerships should reflect the community vision and also accommodate the divergent interests between young and old, those seeking employment and those seeking to re-settle themselves on the restituted land.

With respect to the analysis of joint-venture partnerships, the research sustains five overriding conclusions:

I. Land claimants accept that entering partnerships with strategic partners provides a pragmatic solution to address their ‘needs’, giving them both ownership of land and a stake in a viable enterprise.

II. The institutions responsible for land reform (LDA, DLA and RLCC-L) are not fully supporting land claimants in the strategic partnerships. Possibly because the partnership concept is relatively new, government role-players have not geared their support services to meet the policy agenda. While the LDA is trying to provide the necessary support, the RLCC-L has been tardy in releasing the finance to which land reform beneficiaries are entitled and has prolonged the completion of elementary legal procedures.

III. Local and district municipalities have given little support to strategic partnership initiatives. Despite the policy shift towards decentralizing land reform, these entities have not been meaningfully involved with planning for or assisting in the implementation of the strategic plans, even though these include re-settling communities on farms. The provision of post-settlement support is largely been undertaken by an overstretched LDA.
IV. **CPAs have very little capacity to partake as equal partners** in complex enterprise structures. In the short-run, this constraint may affect the scale of benefits they derive and their ability to run successful community initiatives. But over the long run, once members of the community assume more senior positions within the enterprises and as the CPA itself gains experience in fulfilling its duties, their power to influence enterprise decisions may progressively increase. The partnerships that succeed will ultimately be based on ‘trust’ and a fair and equitable distribution of the wealth created. At the outset, the role of a facilitator is essential in supporting the CPA assume its role in the enterprise, though this service should ideally be provided by a neutral party. The LDA and RLCC-L should monitor the partnership to ensure that the empowerment process remains on track.

V. Land reform policy has increasingly emphasised the role of local government as an implementing agent. Programmes have recently been launched to enable local government to incorporate land reform programmes in economic planning. This process needs to embrace a new reality: **most land restitution beneficiaries do not intend to be farm labourers nor to live on a farm under paternalist control.** These individuals have, in a socio-cultural sense, left the land. While many have a strong desire to obtain employment opportunities in agrarian enterprises, such as the joint partnerships investigated in this study, these individuals desire to reside in towns or villages where they can benefit from social services and continue to engage in a modernising cultural milieu. Local government therefore needs to plan for a new future, supporting the growth of towns and villages that can enable these individuals to be part of the agricultural economy, but at the same time sustaining modern lives off the farm in localities adequately served by public facilities.

**Recommendations**

The Consultant recommends three roles that the Limpopo LED Centre could play in conducting further research and training on land restitution.

The LED Centre should assume the role of collecting, generating and storing qualitative and quantitative information on land restitution in Limpopo to enable policy debate and monitoring. In this respect the Centre should aim to become a resource centre, offering expertise on CPAs, strategic partnerships, the state of restituted land, the activities and role of municipalities and other role players.

The LED Centre should play a role in supporting the implementation of the Partnership for Sustainable Land Reform, which has been developed but never implemented. The Centre should enhance involvement and effectiveness of the stakeholders in the PSLR by hosting workshops and providing them with training opportunities. This role can be extended to supporting LIMPAST and other provincial land and agriculture-related initiatives, with the Centre providing a ‘knowledge link’ between the farmers, communities, civil society organisations and government sectors.

The Centre should support the DLGH in its efforts to build municipal capacity to incorporate land reform into LED strategies and integrated development plans. It should aim to achieve this role through accumulating further knowledge on existing relationships between CPA initiatives and local municipalities, documenting best practices.
Annex 1: Project Terms of Reference

Understanding the economics of Land Reform in Limpopo and developing a best practice model for post settlement land restitution.

Land Reform is a one of the critical reforms on the government's policy agenda which has been critically delayed. The slow process of reform is negatively impacting on the agriculture sector in Limpopo as the delays & uncertainties undermine investment, while lack of capacities with emerging farmers threaten productivity in a province which has been described as the ‘fruit basket’ of South Africa.

Although much discussed, little research has been done to look at the economics of land reform (costs, benefits, productivity and outputs) and different ways in which to tackle this challenging reform. For example, the Limpopo LED programme is funding two land restitution projects in which some commercial farmers have formed a strategic partnership with the restituted communities. Such a joint venture not only provides a platform for ensuring the commercially viability of the land but a combination of income streams from profits and rent and capacity building to community organisations can contribute to sustainable development of the community.


Activities:
- Review and collect existing studies undertaken on land reform;
- Review and summarise existing land reform process and procedures and identification of delays;
- Analysis of land reform status to date (land gazetted, CPAs)
- Assess economic impact of land reform (outputs, productivity, multiplier, land use and utilisation assessment) historically and with scenario setting for the future.
- Assess institutional framework supporting land reform (Government bodies and Community Property Associations) and the situation of restituted land with CPAs.
- Review 2 pilot projects supported by Limpopo LED and outline.
- Draw up lessons learned from this approach and develop this into a model for further roll out and for training.

Method:
- Desk top research will be undertaken for the first five activities while the remaining activities will involve a combination of primary and secondary research combined with field visits particularly on the Partnership Model.
- Stakeholder consultation with government bodies and pilot communities/commercial farmers.

Output:
- Economic assessment of land reform completed;
- Post Settlement Model Developed and packaged for dissemination;
- Presentation of findings to key stakeholders;
- Centre staff fully trained on model
Annex 2: References


Commission on Restitution of Land Rights. Annual Report 2006-2007. ‘It Has Taken Hard Work and Sacrifice to be Where we are Today’.


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Perishable Products Export Control Board website (www.ppecb.com)


South African Property News (8 March 2005). 'Soaring Farm Prices in Limpopo'.


## Annex 3: Case Studies of CPAs

<table>
<thead>
<tr>
<th>CPA</th>
<th>Publication</th>
<th>Details</th>
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- Land mainly unused when settled, with poor infrastructure  
- Small scale subsistence farming undertaken. |
- Land mainly unused when settled, with poor infrastructure  
- Small scale subsistence farming undertaken. |
- State land, plus a portion acquired through SLAG.  
- Land mainly unused with poor infrastructure except for the SLAG portion which was purchased from a commercial farmer.  
- Since acquisition, land used for small scale subsistence farming. |
| Bjaladi CPA, Capricorn District (Zebediela) | CLRDP (2006) | - Claim settled in 2003  
- A commercial farming enterprise (Zebediela) under ARDC.  
- After 2003, the CPA went into partnership (Equity Shareholding Model) with strategic partner, Henley Farms Properties, currently operating as SAFM.  
- Enterprise employs 290 permanent and 955 casual workers and provides training.  
- Commercial production has been restored. |
- Formed partnerships with KNP and private sector and thus established lodges, revenue from hunting and tourism. |
- Had good infrastructure when settled.  
- Land now lying idle and farm remains un-settled although CPA is interested in agribusiness and settlement. |
| Makotopong CPA, Roodewal Farm (district unknown) | CLRDP (2006) | - Claim settled in 2002  
- Prior to re-settlement, the farm was a highly productive enterprise, boasting a R11 million turnover (large peach, almond and olive orchards, grapes and irrigation equipment).  
- Since takeover, the infrastructure has been vandalised, crops neglected, some have fallen beyond point of recovery.  
- CPA has failed – but PSLR intervened.  
- Currently talk of forming strategic/joint venture partnership to make irrigated, high-potential land productive (leasing it) |
| Marobala CPA, Dendron (Capricorn District) | CLRDP (2006) | - Claim settled in 2004  
- Five farms restored – two privately owned, productive (dairy and potato), other three state land.  
- Some land now used for ad hoc agricultural activity by community.  
- Potato farmer leases one farm, plans for lease of game farm. |
| Morebene CPA, Molemole/Soekmekaar (Capricorn District) | CLRDP (2006) | - Claim settled in 2004  
- Not settled in 2006, but planning food plots, cattle etc as well as leasing the existing farming operation areas to JVPs (agreed already) to continue producing citrus, strawberries, avocados, berries, bluegums, macadamias, peaches. This will generate profit, rent and jobs for CPA. |
- Farms used for dairy and cattle & irrigated cropping.  
- Most infrastructure is still in good condition, except borehole pumps missing. Dairy has ceased and pastures reverted to veld, small crops area used and grass harvested, part is being leased to neighbouring cattle farmer and some leased to Anglo-Plats smelter.  
- Trust is not well managed and has lost legitimacy. |
| Mavungeni CPA (district unknown)          | CLRDP (2006) | - Claim settled in 2002  
- Used to be dairy, maize and macadamia farm.  
- Orchards now abandoned, but maize, gardens, poultry and cattle taking place (small scale). |
| | • Recommended to involved JVP in dairy and orchards. |
## Annex 4: Details of Interviews and Focus Group Discussions

### LDA & RLCC-L Officials

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Place</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maanda Dagada</td>
<td>Manager: Programme Management Support-Land and Agrarian Reform (LDA)</td>
<td>Polokwane</td>
<td>30 June 2008</td>
</tr>
<tr>
<td>Corniels Erasmus</td>
<td>Senior Manager: Restitution Systems and Support (LDA)</td>
<td>Polokwane</td>
<td>30 June 2008</td>
</tr>
<tr>
<td>Mukhove Nthai</td>
<td>Land Reform Advisor, Maruleng District (LDA)</td>
<td>Sekororo</td>
<td>12 June 2008</td>
</tr>
<tr>
<td>Sello Khosa</td>
<td>Manager: Settlement Support and Development Unit (RLCC-L)</td>
<td>Polokwane</td>
<td>31 July 2008</td>
</tr>
<tr>
<td>Paul Vorster</td>
<td>Retired former official in LDA (restitution)</td>
<td>Polokwane</td>
<td>2 July 2008</td>
</tr>
</tbody>
</table>

### Strategic Partners and Development Facilitators

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Place</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>John Boyes</td>
<td>Director of South African Farm Management</td>
<td>Tzaneen</td>
<td>1 July 2008</td>
</tr>
<tr>
<td>Mike Scott</td>
<td>Director of Strategic Farm Management (strategic partner, Moletele)</td>
<td>Hoesdspruit</td>
<td>15 May 2008</td>
</tr>
<tr>
<td>Gerrit Booyens</td>
<td>Development Facilitator, NVI</td>
<td>Tshipise</td>
<td>6 June 2008</td>
</tr>
<tr>
<td>Alwyn Van Niekerk</td>
<td>Former Strategic Partner, Sekororo area</td>
<td>Telephone Interview</td>
<td>1 July 2008</td>
</tr>
<tr>
<td>Emil de Kock</td>
<td>Director of Mabedi (development facilitators, Moletele)</td>
<td>Telephone interview</td>
<td>9 July 2008</td>
</tr>
</tbody>
</table>

### Interviews with Moletele beneficiaries

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thandios Mashile</td>
<td>Chairperson of Moletele CPA</td>
<td>New Dawn offices</td>
<td>10 June 2008</td>
</tr>
<tr>
<td>Daniel Mapalie</td>
<td>Former CPA committee member</td>
<td>Acornhoek</td>
<td>10 June 2008</td>
</tr>
<tr>
<td>Lucerth Sibuyi</td>
<td>CPA committee member</td>
<td>Buffelshoek</td>
<td>11 June 2008</td>
</tr>
<tr>
<td>Seina Kgoedi</td>
<td>CPA committee member</td>
<td>Buffelshoek</td>
<td>11 June 2008</td>
</tr>
<tr>
<td>Prince J.L. Chiloane</td>
<td>Traditional Authority representative and ex-officio member of CPA committee</td>
<td>Buffelshoek</td>
<td>11 June 2008</td>
</tr>
<tr>
<td>Mukhove Nthai</td>
<td>LDA Land Reform Advisor, Maruleng District</td>
<td>Sekororo</td>
<td>12 June 2008</td>
</tr>
<tr>
<td>Ivan Crocker</td>
<td>New Dawn packhouse Manager</td>
<td>New Dawn packhouse</td>
<td>12 June 2008</td>
</tr>
</tbody>
</table>

### Moletele Focus Group Discussions

<table>
<thead>
<tr>
<th>Focus Group participants</th>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elias Chiloane, Refias Chiloane, John Chiloane, Ezar Chiloane (ex-officio member of CPA).</td>
<td>Buffelshoek</td>
<td>11 June 2008</td>
</tr>
</tbody>
</table>

### NVI Focus Group Discussions

<table>
<thead>
<tr>
<th>NVI Secretariat (committee members from Nedondwe and Nemamliwé CPAs)</th>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nemamliwé beneficiaries (17 present: 13 women and 4 men, mostly young people)</td>
<td>Nemamliwé office (near Thohoyandou)</td>
<td>7 June 2008</td>
</tr>
<tr>
<td>Nedondwe beneficiaries (16 present: 9 women and 7 men, mostly older people)</td>
<td>Nedondwe office</td>
<td>7 June 2008</td>
</tr>
<tr>
<td>Female CPA committee members</td>
<td>Vhembe District</td>
<td>7 June 2008</td>
</tr>
</tbody>
</table>