CONDITIONS FOR SUCCESSFUL LAND REFORM IN AFRICA

Jan A Groenewald
Department of Agricultural Economics, University of the Free State

Abstract

Land reform has traditionally had two objectives: equity and productivity. Food insecurity and the need for agriculture to contribute to development emphasise the need to maintain and improve productivity while improving equitability. Land must foster production and agriculture must attract good human material. The following areas need to be considered in policy formulation and delivery: an effective institutional framework involving all the relevant public and private bodies; efficient fiscal planning is essential; potentially successful farmers must be selected and given special support, including extension and adult education; complementary services and infrastructure are needed; prioritisation of functions and land tenure reform is often necessary. In addition, international agricultural markets are very important for Africa. Wealthy nations should cease trade-distorting protection of their own farmers.

JEL O13, Q15

1 Introduction

Successful land reform has certainly been one of the largest challenges in agricultural development practically all over the Third World – in Africa, Asia, Central and Southern America and Eastern Europe, agriculture has been plagued with problems such as uneven access to land resources, severe rural poverty, unproductive use of land and resources and also social, economic and political inequality. Issues concerning the occupation, ownership and use of land have very often been at the root of revolutions. There are large similarities and equally large dissimilarities in land systems and traditions in different continents and also in parts and countries of the same continent. In a major part of sub-Saharan Africa, colonial or semi-colonial rule was still reality only half a century ago. Colonial structures superseded local structures and customs. The approximately forty years of decolonisation and political independence have not necessarily held agricultural and economic progress and prosperity. Land issues have in most parts contributed to the lack of progress. In some parts of Africa, ethnic issues have been important contributors to social, political and economic unrest, including those impacting on the use, distribution and productivity of land resources. Rwanda, Burundi and Congo (the present DRC) are examples. In some, racial issues are involved and can, if the land issue is not properly resolved, lead to severe unrest and economic deterioration, as is currently occurring in Zimbabwe. South Africa and Namibia are certainly two prominent examples. This short paper will largely concentrate on South Africa, but most of the principles could apply elsewhere in Africa.

2 Successful land reform defined

The definition of success depends on goals. Land reform has traditionally had two main objectives: equity and productivity. The equity objective is closely associated with political
egalitarian issues and has often and for long occupied the centre stage. It has often been regarded as important enough for authorities to ignore productivity and efficiency – for example post-revolutionary reforms in the USA, reforms in Western Europe following the French Revolution, Latin American reforms after 1910. This was also the case in USSR land reforms after World War I, early East European reforms following World War II and the reforms in Korea, Japan and Taiwan after World War II (Ruttan, 1969: 301). One has to add, though, that the latter three countries have since shown increasing agricultural growth which in the case of Japan was a continuation of a process starting in the mid-nineteenth century.

Literature abounds with proof that agriculture and thus, also improved productivity in agriculture, has a central role to play in economic development. Urban-centred development policies neglecting or taxing agriculture have been shown to seriously retard economic development in countries such as China (Lin, 1994: 31-32; 69), India (Srinivasan, 1994: 107; 197) and Nigeria (Ilorah, 2000). In addition, food insecurity has been endemic in most of Africa, with most of the continent being unlikely to reach a position of acceptable food security in the first part of the 21st century (Shapouri & Rosen, 1997: 10-16). Injudicious economic policies, particularly injudicious land reform actions, have changed Zimbabwe from a position of acceptable food security to one of rampant starvation. The injudicious process in the USSR and parts of Eastern Europe eventually forced the state to enforce collectivisation or nationalisation as plummeting production led to food insecurity and economic problems. It is clear that agricultural productivity needs to be maintained and improved.

Agricultural growth and development cannot occur in a vacuum; a modern agricultural system depends for its development on linkages, just as the contribution of agriculture to the economy depends on linkages with other sectors. Mosher (1971) summarised the activities affecting agricultural performance as commercial agri-support activities, non-commercial agri-support activities and the agri-milieu.

The challenge to be met is to arrange land and agricultural matters in such a way that both equity and productivity are improved, thereby contributing to higher living standards and improved food security, not only to those directly participating in farming but for the population as a whole. The land resource must be rendered able to achieve the following:

- Land must be able to foster agricultural production on a sustainable basis; besides delivering products over the short run, land must be preserved and conserved in perpetuity.
- The need to provide for increasing returns over time automatically implies the ability to attract capital, both owned and borrowed. Thus, the person(s) farming the land must have secure tenure and also be able to reap the benefits of investments made and technology introduced.
- The land must be able to provide an attractive living place for those who utilise it – acceptable and attractive living styles must be possible.
- The system should evolve into one that stimulates the optimal use of land, i.e. provide society and the economy with the highest return over time. This implies intertemporal equalisation of marginal returns (in terms of satisfaction, utility and value product) among all types of land at all localities and for all uses.
- Land, its tenure and its use must be such that it attracts high calibre people to its ranks. In farming, as in any other occupation, it is management and entrepreneurship that determine success; the failure of systems involving the indiscriminate parcelling of land in small units and distribution of these units to provide for production (as in early post-WW II Eastern Europe and presently in Zimbabwe) hardly merits any surprise. Farming will attract good entrepreneurs and managers only if the opportunities, rewards and challenges in farming are commensurate with those in alternative occupations.

The ability to build on success, e.g. the desire and ability of the entrepreneur to expand, is vital
for future prosperity. So is security of tenure and access to inputs, markets, finance and other services.

Success in land reform clearly does not depend only on principles, or rather conditions such as those briefly sketched above; it ultimately depends on execution, on delivery of land reform policy. People and institutions have to formulate policies and devise means, procedures and administrative bodies to do the job. Action ultimately has to be taken by people and institutions. Many policy programs flounder and fail because of the inability or unwillingness to deliver. This can easily happen in land reform. Sociologists have argued that once expectations have been aroused for improved welfare, smashed dreams become dangerous. “More than 100 years ago (1856) the French social thinker Alexis de Toqueville wrote ‘Evils which have been patiently endured when they seem inevitable become intolerable once the idea of escape from them is suggested’ (in Bassis et al, 1991: 192, quoted by Mukhala & Groenewald, 1998). The modern term for this phenomenon is rising expectations.” People in a daily struggle just to survive are very unlikely to rise in protest, but if their economic condition improves, or if they are given what appears to be realistic promises, their expectations rise. “They soon begin to believe that a better life is just around the corner. When these hopes fail to materialise, they become angry and frustrated. The gap between what they expected and what they have now seems intolerable” (Mukhala & Groenewald, 1998: 11). It is possible that this phenomenon materially contributed to hurried action, causing the present Zimbabwe chaos.

This paper will also partially concentrate on procedures for successful land reform.

3 Important matters in land reform

3.1 Institutional framework, programme design and programme implementation

Various public and private bodies are, by necessity, important in a process of land reform. The national government, provincial or state governments and also local government all have crucial roles to play if land reform is to attain its goals. Then also, it is typically not only one national and provincial/state department that is, or should be involved. In South Africa, for example, at least the national and provincial departments of Agriculture, Land Affairs, Finance, Public Works, Finance, Environment and Tourism, Trade and Industry, Education and Labour should be involved, in addition to municipal and, in parts of the country, tribal authorities. Private and parastatal bodies that also have important roles to play include the Land Bank, private banks and other financial institutions, farmer associations, commodity organisations, etc.

It is rather obvious that in such a complicated organisational challenge, much can get lost in a bureaucratic maze; the different institutions will obviously not all regard the land reform process with the same sense of importance or urgency, and bottlenecks starting in one government agency can easily create costly delays. Bureaucratic jealousies are another potential source of problems, as is bureaucratic lethargy and the predilection of particularly many public bodies to develop excessive red tape. It is thus necessary to spell out the role and tasks of each public and private agency involved, clearly defining each party’s task and responsibility. It is also necessary to obtain clarity concerning relationships among agencies and to design report and feedback methods and responsibilities.

The services of the best authorities in public management and public administration should be obtained to devise the proper framework to design and implement land reform programmes. Tasks have to be defined, responsibilities designated and efficient methods of co-ordination designed. It is particularly important to prevent costly delays; undue delays in a market-assisted or related programme erode interest on the parts of both beneficiary and seller. This has been identified as a serious problem in South Africa (Kirsten & Van Zyl, 1999) with time lags between the registering of interest and purchase of land often exceeding two years. Such bureaucratic delay (or
ineptitude) can seriously endanger the whole process of land reform, possibly with grave consequences.

3.2 Fiscal matters

Land reform requires extensive financial outlays from the fiscus. Much more is needed than the mere subsidised or government-sponsored transfer of land, which in itself needs large government funding, unless the process is to end in chaos as in Zimbabwe. Investing in infrastructure and human capital development is also crucial.

A need exists to determine the costs for government of all actions to be taken in a land reform programme, including the additional demands on the fiscus stemming from these actions, including private firms contracted to execute some actions. Detailed time schedules are needed. There is also the need to exercise control over expenditure without delaying the process. In addition, the expenses on land reform must be viewed as part of the government's overall fiscal and economic policy.

When under-budgeting occurs, some of the effects are easily visible. It has, for example, been reported in the press that land reform was seriously retarded in the Western Cape Province of South Africa because in 2003 funds for acquiring land had been depleted during the first half of the fiscal year. This ought be seen as the result of poor budgeting and planning by the authorities. Before this, it was recorded that the cost to government to develop land into sustainable units was as not yet known (Cilliers, 2002).

The necessity of proper fiscal planning, including provisions for increased demands over time and also for contingencies, must be regarded as an essential element for successful land reform.

3.3 Selection of beneficiaries and human capital development

Acquisition of land is a necessary but far from sufficient condition for successful land reform.

According to W. Arthur Lewis (1954: 182-7), success in new agricultural development and settlement largely depends on seven conditions:

1. choosing the right place;
2. choosing the right settlers;
3. proper physical preparation of the site;
4. settlers’ capital;
5. organisation of group activities;
6. the land area per settler; and
7. conditions of tenure.

Beneficiary selection

Lewis stated that settlers should be agriculturalists with experience and knowledge of farming; be of similar social background and have some capital of their own. Experience has certainly shown these observations to be valid. But experience has also taught that although knowledge, experience and capital are certainly necessary, these are not sufficient for success as commercial farmers. There are methods which can be used to predict farmers’ likelihood of success. Burger (1971) developed a scale of “managerial aptitude” in which farmers were scored on six aspects: future image; record keeping; the existence, type and functionality of an office; their budgeting procedures; maintenance tasks; and organisation and control of labour. Burger found a strong positive relationship between farmers’ scores and their farming success, as did Jansen et al. (1972) in another region. This scale was later somewhat adjusted to also include marketing and purchasing behaviour (Callow & Groenewald, 1993). It should be possible to utilise this scale with fairly small adjustments for the evaluation of potential beneficiaries of land reform. In a later development, Nel et al. (1998) applied standards from the field of Industrial Psychology; they found these to provide good predictions of success among new farmers, but concluded that the approach was too ponderous for general use as a tool for selection among large numbers of applicants.

Beneficiary selection should also consider the attitudes of people in the areas concerned. In a survey of the attitudes of farm workers in KwaZulu/Natal, respondents were asked who, in their view, should benefit most from land reform and the transfer of ownership from white
to black (Johnson & Schlemmer, 1998: 37). The majority (55 per cent) opined that people like themselves, living and working on white farms, should be the main beneficiaries, while only 14 per cent opted for black people living in the former “homelands”. The remaining 31 per cent said that both groups should benefit. Those wishing farm workers to benefit most were more prominent among the better educated, the very young and the most senior farm workers. Of those who had spent their entire life on white farms, 77 per cent preferred farm workers to be the beneficiaries. Differences occurred in responses from different districts, indicating that this particular factor could be handled differently in different areas. It may perhaps be added that in general, workers on white farms are more experienced and knowledgeable than subsistence producers in the “homelands”. This is possibly also true with respect to their comprehension of the concepts of property rights, as the “homelands” are areas in which communal farming preponderates.

A recent study in two districts in South Africa’s North West Province came to the conclusion that many people want rural property, but not to farm. Of respondents in the study, 85 per cent of those who succeeded in obtaining loans did not use these for farming purposes (Manie, 2003). This accentuates the need to identify those who really want to farm and have the ability to do so successfully from among prospective beneficiaries.

Human capital

Newly settled farmers as beneficiaries of land reform have to cope with all the problems faced by existing, mostly white commercial farmers; they also have additional handicaps stemming from their more limited resource base; little experience of commercial farming; their very often lower levels of schooling; and their lack of association and contact with the various institutions serving modern commercial agriculture. This emphasises the need for human capital development in the form of extension, adult education and training and other advisory services. At present, the extension services in South Africa, and probably the whole of Africa, are woefully inadequate for such a mammoth task. According to Fremy (2000), agricultural extension services all over Sub Saharan Africa are woefully inadequate in terms of numbers, training and the needed infrastructure and other necessities. Small farmers in South Africa certainly are not well informed on matters of financial management, and neither is the majority of extension personnel able to provide informed guidance in this respect. There is no reason to expect the situation to be any better anywhere else in sub-Saharan Africa. It should be possible to bridge this gap partially by enrolling the aid of education authorities through literacy, numeracy and other adult education training programmes. Outsourcing to private service providers can be considered but results will have to be monitored regularly. Fortunately, the younger generations have higher levels of literacy, numeracy and general schooling than the older people, but this is often still not sufficient. Financial Management and Accountancy should furthermore become mandatory course material in public schools.

Another area in which extension is usually lacking is marketing and market information. In a study concerning newly established vegetable farmers in the Eastern Cape Province, the younger producers (29 years and younger) were better educated than the older groups; they also expressed a greater need for marketing information than technical extension, in contrast to the older farmers (Madikizela & Groenewald, 1998). Much effort and expense will have to be incurred to improve and perhaps completely reorganise government extension services.

Commercial farmers’ organisations in South Africa are well aware of the urgent need for land reform to succeed. Quite a number of these organisations, for example Grain South Africa and the National Wool Growers’ Association, have started mentor schemes in which established and successful commercial farmers aid and advise new farmers in their business planning and the operation of their farming businesses. One can only hope these efforts will expand rapidly. By May 2003, Grain South Africa ran approximately 350 study groups involving approximately 8000 black farmers (Gouws, 2003). The Land and Agricultural
Development Bank has lately also introduced a financial incentive, called the Social Discount Product (SDP). White farmers with specialised skills can raise finance at considerably lower interest rates in exchange for agreeing to mentor black farmers (Pieterse, 2003). There is, however, concern that these efforts have been too fragmentary.

3.4 Complementary services and infrastructure

Farming is a rural activity in a rural economy. Different economic occupations depend on each other and farming simply cannot flourish in the absence of other rural occupations, although they may be offspring of urban-based concerns, that provide services to farmers. This includes the supply of inputs, marketing services, financial services and research.

Financial services

It has been shown that small-scale farmers in South Africa have limited and differential access to credit; those with holdings approaching or achieving commercial size and with titles to land are better off in this respect. The rural financial markets serving small emerging farmers are inefficient; borrowers as well as non-borrowers are credit-constrained. Institutions taking small deposits, e.g. the Post Office, are not those extending credit. Credit to small emerging farmers is moreover too expensive to be used profitably, thereby constraining these people’s ability to become fully fledged, prosperous commercial farmers (Spio, 2003: 168-74). Serious efforts should be made, as a matter of urgency, to create an environment in which more appropriate financial institutions can develop to serve these people. Village banks have had considerable success in many developing countries. Development of such institutions in South Africa, and possibly some other countries, may require some adjustment in banking acts. Direct government involvement and also subsidised credit must however be avoided (Von Pischke, 1991: 42-44; Spio & Groenewald, 1997).

Access to markets

For their development, new farmers depend on revenues obtained by selling products at prices which render it profitable to produce; marketing, or rather access to profitable markets, is vitally important. Van Renen (1997) summarises the marketing situation of small farmers as follows:

- Substantial amounts of their production are either used for home consumption or sold to local communities.
- Their use of channels available varies among individuals and also among provinces, being mainly influenced by the availability of market information and infrastructure.
- Although co-operatives do play a role in their grain marketing, their role is rather limited and in some provinces, small farmers complain about discrimination against them by traditionally commercial farmer-owned co-operatives. It was reported earlier that co-operatives had very little success in the previous “homelands”. They did not adequately serve the needs of their members, who in turn did not feel it was their business; the co-operatives were formed for them without consulting them (Machethe, 1990).
- Little value-adding is done by the small-scale farmers.
- Transport services and infrastructure vary from satisfactory to very poor, depending on location.
- Cool storage facilities are generally not available and in grain-producing areas, silos are often not favourably located for small-scale farmers.
- Small scale farmers generally do not have satisfactory access to market information.

These bottlenecks need to be overcome if land reform is to have a reasonable chance of succeeding.

Supply of inputs

This is really a mirror image of market access; the same type of phenomenon is prevalent and
made worse by the poor access to financial services.

Marketing services and input supply are not functions to be undertaken by government. World-wide experience has shown governments to be poor and inefficient providers of such services. These are private sector activities, but it is the task of government to create an enabling environment. An advice bureau using well-trained and experienced experts should be considered by the authorities.

Transport infrastructure
Parts of rural South Africa and almost all of Africa are poorly served by roads. This is an obvious and severe stumbling block for agricultural development and successful land reform. This is largely a responsibility of the different levels of government, who will have to foot the bill. Planning should be done in consultation with local communities. Other infrastructural deficiencies that need to be overcome include communications, health and water supply infrastructure. Part of these are public, community and private sector responsibility. Government can for such purposes consider incentive schemes.

Research
It has, since the days of Joseph Schumpeter, been widely recognised that economic progress largely depends on the ability of innovators and early adopters of new technology. In agriculture as in any other economic sector, purposeful research is needed to keep or render producers or traders competitive. In most countries, a major portion of agricultural research is either undertaken or financially supported by government. This keeps or renders the agricultural sectors of these countries internationally competitive, thus benefiting these countries’ farmers and agribusinesses. Any country that lags behind in agricultural research loses some of its competitive edge.

It is particularly important for South Africa to have a good agricultural research system; some research has to be added or redirected to cope specifically with the needs of new emerging farmers (Groenewald, 2000: 121-5). The challenges posed by both land reform and economic progress indicate a need for increased and certainly not less research. Unfortunately the South African authorities appear to be blithely unaware or unconcerned. Farmers’ journals regularly complain about deterioration in agricultural research. Recently it has been reported that decreases in core government funding and organisational changes have led to an exodus from South Africa’s main agricultural research organization (Liebenberg & Kirsten, 2003: 218-9). This is likely to have deleterious effects on the competitiveness of South African agriculture and certainly negative effects on the potential success of land reform.

3.5 Prioritising
The process of land reform is an involved process and everything cannot be done simultaneously. Successful management and execution of the programme will be dependent on the identification of priorities. Probabilities of success will logically be maximised if the bulk of early efforts is expended on those activities and locations offering the highest probability of success, coupled with activities expected to increase the probabilities of success in other activities, areas and fields.

One can visualise such a prioritising action as something similar to a dynamic, multi-period operations research problem with successful settlement of new farmers as objective. Constraints include time schedules, financial constraints, manpower, institutional limitations, etc. Sequences of events and actions at different locations and of different magnitudes, may be viewed as the activities involved in the process.

The author is not aware of any prioritising model used anywhere. However, less formal methods can probably be employed while keeping the problem as outlined in the previous paragraph in mind. It is, however, very important to determine definite schedules of priorities for the sake of efficiency. If it is done well, it is certain to have a large effect on the effectiveness and efficiency of land reform; it may very well be the factor determining success or failure. It should also cause a
Ministry of Finance to be more sympathetic concerning budgetary demands. Such a scale of priorities should moreover be published for public comment.

3.6 Land tenure

Much has been written about various models of land tenure and tenure reform as intrinsic part of some land reform initiatives. This matter cannot be dealt with in length in this paper.

In South Africa, mainly but not quite exclusively in the erstwhile “homelands”, and in common with large areas in Africa, much of the land is held under communal tenure with traditional leaders often dictating land use. Agricultural productivity is generally low on these lands, and much research is being done particularly at the University of Natal into ways to adjust or change the traditional system into one which can potentially support a more productive agriculture and more prosperous communities. One main problem appears to be a lack of security of tenure (Thompson & Lyne, 1995); one proposal to cope with the problem is the establishment of rental markets (Thompson & Lyne, 1990). Hernando de Soto, commenting on successes in Latin America, stressed the importance of converting ineffective systems into a modern property rights system where assets become accessible to everyone and easy to transact; without that there is no way to build a system of securitisation that will give the farmers access to credit or water, telephones or electricity. The system does not need to be a carbon copy of any system anywhere else; the American system did not copy the British system, but evolved on its own, given local conditions (De Soto, 1996).

Many of the first land redistribution and restitution actions after 1994 transferred land to groups of people organised as Common Property Associations (CPAs). A large number of these CPAs have failed to produce profitably and satisfy the hopes of their members; a number of them have become insolvent. There is a challenge to divide rights to such land among members in such a way that the land can become productive or alternatively, to develop effective management systems for CPAs. Models of Israeli kibbutzim and/or moshavim may be relevant.

When land is transferred to individuals using the normal land market, forms of tenancy similar to those existing in the USA, Belgium, France and Holland, should be investigated. These countries are generally accepted as leading agricultural producing countries, and in all of them, forms of tenancy play a major role. Interest rates charged by lending institutions in South Africa generally are a multiple of the economic return on farmland, rendering tenancy an attractive alternative, provided South Africa legislates institutions to render it attractive to both tenant and owner. Institutions like the Land and Agricultural Development Bank can play a crucial role.

Equity sharing schemes between commercial farmers and workers are another method of land reform practised by some commercial farmers. Success of equity sharing depends on the success of the farm business made available, the terms of the contract, and management after sharing equity. There is a need for an organisation to provide commercial farmers and the potential recipients with advice both before and after the move. This would ideally be a private venture, perhaps temporarily subsidised by government.

4 Trade relations

Trade has played a dominant role in South African agriculture. Calculations based on data from the Abstract of Agricultural Statistics (2001) show that in the decade of the 1990s, the value of agricultural exports amounted to 27.3 per cent of the total value of agricultural production. Thus for land reform to succeed, a considerable proportion of the products of beneficiaries will have to be sold on foreign markets. South African agriculture has been shown to receive among the world’s lowest rates of protection as measured by Producer Subsidy Equivalent (PSE) (Helm & Van Zyl, 1995). If South African product prices could be equated with international prices, this could lead to a 14 per cent increase in South African agriculture’s gross geographical product (Jooste et al., 1998).
Problems in the export markets for South African farm products could thus seriously harm the welfare of farmers, including land reform beneficiaries. It could impair the likelihood of successful land reform. This does not apply only to South Africa, but to the entire African continent. The wealthy industrial countries, particularly the EU and USA, have for a long time subsidised their farmers heavily to such an extent that exports of the resulting excess production have seriously eroded international market prices for products available for export from the developing world. These occurrences have had serious negative effects on production in developing countries. Subsidised exports from the wealthy countries have, moreover, in the form of dumping, eroded local markets for farmers in developing countries. Import tariffs, quotas and other impediments on exports to wealthy nations have exacerbated the problems faced by producers in developing countries. These are naturally also stumbling blocks for success in agricultural land reform.

International action and more sympathetic attitudes on the part of the designers of agricultural policy in the wealthy countries are needed. Time alone will tell whether the World Trade Organisation (WTO) is up to this task. In 1999, The Economist stated that both free trade and the WTO are in peril. It must also be recognised that WTO rules have created the temptation for fraud. Large profits can be made by practices such as false invoicing, under-invoicing, multi-batch practices, etc. If such practices go undetected, local producers, including new commercial farmers who are beneficiaries of land reform, can lose large amounts of money; it can mean financial failure. South African experience has shown that malpractice of this kind can assume very large proportions. Effective monitoring of imports regarding such practices requires much in the way of equipment, expertise and space; it is expensive. Yet the rewards in terms of farmer prosperity and development are likely to be a multiple of the costs. South African experience suggests that the best results are obtained by combined efforts of the Government and agricultural interests.

5 Conclusion

Land reform is a much more complicated process than realised by the general public, and also the majority of politicians, bureaucrats and journalists. It is an involved process requiring much in terms of finance, intellectual manpower, organisation, planning and execution. It requires serious research into the whole process, something in which the South African bureaucracy unfortunately does not appear to be interested. The process also needs some understanding and sympathy in the international arena.

Eventually the main requirements are perhaps comprehension and the political will on the part of policy makers, coupled with commitment and perseverance on the part of those who have to do the job.

References

1 Abstract of Agricultural Statistics (2001)
   National Department of Agriculture: Pretoria.