

# Land Redistribution for Agricultural Development

June 2001

## CONTENTS

[Executive summary](#)

[Objectives of the Agricultural Development sub-programme](#)

[Basic principles of LRAD](#)

[Gender and LRAD](#)

[Key features of LRAD](#)

[Qualifying criteria .....](#)

[Examples of how beneficiaries can use LRAD .....](#)

[Procedures for implementation](#)

[Implementation responsibilities](#)

[Relationship of LRAD to restitution and tenure reform](#)

[Implications for the disposal of agricultural state land](#)

[Key implications for Government](#)

[Key responsibilities](#)

[Monitoring and evaluation](#)

Executive summary

## Orientation

*Land reform encompasses three distinct components, namely the restitution, tenure reform and the redistribution programmes. The redistribution programme, in turn, has different components or sub-programmes:*

- *Agricultural Development—to make land available to people for agricultural purposes*
- *Settlement—to provide people with land for settlement purposes*
- *Non-agricultural enterprises—to provide people land for non-agricultural enterprises, for example ecotourism projects.*

*The collective aim of land reform is to ensure the transfer of 30 % of all agricultural land over a period of 15 years.*

## **The Land Redistribution for Agricultural Development sub-programme (LRAD)**

*The Land Redistribution for Agricultural Development sub-programme has two distinct parts. First, there is the part that deals with transfer of agricultural land to specific individuals or groups. Second, there is the part dealing with commonage projects, which aim to improve people's access to municipal and tribal land primarily for grazing purposes. Both these parts of the sub-programme deal with agricultural land redistribution. However, they operate according to different financial mechanisms, different target groups, and different delivery systems. This document*

*deals only with the first part of the sub-programme. Wherever in this document we refer to the Land Redistribution for Agricultural Development sub-programme, or LRAD, we in fact exclude the municipal and tribal commonage aspect, which is documented elsewhere.*

*This document therefore serves as the policy framework document for the Land Redistribution for Agricultural Development sub-programme—or LRAD. The document therefore aims to describe the objectives of LRAD, and to set out its operational principles.*

The initial framework document was developed by the Departments of Agriculture and Land Affairs, approved by the Minister, and presented to the MinMec in April 2000. Upon acceptance of the general framework document, MinMec requested the Departments of Agriculture and Land Affairs to elaborate on LRAD.

*This document responds to the MinMec request. It also reflects consultative processes between the Departments of Agriculture and Land Affairs; between the Departments of Agriculture and Land Affairs and Provincial Departments of Agriculture; and between Government and key stakeholders.*

*LRAD is designed to provide grants to black South African citizens to access land specifically for agricultural purposes. The strategic objectives of the sub-programme include: contributing to the redistribution of 30 % of the country's agricultural land over 15 years; improving nutrition and incomes of the rural poor who want to farm on any scale; de-congesting overcrowded former homeland areas; and expanding opportunities for women and young people who stay in rural areas. These objectives will be made possible by the sub-programme's key underlying principles, which are as follows:*

- *LRAD is unified, basic, and flexible and beneficiaries can use it in ways according to their objectives and resources*
- *All beneficiaries make a contribution (in kind or cash), according to their abilities*
- *LRAD is demand directed, meaning that beneficiaries define the project type and size*
- *Implementation is decentralised*
- *District-level staff assist applicants, but do not approve the application*
- *Ex-post audits and monitoring will substitute a lengthy ex ante approval process.*

*The mode of implementation is adopted in the interest of total participation of beneficiaries, speed of approval and quality of outcomes.*

*LRAD encourages participants to design what works best for them. To do this, beneficiaries can access a range of grants (R20 000 to R100 000) depending on the amount of their own contribution in kind, labour and/or cash. Beneficiaries must provide an own contribution of at least 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. The approval of the grants is based on the viability of the proposed project, which takes into account total project costs and projected profitability.*

*The Land Redistribution for Agricultural Development sub-programme is flexible enough to accommodate a number of types of projects. Purely residential projects would not be supported under LRAD unless beneficiaries seek to establish household gardens at their new residences, and unless funds for top-structure are sourced from elsewhere, e.g. Department of Housing.*

*The types of projects that can be catered for include—but are not limited to—the following:*

- ***Food-safety-net projects***

*Many participants may wish to access the Programme to acquire land for food crop and/or livestock production to improve household food security. This can be done on an individual or group basis. Many of these projects will be at the smallest end of the scale, because poor families may be able to mobilise only the minimum own contribution in cash, labour and materials.*

- **Equity schemes**

*Participants can make the requisite matching own contribution, and receive equity in an agricultural enterprise equal to the value of the grant plus the own contribution. Because under the terms of LRAD, the grant is intended for people actively and directly engaged in agriculture, the grant recipient in the case of the equity scheme will be both a co-owner and employee of the farm. The purchased equity should be marketable in order to retain its value.*

- **Production for markets**

*Some participants will enter LRAD to engage in commercial agricultural activities. They will access the grant and combine it with normal bank loans, approved under standard banking procedures, and their own assets and cash to purchase a farm. These farmers will typically have greater farming experience and expertise than those accessing land for subsistence or food-safety-net-type activities.*

- **Agriculture in communal areas**

*Many people living in communal areas already have secure access to agricultural land, but may not have the means to make productive use of that land. Such people would be eligible to apply for assistance so as to make productive investments in their land such as infrastructure or land improvements. These projects may take on the character of food-safety-net projects, or may be more commercially oriented.*

## **Objectives of the Agricultural Development sub-programme**

The agreed objectives of the Agricultural Development sub-programme as reflected in the framework document are to:

- Increase access to agricultural land by black people (Africans, Coloureds, and Indians) and to contribute to the redistribution of approximately 30 % of the country's commercial agricultural land (i.e. formerly 'white commercial farmland') over the duration of the programme
- Contribute to relieving the congestion in over-crowded former homeland areas
- Improve nutrition and incomes of the rural poor who want to farm on any scale
- Overcome the legacy of past racial and gender discrimination in ownership of farmland
- Facilitate structural change over the long term by assisting black people who want to establish small and medium-sized farms
- Stimulate growth from agriculture
- Create stronger linkages between farm and off-farm income-generating activities
- Expand opportunities for promising young people who stay in rural areas
- Empower beneficiaries to improve their economic and social well-being
- Enable those presently accessing agricultural land in communal areas to make better productive use of their land
- Promote environmental sustainability of land and other natural resources.

## **Basic principles of LRAD**

The following key principles underlie LRAD:

- It is unified and basic and beneficiaries can use it in flexible ways according to their objectives and resources
- All beneficiaries make a contribution in kind or cash, but varying in amount
- It is demand directed—beneficiaries define the project type and extent
- Implementation is decentralised: local-level officials provide opinions and assistance in preparation of the project proposal
- Interdepartmental collaboration will take place at all spheres of government, with district government assuming a key role
- Projects will be undertaken in a manner consistent with district and provincial spatial development plans
- Projects are reviewed and approved at provincial level
- Local-level staff assist applicants, but do not approve the application

- *Ex post* audits and monitoring will substitute a lengthy *ex ante* approval process
- The mode of implementation is adopted in the interest of maximum participation and empowerment of beneficiaries, speed of approval and quality of outcomes.

## Gender and LRAD

LRAD provides an excellent vehicle for redressing gender imbalances in land access and land ownership, and therefore in improving the lives of rural women and the households they may support. The sub-programme will serve as a means of creating opportunities to enable women to develop in numerous spheres of life, therefore giving them security against poverty and providing them independent economic status. By ensuring that women participate fully in asset redistribution and agrarian reform, the sub-programme will help government meet its international commitments, for example in terms of the Beijing Platform for Action (1995) and the Convention on the Elimination of All Forms of Discrimination Against Women (1996).

Under the Agricultural Development sub-programme, adult individuals can apply for grants in their own right, rather than as members of households. This means that women can apply for grants to acquire land individually, or can pool their grants with which they choose, therefore augmenting their control of the manner in which they benefit from the sub-programme. However, in order for the sub-programme to accomplish its overall goals in respect of women, it must ensure that women are able to participate on an equal footing with men in the course of all aspects of implementation. It also means that women-only projects are allowed for and encouraged, and that altogether not less than one third of the transferred land resources must accrue to women.

## Key features of LRAD

LRAD is designed to provide grants to black South African citizens (Africans, Coloureds, and Indians) to access land specifically for agricultural purposes, or to make better use of land already accessed (e.g. in communal areas). Acquisition of land by absentee owners for speculative purposes will not be supported under LRAD.

Beneficiaries can access grants under LRAD on a sliding scale, depending on the amount of their own contribution in kind, labour, and/or cash. Every beneficiary individual makes at least the minimum contribution in cash, labour, and/or kind. Those who make the minimum contribution of R5 000 receive the minimum grant of R20 000. Those who make a larger contribution of own assets, cash, and/or labour receive a bigger grant, determined as a basic proportion of their own contribution (Box 1). The table below indicates the amount of grant available for each level of own contribution. 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. The approval of the grants is based on the viability of the proposed project, which takes into account total project costs and projected profitability.

**Own contribution by beneficiaries in labour** can be for up to R5 000 per applicant (individual). In order for the applicant to claim the full R5 000 in own labour towards the own contribution requirement, the business plan must show evidence that the applicant intends to devote a significant amount of own labour towards the establishment and operation of the project.

The **contribution in kind** could be calculated by costing assets such as machinery, equipment, livestock, and other assets that a beneficiary may possess. The **cash contribution** can be in the form of one's own cash contribution to the project, or borrowed capital, or some combination of the two. These three forms of own contribution can be added in any combination to make up the required own contribution from the beneficiary.

Beneficiaries will select the position on the scale at which they wish to enter LRAD, determined by their objectives and ability to leverage the grant with their own resources. Because LRAD is intended to function over 15 to 20 years, grants under LRAD will be indexed to the real value of the Rand.

The grant would be used to cover expenses such as acquisition of land, land improvements, infrastructure investments, capital assets and short-term agricultural inputs. Expenses associated with housing top-structure, however, will not be covered.

Small farmers may choose to access land as a group, either with the intention of maintaining it within group ownership, or of subdividing it. Group production projects, however, will be discouraged.

Some beneficiaries will have the skills and resources to manage larger farms. In that case, total project costs can range up to R500 000 or higher, of which the grant can cover up to 100 000. The remainder (about R400 000) would be financed through a combination of normal bank loans approved under standard banking procedures, and own assets and cash.

#### BOX 1: Sliding scale of grants and own contribution

The minimum grant amount is R20 000 which can be accessed with an own contribution of R5 000. The maximum grant is R100 000, which will require an own contribution of at least R400 000. If the participant contributes more than this amount(s) he/she still can only access a grant of R100 000. Between the minimum and maximum amount, a continuum of grant amounts is available, depending on the participants' own contribution (as highlighted in the graph).

Taking a range of own contributions as illustration, we have the following:

Own contribution R	Matching grant R	Proportion of total cost %	
		Own contribution	Grant
5 000	20 000	20	80
35 000	40 871	46	54
145 000	68 888	68	32
400 000	100 000	80	20

Farmers choosing this option would have to possess managerial skills adequate to handle the debt, as well as prior experience in agriculture. Land would be either owned or leased on an individual or household basis.

Beneficiaries under LRAD (e.g. rural dwellers, labour tenants, farmworkers, and people at present farming on smallholdings and others) can purchase land on offer from any owner, whether public or private. The land must be intended for an agricultural use of their choosing, such as better food production to improve household consumption, grazing, production for markets and other agricultural activities.

The following table provides basic information on available grants for a certain own contribution, or alternatively, on what contribution should be made to receive a certain grant.

<b>Scale of grant and own contribution</b>											
OWN CONTRIBUTION		<b>10,000</b>	<b>20,000</b>	<b>30,000</b>	<b>40,000</b>	<b>50,000</b>	<b>60,000</b>	<b>70,000</b>	<b>80,000</b>	<b>90,000</b>	<b>100,000</b>
-		25,798	33,278	38,622	42,926	46,592	49,819	52,721	55,371	57,819	60,100
<b>1,000</b>		26,717	33,880	39,090	43,317	46,932	50,122	52,996	55,624	58,054	60,320
<b>2,000</b>		27,585	34,463	39,548	43,702	47,268	50,422	53,269	55,875	58,287	60,539
<b>3,000</b>		28,408	35,031	39,998	44,081	47,600	50,720	53,540	56,125	58,519	60,756
<b>4,000</b>		29,192	35,583	40,439	44,455	47,928	51,014	53,808	56,372	58,750	60,972
<b>5,000</b>	20,000	29,941	36,120	40,871	44,823	48,252	51,305	54,074	56,618	58,978	61,187
<b>6,000</b>	21,385	30,659	36,644	41,296	45,187	48,572	51,594	54,337	56,861	59,206	61,400
<b>7,000</b>	22,631	31,350	37,156	41,714	45,545	48,889	51,879	54,599	57,103	59,431	61,612
<b>8,000</b>	23,768	32,015	37,655	42,125	45,899	49,202	52,162	54,858	57,343	59,656	61,823
<b>9,000</b>	24,819	32,657	38,144	42,528	46,248	49,512	52,443	55,116	57,582	59,879	62,033
OWN CONTRIBUTION		<b>110,000</b>	<b>120,000</b>	<b>130,000</b>	<b>140,000</b>	<b>150,000</b>	<b>160,000</b>	<b>170,000</b>	<b>180,000</b>	<b>190,000</b>	<b>200,000</b>
-		62,241	64,262	66,180	68,006	69,751	71,424	73,032	74,582	76,077	77,524
<b>1,000</b>		62,448	64,458	66,366	68,184	69,921	71,588	73,190	74,733	76,224	77,666
<b>2,000</b>		62,654	64,654	66,552	68,361	70,091	71,751	73,347	74,885	76,371	77,808
<b>3,000</b>		62,859	64,848	66,736	68,537	70,260	71,913	73,503	75,036	76,516	77,949
<b>4,000</b>		63,063	65,041	66,920	68,713	70,428	72,075	73,659	75,186	76,662	78,090
<b>5,000</b>		63,266	65,233	67,103	68,888	70,596	72,236	73,814	75,336	76,807	78,230
<b>6,000</b>		63,467	65,424	67,285	69,062	70,763	72,396	73,968	75,485	76,951	78,370
<b>7,000</b>		63,668	65,614	67,467	69,235	70,929	72,556	74,123	75,634	77,095	78,510
<b>8,000</b>		63,867	65,804	67,647	69,408	71,095	72,715	74,276	75,782	77,239	78,649
<b>9,000</b>		64,065	65,992	67,827	69,580	71,260	72,874	74,429	75,930	77,382	78,788
OWN CONTRIBUTION		<b>210,000</b>	<b>220,000</b>	<b>230,000</b>	<b>240,000</b>	<b>250,000</b>	<b>260,000</b>	<b>270,000</b>	<b>280,000</b>	<b>290,000</b>	<b>300,000</b>
-		78,926	80,286	81,608	82,893	84,145	85,366	86,558	87,722	88,860	89,973
<b>1,000</b>		79,064	80,420	81,738	83,020	84,269	85,487	86,675	87,837	88,972	90,083
<b>2,000</b>		79,201	80,553	81,867	83,146	84,392	85,607	86,793	87,951	89,084	90,193
<b>3,000</b>		79,338	80,686	81,997	83,272	84,515	85,727	86,910	88,066	89,196	90,302
<b>4,000</b>		79,475	80,819	82,126	83,398	84,637	85,846	87,027	88,180	89,308	90,412
<b>5,000</b>		79,611	80,951	82,255	83,523	84,760	85,966	87,143	88,294	89,419	90,521
<b>6,000</b>		79,747	81,083	82,383	83,648	84,882	86,085	87,259	88,408	89,531	90,630
<b>7,000</b>		79,882	81,215	82,511	83,773	85,003	86,203	87,375	88,521	89,642	90,738
<b>8,000</b>		80,017	81,346	82,639	83,898	85,125	86,322	87,491	88,634	89,752	90,847
<b>9,000</b>		80,152	81,477	82,766	84,022	85,246	86,440	87,607	88,747	89,863	90,955
OWN CONTRIBUTION		<b>310,000</b>	<b>320,000</b>	<b>330,000</b>	<b>340,000</b>	<b>350,000</b>	<b>360,000</b>	<b>370,000</b>	<b>380,000</b>	<b>390,000</b>	<b>400,000</b>
-		91,063	92,131	93,178	94,206	95,214	96,204	97,177	98,134	99,074	100,000
<b>1,000</b>		91,171	92,237	93,282	94,307	95,314	96,302	97,274	98,228	99,168	
<b>2,000</b>		91,278	92,342	93,385	94,409	95,413	96,400	97,370	98,323	99,261	
<b>3,000</b>		91,386	92,447	93,489	94,510	95,513	96,498	97,466	98,418	99,354	
<b>4,000</b>		91,493	92,553	93,592	94,611	95,612	96,595	97,562	98,512	99,446	
<b>5,000</b>		91,600	92,657	93,694	94,712	95,711	96,693	97,657	98,606	99,539	
<b>6,000</b>		91,707	92,762	93,797	94,813	95,810	96,790	97,753	98,700	99,632	
<b>7,000</b>		91,813	92,866	93,899	94,913	95,909	96,887	97,848	98,794	99,724	
<b>8,000</b>		91,919	92,971	94,002	95,014	96,008	96,984	97,944	98,888	99,816	
<b>9,000</b>		92,025	93,075	94,104	95,114	96,106	97,081	98,039	98,981	99,908	
GRANT SIZE BY OWN CONTRIBUTION											
GRANT			<b>20,000</b>	<b>30,000</b>	<b>40,000</b>	<b>50,000</b>	<b>60,000</b>	<b>70,000</b>	<b>80,000</b>	<b>90,000</b>	<b>100,000</b>
-			5,000	15,080	33,005	60,596	99,548	151,463	217,873	300,245	400,000
<b>1,000</b>			5,710	16,489	35,301	63,953	104,130	157,427	225,368	309,415	
<b>2,000</b>			6,481	17,977	37,695	67,425	108,844	163,538	233,024	318,761	
<b>3,000</b>			7,315	19,549	40,189	71,014	113,690	169,796	240,843	328,283	
<b>4,000</b>			8,214	21,204	42,784	74,722	118,671	176,204	248,825	337,983	

<b>5,000</b>	9,180	22,945	45,484	78,550	123,788	182,763	256,974	347,863
<b>6,000</b>	10,214	24,774	48,289	82,499	129,042	189,474	265,289	357,923
<b>7,000</b>	11,320	26,693	51,201	86,572	134,435	196,339	273,772	368,166
<b>8,000</b>	12,498	28,703	54,222	90,770	139,969	203,360	282,425	378,592
<b>9,000</b>	13,751	30,807	57,353	95,095	145,644	210,537	291,249	389,203

*Because the program is intended to function over 15 to 20 years, benefits (grants) under the program will be indexed to the real value of the Rand*



Land Affairs and Agriculture officers, as well as potential officials from other government departments, must play a facilitative role to ensure that applicants are able to access information about land on the market. This can be done in part by tapping into existing databases at a local level, e.g. in print and *via* the Internet.

People who presently have secure access to agricultural land in communal areas can also access grants. The purpose of the grants in this instance would be to enable people to make more productive use of their land, for example in terms of infrastructure investments and land improvements, productive capital, and operational inputs. These projects may take on the character of food-safety-net projects, or may be more commercially oriented. These grants would not be applicable, however, to purchase of livestock for communal grazing areas. Also, existing land holdings cannot be counted towards one's own contribution requirement.

Land owners, communities, individuals and agents can initiate actions on their own. For example, a present owner of a large commercial farm could decide to sell a section of his/her land under LRAD, and could hire a design agent to draw up an attractive package. Individuals or small groups of people wishing to access land can choose a farm which is at present on the market, and offer to buy it under LRAD, with subdivision and apportionment to meet their needs. A professional developer could purchase farmland (outside LRAD, with own financing), subdivide it, establish basic infrastructure, and then sell it to beneficiaries under LRAD. Beneficiaries are responsible to design their own projects, and can use grant money to hire the advice of specialists or design agents.

Although some farms may change hands as entire units, most may have to be subdivided in order to meet the objectives of beneficiaries. An owner of agricultural land seeking to subdivide in order to sell part to a beneficiary under LRAD will not be required to seek a permit. Until the restrictions on subdivision are fully rescinded, any subdivision undertaken for transactions under the land reform programme will be automatically preapproved without further action on the part of the seller. The permission to subdivide for sale of land under LRAD will be effective immediately upon the launch of LRAD. A permit will be required only if land is to be rezoned for agricultural use (e.g. from commercial to agricultural or from forest to agricultural use). The Land Development Objectives (LDOs) presently used to regulate land use and farm size will, over time, have to be incorporated into a new and improved system of zoning for land use.

Beneficiaries may choose to access land under one of several forms of contract. The choice of contract is up to the participant. For example, land can be purchased outright. Alternatively, the participant could enter into a lease contract with an option to buy at a future date. Beneficiaries may purchase land individually. Alternatively, they could purchase within a group such as a common property association. The size of the grant per participant will depend on the amount of the beneficiary's contribution, and not on the form of the contract.

Participants may do all the planning themselves, or may choose to accept the assistance of a design agent. The design agent will be paid in two parts. A small payment will be made up-front in order to defray travel expenses, etc. The second, larger payment will be paid only upon approval of the project. If the project is not approved and no transfer takes place, the design agent is not awarded the second payment. Payments made to design agents, together with those to valuers and expenses associated with subdivision, etc, will be taken out of a separate 'planning grant', which will be a maximum of 15 % of the projected total capital costs of the project.

For project applications, which are processed directly through banking institutions in terms of both loans and government land grants, no up-front planning grant money will be accessed from the government. Upon approval of the project, however, the bank will inform the Provincial Grant Committee to release the planning grant to beneficiaries to pay the design agent they have appointed. Applicants may also choose to pay a retainer to design agents out of their own resources, which can be counted towards their own contribution requirement.

With improved incentives for sound and efficient design of projects, cumbersome and centralised steps in approval can be eliminated. Because project designs may have unintended or unforeseen environmental implications (as, e.g. with introduction of irrigation from surface sources), projects should undergo Environmental Assessment Plan (EAP) screening according to national guidelines.

## **Qualifying criteria**

LRAD will be open to citizens of South Africa who are members of previously-disadvantaged groups including Africans, Coloureds, and Indians; who are willing to live on or near the land and operate or work on it; and who are committed to use the grant to purchase or lease land for agricultural activities. Men and women will have equal access to all benefits under LRAD, and women will be actively encouraged to apply.

For the purposes of LRAD, agricultural activities can include crop and livestock production at a range of levels from subsistence to medium-scale commercial. Successful applicants will be required to participate in training courses and activities designed to assist them in successful operation of their farms and gardens.

Beneficiaries will be allowed to graduate from smaller to larger farms, and will be able to access LRAD to facilitate investment to increase scale. Smaller farmers can therefore trade up through LRAD if they have sufficient own contributions. Some beneficiaries can expect to benefit several times through trading up, although lifetime benefits for a single applicant are limited to an accumulated amount of R100 000. Two principles govern the graduation process. First, upon applying for a second or third grant, the required own contribution will be gauged not in relation to the new grant being applied for, but rather in relation to the total amount of grants that have been accessed up to that stage plus the new grant. Second, assets acquired by means of the grant cannot be counted as an own contribution when applying for an additional grant.

Those who have previously accessed the Settlement/Land Acquisition Grant (SLAG) are eligible to apply, though priority will be given to first-time applicants.

## **Examples of how beneficiaries can use LRAD**

Beneficiaries can use LRAD for a continuum of projects, ranging in size from food-safety-net and subsistence production to small and medium-sized farms. People can access LRAD as individuals or as groups at any level. Beneficiaries might want to access LRAD to achieve varying objectives, such as food-safety-net projects, equity schemes, production for markets, and others. These are now discussed briefly for illustrative purposes only—because LRAD encourages beneficiaries to design whatever works best for them.

### **Food-safety-net**

Many beneficiaries may wish to access LRAD to acquire land for food-crop and/or livestock production to improve household food security. This can be done on an individual or group basis. Many of these projects will be at the smallest end of the scale, because poor individuals may be able to mobilise only the minimum own contribution in cash, labour, and materials.

### **Equity scheme**

Beneficiaries can make the requisite matching own contribution and receive equity in an agricultural enterprise equal to the value of the grant plus the own contribution. Because under the terms of LRAD, the grant is intended for people actively and directly engaged in agriculture, the grant recipient in the case of the equity scheme will be both a co-owner and employee of the farm. The purchased equity should be marketable in order to retain its value.

### **Production for markets**

Some beneficiaries will enter LRAD to engage in commercial agricultural activities. They will access the grant and, together with normal bank loans and their own assets and cash, they will purchase a farm. These applicants will typically have greater farming experience and expertise than those accessing land for subsistence or food-safety-net-type activities.

### **Agriculture in communal areas**

Many people living in communal areas already have secure access to agricultural land, but may not have the means to make productive use of that land. Such people would be eligible to apply for assistance so as to make productive investments in their land such as infrastructure or land improvements. These projects may take on the character of food-safety-net projects, or may be more commercially oriented.

LRAD is flexible enough to accommodate a number of types of projects. Purely residential projects would not be supported under LRAD unless beneficiaries seek to establish household gardens at their new residences.

## **Procedures for implementation**

Beneficiaries, once informed about the options available within LRAD, select the desired amount of the grant according to their preferred own contribution. They will also decide whether to apply individually or as members of a self-selected group. They will then locate an available area of land, either through their own knowledge, or through the assistance of an estate agent or a DLA or agricultural officer. The land should have the necessary water rights if irrigation is contemplated, and the rights should be specified in the sale contract and reflected in the land price. Once a suitable area of land is located, the participant(s) will enter into a contingent contract with the seller, with the contingency consisting of approval of the project under LRAD.

With or without assistance of a design agent, the participant prepares a farm-plan or land-use proposal (project proposal), indicating the intended agricultural use of the land and estimating a rough projected cash flow. The participant obtains evidence of additional financial resources (loan, own resources, or both). In terms of contributions in own labour, an individual applicant can claim up to R5 000.

The participant next submits all documentation to the local agricultural officer to receive his or her opinion regarding the feasibility of the farm plan (project), including its agricultural potential, value of the land relative to market prices for those of comparable quality and access to water, cash-flow projections, and environmental assessment. Once the local agricultural officer has provided an opinion, the participant submits the proposal package to the provincial grant committee (which comprises officers of Land Affairs and Agriculture), which meets as required.

A complete package ready for submission would include:

- The land-use proposal/farm plan (project proposal)
- A draft purchase or rental offer for the land
- A list of beneficiaries and their contributions, if the proposal is not individual
- Confirmation from the local agricultural officer that the seller is in legal possession of title and confirmation from a professional valuer (registered with the Council of Valuers) that the land price is reasonable in comparison with recent land transactions in the area
- Evidence of own contribution and any necessary financing in addition to the grant (draft loan agreement, own funds)
- Opinion of the local agricultural officer on feasibility (agricultural and environmental issues).

Upon review of the package, the provincial grants committee makes one of three determinations:

- Complete and in conformity with the requirements of LRAD: approve
- Complete but not in conformity with the requirements of LRAD: do not approve and state reasons
- Incomplete: return to applicant and state reasons.

The provincial DLA director, who is part of the provincial grant committee, will, together with the Provincial Grant committee approve or reject the application. The provincial Grant Committee will decide either way.

The Provincial DLA director will be the official in whom delegated powers in terms of the PFMA will reside from the Director-General: Department of Land Affairs, but should not and must not exercise that authority outside of and separate from the criteria used by the Provincial Grant Committee.

Frequently, farmworkers or former farmworkers may be residing on the land being contemplated for purchase. The interests of these existing residents must be borne in mind. A number of different solutions are possible, including accommodating them within the group of applicants and assisting them to apply for separate tenure security grants (see below).

## **Implementation responsibilities**

Primary responsibility for design and implementation rests with the applicants. They select the chosen amount of the grant, engage a design agent if required, identify available land, enter into a contingent contract with the seller, apply for a normal bank loan through standard banking procedures, if necessary, engage a transfer agent,

prepare a farm plan, submit all documentation to the local agricultural officer for an opinion, assemble the completed proposal package, and submit it to the provincial grant committee. Some applicants, however, may need assistance in order to develop their project proposal. For instance, some people may need assistance in exploring the different possibilities for what they would propose to do with the land, to identify and manage a suitable design agent, or identify an appropriate piece of land. Indeed, some projects may be of such a basic nature that government officials can assist applicants in less time than it would take to secure the services of an appropriate design agent.

Where the applicants do choose to engage a design agent, the design agent will work directly with them. The design agent can assist in any or all stages of the process as requested by the applicants. For example, an agent may be asked to help identify land for purchase, to assist beneficiaries in preparation of a farm plan and land-use proposals, to prepare a submission to the provincial grant committee, as well as to assist and facilitate the process of grant approval, in case the approval committee has queries.

Agricultural and land officers, and possibly officers from other government departments at local level, will play an important role in implementation. They provide a technical opinion on the proposed farm-plan, land-use and environmental assessment, and in this way contribute to the quality of proposals. They also can assist in identifying land. They certify the accuracy of the seller's title and make a preliminary check to see that the land price is reasonable. They can also advise beneficiaries or design agents in negotiations with sellers.

Local-level officials will be an important source of information and training for participants and agents (clarifying technical and legal aspects of LRAD). They must be adequately trained to fulfil this role. The local agricultural offices should provide assistance to applicants and design agents seeking assistance for and evaluation of their proposals. The offices should have all the necessary information about procedures for implementation, and on how to draw up a complete application.

The Provincial Executive Council should hold overall political accountability for LRAD in the province. It should further decide on the appropriate MEC to chair the provincial land reform coordination committee, which should consist of key stakeholders and should meet quarterly to review the performance of the provincial grant committee.

The provincial grant committee under the appropriate MEC should consist of provincial officers of Land Affairs including up to the provincial accounting officer, namely the provincial Land Affairs director as well as officials from the Provincial Department of Agriculture together with other necessary Departments and stakeholders. The committee's main functions are to review project proposals, and to make a recommendation. The committee should check that the proposed package is complete and coherent, and whether, based on the information provided in the proposal, the project is eligible for approval under LRAD. The provincial grant committee should not be expected or required independently to verify the accuracy or veracity of the submission, because much of the verification will become evident from the documentation (e.g. contingent contract, draft loan agreement, etc).

The Departments of Agriculture and Land Affairs at national level will be responsible for the overall design of LRAD and monitoring of its impact. The Department of Land Affairs should budget for the grant components of LRAD, while the Department of Agriculture must budget to ensure that its provincial counterparts are financially prepared to meet their commitment to provide post-transfer agricultural support. Both Departments should provide training for beneficiaries, design agents and local land and agricultural officers; coordinate policy issues and interdepartmental activities; monitor the flow of funds to the provincial level; monitor and evaluate the outcomes of the land reform programme, including random *ex post* financial and physical audits of approved projects. The Department of Land Affairs will rely primarily upon existing procedures that may be modified for grant disbursement.

## **Relationship of LRAD to restitution and tenure reform**

Programmes managed in terms of tenure security and restitution legislation, most notably the Land Reform (Labour Tenants) Act, the Extension of Security of Tenure Act and the Restitution of Land Act, which in their own accord allow for state grant support, aim to improve certain landless persons' tenure insecurities—converting a *de facto* situation into a *de jure* reality. The Restitution Process aims to restore people's tenure rights which they lost as a result of apartheid legislation. LRAD does not replace the Tenure Reform or Restitution Programmes, but in fact aims to enhance these by offering persons who have benefited from such programmes a wider range of options.

LRAD is designed to offer black South Africans an opportunity to access agricultural land so as to improve their nutritional status and/or incomes. LRAD therefore addresses the tenure insecurities of persons who have no land and who want to farm, opening an opportunity for previously-disadvantaged persons who have no tenure security presently to access the programme directly without necessarily first applying for assistance in terms of the Tenure Security or Restitution Programmes. Such support would then be framed by the conditions prescribed by LRAD.

Tenure security beneficiaries, including persons who have restored their rights in land through the Restitution Process, may subsequent to securing and improving their immediate land rights, seek to enter LRAD. Recipients of land under the tenure reform and restitution programmes would in this instance have to show an intention to farm or enter Agribusiness in order to be eligible for grant financing and support under LRAD, as well as make an own contribution, other than the land secured to them through the restitution programme or the tenure grant.

## **Implications for the disposal of agricultural State land**

The proposal developed does not directly address the disposal of State land, but has several implications for moving ahead with the process. For example, for State land against which restitution claims have been lodged, the claims can be evaluated and settled. Those who receive land against their claims can enter LRAD if they opt to use the land for farming. LRAD would provide additional resources for start-up and operation of new farms, as noted above in the discussion of implications for restitution. State land that is free of claims can be offered to the general public through LRAD, or through other sub-programmes of the redistribution programme.

The State would have to publicly announce its intentions to dispose of its agricultural land, in order to invite beneficiary bids for the purchase of such land. The State would in this case be a seller of agricultural land and beneficiaries the buyers of land under LRAD. The time of three months should be sufficient to enable beneficiaries—either as groups or individuals—to place their bids and to secure a grant under LRAD.

To effect this process, all information about State and parastatal agricultural land would have to be compiled and made available to beneficiaries upon request and selected location, so that they can be able to participate effectively. An interim provincial grant committee should also be established together with, possibly, an interim land grant account with a financial institution. The selection of a financial institution should be done through a competitive tendering system.

## **Key implications for Government**

LRAD already has sufficient legal foundation to permit immediate implementation. Several important new features are included in the design, however, and require governmental actions in order for LRAD to achieve its optimum impact. Some of these are listed as follows, and others may be identified during further elaboration of LRAD and a continued consultative process.

### **Subdivision and land-use management**

The ability of participants to subdivide existing large land units will be critical to the success of LRAD. Signature of the repeal of the Subdivision of Agricultural Land Act, Act No. 70 of 1970 is still pending, and in the meantime subdivision requires the approval of the Minister. Retention of the requirement for ministerial approval prior to subdivision could in principle create a serious obstacle to implementation. However, the Provision of Land and

Assistance Act, Act No. 126 of 1993, makes provision for subdivision, such that approval for subdivision is not necessary when the Minister or Minister's delegate has approved the project for funding.

Another function formerly served by the Subdivision of Agricultural Land Act was that of land-use zoning. While it is widely recognised that the Subdivision Act was not an ideal instrument for this function, its repeal risks leaving a void. For this reason, work is underway to develop a comprehensive land-use management system, which will incorporate the present approaches to regulating land-use contained in the Land Development Objective (LDO) and in the Integrated Development Plan (IDP). The land-use management system will serve as a mechanism to enable municipalities to regulate growth and influence land-use patterns. The system should include, *inter alia*, a procedure for changing the designated classification of land by use.

## Agricultural services

More rapid land reform will create an increased demand for advisory services on the part of beneficiaries. Implementation of LRAD will therefore create added urgency for reform of the agricultural extension service. The Department of Agriculture should redirect its budget and redeploy staff to create a special programme to assist land reform beneficiaries, both during the process of preparing proposals and after purchase of the land. Staff of the Department will need special training to prepare them to fulfil these functions. Public extension agents need not meet all of the increased demand for services, however. The private sector can play a greater role in the provision of services, as it does in many other countries. The public extension service should concentrate on the provision of advisory services that benefit a wide public, such as advice to land-reform beneficiaries, veterinary disease control, agents and market information.

Advice that only benefits primarily the recipient can in many cases be well provided by the private sector, such as assistance with farm-business plans, or proper application of fertiliser. Cost-sharing mechanisms that defray part of the expense of purchased agricultural advisory services are used in many countries and can be adopted in South Africa. Cost sharing can improve the client orientation of service providers, and can give the farmer increased power to get services that are most useful. Several pilots of alternative models of service provision are at present underway and their results will be evaluated early in summer.

A number of people presently employed by the agricultural extension service can be expected over time voluntarily to leave the Public Service to acquire land under the land reform programme. Some of these people with skills and training may concurrently enter the private sector as service providers.

## Rural infrastructure

Accelerated implementation of land reform will create additional demands for infrastructure. Correspondingly, appropriate investment in infrastructure will increase the returns to land reform. Therefore, it will be important to create mechanisms within the programmes of municipal infrastructure to allow rural communities to express their needs and for the redistribution programme in general—and LRAD in particular—to respond to these demands.

## Financing LRAD

The capital budget to finance the grants will be allocated at the National Department of Land Affairs. No approvals other than that of the provincial grants committee taken in public session will be required prior to authorisation of release of funds. On approval of the provincial grants committee, the provincial director of Land Affairs will issue an order to the financial manager of the provincial Land Affairs to release the funds. The provincial office of Land Affairs will submit regular reports on the flow of funds and disbursement.

Because LRAD is demand directed, its total costs will depend on demand for grants of various amounts and can be estimated only after observing demand in the early stages of implementation. It can be assumed, though, that most applicants will seek the small grants in the range of R20 000 and that a lesser number of applicants will seek larger grants of about R50 000 on average.

A range of possible total LRAD costs, depending on numbers of applicants in the various groups, can be calculated. For example, 250 000 applicants for a range of grant sizes would probably cost in the range of R16 to R22 billion, including both land grants and planning grants (but excluding the costs of agricultural support).

## Key responsibilities

Key responsibilities of the various agencies and levels of government for implementation are summarised in the table. The Departments of Agriculture and Land Affairs at national level would jointly share responsibility for the design of LRAD, policy issues and design of training programmes. The Department of Land Affairs would be responsible for monitoring flows of funds to the provincial level and auditing the use of funds, as well as monitoring and evaluation of the outcomes.

Provincial Departments of Agriculture and Land Affairs would sit on the provincial grant committee and would access information from the national monitoring effort to track performance of LRAD in the province.

Department of Agriculture	Department of Land Affairs
<i>National level</i>	
<ul style="list-style-type: none"> <li>• Design of LRAD</li> <li>• Provide training for participants, agents and local land and agricultural officers</li> <li>• Coordinate policy issues and interdepartmental activities</li> <li>• Monitor and evaluate outcomes of LRAD</li> </ul>	<ul style="list-style-type: none"> <li>• Design of LRAD</li> <li>• Budget for capital transfers under LRAD</li> <li>• Monitor the flow of funds to the provincial level</li> <li>• Coordinate policy issues and interdepartmental activities</li> <li>• Monitor and evaluate outcome of LRAD</li> </ul>
<i>Provincial</i>	
<ul style="list-style-type: none"> <li>• Accountability for LRAD in the province</li> <li>• Participate in various provincial committees</li> <li>• Convene the grant approval committee and provide the secretariat</li> </ul>	<ul style="list-style-type: none"> <li>• Responsibility for approving release of grants</li> <li>• Accountability for LRAD in the province</li> <li>• Participate in various provincial committees</li> <li>• Land survey, title registration and transfer</li> </ul>
<i>Local</i>	
<ul style="list-style-type: none"> <li>• Provide a technical opinion on the proposed farm plan, land-use and environmental assessment</li> <li>• Provide agricultural support services</li> <li>• Work with District Council counterparts to ensure project congruence with IDPs/LDOs</li> </ul>	<ul style="list-style-type: none"> <li>• Provide information and training for participant and agents (clarifying technical and legal aspects of LRAD)</li> <li>• Work with District Council counterparts to ensure project congruence with IDPs/LDOs</li> </ul>

Both the Departments of Agriculture and of Land Affairs have operational structures at local government level. Where both departments have staff in place, they should share responsibilities under LRAD. Local governments and municipalities should be requested to provide an audit of agricultural smallholdings within their boundaries. The agricultural staff would advise on technical and agronomic issues relating to the farm proposal and offer an opinion as to its technical and financial feasibility. Staff from the Department of Land Affairs could advise on the land price and assist with title search.

## **Monitoring and evaluation**

The proposed ADSP features a streamlined process of approval at the provincial level relying on documentation prepared and submitted by participants. This approach is necessary in order to deliver the desired rate of implementation. Streamlined approval can function well together with a system of selective audits and monitoring and evaluation.

The audits should, for a selected group of approved projects, confirm the accuracy and veracity of the information submitted. The audits will be both financial (to determine that expenditures have been as permissible under LRAD guidelines) and physical (to determine that the expenditures actually took place and that purchased goods and services are in place on the farm enterprise). The evaluation activities will assess the quality of outcomes and the impact on beneficiaries and rural communities more generally.