

# **A Critical Analysis of the LRAD Sub-Programme in the Gauteng Province of South Africa**

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## DECLARATION

I, Alwyn Petrus Prinsloo, hereby declare that the research report for the MInst Agrar degree at the University of Pretoria, hereby submitted by me, has not previously been submitted for a degree at this or any other university and it is my own work in design and execution and that all reference material contained therein has been acknowledged.

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Signature

.....

Date

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## ABSTRACT

### A CRITICAL ANALYSIS OF THE LRAD SUB-PROGRAMME IN THE GAUTENG PROVINCE OF SOUTH AFRICA

by

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Land ownership in South Africa has long been a source of conflict. The history of forced removals and a racially skewed distribution of land resources have left the new government, which took over in 1994, with a complex and difficult legacy. The new government has developed a land reform programme with three major elements to address the situation of landlessness, tenure insecurity and poverty among black people. The three major elements can be defined as follows:

- The redistribution of land to the disadvantaged and poor for productive and residential purposes;
- Land restitution, which covers restitution of land to those who had been forcefully removed from land after 1913 as a result of racially discriminatory laws and practices and
- Tenure reform to those whose tenure of land is legally insecure.

The specific purpose of this study is to review the redistribution of land in terms of the implementation of the LRAD (Land Redistribution for Agricultural Development) Sub-programme, which was launched in August 2001. In the first few years of the delivery of LRAD (2001 to 2003), the sub-programme made substantial progress and the DLA (Department of Land Affairs) referred to LRAD as the DLA's flagship redistribution sub-programme. However, according to academics (Hall, 2003 and 2004; Jacobs, 2003; Wegeriff, 2004 and Lahiff, 2003) and the media (*Black Business Quarterly*, 2006 and *Business Report: Sunday Independent*, 2006), the pace of the implementation of LRAD is also slow and the sustainability of many land redistribution projects is poor.

The purpose of this study is to review the pace of implementation and the quality of projects transferred through the LRAD Sub-programme in Gauteng Province.

Three main factors are identified in this study that contribute to the slow pace of land redistribution in terms of the LRAD Sub-programme. These factors are the bureaucratic processes that government follows to implement LRAD projects, the limited size of the LRAD grants and the formation of group projects. The mentioned critiques and the results of this study also show that there are a variety of factors that have an impact on the sustainability/quality of projects. These factors are: limited financing of projects, lack of start-up capital, lack of agricultural skills, poor design of projects, lack of post-transfer support, group dynamics, crime, and a disregard for environmental factors.

To obtain the relevant research information for this study a variety of documents and books regarding land reform and the LRAD Sub-programme were reviewed. Additional information was obtained from the Agricultural Research Council (ARC) and AgriSA with regard to agriculture in Gauteng. Beneficiaries from a sample of 15 LRAD projects and three officials from the Gauteng Provincial Land Reform Office were also interviewed to get their opinions about the pace of implementation of redistribution of projects through the LRAD Sub-programme and also the sustainability of these programmes.

The reason for studying land reform in Gauteng is because of its unique features of farming. One of the unique features is the fact that farmland in Gauteng consists mostly of small farms and plots, which are easier for beneficiaries to purchase by means of the limited-size LRAD grants than are big farms in Limpopo, North West, Northern Cape, etc. Other positive features are the good quality of agricultural land, the availability of output markets and supply of inputs. There are also a number of negative factors, which include the facts that 97% of province is urbanised, and that farmland is scarce and expensive. However, a detailed description of the study area is given in section 1.4.

Eventually the conclusion was reached that the implementation of LRAD projects in Gauteng is indeed slow because of certain problems in the process of land transfer through the LRAD Sub-programme, the limited LRAD grants compared to the increased land prices and the size of group projects. The mentioned factors that have an impact on the sustainability of LRAD projects are also reviewed through the fieldwork and it has been discovered that it indeed has a big impact on the quality of these projects.

The case studies provide a number of recommendations to address the factors impacting on the pace of land redistribution in the province and the factors impacting on sustainability. Some of the recommendations can be implemented by the Gauteng Provincial Land Reform Office itself. The other recommendations will need to be addressed nationally which can then have a positive influence on the delivery and the quality of the implementation of LRAD projects on a national basis as well.



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## LIST OF ACRONYMS

ANC	African National Congress
ARC	Agriculture Research Council
CASP	Comprehensive Agriculture Support Package
CC	Close Corporations
CPA	Communal Property Association
CSIR	Council for Scientific and Industrial Research
DACEL	Department of Agriculture, Conservation, Environment & Land
DLA	Department of Land Affairs
DoA	Department of Agriculture
DoL	Department of Labour
GDACE	Gauteng Department of Agriculture, Conservation and Environment
GPLRO	Gauteng Provincial Land Reform Office
HSRC	Human Sciences Research Council
LRAD	Land Redistribution for Agricultural Development
MAFISA	Micro-Agricultural Finance Institutions Scheme of South Africa
MEC	Member of the Executive Committee
NDLA	National Department of Land Affairs
OECD	Organisation for Economic Cooperation and Development
PGC	Provincial Grants Committee
PLAS	Proactive Land Acquisition Strategy
PLAAS	Programme for Land And Agrarian Studies
PLRO	Provincial Land Reform Office
RDP	Reconstruction and Development Programme
SLAG	Settlement / Land Acquisition Grant

## CHAPTER 1

### INTRODUCTION

One of the most significant features of the apartheid government was the racial segregation of land tenure and the denial of particular rights in land to the black majority. The denial and deprivation of rights in land on a discriminatory basis are both central features of South African history and reasons for the development of the current land reform process (Carey Miller & Pope, 2000: 1, 241).

The unequal distribution of land had a devastating effect on the majority of the African population in South Africa. The adoption of the Freedom Charter in 1955 by the African National Congress also focused on the racially skewed land redistribution in the 20<sup>th</sup> century. The adoption of the Freedom Charter in 1955 stated that:

- South Africa belongs to all who live in it, black or white;
- the people shall share the country's wealth and
- the land shall be shared by those who work on it.

(Ministry for Agriculture and Land Affairs, 2005b: 2)

The main factor that contributed to the skewed distribution of farmland is the racially based legislation coupled with practices of segregation. It is estimated that more than 3.5 million people and their descendants were victims of racially based dispossessions and forced removals during the years of apartheid. Urban removals were mostly dealt with in terms of the Group Areas Act, Act No 36 of 1966. Forced removals in the rural areas mainly took place in terms of the Black Land Act, Act No 27 of 1913 and also other acts of segregation (Department of Land Affairs, 2004b: 1).

The new democratic Government of South Africa in 1994 identified the need for a land reform strategy. The goals of this land reform strategy were to:

- address the racially skewed land redistribution it inherited;
- achieve a more productive use of the land and
- create more meaningful rural jobs.



The implementation of this strategy was to be achieved through the following programme areas: (i) restitution, (ii) land tenure reform and (iii) redistribution (Department of Land Affairs, 2003c:1):

*The Restitution Programme:* Restitution aims to redress the imbalances in land ownership that were created by policies and legislation of forced removals such as the Natives Land Act 1913 (Act No 39 of 1933). The Restitution of Land Rights Act 1994 (Act No. 22 of 1994) and the Constitution provides a legal framework for the resolution of claims against the state. The nature of restitution is determined by three broad categories of the effects of land dispossession:

- dispossession leading to landlessness;
- inadequate compensation and
- hardships that cannot be measured in financial or material terms (Department of Land Affairs, 1997b: 49).

Adams (1995:5-6) describes the tenure reform and the redistribution programmes as follows:

*Tenure Reform Programme:* The aim of tenure reform is to improve the tenure security of all South Africans. Tenure reform is executed through the Extension Security of Tenure Act, 1997 (Act No 62 of 1997) and other tenure acts.

*The Redistribution Programme:* Redistribution aims to provide the disadvantaged and the poor with access to land for residential and productive purposes. The Provision of Land and Assistance Act, 1993 (Act No 126 of 1993) forms the legal basis for land redistribution.

According to the White Paper on South African Land Policy (1997:vii) implementation of the land redistribution programmes was to take place on a willing-buyer, willing-seller basis. Government will not be directly involved in land purchase. It will only provide grants and services to assist the beneficiaries with the purchase of land. At the National Land Summit in 2005 the willing-buyer, willing-seller method was severely criticised. It is generally believed that high land prices from commercial

farmers pose a barrier to the pace of land reform delivery (Ministry for Agriculture and Land Affairs, 2005a: 38).

The Settlement Land Acquisition Grant (SLAG) was the first grant instrument to be used for the redistribution of land. The grant was set at R15 000 per household in 1996 and increased to R16 000 per household in 1998. The grant was regulated by the Provision of Land and Assistance Act, 1993 (Act No 126 of 1993), which provided for settlement and production purposes (Department of Land Affairs, 2003a: 2). The purpose of the SLAG was to obtain land on a willing-buyer, willing-seller basis. The remainder of the SLAG could also be used to provide some farm capital investment, investment of infrastructure and home improvements on the property (Department of Land Affairs, 2001b:1).

Towards the end of 1999 the Minister for Agriculture and Land Affairs raised concerns that the SLAG instrument did not make any significant improvement in the income or quality of life of the beneficiaries and that the Department of Land Affairs (DLA) was performing functions that fall within the ambit of the Department of Agriculture (DoA). On the basis of these concerns the Minister called for a moratorium on all new land redistribution projects and a review of the SLAG programme (Department of Land Affairs, 2001b:123).

With the review of the SLAG instrument several problems encountered were identified regarding its nature and implementation. Some of the problems were the slow pace of delivery due to excessive bureaucracy and a significant number of poorly appraised projects. One of the biggest constraints identified was the high land prices and the small grants that forced beneficiaries to apply as big groups to purchase land. This often resulted in misguided attempts at collective agriculture (Department of Land Affairs, 2003c:2).

The DLA and DoA were tasked to formulate an integrated redistribution programme and the two departments developed the Land Redistribution for Agricultural Development (LRAD) Sub-programme. The LRAD Sub-programme was launched in August 2001 (Department of Land Affairs, 2002:11). The goal of the LRAD Sub-programme was to contribute more significantly to agricultural development and to

extend the target group beyond the poor to include emerging black farmers. At the same time the overall redistribution target was set at the transfer of 30% of agricultural land to historically disadvantaged South Africans over a period of 15 – 20 years and LRAD was designed as a joint programme between the DoA and DLA (Department of Land Affairs, 2003c:3-4).

The strategic objective of land redistribution is to transfer 30% of white-owned land by 2014 for sustainable agricultural development (Department of Land Affairs, 2006a:9). This strategic objective mainly comes down to the performance of LRAD because as the Minister stated in her 2002/2003 budget speech that LRAD had become DLA's flagship redistribution programme (Jacobs R, 2002:30). Hall (2005:4) also stated in her document presented to the Land Summit in 2005, that LRAD had become the main delivery programme for the redistribution of land.

## **1.2 PROBLEM STATEMENT**

There appears to be two major problems with the implementation of the LRAD Sub-programme. These problems relate to the slow pace of implementation of LRAD and to the sustainability of the projects that are transferred.

Translating the target of transferring 30% of white-owned agricultural land by 2014 into hectares means that 22 million hectares must be delivered by 2014. From 1994 to 2006 government has succeeded in transferring 3.4 million hectares (Department of Land Affairs, 2007a:5).<sup>1</sup> The slow pace of the implementation of the LRAD has left the land-hungry black population irritated and impatient. If this impatience is not tempered, severe consequences could follow and land invasions that have plagued Zimbabwe in the recent years could become a reality in South Africa.

Venter (2006:113) identified two factors contributing to the slow pace of land redistribution, namely bureaucratic processes and the limited size of LRAD grants. Recently (June 2008), the LRAD grants have been substantially increased (almost a 550% increase) but any improvement in the pace of delivery can only realistically be

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<sup>1</sup> This figure of 3.4 million hectares only includes farmland transfers that were partially or totally financed by government. The extent of non government funded farm land redistribution in South Africa is not known.

assessed after two years of delivery (Department of Land Affairs, 2008:45). Through the findings of the field work it was discovered that the formation of group projects have a negative impact on the process of buying land.

The sustainability of the transferred projects appears to be problematic. According to Lahiff (2003: 43) the links between land redistribution and sustainable rural livelihoods have not been adequately addressed since 1994. This statement is confirmed by the Organisation for Economic Cooperation and Development (OECD) (2006:26) that conducted a study on agricultural policies in South Africa. According to this study a number of LRAD projects failed primarily because of a lack of training and lack of funding for agricultural activities (OECD, 2006:26).

The problems regarding the sustainability of projects identified by the academics and other critics are attributed to a variety of factors such as inadequate financing of projects (Venter, 2006), poor design of projects (Wegerif, 2004), group dynamics (Wegerif, 2004), lack of post transfer support (Hall, 2004) and a disregard of environmental factors (Turner, 2001). Some other factors were also identified by the findings of the fieldwork study. All the factors are discussed in detail in Chapter 4 of this study.

The two major problems, namely the slow pace of implementation of LRAD and the poor sustainability of transferred projects will be discussed further in Chapter 2.

### **1.3 OBJECTIVES OF THE STUDY**

The purpose of this study is to provide a critical analysis of the implementation of the LRAD Sub-programme since 2001 in Gauteng. The study will assess the factors that contribute to the slow pace of land redistribution in Gauteng and the sustainability of some of these projects. The choice of Gauteng as a study area is described in section 1.4. This study can potentially assist the Gauteng Provincial Land Reform Office (GPLRO) and the Gauteng Department of Agriculture, Conservation, Environment and Land Affairs with practical solutions to some of the problems that have emerged during the implementation of the LRAD Sub-programme.

Other review studies of the LRAD Sub-programme had been conducted by the Human Science Research Council (HSRC:2003) and academics such as Lynne and Ferrer (2006), Hall (2004), Kirsten and Machete (2005), Lahiff (2003) and Wegerif (2004) in provinces such as KwaZulu- Natal (KZN), Western Cape, Eastern Cape, Mpumalanga, North West and Limpopo. The National Department of Land Affairs (NDLA) can also take note of this study and similar research projects conducted by the academics and institutions mentioned above and then conduct studies in the remaining two provinces (Free State and Northern Cape). This will assist them in making adjustments to the implementation of the Sub-programme which will ultimately expedite the pace of delivery and improve the quality of farms purchased through the LRAD Sub-programme on a national basis.

## **1.4 STUDY AREA**

### **1.4.1 An overview of farmland in Gauteng**

Figure 1.1 is a map of the Gauteng Province with its municipal boundaries. Gauteng was chosen because of its unique features of farmland and agricultural practices. These features actually create an environment that favours the establishment of emergent or small-scale farmers. Most of the farms available in Gauteng are small farms or agricultural holdings. Another reason why Gauteng was chosen is the fact that the author worked as a land reform project officer in the Gauteng for four years and is familiar with all the role-players in the province.

In Gauteng there is no scarcity of markets for inputs and outputs and the markets are competitive. Approximately 17% of the farmland in Gauteng has medium- to high-potential soils. The infrastructure in Gauteng is relatively good and there is easy access to specialist sources of information such as the Agricultural Research Council (ARC), Council for Scientific and Industrial Research (CSIR) and veterinary services at Onderstepoort (Collet, 2004, Personnel Communication).

Negative features of farmland in Gauteng that hamper the delivery of land redistribution also exist. One of these features is the fact that Gauteng is 97%

urbanised and the total size of farmland is limited. The total size of farmland available is only 828 623 ha, of which the arable land covers 438 623 ha and grazing land 390 000 ha. Another feature is that land prices in Gauteng are very high due to the fact that the biggest part of the province is urbanised (Gauteng Department of Agriculture Conservation Environment and Land Affairs, 2005: 2).

#### 1.4.2 An overview of the implementation of land redistribution in Gauteng

Table 1.1 outlines the total number of projects implemented from 1997 – 2006 in terms of the various programmes or sub-programmes in Gauteng. From the table it is clear that most of the farms had been transferred through the LRAD Sub-programme, which is the main vehicle for the redistribution of land. A total of 108 projects had been delivered through LRAD from 2001 to 2006. Ninety-four projects were delivered by the GPLRO and 12 by the Land Bank. As mentioned in Chapter 2, the DLA – Land Bank Agency Agreement expedited the implementation of LRAD.

**Table 1.1: Number of land reform projects purchased by the DLA from 1997 - 2006**

<b>Programme/ Strategy</b>	<b>Number of projects</b>
LRAD projects	108
SLAG projects	34
PLAS projects	33
ESTA projects	14
Commonage projects	10
Equity schemes projects	5

(Source: Gauteng Provincial Land Reform Office, 2006:1-5)

From Table 1.2 it can be seen that the largest amount of hectares of farmland had been purchased through the Proactive Land Acquisition Strategy (PLAS). According to this strategy the beneficiaries first have to lease the land from government and then after some time they would be able to purchase the land and obtain ownership.<sup>2</sup> PLAS was launched in May 2006 and allows the DLA to purchase land without attaching beneficiaries to such land and registering it as state land. Once beneficiary selection

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<sup>2</sup> No land has yet been transferred in ownership after the lease period to selected beneficiaries (Gauteng Provincial Land Reform Office, 2006:2).

has been finalised, beneficiaries are expected to lease<sup>3</sup> with an option to purchase, and lease fees would also be taken into consideration once the applicants are ready to acquire full ownership of the land after being assessed by the Department of Agriculture. During the lease period the beneficiaries need to generate funds to enable them to purchase the land from government. They can also apply for the LRAD grants to add to their own income to assist them in purchasing the land (Department of Land Affairs, 2007b:11).

**Table 1.2: Number of hectares purchased through each land reform programme (1997-2006)**

<b>Programme/ Subprogramme</b>	<b>Number of hectares transferred</b>
SLAG	4552.77
Commonage	4581.92
Farm worker equity schemes	648.60
PLAS	10193.18
LRAD	5 219.44
ESTA	951.11
Restitution of land claims	7 557
Total number of hectares	29702,02

(Source: Gauteng Provincial Land Reform Office, 2006:1-5 & Commission on Restitution of Land Rights , 2007: 60)

The second largest amount of hectares (5 219. 44 ha) had been transferred through the LRAD Sub-programme from 2001 – 2006. Through LRAD, as indicated in Chapter 2, the beneficiaries can obtain grants, enabling them to obtain ownership of the land. The SLAG and Commonage programme also contributed significantly to the transfer of access to land to beneficiaries. However, as mentioned, the SLAG was stopped in 2000 and the Commonage programme does not contribute to obtaining ownership of land because municipal land is only made available to local poor residents on a leasehold basis for agricultural purposes (Department of Land Affairs 2000a: 6).

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<sup>3</sup> Leases are determined according to the length of a production cycle of a particular agricultural enterprise.

Through ESTA and the Farm Worker Equity Schemes (FWES) only a few hectares had been contributed to beneficiaries. A significant amount of 7 557 ha had been transferred through the restitution of farm land to beneficiaries by the end of 2006 (Commission on Restitution of Land Rights , 2007 : 60). At the end of 2007 the total of land claims had already been finalised at a total of 9431 ha (Commission on Restitution of Land Rights , 2008 : 57). Therefore, according to the statistical data as shown in Table 1.2, LRAD is at present the main redistribution vehicle for the transfer of ownership of land to black (coloured, African and Indian) South Africans in Gauteng Province.





**Figure 1.1: Map of Gauteng district municipal boundaries**

(Source: Department of Land Affairs 2006b:1)

## **1.5 RESEARCH METHODOLOGY**

To conduct the necessary research, the researcher collected data by making use of:

- documentary sources;
- interviews with project beneficiaries and project officers from the GPLRO and
- telephonic interviews with officials from the National Department of Agriculture and the farmers' union, AgriGauteng.

### **1.5.1 Documentary sources**

The documentary sources used to obtain information include:

- books and documents on the history of land ownership in South Africa and land reform;
- internet data on land reform and agriculture in Gauteng;
- speeches and statements by the Minister for Agriculture and Land Affairs;
- annual reports from the NDLA and
- statistical data from the Monitoring and Evaluation Directorate of the NDLA and also from the Gauteng Provincial Land Reform Office.

To obtain statistical data on the redistribution of land by the GPLRO the researcher had to make several visits to the GPLRO to obtain its redistribution performance data. It proved to be quite difficult to obtain the correct statistical data because their database was not updated, especially data on farm prices, types of farming enterprises and location of projects. Information from the Department of Agriculture and AgriGauteng regarding agriculture in Gauteng was also obtained.

### **1.5.2 Interviews**

A total of 15 sampled LRAD farms were visited to conduct face-to-face interviews with the beneficiaries. The researcher also visited three officials from the GPLRO to confirm and clarify the data obtained from beneficiaries and also to get data on the process of the transfer of projects.

In order to conduct the interviews, the researcher contacted the beneficiaries and officials, explained to them the purpose of the visits. Structured questionnaires were completed by the respondents on each farm visit and written field notes were also made regarding important information.

### **1.5.3 Telephonic interviews**

Telephonic interviews were also conducted with officials from the National Department of Agriculture and the farmers' union, Agri-Gauteng. Through these interviews information was obtained on farming practices and advantages and disadvantages of farming in Gauteng.

### **1.5.4 Questionnaires**

Wellman and Kruger (1999:166) state that in a structured questionnaire the interviewer puts a collection of appropriate questions together, often guided by a previously compiled questionnaire, which is known as an interview schedule. The schedule is used to record the responses of the respondent with face-to-face interviews.

Structured questionnaires were developed and used to gather data from the LRAD beneficiaries as well as the three officials from the GPLRO. The questionnaires were used to guide the interview process and are attached as Annexures 1 and 2 to this mini dissertation. From these questionnaires data were captured on the beneficiaries' and GPLRO-officials' point of view regarding the factors which contribute to the slow pace of land redistribution and the sustainability thereof.

### **1.5.5 Sampling**

A purposive sampling method was used. Leedy and Omrod (2001: 219) describe purposive sampling as the method whereby people or other sources of information are chosen for a particular purpose, as the name implies. From the 46 farms that had been transferred in 2002 and 2003, 15 farms (33%) were visited and 32 beneficiaries were interviewed. The reason why the focus was only on projects that were implemented in

2002 and 2003 was to ensure that sufficient time would have passed to assess the progress of the beneficiaries.

The projects were selected according to the following criteria:

- a) district;
- b) the type of farming practice;
- c) group projects and individual projects and
- d) the year of implementation (2002 and 2003).

### ***Districts***

Most of the farms purchased through LRAD grants are located in the Metsweding, Sedibeng, and Mogale City districts. As indicated in table 1.2, 22 farms were purchased in Metsweding, 19 in Sedibeng and 5 in Mogale districts. For purposes of this study seven farms were sampled in Metsweding, six in Sedibeng and two in the Mogale. The other district municipalities are Ekurhuleni, Tshwane Metro and Joburg City but they do not form part of the sample because only a few LRAD projects have been implemented in these districts.

**Table 1.3: Number of LRAD projects transferred during 2002 and 2003 in each District municipality of Gauteng**

<b>District municipalities</b>	<b>Number of farms purchased (2001 – 2003)</b>	<b>Number of farms sampled</b>
Metsweding District Municipality	22	7
Sedibeng District Municipality	19	6
Mogale City	5	2

(Source: Gauteng Provincial Land Reform Office, 2006:1-5)

### ***Types of farming practices***

In relation to Table 1.3 it is clear that the most popular farming types conducted by the established LRAD beneficiaries are chicken broilers (40,5%), livestock (40,5%) and vegetables (40,5%). Many of the farmers have diversified their farming operations. Many of those who farm with livestock also produce chickens and vegetables and, therefore, the total of the table below amounts to more than 100%.

**Table 1.4: Type and number of farming enterprises**

Type of farming enterprise	Total	Percentage of 74 projects
Dairy	9	12,2%
Chicken broilers	30	40,5%
Bees	1	1,4%
Piggery	6	8,1%
Flowers	2	2,7%
Herbs	1	1,4%
Fruit	3	4,1%
Vegetables	30	40,5%
Crops	15	20,3%
Livestock	30	40,5%

(Source: Gauteng Provincial Land Reform Office, 2006:1-5)

### ***Group projects and individual projects***

Although the LRAD policy discourages group owned projects, it is clear from statistical data that group owned projects are still common. It was decided that eight of the projects visited must be group owned projects and seven individual projects in order to question the functionality of group owned projects versus individual owned projects.

## **1.6 LIMITATIONS OF THE STUDY**

The main focus of the study is to critically analyse the implementation of the LRAD Sub-programme in Gauteng because LRAD has now become the main form of land redistribution (Hall 2004:32). Other land redistribution programmes, namely the Commonage Programme, Farm Worker Equity Schemes (which was partially funded through LRAD grants), Pro-Active Land Acquisition Strategy, Extension Security of Tenure Act and Settlement Land Acquisition Grant will therefore not be included in this study. The geographical area of this study is also restricted to Gauteng.

## **1.7 OUTLINE OF THE STUDY**

Chapter 2 provides a literature review that gives an historical account of land ownership in the apartheid era and the development of land reform in South Africa after the new ANC government assumed power in 1994. It provides a detailed

description of the LRAD Sub-programme and the problems regarding the implementation of LRAD that contribute to the slow pace of land redistribution and poor sustainability of projects.

Chapters 3 and 4 provide an analysis of the empirical findings of the research study. Chapter 3 discusses the findings that are relevant to the slow pace of the implementation of LRAD. According to the findings three main factors are identified, which contribute to the slow pace. These three factors are the bureaucratic implementation processes, the limited size of the LRAD grants and group projects. Chapter 4, however, considers the factors impacting on the sustainability of LRAD projects. The chapter starts with a brief description of the evaluation criteria for sustainable/operational projects and unsustainable/failing projects. It also gives a detailed description of the factors contributing to sustainable projects and the factors contributing to slow progress and failure of some of the projects.

Chapter 5 gives an outline of the conclusions that can be drawn from the study. In Chapter 6 a number of recommendations are proposed to address the factors impacting on the pace of delivery and the sustainability of projects in Gauteng and also on a national basis.

## CHAPTER 2

### THE HISTORY OF LAND REFORM IN SOUTH AFRICA

#### 2.1 INTRODUCTION

The purpose of this chapter is to provide a historical overview of land ownership in the apartheid era and the development of land reform in South Africa at the time when the new ANC government assumed power in 1994. This chapter also focuses on the development of the SLAG (Settlement/Land Acquisition Grant) programme and the LRAD Sub-programme. A detailed description of the LRAD Sub-programme, the implementation thereof and especially the challenges that hamper speedy land reform and the establishment of sustainable projects with specific focus on Gauteng, are also discussed in this chapter.

#### 2.2 THE NEED FOR LAND REFORM IN SOUTH AFRICA

De Klerk (1991:259) indicates that the rights to own and occupy land in South Africa in the greater part of the 20<sup>th</sup> century were circumscribed on the basis of white versus black. For the greater part of the 20<sup>th</sup> century land occupation in South Africa was divided according to the population diversity. This was accomplished by a complex system of land legislation (Van Der Merwe & Pienaar, 1997: 334).

The first racist statute of land allocation was the Black Land Act, Act No 27 of 1913, which prohibited Blacks from acquiring land outside the areas allocated to them and which included reserves, locations and many farms owned by individuals or groups of Africans at that time (Feinberg, 2006: 122). From the beginning it was clear that the land set aside for Blacks was insufficient to cater for their needs and aspirations. Consequently in 1936 certain land in the “White” areas was set aside for occupation by Blacks. This further category of land set aside to enlarge the existing scheduled areas is called released areas. However, these two categories of land set aside comprised only 13,6% of the total land area of the Republic of South Africa with the whites appropriating 87% of the land for their exclusive use (Van Der Merwe & Pienaar, 1997:335).

The Group Areas Act, Act No 36 of 1966 was introduced by the apartheid government who came into power in 1948. This Act, although not the first to restrict rights to land tenure, was the most controversial and the first to extend the policy of racial segregation to the whole of South Africa. It provided for the setting aside of various defined areas in which immovable property could be occupied through the classification of racial groups. Through the implementation of this Act thousands of Indians, Coloureds and Africans were removed from their homes and forced to live in segregated areas (Festenstein & Pickard, 1987:1, 36). Other Acts which also contributed to the dispossession of Coloureds, Indians and Africans during the years of segregation and apartheid were the Development Trust and Land Act, Act No. 18 of 1936 and the Prevention of Illegal Squatting Act, Act No 52 of 1951.

White farmers were, in contrast, subsidised with low interest rates by the Land Bank and given various tax breaks by government, which encouraged large farm sizes and excessive substitution of capital for labour. These large-scale capital-intensive farms prevented the development of a viable, employment intensive rural economy based on agriculture and resulted in the substitution of capital for labour, which led to widespread unemployment and poverty in the rural areas (Van Zyl, et al, 1996:5).

The history of apartheid and government policy up to the 1990s clearly created the expectation that land reform would be a central priority for a new South Africa (Turner 2002: 2). The need for land reform under the new government is, therefore, based on the objective to redress the situation of inequality of land ownership, reduce rural poverty and contribute to economic growth (Thwala 2001 :11).

May (1999:30) argued that land reform under the ANC government could change the existing patterns of inequality of land ownership to contribute to a pattern of more equal land ownership in the rural areas and further indicates that land reform has the potential to profoundly restructure the agrarian economy of South Africa. According to Van Zyl *et al* (1996:1-4) land reform can contribute to increased efficiency, increased growth, poverty reduction and more equal land ownership.

Therefore the aim of the post-apartheid government's land reform agenda is to turn around apartheid's segregationist land-owning practices (Department of Land Affairs



2000b:19). The case for and content of the rural land reform programme was clearly set out by the initial Reconstruction and Development Programme (RDP) policy document of the African National Congress, (1994:19-20): Land is the most basic need for rural dwellers. A national land reform programme is the central driving force of a programme of rural development. Such a programme aims to redress the injustices of forced removals and the historical denial of access to land. Through the implementation of the national land reform programme and the provision of support services government aims to generate large-scale employment, increase rural incomes and eliminate overcrowding.

## **2.3 SOUTH AFRICA'S LAND REFORM STRATEGY**

In 1994 the new government adopted a land reform strategy to undo the racially skewed pattern of land ownership it inherited. The other two purposes of this land reform strategy were to ensure more productive use of agricultural land (increase efficiency) and to create more employment in the rural areas (poverty alleviation) (Department of Land Affairs 2003c:1).

### **2.3.1 The implementation of a market-assisted land reform strategy in South Africa**

The government decided to adopt a market-assisted land reform strategy. According to the *White Paper on South African Land Policy* (Department of Land Affairs, 1997b:vii) government is committed to a land reform programme that will be executed on a willing-seller, willing-buyer basis. Rather than being directly involved in land purchase, government provides grants and services to assist black people with the purchase of land.

The World Bank also made a strong plea for the implementation of a market-assisted land reform approach in South Africa. It is widely understood that South Africa therefore adopted the willing-seller, willing-buyer land redistribution strategy as a gesture to promote investor confidence (Aliber & Mokoena, 2002:2).

Van Rooyen and Mbuli (1996:475) explain that to follow a market-assisted approach is a very effective strategy because international experience shows that problems arise when people are moved on a top-down basis into land-based schemes (programmes relying entirely on the public sector). The reason why problems arise is because people do not have clarity on what they are expected to do for themselves and what will be done for them by government.

Binswanger and Deininger (1996:91) state that many land reform processes have been hampered by an excessively administrative and paternalistic approach in which land reform agencies (e.g. government) purchase farms, select beneficiaries, design the farming schemes, and redistribute farms to beneficiaries. In Mexico it took 60 years to distribute half the national farmland through this process.

### **2.3.2 The three land reform programmes**

The government's land reform strategy consists of three programmes, namely redistribution of land, tenure reform and restitution. The three programmes can be described as follows (Department of Land Affairs, 1997b:9):

- **Redistribution** is the distribution of land to the historically disadvantaged for residential and productive purposes in order to improve their livelihoods.
- **Land tenure reform** aims at improving the tenure security of all South Africans.
- Through **land restitution** the government aims to restore land or provide financial compensation to people dispossessed by racially discriminatory laws such as the 1913 Land Act and other racially based acts.

### **2.3.3 Constitutional and legal framework for land reform in South Africa**

Section 25 of the Constitution of the Republic of South Africa, Act No 108 of 1996, provides a legal framework for these three programmes as the key obligations of the state concerning land reform. Section 25 (6) deals with tenure reform and Section 25 (7) with restitution. Sections 25 (4) and 25 (6) provide the legal basis for land

redistribution. These sections indicate that citizens must be enabled to gain access to land on an equitable basis (Constitutional Assembly 1996:11).

The Provision of Certain Land for Settlement Act, Act 126 of 1993 as amended (and now called The Provision of Land and Assistance Act) forms the legal basis for land redistribution. This legislation was introduced by the previous government prior to the new democratic dispensation as part of its attempts to effect land distribution in South Africa (Makopi, 1999:144).

The Extension Security of Tenure Act (Act No 62 of 1997) became law on 28 November 1997. People, especially farm dwellers, who face unfair evictions, or who want to strengthen their security of tenure, from this date could be protected in terms of this Act (Department of Land Affairs, 1997a:3).

The aim of the Restitution of Land Rights Act (Act No 22 of 1994) is to provide for the restitution of rights in land to persons or communities dispossessed of such rights as a result of past racial discriminatory laws or practices. This Act also established the Commission on Restitution of Land Rights and the Land Claims Court (Department of Land Affairs, 2002:1).

## **2.4 SOUTH AFRICA'S FIRST LAND REDISTRIBUTION PROGRAMME**

### **2.4.1 The Settlement Land Acquisition Grant Programme (SLAG)**

South Africa's first redistribution programme took effect in 1995. A grant instrument called the Settlement Land Acquisition Grant was used for the redistribution of land. It was set at an amount of R15 000 per household in 1996, which was increased to R16 000 per household in 1998 (Department of Land Affairs, 2003c:3). During this time the target of land redistribution was to transfer 30% of agricultural land over five years (African National Congress, 1994:22).

According to the *White Paper on South African Land Policy* (Department of Land Affairs, 1997b:68) only persons who had an average household income of less than

R1 500 per month could qualify for the grant. The *White Paper* (Department of Land Affairs, 1997b:35) further stated that the purpose of the redistribution programme was to give the poor and disadvantaged people access to agricultural land.

#### **2.4.2 Moratorium and review of the SLAG**

Towards the end of 1999 the Minister for Agriculture and Land Affairs raised concerns that the Redistribution Programme had not made any significant improvement in the quality of life of the beneficiaries or their incomes and that the DLA was performing functions that fell within the ambit of the DoA. On the basis of these concerns the Minister called for a moratorium on all new land redistribution projects and a review of the SLAG (Department Land Affairs, 2001a:123).

The review revealed the following shortcomings regarding the nature and application of the SLAG:

The DLA utilised lengthy project cycles, excessive bureaucracy and over-decentralisation for the approval of project funds. The small grant size per household (R16 000) forced beneficiaries to form groups to pool their small grants together to enable them to purchase land. The result of this forced action was that many of the groups spent more time and effort on resolving conflict issues and internal problems rather than focusing on the productive capacity of the farmland (Department of Land Affairs, 2003c:2-3).

From own experience the researcher, having managed several redistribution projects from 1998 – 2002, can also provide evidence that it was very difficult to work with big groups of between 50 to 200 households. Due to the low levels of literacy it was difficult to explain to them legal processes such as the forming of a legal entity and to assist them with the compilation of a business plan. After transfer of land it was also an enormous task to assist them with the acquisition of services such as water, electricity and sanitation. The researcher can also attest to the fact that the SLAG had to be used for the purchase of land, acquisition of services and implementation of agricultural production. Therefore it was not sufficient to help the beneficiaries to create sustainable projects.

The negative outcome of the review prompted the Minister for Agriculture and Land Affairs to task both the DLA and DoA to redesign the redistribution programme and the result was the development of the LRAD Sub-programme. The LRAD Sub-programme was launched by the Minister in August 2001 (Department Land Affairs 2001b:123). The timeframe for the 30% target was also extended by 15 years to 2014 (Greenberg, 2003: 15).

## **2.5 AN OVERVIEW OF SOUTH AFRICA'S SECOND LAND REDISTRIBUTION PROGRAMME: THE LAND REDISTRIBUTION AGRICULTURE DEVELOPMENT SUB-PROGRAMME (LRAD)**

### **2.5.1 The aim of the Sub-programme**

The focus of the LRAD Sub-programme was on emerging black farmers (Department of Land Affairs 2000b:28). The SLAG grant-funding mechanism did not make any significant contribution to the development of semi-commercial and commercial black farmers. The LRAD grant funding is only available to those with a clear commitment to create commercially and sustainable farm enterprises (Department of Land Affairs 2000b:27-28).

The broad aim of the programme is to provide support to black (Africans, Coloureds and Indians) South Africans from 18 years and older who want to farm on any scale (food safety-net purposes to commercial farming). However, statements from DLA officials and from the Ministry of Agriculture and Land Affairs, made it clear that LRAD is primarily intended to create a class of black commercial farmers who are referred to as the so called emerging black farmers (Jacobs et al, 2003:1). The LRAD Review Document (Department of Land Affairs 2003c:3) also states that the LRAD Sub-programme will make a more significant contribution to agricultural development and confirmed that it will extend the target group beyond the poor to also include emerging black farmers.

## **2.5.2 Grant mechanisms of the LRAD Sub-programme**

### ***Planning grant***

Planning-grant payments are made to service providers in order to assist beneficiaries to conduct feasibility studies, compile business plans, register legal entities and so forth. The planning grant is separate from the land acquisition grant and could amount up to a maximum of 15% of the projected total capital costs of the project (Ministry for Agriculture and Land Affairs, 2001:7).

### ***Land acquisition grant***

With regard to the grant for land acquisition, beneficiaries can access a range of grants (R20 000 – R100 000), depending on the applicant's own contribution in kind, labour and/or cash. The minimum own contribution needed to obtain a R20 000 grant is R5 000 and in order to obtain R100 000 one has to contribute as much as R400 000 (Ministry for Agriculture and Land Affairs, 2001:7).

The own contribution in kind refers to agricultural implements, machinery and livestock. The cash contribution can be in the form of one's own cash contribution, or borrowed capital (e.g. a loan from the Land Bank) or some combination of the two. Contribution by labour can be quantified to an amount of R5 000. The grant and own contribution are calculated on an individual adult basis (18 years and older). If people choose to apply as a group, the required own contribution and the total grant are both scaled up by the number of individuals represented in the group (Ministry for Agriculture and Land Affairs, 2001:7).

In June 2008 the LRAD grants were indexed to property price inflation since 2001 (increased by 550%). The minimum LRAD grant was increased from R20 000 to R111 152 and the maximum LRAD grant from R100 000 to R430 857. The own contribution was also adjusted. The own contribution required to obtain the minimum grant is R13 000 (from R5000) and the own contribution required to obtain the maximum grant is R500 000 (from R400 000) (Ministry for Agriculture and Land Affairs, 2008: 45).

### **2.5.3 Agency agreement with the Land Bank**

The DLA and the Land Bank entered into an agency agreement in 2001 and R50 000 000 of DLA's capital budget was transferred to the Land Bank. The purpose of this agreement was to enable beneficiaries of LRAD to access grants and loans directly via the Land Bank under specific conditions. One of the reasons for this agreement was because LRAD grants were not always, on their own, sufficient to establish viable commercial farming enterprises, hence the need to leverage further loan finance from the Land Bank. Another reason was because land redistribution also needed to take place in conjunction with financial institutions, among other delivery channels, as a means of speeding up the process of land delivery in order to meet the 30% target (Department of Land Affairs, 2001a:2).

The arrangement with the Land Bank to accelerate delivery worked very well until December 2002. Delivery by the Land Bank accounted for roughly every third project between 2002 and 2003. However, early in 2003 the Land Bank had exhausted the R50 million that was transferred to them. Because the Land Bank branches were not aware of how much they had already spent, they carried on committing more money to projects and eventually forced the DLA to provide finance to projects that were not budgeted for. The agency agreement, while partially successful, unfortunately resulted in a fair number of headaches and by the end of 2003 it was dissolved (Human Science Research Council, 2003:6).

### **2.5.4 Delivering LRAD**

In the first few years of the delivery of LRAD (2001-2003), the Sub-programme made substantial progress. The target for the number of hectares delivered during the 2002/03 financial year, which was set at 81 555 hectares, was exceeded by 27%. The target for the number of people assisted in terms of the Sub-programme was also exceeded. This target was set at 3 601 applicants, but an additional 2 569 applicants were assisted in terms of LRAD (Department of Land Affairs, 2003a:57). In the DLA's Annual Report (Department of Land Affairs, 2004b:71) it is stated that in 2003 the LRAD Sub-programme continued its upward trend since its inception in 2001. A total of 124 562 hectares was delivered to 7 622 people.

Another important achievement in terms of delivery was that the gap between budgets and actual expenditure narrowed considerably whereas, with the SLAG, under-spending by the DLA was a prominent feature. In the 2001/02 financial year under-spending was narrowed to 6% of the budget and by the end of 2002 Provincial Land Reform Offices (PLRO's) reported that their budgets for 2002/03 were already over-committed (Jacobs et al, 2003:13, 14).

### **2.5.5 The strategic objective of the LRAD Sub-programme**

The strategic objective of land redistribution is based on the pace of land redistribution and sustainable development of this land. As indicated in the DLA's medium-term strategic objective document, the target is to redistribute 30% of white-owned land by 2014 for sustainable agricultural development (Department of Land Affairs, 2006a:9). The DLA refers to LRAD as the DLA's flagship redistribution Sub-programme and further stated that substantial progress had been made in term of delivery under the LRAD Sub-programme (Department of Land Affairs, 2003a:57).

#### ***Critique directed at the pace of delivery of the LRAD Sub-programme***

The first target of the strategic objective of land redistribution mentioned above focuses on the pace of delivery and sustainable development of this land. Venter (2006:113), states that the bottom line is that the pace of land redistribution is still slow, especially if one takes into consideration that only 4% of the South Africa's agricultural land had been redistributed to the previously disadvantaged by 31 March 2006.

The Minister of Agriculture and Land Affairs also confirmed at the Land Summit 2005 that the pace of land redistribution is slow (Department of Land Affairs, 2006a:3). Hall (2005:4) purports that the delivery of land redistribution peaked in 2001 and 2002 with the introduction of the LRAD Sub-programme but then again declined and has not yet recovered. In a document prepared by the Department of Land Affairs and the Department of Agriculture in preparation for the Land Summit in 2005 (Ministry for Agriculture and Land Affairs 2005a:38), it is also mentioned that although a marked improvement was achieved with the emergence of the LRAD



Sub-programme in 2001, the pace of delivery remained slow and that could result in not achieving the targeted scale of redistribution. Venter (2006:113) surmises that the two main aspects, which slow down the pace of land reform, are the bureaucracy of government and the small size of the LRAD grants rather than the willing-buyer, willing-seller approach.

**a) *The bureaucratized process***

The project cycle consists of five phases, which are the project identification phase, design phase, approval phase, transfer and post-transfer support phase (Department of Land Affairs, 2003b:13). According to the LRAD policy, three months is regarded as enough to enable beneficiaries to secure a grant under LRAD (Ministry for Agriculture and Land Affairs, 2001:12).

Government processes are also blamed for the slow pace of land redistribution. Wegerif (2004:26) states that one of the main reasons for the slow pace of land redistribution is the slow process of buying land through government. Too much information and stages of approval are required by the DLA (one at district and one at provincial level). The process for approval of LRAD projects, however, still contains bureaucratic procedures that prolong the project cycle. Landowners are therefore reluctant to sell land to land reform beneficiaries (Ministry for Agriculture and Land Affairs, 2005a:39).

In a study conducted by Kirsten and Machete (2005:79), on LRAD projects in North West province it is stated that one of the reasons for project failure relates to the lengthy process in getting applications for LRAD grants approved. The lengthy start-up time contributed to loss of interest by beneficiaries and group conflict and also poor agricultural performance.

**b) *The limited size of LRAD grants***

The other reason for the slow pace of delivery in terms of LRAD is that the grants are not being increased to keep pace with the increasing land prices (Wegerif, 2004:26, 27). There has been no increase up to 2007 in the grant structure of LRAD and it became not longer feasible to purchase property with the then grant structure (Hall,

2004:29). According to Venter (2006:113) the small size of LRAD grants had considerably slowed down the pace of redistribution of farmland.

A study conducted by Aliber and Mokoena (2005:2) indicates that since 1999 there had been a steep rise in the average price per hectare of farms, to the extent that prices doubled since their 1994 average. In relation to this Lynne and Ferrer (2006:1) also mentioned that the annual rate of redistribution of land in the country reached its highest level of 1.06% in 2002, which was a promising start of the LRAD Sub-programme and in 2003 it fell sharply, because of the size of LRAD grants which has not been adjusted to increase in land prices.

### ***Critique directed at the sustainability of LRAD projects***

By looking at the second part of the strategic objective it is clear that the focus should not just be on the number of hectares transferred, but also on sustainable land reform projects. The strategic objective specifically states the redistribution of 30% of white-owned land by 2014 for **sustainable agriculture development**.

The definition for sustainable development, which has become widely used, is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Department of Land Affairs & Danish Cooperation for Environment and Development, 2001c:1). In the context of LRAD it would mean the redistribution of land for agricultural development that meets the needs of present beneficiaries without compromising the ability of future generations on the land.

By looking at the sustainability, it is stated by Hall (2004:27), that concerns have been raised by government and civil society about the limited improvement of the livelihoods of beneficiaries and the difficulties of maintaining production levels on redistributed farms. Although substantial areas of farm land in the former white districts have been transferred to black ownership, it has very limited impact on the reduction of poverty or the promotion of sustainable agricultural development (Lahiff 2001:4-5). Some of the factors, which impact on the sustainability of LRAD projects, are as follows:

**a) *Planning and design of projects***

For the successful operation of farms transferred in terms of the LRAD Sub-programme, detailed planning and design of the proposed farming businesses are required (Department of Land Affairs & Danish Cooperation for Environment and Development 2001c:100). Wegerif (2004:36) indicates that project planning does not enjoy adequate attention. He further states that the compilation of business plans for approval of LRAD projects seems to just serve an administrative purpose for the DLA. There is no evidence that the plans were having any effect on the nature of production on farms. Most of the beneficiaries are not aware of the contents of these business plans.

The paper for *Settlement Support Framework* (Department of Land Affairs, 2006c:7) indicates that the collapse of many transferred redistribution projects has repeatedly been attributed to the absence of adequate planning at project conception. According to the researcher's experience it is very important for project officers to correctly assist and advise applicants with planning and design of the farming project because many beneficiaries do not really have access to the necessary information. One example would be when beneficiaries plan to purchase land without the necessary farming infrastructure or where they lack knowledge of the soil and water quality.

**b) *Group dynamics***

Wegerif (2004:27) states that conflict among group members in the majority of group projects negatively affects the sustainability of these projects. According to Hall (2004:31) LRAD has reduced but not stopped the tendency for beneficiaries to form groups to pool their grants in order to purchase land. In theory groups can now be smaller because of the larger grants available. The DLA (2003c:12) also conducted a review on LRAD projects and states that with the restricted LRAD grant size, beneficiaries often still proceed with the formation of group projects associated with the SLAG programme.

The subdivision of big commercial farms into smaller portions to give each beneficiary or small group a portion of land can be a solution to the problem of large group formations. Most of the commercial farms are relatively big and there is a need to subdivide existing holdings in order to ensure access to land by a new class of smaller farmers. Without effective measures to facilitate the subdivision of agricultural land prior to being offered to land reform beneficiaries, the size of existing land parcels will still perpetuate large group projects and the problems experienced up to date. No evidence could be found that either landowners or speculators consider prior subdivision on any scale (Jacobs et al, 2003: 20).

Beneficiaries acquiring land under LRAD are also not bound to the laws governing subdivision of agricultural land, which is the Subdivision of Agricultural Land Act, 1970 (Act No. 70 of 1970). According to section 10 (3) of the Provision of Land and Assistance Act, 1993 (Act no.126 of 1993) they are exempted from the applications of Act No 70 of 1970. Thus, beneficiaries can immediately subdivide their land if there is a need, without seeking further approval (Department of Land Affairs, 2003b:42 & 46).

**c) *Financing of projects***

Venter (2006:113) mentions that one of the main problems with the LRAD sub-programme is the fact that farmland in South Africa is expensive and the LRAD grants are inadequate and insufficient to purchase farmland. A study on the efficacy of the grant size revealed that according to the 2001/2002 statistics (Department of Land Affairs, 2005a:13, 15, 17) most of the beneficiaries who applied for LRAD grants could only offer labour as own contribution and 31% were forced to form group projects with more than 10 members per group in order to increase the grant to enable them to purchase land. The majority of beneficiaries did not succeed in buying good quality agricultural land with the limited grants.

With reference to the LRAD policy it is clear that the LRAD Sub-programme is supposed to be a joint programme with the DLA financing land acquisition and the DoA financing the capital requirements of the farm (Ministry for Agriculture and Land Affairs, 2001:13). Until 2004 the DLA financing covered both the land

acquisition and the capital requirements of LRAD projects because the farm agricultural support package namely the Comprehensive Agriculture Support Programme (CASP) was only launched in August 2004, three years after the launch of LRAD. There is therefore a huge backlog of LRAD projects that did not receive any CASP grants (Department of Land Affairs 2005:19).<sup>4</sup>

Many small and emerging farmers have also been viewed as high risk by financial institutions and therefore these farmers could not benefit from any available financial services (Ministry for Agriculture and Land Affairs 2005:83). Very few land redistribution beneficiaries therefore qualify for access to financial services. Most of the time beneficiaries do not meet the conditions set by financial institutions (Jacobs, 2003:17).

In May 2005 the DoA launched the Micro-Agricultural Finance Institutions Scheme of South Africa (MAFISA) programme and the purpose of this programme is to provide micro and retail agricultural financial services on a large, accessible, cost effective and sustainable basis in rural areas. MAFISA make loans available to emerging farmers of up to R100 000 at an affordable rate (Government Communication and Information System, 2006:92).

The grant structure of LRAD has also been criticised severely by authors such as Lahiff (2001), Tilley (2002) and Hall (2004) because it seems to favour rich black farmers. Lahiff (2001:5) postulates that the shift in emphasis can be seen clearly in the replacement of an income ceiling of R1 500 per month per household (SLAG) for qualifying applicants to a floor for own contribution of a minimum of R5 000 per person. Tilley (2002:41) also states that, in terms of LRAD, only those who are already in positions of power in communities will have the wherewithal to exercise their rights, while those who are currently voiceless and marginalized will be shunted further to the peripheries of access and development within LRAD projects. In principle, the LRAD encourages beneficiaries to contribute more in order to obtain

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<sup>4</sup> *The primary aim of CASP is to provide effective agricultural support to the four different levels of clients within the farming continuum and these are: the hungry, subsistence and household food producers, farmers, which include beneficiaries of LRAD, and the general public (DoA 2004: 21).*

bigger grants and therefore opportunities are mainly created for those who already have substantial resources and not the poor (Hall, 2004:28).<sup>5</sup>

**d) *Post-settlement support***

Hall (2004:32) mentions that one of the major failures of the previous SLAG programme was a lack of post-settlement support. Hall further states that this problem has not been resolved with the implementation of LRAD. Jacobs (2003:22) states that after beneficiaries got access to land through LRAD and other land reform programmes, they should get support in the areas of agricultural production, infrastructure and access to finance and markets. Governments, private sector and civil society organisations are some of the stakeholders that can provide this support.

A study by Jacobs *et al.* (2003:30) shows that effective post-transfer support is still not forthcoming. With the LRAD Sub-programme, Provincial Departments of Agriculture gradually became active in the provisioning of agricultural extension support, training and infrastructural support to beneficiaries, but only in some projects. State agricultural support services are still virtually unavailable in large areas of South Africa.

**e) *Negative impacts of land redistribution projects on the environment***

Various land redistribution projects have had a negative influence on the natural environment. Land redistribution projects may lead to the diminishing of natural resources and impact negatively on the livelihoods of people, and they are then, by definition, classified as unsustainable projects (Department of Land Affairs & Danish Cooperation for Environment and Development, 2001c:1). Turner (2001:4) argues that land redistribution can promote sustainable resource use by making more land available to the previously disadvantaged in the former white farming areas. But so

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<sup>5</sup> According to the grant structure the larger the own contribution, the bigger the grant amount that can be acquired. For a minimum own contribution of R5000, R20 000 grant funding is made available and for a maximum own contribution of R400 000 it rises to a R100 000 grant (Ministry for Agriculture and Land Affairs, 2001:7).

far the performance of the land redistribution programme has led to allegations that land reform has negative impacts on the environment.

The purpose of this study is therefore to look at the nature of the abovementioned problems in order to establish whether they are also applicable in Gauteng.

## **2.6 SUMMARY**

Chapter 2 provided a historical overview of land dispossession in South Africa and the need for land reform. The chapter outlined the different land reform programmes, with particular emphasis on the redistribution programme. It further provided an analysis of South Africa's two land redistribution efforts namely the SLAG programme and the LRAD. The chapter concluded with a critical discussion on the problems that occurred from various studies on the objective of this research study, which refers to the pace of delivery and sustainability of LRAD projects. The next chapter presents the findings of the fieldwork done amongst beneficiaries from the selected LRAD projects.

## **CHAPTER 3**

# **THE PACE OF DELIVERY OF FARMS IN TERMS OF THE LRAD SUB-PROGRAMME IN GAUTENG PROVINCE**

### **3.1 INTRODUCTION**

The aim of this chapter is to provide a synthesis of the results of the project visits and the interviews with the GPLRO officials which are relevant to the pace of the implementation of LRAD. Three factors are identified which contribute to the slow pace. Therefore this chapter is also divided into three parts. The first part focuses on the bottlenecks, which exist in particular phases of the project cycle. The second part discusses the limited size of the LRAD grants, which also impacted negatively on the pace of redistribution and the third part the impact of group projects on the pace of land transfer, which was also a direct consequence of the limited size of LRAD grants.

### **3.2 THE LRAD PROJECT CYCLE**

#### **3.2.1 Project cycle**

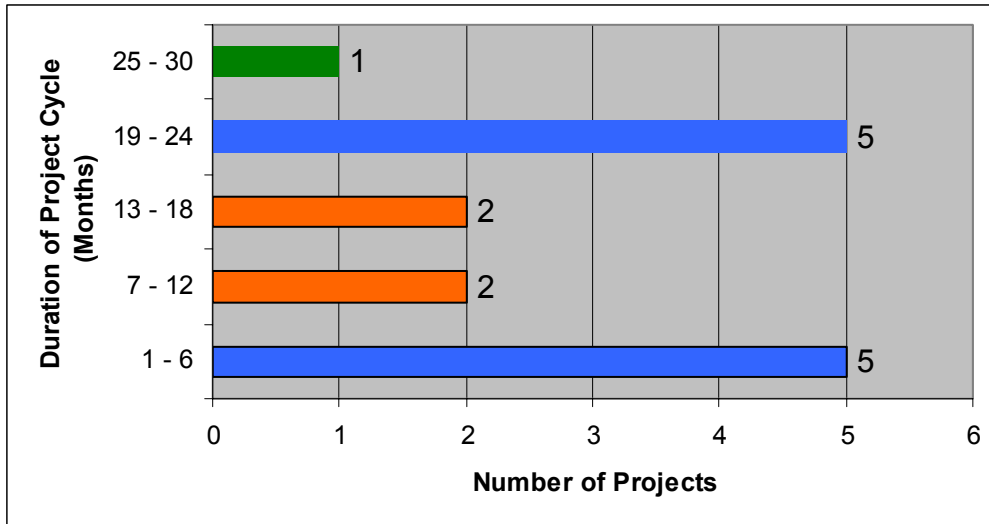
The LRAD project cycle can be divided into five phases. The five phases are the project identification process; project design; approval of the project; transfer of land and post-transfer support. As mentioned, the LRAD policy states that three months is regarded as enough to enable beneficiaries to secure a grant under LRAD (Ministry for Agriculture and Land Affairs, 2001:12).

#### **3.2.2 Length of land transfer**

Figure 3.1 provides an outline of the period for the transfer of projects. In other words the time it took to get from phase one (project identification phase) to the end of phase four 4 (transfer of land). It is evident that only three projects were transferred within six months. All three were Land Bank projects. Another four of the projects were transferred within 12 months of application. Of concern is the fact that two of them took longer than 12 months and in six of them, the process even took longer than 18



months. In three of the projects, the beneficiaries explained that several farms that they wanted to purchase were sold to private buyers because the landowners could not wait for the GPLRO’s long process. These beneficiaries then had to restart the process of land identification.



**Figure 3.1: Time taken from project identification to transfer of land**

### 3.3 DELAYS WITHIN THE PROJECT CYCLE

According to the findings it is clear that bottlenecks exist that delay the completion of the project cycle. The findings from the field visits indicate that these bottlenecks are found within phase 1 (project identification phase), phase 2 (project design phase) and phase 4 (transfer of land) of the cycle. The aspects that prolong some of the phases will be discussed in this subsection.

#### 3.3.1 Project identification phase

The purpose of this phase is for applicants to approach the GPLRO to obtain information regarding the LRAD Sub-programme and for the GPLRO to make information available to applicants. Applicants also need to identify suitable land and the GPLRO then register the applications (DLA 2003b:17).

### ***Project applications***

The main aspect that delays the project identification phase is the long list of project applications because the GPLRO does not have enough personnel to attend to all the applications in time. Of the projects visited, five project applications were delayed due to the considerable number of LRAD applications. It took the officials several months to process these applications. Officials from the GPLRO explained that in 2006 three administrative clerks were appointed. These clerks are responsible for appraising the applications, providing procedural advice to the applicants and registering the applications. These appointments will at least speed up the administrative process of the registration of applications. The administrative clerks, unfortunately, are not agricultural or land reform experts and therefore they do not necessarily have the know-how to advise beneficiaries on the agricultural feasibility of the projects.

### ***Identification of suitable land***

The identification of suitable land also creates time delays in phase one. Beneficiaries do not know where to obtain information regarding agricultural land for sale. In two of the projects the beneficiaries explained that they did not receive any support from the GPLRO to identify suitable farmland for sale and it took them several months ( $\pm 6$ ) to identify suitable land. One of the beneficiaries also complained that he had to ride hundreds of kilometres on his bicycle to look for arable land as he does not have a car. From personal experience, the researcher discovered that many beneficiaries do not know how to evaluate the suitability of a farm. Normally any farm owner in the region who has land for sale is approached. When the land reform expert or the agricultural extension officer visits the farm he/she would later often discover that the land does not have the necessary infrastructure, electricity supply or water forcing the beneficiaries to again start looking for another suitable farm.

### **3.3.2 Project design phase**

All the project-planning tasks (valuation of land, feasibility study, business plan and the registration of a legal entity) are executed in the design phase. The planning grant is utilised to appoint service providers to conduct these services (Department of Land

Affairs, 2003b:19). As mentioned in chapter two the planning grant can be estimated to amount to 15% of the total project costs. Table 3.1 provides a clear layout of the planning tasks conducted in the visited projects and by which institutions.

Planning is crucial because the beneficiaries need to know whether the conditions on the land is feasible for the type of farming operations they want to undertake and what resources will be needed. The estimation of costs and income from the farming business (business plan), and the creation of a constitution with rules and regulations for group farming are other important aspects of farm planning. In other words, these steps are very important to the sustainability and smooth running of the farming businesses. It is vital that all beneficiaries within a project participate and take control of this phase.

Project officials from GPLRO complained that the primary aspect that delays the design phase is the bureaucratic procurement process whereby service providers are appointed to assist with the design of the project. It can take up to six weeks just to get an order number from Supply Chain Management at National Office to appoint a service provider and a further four to six weeks for the service provider to finalise the task.

**Table 3.1 Planning tasks conducted by the different stakeholders in the project design phase of the 15 studied LRAD projects**

Planning tasks	Service provider	Gauteng Department of Agriculture Conservation and Environment (GDACE)	Beneficiaries	Private institution	Land Bank projects	Individual projects
Valuation	9				6	
Business plan	1	5 projects	2 projects	1 project	6	
Legal entity	2 projects Communal Property Association (CPA) <sup>6</sup>	1 project (Agri-co-operative)	5 projects (4 CCs and 1 trust)			7

<sup>6</sup> The Communal Property Association is a legal entity designed by the Department of Land Affairs in 1996. It is designed to help any group of people to legally buy, keep and use the land together as a group. The appropriate legal mechanism for this entity is the Communal Property Association Act, Act No 28 of 1996.

### ***Valuation of land***

It is important to conduct a valuation to get some guidance on the value of the land and to enable the DLA to enter into negotiations with landowners to purchase the land for a reasonable price. Unfortunately, as mentioned, it takes some time to appoint a service provider to value the land. From Table 3.1 it is clearly indicated that in nine of the projects, service providers were appointed to conduct the valuations. In all these cases the project cycle was delayed because it took four weeks to appoint the valuers and then another four weeks for them to conduct the valuations.

### ***Compilation of business plans***

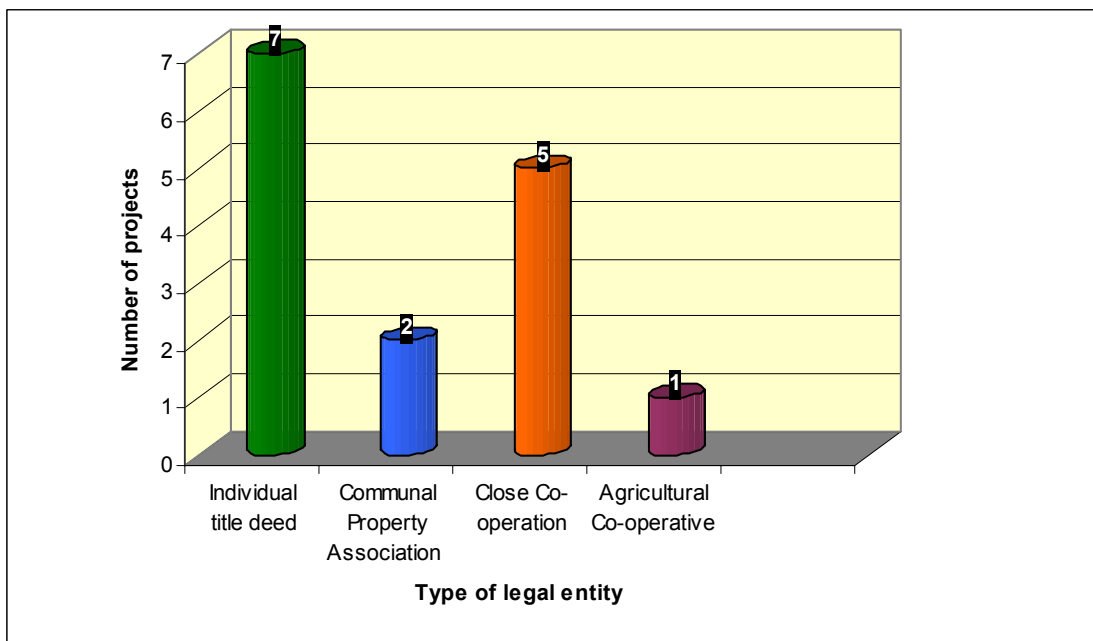
The process to appoint a service provider or to get assistance through the Gauteng Department of Agriculture Conservation and Environment (GDACE) to compile a business plan can also take two to four months. In five of the projects, business plans were compiled by the GDACE, which took a long time (three to four months), because they do not have sufficient capacity to compile business plans within a shorter period. The office has only two officials who have the qualifications to write business plans. In one project, the business plan was compiled through service providers, which took nearly three months because four weeks was needed to appoint the service provider and another five weeks to compile the business plan.

### ***Formation of legal entities***

In the case of group projects, the beneficiaries have to form a legal entity to enable them to register the land in their names. This process normally also takes two to four months. In figure 3.2 a layout is provided of the different legal entities, which have been registered of the projects' understudy. In two of the projects, the beneficiaries opted for a CPA to be registered as legal entity and this process took a long time because it took some time (four weeks) to appoint the service providers to assist them and then it also took two months to register the CPAs with the DLA. Another one formed an agri-cooperative with 15 members. The agri-cooperative was registered

through the GDACE, which took long (four months) as the Department lacked the capacity to register these legal entities.

Five of the projects are registered as close corporations (CC's). According to the beneficiaries they chose this entity because of its uncomplicated nature and simplicity to register. It takes a maximum of five weeks to register a CC and it is also more affordable (R300-00 or R400-00 with the Department of Trade and Industry). When beneficiaries have to appoint an attorney to assist them to register the entity, it becomes a lot more expensive (R8 000 – R10 000). Officials from GPLRO state that CCs are definitely the most popular entity for LRAD projects because it is simple and quick to register. As mentioned, the GPLRO decided that in future they would only approve projects with a maximum of 10 members, which is also within the ambit of the maximum members for registering a CC.



**Figure 3.2: Type of legal entities formed by the 15 studied LRAD projects**

In the case of farms transferred by the Land Bank (six projects) some of the steps (valuation of land and design of the business plan) within the design phase were conducted by qualified officials within the Land Bank. The Land Bank has in-house qualified officials and the Bank does not have to follow the same laborious procurement processes as the DLA to appoint service providers to provide the services.

The design phase involves a bureaucratic process. However, it can be argued that it would be risky to leave out any of the steps such as the compilation of the business plan, legal entity formation and also feasibility studies. Sound business plans, feasibility studies and a properly constituted legal entity could be the determining factors in the sustainability of farming enterprises. An interesting fact is that in none of the sampled projects, feasibility studies were conducted and in chapter four it is clearly indicated that this aspect negatively influenced the sustainability of these projects.

### **3.3.3 Project approval phase**

During this phase, the proposed LRAD project is assessed by the Provincial Grants Committee (PGC). Based on the assessment the project will then be approved or rejected with reasons indicated. The criteria for the PGC to assess land reform projects are based on the following facts:

- whether the project proposal is consistent with government policy;
- has the support of all the necessary role-players and institutions and
- will contribute favourably to local economic and social development.

(Department of Land Affairs, 2003b:22 & 163)

No delay was caused by this phase itself as a PGC meeting is scheduled for every month and none of the PGC meetings were postponed or cancelled. Before the projects could get to this phase, they have to meet all the requirements of phase 1 and 2.

### **3.3.4 Transfer phase**

The main steps within phase 4 are two-fold. Firstly, a conveyancer must be appointed to ensure the transfer of the title deed to the beneficiaries and secondly, the payment for the sale of land to the seller needs to be processed (Department of Land Affairs, 2003b: 23).

#### ***Registration of land***

The procurement process in appointing a conveyancer again causes delays in the project cycle. In six of the projects it took almost five weeks to appoint the conveyancers and another six weeks to conduct the transfer. With projects transferred by the Land Bank the timeframe was shorter. Two of the projects transferred by the GPLRO took very long to be registered. The one project took a year because the property was still registered in the name of the deceased seller and in another project it took ± seven months because the bond on the property had to be settled.

### 3.3.5 Post-transfer support phase

The aim of this phase is to ensure that the business plan is implemented. It also needs to be ensured that support is given to the beneficiaries based on their training needs (Department of Land Affairs, 2003b:24). Seeing that this phase takes place after the time of transfer to the new land owners, it has no impact on the length of land transfer.

## 3.4 THE IMPACT OF THE GRANT SIZE ON THE PACE OF LAND REDISTRIBUTION

According to the study conducted by Aliber & Mokoena (2005:5) the average price per hectare in Gauteng increased by 14 % per year from 2001 to 2005. While there are many likely factors that account for the increase in farmland prices, a key influence is the interest rate. The upsurge in land prices roughly coincides with the downturn in interest rates. Put simply, the lower cost of borrowing fuels land acquisition, which, in turn, puts upward pressure on land prices. The main reason for this increase in land prices, appears to be low interest rates.

Beneficiaries, therefore, found it very difficult to purchase land because of the big rise in land prices and the LRAD grants which were still fixed at the same amounts as in 2001, when the LRAD Sub-programme was launched.

**Table 3.2 Number of LRAD projects transferred per year in Gauteng Province: 2002 – 2006**

Year	2002	2003	2004	2005	2006
Number of projects transferred	14	34	27	23	8

According to Table 3.2 it is evident that a total of 14 LRAD projects were transferred in 2002. In 2003 the number of projects transferred increased substantially to 34 because at that time land prices were still reasonable and it was possible for beneficiaries to purchase land although the LRAD grants were limited. In 2004 the number of projects transferred decreased to 27, in 2005 to 23 projects and in 2006 there was a drastic decrease to only 8 projects. GPLRO officials confirmed that the decrease in transfer of projects in terms of the LRAD Sub-programme from 2004 to 2006 could be ascribed to a drastic increase in farm prices in 2004 to 2006 while the size of grants remained the same, thereby impacting on delivery.

Officials from the GPLRO also explained that in 2006 the Proactive Land Acquisition Strategy (PLAS) was launched and it became much easier to purchase land through this strategy rather than LRAD. In 2006, 33 farms were purchased through the PLAS strategy.

**Table 3.3 Number of hectares transferred per year in terms of the LRAD Sub-programme in Gauteng 2002 – 2006**

<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Number of hectares transferred	1122.35 ha	1318.82 ha	1690.03 ha	1147.74 ha	267.26 ha

From Table 3.3 it can be seen that the number of hectares transferred through the LRAD Sub-programme per year also decreased as the number of projects decreased. In 2005 the number of hectares transferred decreased to 1 147.74 ha and in 2006 to only 267.26 ha.

### **3.5. THE IMPACT OF GROUP PROJECTS ON THE PROCESS OF BUYING LAND**

The limited LRAD grants also affected the size of group projects, which impacted on the length of the project cycle. In five of the projects visited the beneficiaries complained that originally they were small groups (three to five members in each project) who wanted to engage in a farming business, but after they visited the GPLRO and realised how limited the grants were, they were forced to add more members to obtain enough money to purchase the land. The additional members who were added to



the group were passive participants and did not share the same passion for the project as the initiators.

### **3.5.1 Individual and married couple projects**

If the grants were large enough to assist individuals, married couples or persons in partnerships to purchase a farm, there would be no need for registering legal entities. Married couples that purchased farms (five projects) did not have to register a legal entity because they were married in community of property. The individual applicants (two projects) who are not married only had to register the farm in their own names. These projects were very easy to process because no time and costs were spent on forming a legal entity.

As mentioned, it is a much quicker process to register a Close Cooperation (CC) than to register a Trust, CPA or Agri-cooperative. The maximum numbers of persons to form a close corporation are 10 members and in some cases the beneficiaries were forced to form a group of more members because of the limited grants. As mentioned in 3.3.2 in three of the projects, there were more than 10 members. Two of them formed CPAs and the third one an agri-cooperative.

### **3.5.2 Management of small groups**

The researcher's experience is that it is easier to manage a small group during the design phase because of fewer disagreements than in a larger group. The formation of a business plan and constitution of the legal entity in small groups can be done in a shorter time frame.

### 3.6 SUMMARY

This chapter provided a discussion on the findings of the projects visited regarding the three factors, which contribute to the slow pace of redistribution of land. The three factors are the bureaucratic process of land transfer to beneficiaries, the limited size of the LRAD grants in comparison to high land prices and the third factor is the size of group projects, which impacts on the pace of delivery.

According to the analysis of the project cycle, it is clear that bottlenecks exist in phase 1 (project identification), phase 2 (design phase) and phase 4 (transfer of land) of the project cycle. It is also emphasized that the project cycle in itself is a long process. Nevertheless it will be very risky to leave out some of the steps because the identification of feasible land, good business plans and feasibility studies are very important steps affecting the sustainability of the project. However, some solutions were also mentioned to shorten the timeframe of the project cycle such as:

- encouraging small group projects;
- increasing technical staff capacity in the DLA and
- shortening the procurement process.

With regard to the second factor, a clear explanation was provided of how the pace of redistribution of land in terms of the LRAD Sub-programme decreased since 2003 because of the limited size of the LRAD grants and the high land prices. The third problem of group projects, which is also caused by the limited LRAD grants, impacts on the project cycle as the groups have to form legal entities, which is sometimes a long process.

## CHAPTER 4

### PERFORMANCE AND SUSTAINABILITY OF LRAD PROJECTS IN GAUTENG

#### 4.1 INTRODUCTION

In this study 15 LRAD projects were visited to conduct face-to-face interviews with beneficiaries in order to assess the sustainability of their projects. Three of the project officers of the GPLRO were also interviewed to verify some of the findings from the fieldwork. In this chapter criteria are proposed whereby sustainable/operational projects are separated from unsustainable/failed projects. The scale of production on operational projects and the pace of progress will also be discussed. A clear outline will be given of the factors which contribute to operational projects and also factors which influence the scale of production, pace of progress and factors which lead to failed projects.

#### 4.2 CRITERIA FOR THE EVALUATION OF SUSTAINABLE LRAD PROJECTS AND UNSUSTAINABLE PROJECTS

In this context the sustainability of projects is defined as operational and those which are unsustainable are referred to as projects which are failing/or failed. The criteria whereby projects were classified as operational projects or failures are as follows:

**Table 1.1: Evaluation criteria for LRAD projects**

<b>Failing projects</b>	<b>Operational projects</b>
No production of farming products on the farm.	Farming products are produced, although on a small scale.
The farm owners or farm workers are just staying on the farm.	The farm owners or workers produce farm products.
No progress in terms of agricultural production.	There is progress in production although it can be at a slow pace.

### 4.3 OPERATIONAL PROJECTS

According to the criteria in Table 4.1, nine out of the 15 projects are regarded as operational projects and six are failing. The scale of production of farming products on these projects is outlined in Table 4.2. An interesting fact is that on five of these nine farms no agricultural activities were conducted by the previous land-owners. The farms were only used as places of residence.

#### 4.3.1 Scale of production of farming products on operational projects

In Table 4.2 it is evident that the majority of projects (eight projects) farm on a small scale. At the one project the beneficiary farms on a much bigger scale (project no 9). The reason for this is because this beneficiary can be regarded as a well- resourced person. He works fulltime, earning a big salary and could afford to purchase a big farm (750 ha) with good infrastructure. He also had sufficient start-up capital to enable him to purchase a fair number of livestock and start farming at a much larger scale.

**Table 4.2: Scale of production of farming products**

Projects	Scale of production of farming products on the project	Size of the farm
1	Farms with 8 cattle, 7 sheep (sold 7), 4 goats, and 18 pigs and have 0.3 ha of vegetables and 4ha maize. He also sells 500 broilers every 6 weeks.	25 ha
2	Farms with 450 laying hens for chicken layers and also planted spinach of 0.2ha.	5 ha
3	Farm with 55 sheep and chickens (sells 1 000 broilers every 6 weeks).	53 ha
4	Farms with 14 pigs and 1 cow.	8 ha
5	Farms with broilers (sells 300 every six weeks) and have 44 pigs.	53 ha
6	Farms with 1.5 ha of vegetables.	2.5 ha
7	Farms with 30 cattle, a vegetable garden and 5 pigs and also chickens (sells 350 chicken broilers every 6 weeks).	134 ha
8	Farms with 4ha of vegetables.	4 ha
9	Farms with 60 cattle, 50 calves, 100 sheep and 10 pigs.	758

### 4.3.2 Growth of the farming business on operational projects

In eight out of the nine projects classified as operational, the beneficiaries managed to expand some of the farming activities although at a slow pace. One project could not expand as the plot is too small. The size of the plot is 4 hectares, all of which is used to plant vegetables. The growth of the farming activities on these projects is outlined in Table 4.3

**Table 4.3: Growth of the business over time**

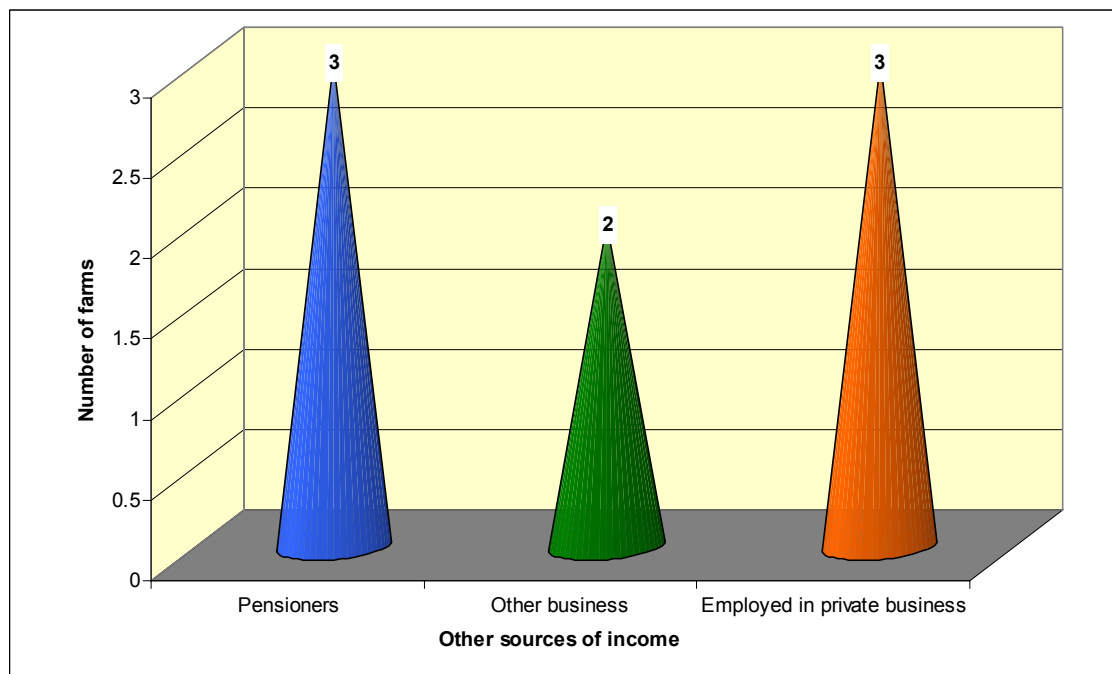
Projects	Rate of progress
1	Started with 2 cattle, 14 sheep, 2 goats, 5 pigs. After 2 years has 8 cattle, 7 sheep (sold 7), 4 goats, and 18 pigs also 0.3 ha vegetables and 4ha maize. Sells 500 chicken broilers every 6 weeks.
2	Started with 500 hens, (layers) after 2 years has 450 hens and planted spinach of 0.2ha.
3	Started with 30 sheep and sells 2000 broilers every 6 weeks. After 1 year and 9 months has 55 sheep but downscaled on chickens (sells 1 000 every 6 weeks).
4	Started with 8 pigs and 3 cows. After 2 years has (has sold and bought piglets) 14 pigs (sell and bought some piglets) and 1 cow (2 died).
5	Started with broilers (sells 400 every six weeks) and 10 pigs. After 2 years down scaled on chicken broilers (sells 250 every six weeks) and has 44 pigs.
6	Started with 0.5 ha of vegetable farming and after 1 year and some months expanded to 1.5 ha.
7	Started with 15 cattle and after 1 year and some months, has 30 cattle and planted a vegetable garden. After 8 months also purchased 5 pigs and started farming with broilers.
8	The farmers just started and planted 4ha of vegetables (Soko Wilfred).
9	Started with 20 cattle, 6 pigs and 75 sheep. After 6 months, he bought another 50 cattle. After 8 months he has 60 cattle plus 50 calves, 10 pigs and 100 sheep.

## 4.4 FACTORS THAT CONTRIBUTE TO PROJECTS BEING OPERATIONAL / SUSTAINABLE

On most of these projects the beneficiaries are farming on a small scale and the progress is slow. However, the beneficiaries still managed to keep these projects operational over time and expand some of the farming activities. The reasons for this are discussed below.

#### 4.4.1 Other sources of income

On eight of the farms the beneficiaries have a second source of income (as shown in figure 4.2.). Three of them are pensioners, two have other businesses and another three are employed in private businesses. As was indicated, most of the beneficiaries with operational farming businesses are farming on a small scale. These beneficiaries cannot farm fulltime and would need other sources of income, until their farming businesses have progressed sufficiently to enable them to farm fulltime. Secondary sources of income enable farmers to diversify easily if the farming enterprise fail to show profits and further enable them to pay for the running costs of the business.



**Figure 4.1: Number of projects with other sources of income**

#### 4.4.2 Job creation on operational farms

As was indicated above, many of the beneficiaries still have a second source of income and cannot attend to the farming business on a fulltime basis. Therefore some of the beneficiaries employed farm-workers to assist them in operating the farms. At least six out of the 15 projects have created employment as shown in Figure 4.1. The number of workers employed on five of these farms were one or two and five on the sixth farm. These employees receive accommodation on the farm and one or two meals a day. They receive less income than the minimum wage prescribed. However, the number of

workers who were employed before the farm was sold to land reform beneficiaries did not change although no agricultural activities took place on most (four) of these farms. The previous owners also employed one or two persons, one in the garden and another one to work in the house. On the remaining two farms the previous farm owners employed three and four farm workers to take care of the agricultural activities.



**Figure 4.2: Number of farms with people employed**

#### 4.4.3 Suppliers of input markets

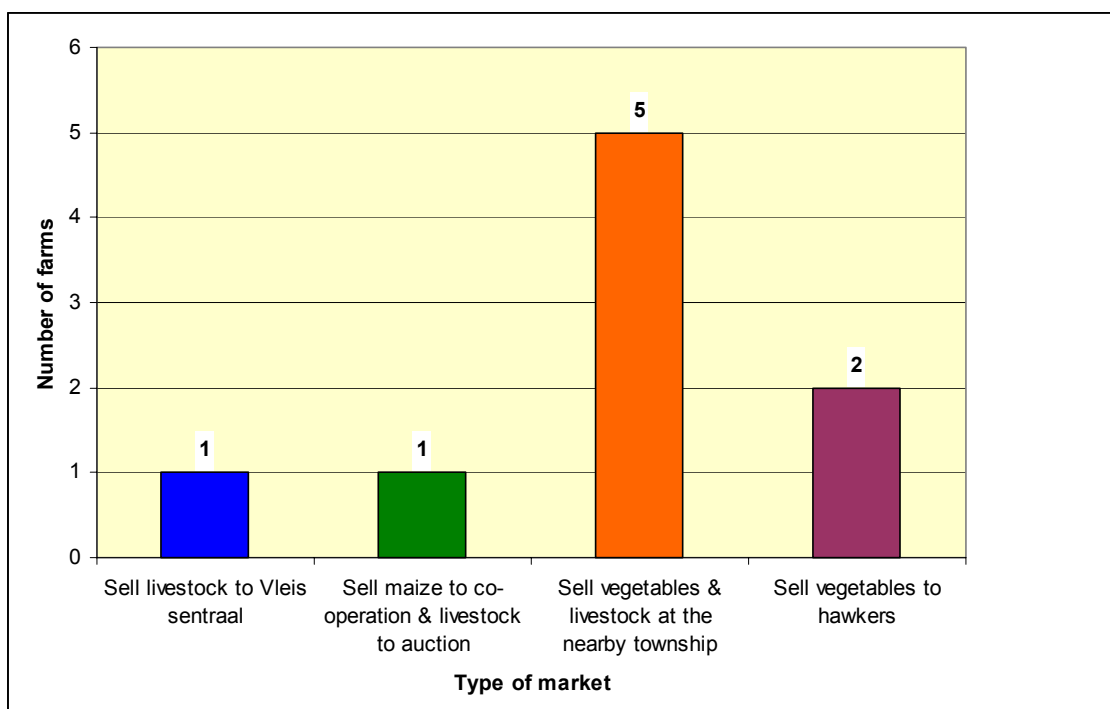
Beneficiaries indicated that suppliers of agricultural inputs are almost everywhere and nearby ( $\pm$  10 kilometres). They therefore do not have to incur high transaction costs in order to purchase inputs for production. If one of the implements breaks they can get it repaired quickly because suppliers are nearby. Unfortunately, most of the beneficiaries cannot purchase inputs at the wholesale market as they still farm on a small scale and therefore they have to buy their inputs at the nearby co-operative store or supplier, which is more expensive. The agricultural co-operatives and feed suppliers are, on the other hand, helpful in providing them with advice on the use of these products.

#### 4.4.4 Marketing

With regard to the marketing of produce Figure 4.3 illustrates that the beneficiaries sell their products to a variety of marketing institutions. Two of the farms sell their

products to hawkers who collect the products on the farm. Most of them (five farms) sell their products at the nearby township. Some of the beneficiaries sell livestock at the nearby auction (one farm) or the butchery (one farm) and crops to the co-operative (one farm). These marketing institutions are accessible and nearby which is another factor that assists beneficiaries to farm cost-effectively although they farm on a small scale.

None of the farmers farm on a scale that allows them to enter into a contract with a major retailer. Eight of the farms sell to the informal markets. One of the relatively big chicken farmers had a contract with a chicken broiler company and sold chickens to them for some months but unfortunately his business was forced to a standstill because of theft of the chickens. Another farmer farms with livestock on a relatively large scale but he does not have a contract as yet. He sells the cattle and sheep at Vleissentraal (a co-operative).



**Figure 4.3: Market channels**

Based on interviews with project officers responsible for LRAD projects, it was confirmed that most of the farmers sell their products to the informal market (hawkers, townships and auctions). Although most beneficiaries farm on a very small scale they fortunately do not find it costly or difficult to access markets because of the many settlements and hawkers that are present and operating in Gauteng.



However, some of the chicken farmers have problems with the market because they do not have sufficient capital to expand and enter into a contract with an established retailer. The chicken farmers sometimes cannot sell all the chickens at one time and have to sell on order while the remaining chickens still need to be fed, which erodes the profits. Therefore, in two of the projects where broilers are produced, they had to downscale on the chickens and diversified into other farming activities.

#### **4.5 FAILING PROJECTS AND THE FACTORS THAT CONTRIBUTE TO SLOW GROWTH OF THE BUSINESSES AND FAILURE OF SOME OF THE PROJECTS**

One of the reasons why the growth of the farming businesses of these beneficiaries remains slow are because they are resource-poor. With the limited LRAD grants that they received they could only afford to purchase small farms with only the basic infrastructure (a fence, water, electricity and a farm dwelling). These factors are elaborated on below:

##### **4.5.1 Lack of start-up capital**

One of the major reasons why the progress is slow and some of the projects failed is because of a lack of start-up capital. In eight out of the nine projects, which are operational, the beneficiaries complained that they are struggling because they did not have enough start-up capital. Three of the projects, which failed actually failed because of a lack of start-up capital. In two of them the beneficiaries never received the LRAD grants from the Land Bank as was agreed. They planned to use these funds to engage in farming activities. The third one applied for a production loan at the Land Bank and planned to use it for starting the business but he never received the loan. As mentioned in Chapter Two the Land Bank exhausted the R50 million that was transferred to them by the DLA in 2001 and after a time the agreement was terminated. Therefore, many of the projects handled by the Land Bank never received the funds that were agreed upon.

#### **4.5.2 Lack of technical farming skills**

Another reason for the slow progress can be ascribed to the fact that most of the beneficiaries (seven farms) have limited technical knowledge of farming and also have limited financial management skills. On three of the farms, where they farm with livestock, they have no idea of the grazing capacity or the nutritional value of the grasses. On three pig farms the beneficiaries were not aware of feeds available or the suitability thereof for pigs in the different production stages. One of the vegetable farmers was ignorant about which type of fertilizer to use and how to suitably prepare the lands. On five of these farms the farmers had little book keeping and financial administration skills. The GDACE has also not succeeded in visiting all the projects to provide advice and training for the improvement of the skills of beneficiaries.

#### **4.5.3 Crime**

Another problem that hampered the progress or contributed to the failure of projects was the theft of farming products. In three of the projects the beneficiaries complained about this phenomenon. In the case of one chicken farmer the project actually came to a standstill because the chickens were stolen by the farm workers in his absence. He could not recover the losses and had to terminate his business.

#### **4.5.4 Group dynamics**

According to the LRAD policy (Ministry for Agriculture and Land Affairs, 2001:7) small farmers can choose to access land as a group and may maintain group ownership or decide to subdivide the land. Group projects, however, were discouraged. In Gauteng it is also the case. From 2001 to 2003 a significant number of group projects (27) were established in Gauteng. Eight of the projects in the sample were group projects.

Group management problems and internal group conflicts, especially in the bigger group projects, is another factor which leads to failing projects and slow progress in operational projects. One of the projects (24 members) failed primarily because most

of the members did not want to contribute financially or participate in the farming activities, but still demanded a share of the profits and produce. It eventually came to a standstill because of all the conflict among members. In another two projects the beneficiaries also explained that the majority of members do not want to participate in the business and that progress was inhibited thereby.

### ***Reasons for group farming***

Some of the reasons why group members want to farm communally are that the participants feel that they are more likely to succeed if they work together and plan together as a group. They also share the responsibilities in such a way that each one can focus on a specific part of the business. For example, one person is responsible for marketing of the products, one person would handle all the administrative tasks, while another person would negotiate with stakeholders to provide funds or support to the business. The rest could then be involved in the physical farming activities.

### ***Relationship among group members***

In the small group projects (less than 10 members) the members indicated that there exists a good working relationship amongst the members. The relationship between the committee members and community members is also satisfactory. In the large group projects (more than 10), most of the members are not involved at all on the farm and they do not have a good relationship with the committee members. The Tirisano farming project (Figure 4.4) is one of the group farming projects, which is operational and there is a good relationship among group members.

The GPLRO office took a decision that in future the size of groups will be limited and that only group projects up to a maximum of 10 members will be approved. The fact that the committees find it difficult to manage large groups prompted this decision.



**Figure 4.4: Tirisano Farming Business – Cabbage, onions and spinach**

#### **4.5.5 Financing of LRAD projects**

Affordable financing for infrastructure investment and production inputs is very limited. This is also one of the reasons why some of the farming operations failed and others progress at a slow pace. Beneficiaries can utilise the balance of the LRAD grants to purchase inputs and install infrastructure but because the grants are so limited coupled with the high land prices, the beneficiaries, as a result, in most cases exhaust the entire LRAD grant for land acquisition and have to apply for additional loans for inputs and infrastructure investment.

##### ***LRAD grants***

As indicated in table 4.4 in five of the projects the beneficiaries did not have any funds or assets to declare as own contribution and could only contribute labour. These beneficiaries had to form groups because of the limited grants they received (R20 000 per individual) to enable them to purchase a farm. In five of the other projects the beneficiaries could afford to obtain borrowed capital and contribute labour. In only five cases the beneficiaries could contribute labour, borrowed capital, cash, and assets (bakkie, implements etc). Because these beneficiaries were more well-off and could

make a bigger own contribution, they were able to purchase a farm with infrastructure and did not have to form groups.

**Table 4.4: Size of own contribution**

<b>Responses from project beneficiaries</b>	<b>Number of projects</b>	<b>Percent</b>
Loan of R120 000 and some feeding equipment for chickens	1	6.67
2 lorries, Bakkie and loan from Land Bank and labour	1	6.67
Labour and loan	5	33.3
Labour and R70 000 deposit plus a loan	1	6.67
Labour	5	33.3
Cash deposit and loan	1	6.67
Labour and farming implements	1	6.67
<b>Total</b>	<b>15</b>	<b>100.0</b>

It therefore becomes clear that because the grant size is limited and faced with high land prices most beneficiaries are forced to apply as groups. To enable beneficiaries to purchase a farm that has the basic infrastructure (water, electricity, farm dwelling and a fence) beneficiaries would have to make a substantial own contribution or assemble a large group in order to raise sufficient funds to purchase the land. Beneficiaries themselves also complained that the grants were too small and they were forced to recruit additional members to enable them to purchase a farm. According to the GPLRO many applicants can only afford to contribute labour and they are forced to purchase marginal land.

#### ***Land Bank loans***

Only four projects received a production loan from the Land Bank to assist them with production inputs. The Land Bank did not regard these beneficiaries as credit risks because they had sufficient income and assets. The other projects did not receive any financial assistance from the Land Bank or any other financial institution because the beneficiaries were too poor.

In this study six out of 15 of the projects utilised the balance of the LRAD grants to purchase inputs and install infrastructure. Most of the beneficiaries had to apply for

production loans for input costs and they found it difficult to repay the loans as the interest rates were high (14% at that time).

### ***Funding available from the Department of Agriculture***

It was indicated in Chapter 2 that the two departments jointly developed the LRAD Sub-programme in 2001. Funds for the financing of the agricultural component of this programme (production inputs, infrastructure, etc) must be obtained from the DoA. However, in order to address this need the DoA developed the CASP in 2004 to deliver effective agricultural support to beneficiaries (DoA 2004:21). The CASP provide agricultural support in terms of six priority areas, which are as follows:

- information and knowledge management;
- technical and advisory assistance;
- financial support;
- training and capacity building;
- marketing and business development and
- on-and-off farm infrastructure.

(Ministry for Agriculture and Land Affairs, 2005a: 36).

Unfortunately, the CASP programme was launched in August 2004, three years after the launch of the LRAD Sub-programme (August 2001). In this case study only two of the projects received a CASP grant (to erect a pig house). The beneficiaries had to wait more than 12 months for the approval of the funds and the infrastructure to be established. Three other projects were also promised CASP grants for infrastructure establishment but no funding was received at the time of these interviews (2005 and 2006). MAFISA is a fairly new programme as it had been launched in May 2005. However, none of the projects visited received capital in terms of MAFISA.

### ***LRAD for the rich or rural poor***

According to policy, LRAD is open to citizens who are members of the previously disadvantaged groups, which include Africans, Coloureds and Indians (Ministry for Agriculture and Land Affairs, 2001:7). In two of the projects visited the beneficiaries

are members of the previously disadvantaged groups but they were well-off seeing that both of them have well-paid jobs and therefore one could question the need for LRAD grants to enable them to purchase a farm. These beneficiaries confirmed that they were not aware of the existence of LRAD grants because they had initially gone to the Land Bank to obtain loans and the bank informed them about the LRAD grants, which they regarded as a bonus.

Most of the wealthier beneficiaries are progressing well because these beneficiaries tend to have more entrepreneurial experience, enough start-up capital to get the farm business running and there is little occasion for in-fighting and management problems because of fewer members per project. Officials from GPLRO also argued that another reason why wealthier beneficiaries are doing relatively well is because they could make a larger own contribution and they are likely to be much more committed.

Although projects initiated by well-resourced black farmers also contribute to the goal of redressing the racial imbalance of land ownership, one of the concerns is that the cost to the fiscus of such projects is high in relation to the number of beneficiaries served. These cases also serve as proof that the critique against the LRAD Sub-programme of being in favour of well-resourced black people rather than the rural poor can be considered valid. Another indicator that supports this argument is that only wealthy beneficiaries managed to make sufficient own contributions to obtain bigger grants, which enabled them to purchase land with the necessary infrastructure. They could start farming almost immediately after land transfer.

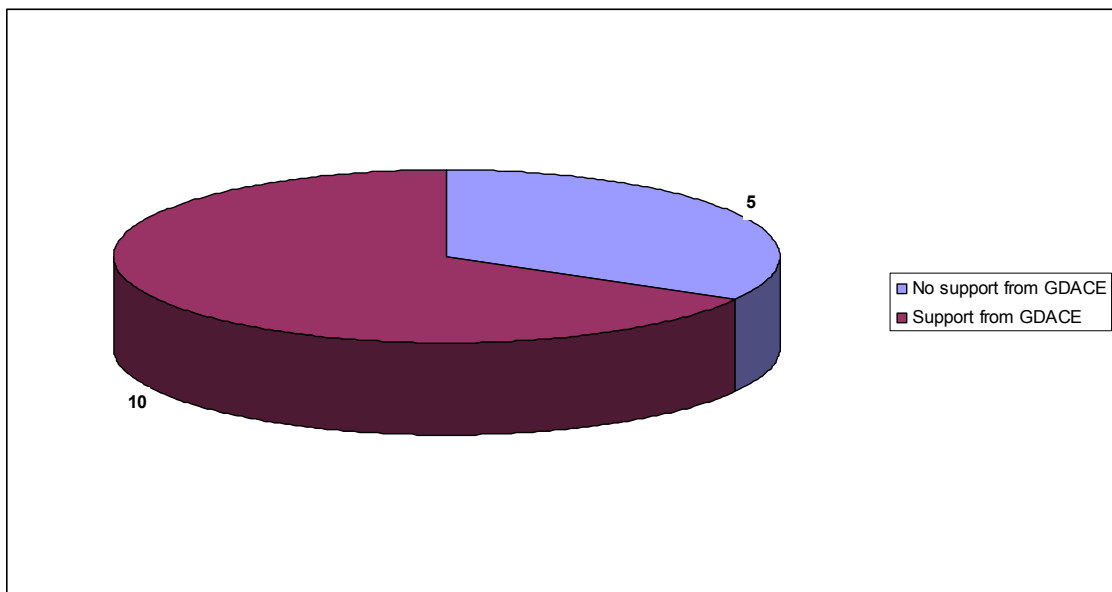
Some officials in the GPLRO also indicated that the LRAD Sub-programme is not pro-poor. These officials also explained that although these beneficiaries cannot be categorised as the poorest of the poor, they should be seen as part of the middle class and not the elite because in few cases (three projects) the beneficiaries had enough assets or money to contribute the maximum own contribution of R400 000.

#### 4.5.6 Post-transfer support

In terms of the LRAD policy, it is clear that the LRAD Sub-programme is supposed to be a joint programme, meaning that the DLA must deliver land and the Department of Agriculture must provide agricultural support (Ministry for Agriculture and Land Affairs, 2001:13). The support provided by the DoA to LRAD beneficiaries range from the provision of agriculture and advisory services and the provision of funds in terms of CASP and MAFISA for the establishment of agricultural infrastructure and the purchase of production inputs.

##### *Post-transfer support from the GDACE*

Figure 4.5 shows that the GDACE succeeded in providing support to ten of the 15 farms surveyed and the support was mainly limited to training or advisory support. As mentioned before, two of the projects received funds in terms of CASP or the establishment of a pig house and none of the projects received any finance in terms of MAFISA.



**Figure 4.5: Support from GDACE**

The GPLRO indicated that due to a shortage of extension officers, the GDACE is not able to visit all LRAD projects on a regular basis. The extension officers are also not experts in all types of farming operations. In some of the more sophisticated types of



farming businesses like vegetable tunnels and pig farming, they do not really have adequate knowledge in order to provide meaningful advice to those beneficiaries.

### ***Post-transfer support from other Government Departments***

Other Government Departments are almost never involved in providing support to LRAD projects. Only one project received training support from the Department of Labour (DoL). The GPLRO came to an agreement with the DoL in 2004 to allow the GPLRO to submit applications for training support to the DoL for the purpose of providing training support to the projects.

### ***Post-transfer support from private farmers and private companies***

Seven projects received support from private farmers in the region, primarily in the form of advisory support. Farmers are not prepared to provide more than advisory support because they incur costs and there is no remuneration for them. Six out of the 15 projects also received advisory support from agricultural input suppliers (private companies).

### ***Type of support needed by beneficiaries***

Beneficiaries were asked what type of support they needed to sustain their projects. In 14 out of 15 projects the beneficiaries responded that they need funds for:

- infrastructure;
- implements and
- production capital.

All of them also needed training in:

- the production of the farming product/s that they are farming with;
- financial management training (administration and bookkeeping);
- Adult Basic Education Training and

- user rights of the members according to the type of legal entity and the constitution.

#### **4.5.7 Impact of land redistribution projects on the environment**

##### ***Measures to prevent overgrazing***

All the livestock farmers at this stage are still farming on a small scale and therefore, fortunately, could not put too much pressure on the land. However, beneficiaries in only two projects were aware of the grazing capacity of their farms. Some of them actually planned to put on more livestock than the farms could support. In five out of the six livestock projects, the farmers are not aware of the grazing capacity and the veld types that are suitable for livestock farming. Officials from the GPLRO also confirmed that they do not think that livestock farmers have adequate knowledge of suitable veld types for their livestock, grazing capacity and what measures should be implemented to prevent overgrazing.

##### ***Measures to prevent soil degradation, erosion and to enhance the soil quality***

With regard to crop farming none of the farmers implement any measures to prevent erosion or soil degradation. Farming with crops is still on a small scale and the arable land is not under pressure. Beneficiaries' knowledge of soil quality and measures to enhance the quality is also very limited.

##### ***Environmental screening***

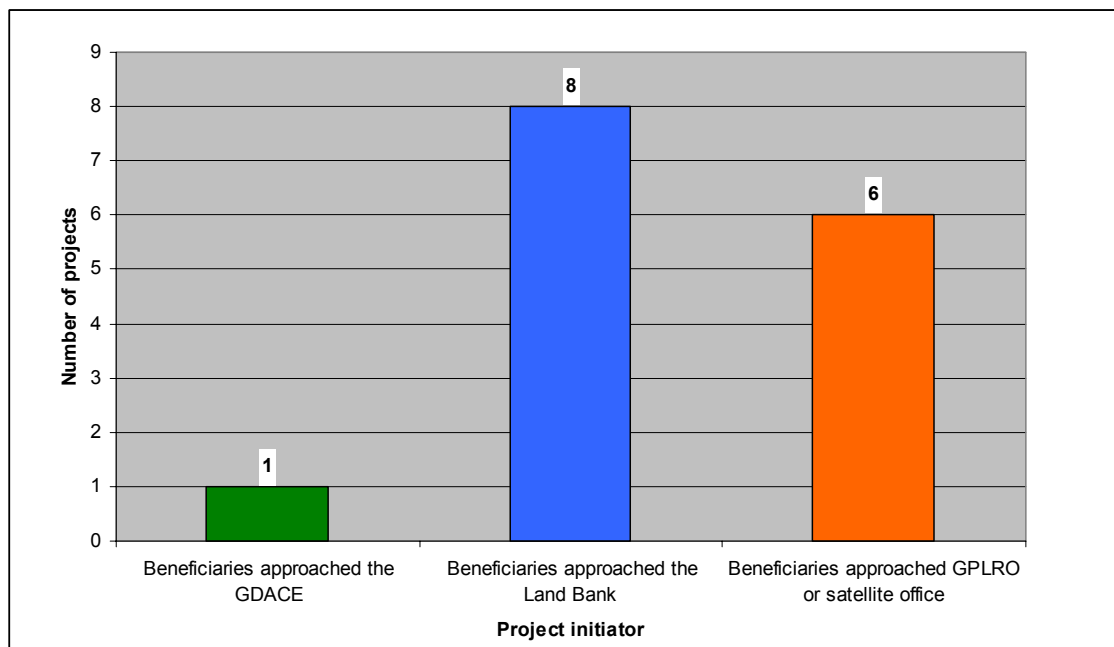
Officials from GPLRO confirmed that with basically all the projects no environmental screenings of projects were conducted. These steps are necessary and could better inform beneficiaries of any unforeseen environmental implications and could assist them to put some measures in place to minimise this.

#### 4.5.8 The effect of the application process and project design on sustainability

##### *Demand-driven*

One of the principles of LRAD is that it is demand-driven. This fact has an effect on the sustainability of projects because it is an indication that the beneficiaries took own initiative and ownership of the application process to start a farming project. Figure 4.6 illustrates that all the projects (individual and group projects) visited, were initiated by the beneficiaries. The beneficiaries themselves approached the GPLRO, GDACE or the Land Bank to apply for funds to start a project.

Even with the group projects, members were self-selected and applied for LRAD grants on own initiative. Officials from the GPLRO, who were interviewed, also confirmed that all their LRAD projects were initiated by the beneficiaries. On the one hand this is a positive step because self-selection is a step towards responsibility but on the other hand self-selection can also result in the wrong type of beneficiaries being selected; people who do not have farming skills.



**Figure 4.6: How beneficiaries initiated projects**

In one of the projects the beneficiaries were assisted by the GPLRO satellite office at

Metsweding Municipality (Bronkhorstspuit) to provide information and application forms. This is an indication that the GPLRO succeeds to some extent by bringing services closer to the people.

In three of the group projects (one with 12 members, the second with 15 and the third with 24) it was clear that not all the members were committed to the project. The project members who initiated the project consisted of a few committed members and had to recruit more members in order to obtain more grants to afford the purchase of the farm. The additional members were not really committed to the project. In other words, although the projects were demand-driven in the sense that the group approached GPLRO to start the project, the majority of the members just became part of the operation because it was imposed on them by the initial group.

### ***Identification of suitable land***

The identification of suitable land can also have a big impact on the sustainability of the project, because if beneficiaries identify land which does not have the desirable qualities, it will definitely impact on the sustainability of the farming project. Based on the researcher's experience the majority of the beneficiaries do not know how to identify suitable land. The land they identified might, for instance, be too small or too expensive or too rocky.

Some of the beneficiaries (four projects) purchased farms without the necessary infrastructure, or the infrastructure on farms was in a poor condition and had to be repaired frequently. In two of the projects the beneficiaries purchased land without proper infrastructure and it took them a year and two months to develop the land to the stage where it became farmable. For example, in the Sisonke farming project (Figures 4.7 and 4.8) the beneficiaries could not farm with crops because the borehole was only equipped with a hand pump. They were forced to farm with cattle and pigs on a small scale. It took them a year and six months to get CASP funds from the GDACE to equip the borehole with an electrical pump. They are still waiting for funds to install irrigation equipment in order to start crop farming.



**Figure 4.7: Sisonke farming project – ploughing land**



**Figure 4.8: Sisonke farming project – borehole**

In the Soko Wilfred farming project (Figures 4.9 and 4.10) the beneficiaries purchased four hectares of vacant land. It took them a year and two months to drill a borehole, equip it, get electricity connected and erect a fence before they could plant their first crop.



**Figure 4.9: Soko Wilfred's farming project – pump house with tank**



**Figure 4.10: Soko Wilfred's farming project – fence**

For the owners of the farming projects it also proved to be costly because they had to invest substantial capital for these developments. To avoid these investment requirements and delays, beneficiaries should have been advised by GPLRO to purchase land with the necessary infrastructure, which would enable them to start farming almost immediately. It would probably also prove to be cheaper in the long run.

In another project the initial group of five beneficiaries identified a farm of 183 ha, which was very expensive and they had to add 19 more beneficiaries to the group in order to raise the money needed to purchase the farm. This project now has major group conflict problems and they are not progressing with the enterprise. The initial group of five beneficiaries should have been advised to search for a smaller and cheaper property that would have eliminated the need to add more members. Officials from the GPLRO are also not agricultural or property experts and, therefore, applicants are not properly advised regarding the identification of suitable land.

Some (two projects) beneficiaries purchased farms, which are not suitable for the planned operation because of poor resources (soil, water and vegetation). The beneficiaries only discovered this fact after the land was transferred. The capacity of the boreholes of these two projects are insufficient, the pH of the soil very low and the grazing poor. The farmers could not farm with either livestock or crops as planned. Fortunately one of them managed to apply to the GDACE for CASP funds for the erection of a pig house and this enabled them to diversify into pig farming. The approval of funds and erection of the pig house, however, took 12 months.

***The proper compilation of business plans, legal entities and participation of the beneficiaries in this process***

In four (three are still operational) of the group projects, many of the members did not participate in the compilation of the business plans and constitutions of the legal entities. Although they are aware of the existence of the business plans and the legal entities, they are not acquainted with the contents thereof. In the one project, the very same members did also not participate in the farming activities and the project failed mainly due to group conflict. It is evident that because not all the prospective farmers were involved in the compilation of the business plan and the establishment of the legal entity, it contributed to the development of conflicts.

***Management structures of group projects***

Five of the group projects that are still operational have management structures (committees) that are responsible for managing the affairs of the farming business. The

management structure normally consists of a chairperson, vice chairperson, secretary, treasury, and two or three committee members who have responsibilities such as marketing, maintenance of infrastructure and so forth.

Two other group projects, which are also still operational, do not have management structures. In one of the projects the members are not aware of the fact that they must have a management structure because the members were ill-informed about the purpose of such a structure. The second project also does not have a management structure because only two of the project members are directly involved in the project. The other four are not yet involved because they still operate on a small scale.

The five projects with management structures have regular meetings. There are no separate management meetings as these meetings are attended by the whole group. In three of them, the majority of members are not yet involved in the daily activities because they still operate on a small scale. Therefore, the other members do not see the necessity of becoming involved at this stage. However, it will certainly accelerate the growth of the project if all members could contribute something to the business even if it only consists of financial contributions.

### ***Feasibility studies***

It was confirmed by officials that no feasibility studies were done in any of the projects. This is not a desirable practice because beneficiaries who purchase land without any knowledge of the water quality, soil quality or grazing capacity cannot have any idea of the agricultural potential of the farm.

## **4.6 SUMMARY**

Chapter 4 provided a discussion of the sustainability of the projects in the sample. The projects were evaluated in terms of the criteria provided on page 1 as sustainable/operational or unsustainable/failing projects. According to this criteria, nine projects were regarded as operational and six as failing projects.



The factors, which contribute to the sustainability, were discussed such as: other sources of income; accessibility and availability of suppliers of agricultural inputs and the accessibility of output markets. The factors, which contribute to progress at a slow pace and failure of some projects were also discussed. These factors were identified as follows:

- lack of start-up capital;
- inadequate financing of projects;
- group dynamics;
- crime;
- lack of post-transfer support and
- disregard of environmental factors.

The planning and design of a project (form part of the project cycle) also have an impact on the sustainability and unsustainability of these projects. The planning and design includes identification of suitable land, the compilation of proper business plans and constitutions, implementing management structures and most importantly, conducting feasibility studies. All these have a crucial influence on the outcome of the sustainability of projects.

## **CHAPTER 5**

### **CONCLUSIONS**

#### **5.1 INTRODUCTION**

The purpose of this chapter is to give a conclusive summary on the main findings of this study. The conclusions drawn relate to the objectives of the study, are:

- the factors that contribute to the slow pace of implementation of LRAD in Gauteng;
- the sustainability and unsustainability of LRAD projects and
- the factors that contribute to the sustainability and factors that contribute to farming at a small scale, progressing at a slow pace and failure to some of these projects.

#### **5.2 THE PACE OF IMPLEMENTATION OF LRAD IN GAUTENG PROVINCE**

Chapter 4 identified and discussed the two major factors that contribute to the slow pace of implementation of LRAD projects in Gauteng. The first aspect is the bureaucratic process of government and the second is the limited size of LRAD grants, which have, however, been increased in the recent past against a dramatic increase in property prices since 1999.

Although the LRAD grants have been increased in July 2008, it will take some time (one to three years) for the pace of delivery to increase, seeing that the grants have only been increased after a period of six years and property prices have increased dramatically since 1999. An assessment will have to be made to establish whether the increase is sufficient.

### 5.2.1 Bureaucratic process

Chapter 4 identified various bottlenecks in the implementation process. Bottlenecks were found within phase 1 (project identification phase), phase 2 (project design phase) and phase 4 (registration of land) of the project cycle. In terms of project identification, the GPLRO has a critical shortage of staff that manage a vast number of project applications. In 2004 the GPLRO addressed the problem by appointing three administrative clerks to screen all incoming applications and to point out to applicants all the shortcomings in their applications. These steps did not really bring a solution to the problem because the administrative clerks are not agricultural experts who can properly advise the applicants.

The identification of suitable land also creates delays in phase 1 because the potential beneficiaries do not know where to obtain information on farmland for sale and they are not aware of the agricultural potential of farms. It was also found that beneficiaries identify any farm, which is for sale, without doing proper research about the agricultural potential of the farm. An agricultural officer would then only discover later that the land is not suitable for farming and the beneficiaries would then have to restart their search.

The bureaucratic procurement process to appoint service providers to conduct the design of a project presents delays in phase 2. The long procurement process to appoint service providers is a national problem that needs to be addressed by the procurement section at NDLA in order to speed up the process. Projects that were delivered by the Land Bank were finalised between three and four months. Some of the steps for the Land Bank projects, like valuation of land and design of the business plan were conducted by qualified officials within the Land Bank. The GPLRO should also investigate this option and appoint in-house experts to avoid the long procurement process for appointment of consultants. To address the long process of registration of land (phase four), the GPLRO had some discussions with the Deeds Office and asked them to speed up their processes.

### 5.2.2 Limited grant size

The limited size of the LRAD grant has a big impact on the pace of implementation of LRAD. According to officials from GPLRO it is becoming increasingly difficult to purchase land because the prices are escalating every year while the size of LRAD have only been increased recently. The LRAD project statistics (chapter 3) show a decline in project approvals from 2004 onwards.

The study by Aliber and Mokoena (2005:5) also shows that land prices in Gauteng increased with 14% per year from 1999 to 2003. Beneficiaries are forced to form big groups to obtain enough grants to enable them to purchase land. This fact defeats the purpose of the LRAD Sub-programme. The GPLRO is reluctant to approve any group projects because of the internal group conflicts and clients are reluctant to apply for the limited grants.

The size of the group affects the project cycle. If the grants were big enough to assist individuals, married couples or persons in partnership to purchase a farm, there will be no need for the registration of a legal entity. In the case of small group projects as well it was discovered that compiling business plans or the constitution of a legal entity for small groups is less cumbersome and can be done in a much shorter time than for large groups. Most of the small group projects were registered as close co-operations because it involves a much simpler and shorter process than to register a trust or any other legal entity. Unfortunately, the maximum number of persons for a close corporation is 10 members and the grants were not always big enough to assist 10 people to purchase a suitable farm.

One will have to wait and see what effect the new increased LRAD grants will have on group projects. Probably most of the projects will still be group projects and the only real change will be that fewer members will be needed (2 – 10) to acquire enough funds to purchase land.

### **5.3 SUSTAINABILITY OF LRAD PROJECTS**

The projects studied were classified in two categories, namely sustainable/operational projects and unsustainable/failed projects. The criterion for sustainable/operational projects was set as projects where production of farming products is taking place, although it can be at a small scale, and there is progress of the farming businesses although at a slow pace. The criterion for unsustainable/failing projects is set as projects where no production of farming products is accomplished. The farm owners are just staying on the farm and no progress in terms of agricultural produce is made.

Some major factors were also identified which had an impact on the unsustainability of LRAD projects. These factors were identified as follows: a lack of start-up capital, inadequate infrastructure, inadequate financing of projects, poor resources, the impact of large group projects, crime, lack of post-transfer support and disregard of environmental factors.

#### **5.3.1 Income status of beneficiaries, limited LRAD grants and the role of GDACE**

All the abovementioned factors have a definite impact on the performance of these projects. Many of these factors are due to a shortage of capital from the side of beneficiaries. Most beneficiaries are not rich enough to obtain big grants and loans to purchase good quality land with adequate infrastructure and still have money left for start-up capital. Most of the beneficiaries complained and officials from GPLRO confirmed that the LRAD grants are too small. The beneficiaries often need to recruit more members to obtain enough money to purchase the land and in some of the projects there are big problems with regard to group conflict, especially in the bigger group projects.

As mentioned, recently (June 2008), the LRAD grants have been substantially increased. Only time will tell if the new grants are big enough to assist beneficiaries to purchase land with adequate infrastructure and to purchase land as group projects (1-10 members), family projects and individual projects, which are more cohesive.

The GDACE also does not play an adequate role in the establishment of LRAD projects. For example, the GDACE should provide beneficiaries with start-up capital and all projects with infrastructure in terms of CASP immediately after the land got transferred to them.

Beneficiaries find it difficult to get finance for production capital. The banks are reluctant to give them financing as they do not have sufficient security. Interest rates to be paid for production loans are also high. Unfortunately, the CASP programme aimed at providing financial support for agricultural infrastructure inputs had only been launched three years after (August 2004) the launch of the LRAD Sub-programme (August 2001). Many of the LRAD projects could progress at a faster pace, if they could get some finance in terms of CASP at the same time that they received the LRAD grants. Many of them would not fail if they also could get the CASP grants at the same time.

### **5.3.2 Crime**

The theft of farming products was also identified as one of the big problems, which hampered the progress or resulted in the failure of projects. Crime is actually an external factor and is a problem to every business in the country. Probably the only solution to it lies in a collaborative effort by both government and the farming communities to root out crime at all levels, including taking a tougher stance on crimes such as stock-theft. This could, however, prove to be a costly exercise.

### **5.3.3 Post-transfer support to LRAD beneficiaries**

The offering of training support and finance for agricultural inputs and infrastructure from public and private institutions other than from the GDACE is basically non-existent. Most of the projects received support from GDACE. In most cases it was training support. Few of them received financial support for agricultural infrastructure from the DoA. The GDACE does not have sufficient capacity to provide the necessary support to all LRAD projects.

The study shows that beneficiaries' knowledge of farming practices is limited. Most beneficiaries need ongoing training support about farming. They are also not aware of the grazing capacity on their farms for livestock farming and the quality of soil for crop farming. The beneficiaries also need financial management training and administrative training to properly manage their businesses.

#### **5.3.4 The impact of the project cycle on the sustainability of projects**

It was also found that some phases within the LRAD project cycle had a negative impact on the sustainability of projects, mostly because of the poor planning and design of these projects.

##### ***Initiation of projects***

LRAD is demand-driven; the project cycle starts off at the application stage where the beneficiaries visit the PLRO to apply for acquisition of land. The fact that the Sub-programme is demand-driven and that the beneficiaries have to make an own contribution to obtain a grant, is desirable because it demonstrates initiative and commitment on the part of beneficiaries.

##### ***Identification of land and poor planning and design of projects***

The identification of suitable land was found to sometimes have a negative outcome on the sustainability of the projects. Many beneficiaries do not have the expertise to identify land, which will be feasible for the kind of farming operation that they have in mind. Many of them identify land with poor soil quality and lack of water or land with inadequate infrastructure.

It was also clear that in the planning phase of the project cycle not enough attention was given to the compilation of the business plans and the constitution of the legal entities. All the beneficiaries also did not participate in the process and once the beneficiaries commenced with farming operations, group conflicts in connection with distribution of income and work to be done emerged.

## 5.4 GENERAL CONCLUSIONS

In general most of the LRAD projects (9 out of 15) are operational, and are making progress, although it is at a slow pace. Gauteng has good infrastructure such as roads, input and output markets are nearby and competitive and good agricultural support from institutions providing services like the ARC and Onderstepoort, exist. If these projects could get financial support to purchase agricultural inputs and the necessary agricultural infrastructure accompanied by more training support, they would most probably farm on a much bigger scale and progress at a much faster pace.

The findings of this study show that the manner of LRAD implementation in Gauteng realises benefits and nine out of the 15 projects are relatively successful. If all the problems discussed regarding the implementation of LRAD can be addressed, for example, the availability of finance for agricultural support, slow procurement processes, effective post-transfer support to beneficiaries etcetera, then it could result in land being delivered at a faster pace. Beneficiaries would also be able to make faster progress and fewer projects would fail.



## CHAPTER 6

### RECOMMENDATIONS

#### 6.1 INTRODUCTION

In this chapter recommendations are proposed to address the issues raised in the previous chapter. Some recommendations will be aimed at increasing the pace of implementation and the establishment of sustainable projects in Gauteng. Some general recommendations are also proposed to enhance the land redistribution programme and increase the sustainability of redistribution projects nationally.

#### 6.2 RECOMMENDATIONS TO INCREASE THE PACE OF DELIVERY OF LRAD PROJECTS IN GAUTENG

##### 6.2.1 Faster processing of applications

While the GPLRO appointed administrative clerks to screen the project applications and advise the applicants on their applications, these officials do not have the agricultural or project expertise to advise the clients properly. The GPLRO should appoint agricultural economists or agricultural experts to screen applications and to assist in land identification. Such expertise could shorten the application process.

##### 6.2.2 Agency agreements with organised agricultural associations for faster identification of land

Beneficiaries in many instances do not have the skills to identify good quality agricultural land. The GPLRO should enter into agreements with organised agricultural associations and estate agents in order to assist them to identify suitable agricultural land. Established farmers would be able to assess the potential of particular pieces of land and can aid beneficiaries without patronising them. If the GPLRO can agree to appoint an agricultural economist, this person can also help with the identification of agricultural land.

### **6.2.3 Faster compilation of business plans and registration of legal entities**

As mentioned before, in the case of farms transferred by the Land Bank, the processes were finalised within three to four months. Some of the steps for the Land Bank projects, like the design of the business plan, valuation of land *etcetera* were conducted by qualified officials within the Land Bank. The GPLRO should also investigate this option and appoint in-house experts to avoid the long procurement process for the appointment of consultants.

## **6.3 RECOMMENDATIONS TO INCREASE THE PACE OF DELIVERY OF LAND REDISTRIBUTION AT A NATIONAL LEVEL**

### **6.3.1 Shorter approval process**

In order to shorten the procurement process for the appointment of service providers the NDLA has to decentralise the process to the PLROs and delegate the approval to the Provincial Chief Directors and District Managers. The NDLA should also assist PLROs to appoint in-house expertise to conduct the planning and design of projects in order to shorten the project cycle processes. It is also recommended that the procurement threshold of Deputy Directors be further increased to at least R100 000. This would allow these managers to procure planning services (feasibility study, valuation of land, business plan and the registration of a legal entity) at a faster rate without constant referrals to the Chief Directors and/or Provincial Grants Committees.

### **6.3.2 Agency agreements**

The NDLA should also consider entering into a new agreement with the Land Bank to act as agents. The NDLA and the Land Bank should reassess the previous agreement, which resulted in overspending and establish better control measures to prevent a repetition of the same mistakes. The NDLA should also look at the option of entering into agreements with other commercial banks, as this will create some competition among banks leading to potentially better services to land reform beneficiaries. It will also accelerate the process of land redistribution if there are more commercial partners involved in land reform.

## **6.4 RECOMMENDATIONS TO IMPROVE THE SUSTAINABILITY OF LRAD PROJECTS IN GAUTENG**

### **6.4.1 The compilation of good quality business plans**

More attention should be focused on the compilation of business plans. All the beneficiaries have to be involved in the compilation of the business plan and it must address the needs of the project. If the approval of appointment of service providers can be delegated to provincial offices, or expertise from organised agriculture can be used, more time can be spent on the proper development of business plans and identification of suitable land. The GPLRO should have discussions with commodity sector organisations, like the stockowners' organisations, Grain South Africa and public departments, and also enter into agreements with them to lend support to LRAD projects.

### **6.4.2 Identification of suitable land and the implementation of feasibility studies**

If the GPLRO could appoint in-house agricultural experts who can assist beneficiaries to identify suitable land, within the necessary infrastructure and resources of good quality, it will also have a positive impact on the sustainability of these projects. The expertise of organised agriculture can also be used to assist in this instance.

As mentioned, in none of the projects visited a feasibility study was conducted and this oversight negatively affected the sustainability of these projects. Therefore, it is of paramount importance to conduct feasibility studies to assess the soil quality, water capacity, and so forth, on the farms. GDACE should be capacitated with the necessary expertise to conduct soil quality, water quality tests etc, and to provide better quality feasibility studies. Service providers can also be employed to deliver these services.

### **6.4.3 Establishment of rules, regulations and a management structure to promote tenure security and avoid group conflict**

According to the study all the small group (3 – 10 members) projects share the tasks on the farm and all members work together towards the success of the business. However, it is important that during the planning phase enough attention should be given to the formation of the legal entity and the compilation of the constitution. In the constitution it should be clearly indicated how the farmland and the farming business will be managed. The rights of each member in the land and the business should be clearly defined and stated in the constitution. This exercise will assist members in having a clear picture of his/her rights in the land and the farming business. It will avoid any misunderstanding among members, which often leads to group conflict. The members will also be able to trade these rights according to the terms and conditions set out in the constitution if some of them want to leave or pass away.

The GPLRO recently decided that all group projects (even those who register as CCs) must select a management structure and compile a constitution. The constitution and management structure will assist beneficiaries to have clear regulations and provide guidance in relation to their businesses.

### **6.4.4 Subdivision of land for group projects**

The LRAD policy refers to the subdivision of land as one of the factors that will actually determine the success of the implementation of the LRAD Subprogramme (Ministry for Agriculture and Land Affairs, 2001:13). The subdivision of land to provide each member with a share can also be a solution to avoid group conflict. Officials from GPLRO indicated that they are not aware of group projects, in Gauteng, where the members wanted or planned to subdivide the farm to allocate farming rights to each individual. According to the GPLRO one of the reasons why farms were not subdivided is because most of the farms purchased are small. The crop farms are mostly between two to ten hectares and the livestock farms 50 to 160 hectares. It then becomes impractical to subdivide these farms and provide each beneficiary with own title.

## **6.5 RECOMMENDATIONS TO IMPROVE THE SUSTAINABILITY OF LRAD PROJECTS ON A NATIONAL BASIS**

### **6.5.1 Alignment of other financial assistance packages with LRAD**

The DoA developed the CASP in August 2004 and provided funding for infrastructure development to some LRAD projects. There are, however, still many projects that have not received funding for infrastructure development. The DoA should work towards the alignment of the approval of CASP grants with LRAD grants so that when the land gets transferred to the beneficiaries, they can immediately make use of the CASP grant for infrastructure development. At the moment the approval of CASP grants is not aligned with the approval of LRAD grants and this is hampering production on farms. Unfortunately, beneficiaries cannot use CASP funds to purchase agricultural implements and, therefore, it is suggested that the policy should be amended to allow them to also purchase implements, which are normally very expensive items.

### **6.5.2 Production finance**

As mentioned, one of the major problems that impede economic progress of LRAD projects, and that even led to the failure of some projects is a lack of start-up capital. Recently, in May 2005, the DoA launched the MAFISA Programme. The purpose of this programme is to provide micro- and retail agricultural financial services on a more accessible and cost-effective basis to purchase agricultural inputs. None of the projects visited received capital in terms of MAFISA. The DoA should work towards making more capital available to beneficiaries in terms of MAFISA for production. The DoA should also enter into agreements with commercial banks and encourage the banks to provide capital for beneficiaries.

### **6.5.3 Effective capacity building services to beneficiaries**

Part of the CASP Programme is to provide beneficiaries with proper skills development in terms of farming practices. All the beneficiaries interviewed should be subjected to a complete skills audit and capacity building plan. The study shows

that the beneficiaries require skills in the following fields to enable them to farm successfully:

- specific know-how of agricultural farming practices (especially pig farming and hydroponics);
- financial management;
- administrative management of the farming business and
- environmental management of land resources.

The DoA does not have sufficient capacity to provide extension services to LRAD beneficiaries on a regular basis. The DoA also does not always have the technical expertise to assist beneficiaries with intensive farming projects like hydroponics, pig farming and knowledge of the impact of farming on the environment. The DoA should also negotiate with private farmers and organised agriculture to provide mentorship to LRAD beneficiaries. A capacity-building strategy should form part of the business plan.

Finally, the study has shown that the LRAD Sub-programme has been partially successful in Gauteng. In order for the Sub-programme to be wholly successful, dedicated commitment and partnerships among government, private sector and beneficiaries are needed and the recommendations need to be implemented.

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## ANNEXURE 1: INTERVIEW SCHEDULE: LRAD BENEFICIARIES

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### SECTION A: PARTICULARS OF THE PROJECT

**1. Project**

Project name	
Magisterial district	

**2.** Name of respondent  
Contact no:


### SECTION B: PARTICULARS OF THE BENEFICIARIES AND THE PROJECT

3(a)	Beneficiaries approached the GPLRO to purchase land.	
	Beneficiaries approached the Municipality and the municipality directed them to GPLRO	
	Beneficiaries approached the DoA and DoA directed them to GPLRO.	
	Beneficiaries approached the NDLA and the NDLA directed them to GPLRO.	
	Other (specify)	

**4. Time duration of the project cycle**

4(a) When did you apply for the land?

4(b) When did you get access to the land?

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4(c) Do you think the time duration was too long or sufficient? Please explain.

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**5. Selection of beneficiaries**

5(a) How many people were initially identified?

5(b) How many have left the project and why?

The process of getting access to land took too long, so they left.
They did not want to be part of the group anymore.
They found a job somewhere else and had to move.
They are in conflict with other group members.
Other reasons:

**SECTION C. PARTICULARS OF LAND OWNERSHIP**

**6. Land ownership**

6(a) Do you know to whom the land belongs?

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6(b) If yes, to whom?

**SECTION D: SOCIAL ORGANISATION OF BENEFICIARIES**

**7. Beneficiary organisation**

7(a) How are you organised on this land?

7(b) Why have you chosen the abovementioned type of organisation?

## 8. Constitution

8(a) Do you have a constitution for your organisation?

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8(b) If yes, please tell us what the basic contents of the constitution are.

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8(c) If, one of the members wants to leave, how will/ he or she exit the legal entity?  
Does the constitution make provision for that?

8(d) Does the constitution make provision for entry of new members, and how?

8(e) Does the constitution make provision for transfer of membership rights if one of the members die and how?

8(f) Does each member also have individual farming rights (crop/livestock/poultry, etc.) or do you just have communal farming rights?

## 9. Management committee or community committee

9(a) What do the following committee members do?

Members	Role



How often do the committee members meet?

9(b)	Once a week	
	Once a fortnight	
	Once a month	
	Once a quarter	
	Once a year	
	Do not hold meetings	

## 10. Reporting

10(a) Do the committee members report to the rest of the community (users) about what they discussed on committee meetings?

Yes	No
-----	----

10(b) How often are community meetings held?

Once a month	
Once every 2 – 3 months	
Once every 6 months	
Once a year	
Never	

10(c) How many of the community members typically attend the meetings?

All	
60 - 80% of users	
About half the users	
About a quarter of the users	
Very few	

## 11. Organisational relations

11(a) In your opinion, describe the working relations between the: a) community and:

	Good	Fair	Poor
Committee members			
Among community members			

## 12. Use of infrastructure and equipment

12(a) How do you make use of farm infrastructure like irrigation system, dip for livestock, electricity, kraal, etc? Do you use it communally or individually?

12(b) Does this system work well or not? Give reasons.

12(c) How do you make use of farm implements? Do you use it communally or individually?

Communally	
Individually	

12(d) Does this system work well or not? Give reasons.

## 13. Bookkeeping

13(a) If you are part of a group farming arrangement, who is responsible for the bookkeeping, signing of cheques and banking of money?

13(b) Do the person/ persons who is responsible for the abovementioned, report regularly to the community members about the costs and income of the project?

13(c) Does this system work well or not? Give reasons.

13(d) If you farm individually, how does each individual keep records about his/her financial accounts?

## SECTION E: ECONOMIC STATUS OF PROJECT

### 14. Sources of funding Purchase price of farm?

Source	Amount	Interest and term	Used for
Loan (capital – land acquisition)			
Production loan (Inputs)			
Medium-term loan (vehicles and machinery)			
Loans used to install infrastructure			

LRAD/ grant	Amount
Own contribution (excluding loan)	
Balance of LRAD/ SLAG grant	
Other (specify)	
Total	

### 15. Farming

15(a) What was the purpose of the project when the project was planned: (subsistence farming /emergent farming or commercial farming)?

15(b) Did the DoA or any other institution assist you in compiling a business plan?

Yes	No
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15(c) How does the current farming operation deviate from the business plan and why?

15(d) What did the previous owner farm with?

15(e) What is the land currently used for?

**16. Active involvement of beneficiaries:**

**17. Business growth**

17(a) Please explain how your business has expanded over time:

GROUP FARMING	Number when started	Number currently	INDIVIDUAL FARMING	Number when started	Number currently
Livestock:					
(a) poultry					
(b) goats					
(c) sheep					
(d) cattle (cows and bulls)					
(e) other livestock: specify					
Crops (in terms of hectares)					
Vegetables					
Wheat					
Sunflower					
Maize					
Sorghum					
(others: specify)					

17(b) Does the group make a profit?

17(c) Please explain your answer:

**18. Marketing**

**19. Other sources of income**

19(a) Do you have other sources of income?

**20. Employment of non-beneficiaries**

20(a) Are non-beneficiaries employed on the farm?

20(b) Are they getting paid?

20(c) If yes, what type and level of remuneration do they receive?

## SECTION F: PROJECT ASSETS

### 21. Condition of infrastructure

21(a) What is the condition of infrastructure (fences, kraals, water supply)?

Fences	Good	Poor
Kraals		
Electricity		
Water supply system		
Other?		

21(b) What is the arrangement for maintenance of infrastructure?

21(c) In your opinion, is the infrastructure maintained successfully? Give reasons.

## SECTION G: SUPPORT (TRAINING, INFRASTRUCTURE, FUNDS)

### 22. Support

22(a) What support do you receive from the following institutions:

Name of institution	Type of support provided: State if it is adequate
Dept of Agriculture	
Other Government Depts No only DLA	
Private companies	
Private farmers	
NGOs eg Farm Africa	
Other institutions	

22(b) What type of support services do you currently need in terms of this farm?

**23. Natural resources management**

- 23(a) What measures do you, as the beneficiaries, implement to prevent overgrazing of the grazing areas? (Ask only if there are grazing activities.)
- 23(b) What measures do you, as the beneficiaries implement, to prevent degradation of the crop farming areas?

**SECTION H: GENERAL**

- 24(a) **DLA policy:** If you believe that the DLA's LRAD Sub-programme should be improved, what do you think should be done?