

# RELATIONSHIPS DRIVE SUCCESS in the land redistribution process



Pippa Hetherington - Africa Media Online

The land redistribution process remains one of South Africa's key socio-economic processes aimed at economic transformation.

Research conducted in northern KwaZulu-Natal (KZN) municipal districts regarding land redistribution cases involving sugarcane farms, indicated that when stakeholders in redistribution cases were party to some medium- to long-term agreements or relationships, and cooperated within some legally binding framework, the redistribution process resulted in relatively greater levels of success, writes *Nhlanhla Mbatha*.

### Land redistribution and the Act

Current remedial land policies and programmes historically owe their significance to the Native Land Act (27) of 1913, which created some of the country's most striking forms of inequality. For example, because of the Act, 87% of the country's land resources were owned by white South Africans, who constituted only 20% of the total population by 1994.

This means that the land redistribution process remains one of South Africa's key socio-economic processes aimed at economic transformation. Nevertheless, it has now been widely acknowledged that current policies and their implementation processes are struggling to achieve their own objectives within projected timeframes.

These struggles are documented in popular and scientific media in different locations

of the country and for different economic sectors. While formal policy targeted the year 2014 as the time by which 30% of land resources would have been transferred to black South Africans, very few transfers have taken place, while the 2014 target remains far out of sight. Of the transfer projects that have taken place, more than 50% have failed to transfer the envisioned benefits to new land recipients.

## >> RELATIONSHIPS DRIVE SUCCESS in the land redistribution process (continued)

Once the benefits are spelled out explicitly and in legally binding contracts [are concluded], previous owners of land do recognise the business benefits they stand to gain through cooperation with interested parties.

In earlier research a study by Mbatha et al. (2010) reported that in many land-redistribution projects the state had lost most of its buyer's bargaining power mainly because of the long drawn out nature of the transfer processes and flawed land valuation processes. The high transaction costs were borne by government agencies and other stakeholders, including new land recipients.

### How stakeholder relationships benefit the process

In this recent study, conducted in northern KwaZulu-Natal (KZN) municipal districts regarding land redistribution cases involving sugarcane farms, there is further evidence indicating that in selected redistribution cases of sugarcane farms in the same KZN districts, lower price premiums were paid by state agencies in cases where long-term relationships among stakeholders were in place.

The relationships were formed between previous land owners, redistribution beneficiaries and government agencies. In cases where relationships were not in place and new owners were left without mentoring support from previous owners especially, state agencies paid higher prices to acquire the land and the transfers were less successful, particularly in terms of declining production levels. The productivity rates began declining during the periods of land valuations and transfers and the decline continued well after new owners had taken over the farms.

The study found that between 2002 and 2006, 32 sugarcane farms were redistributed in iLembe and uThungulu districts. In both districts government paid on average a premium of 40%<sup>1</sup> above market value for a single farm.

The opposite was found in seven cases of land transfers where some binding contract was in place between government agencies and previous owners<sup>2</sup> to support land beneficiaries with regard to the production

of cane and its marketing. These farms cost the state on average 4% less than the average market value. A saving of around R550 000 was made by the state per case.

On farms where no agreements were in force and that were relatively more expensive, productivity rates declined by more than 12% after takeover. In some instances the declines were close to 70%. On cheaper farms the average productivity rates, during and after the takeover periods, increased by more than 10% compared to levels three years prior to the actual takeover.

The two contrasting pictures present a message of hope for the future of the land redistribution process. From a game theoretical perspective long-term cooperation among stakeholders is expected to improve collective benefits. This is a case also argued by political economist Elinor Ostrom in the management and use of natural resources. The cooperation does not happen in a vacuum or by chance but through legally binding contracts, especially where trust levels among stakeholders are low.

The willingness of players to be party to such agreements also relies on expected future benefits. Often these are the economic

incentives. For government agencies and taxpayers the benefits are clear in terms of lower-than-market prices paid to acquire land for redistribution purposes. High productivity rates by land beneficiaries also mean higher potential profits.

The economic benefits to previous land owners in agreements where their responsibilities include mentoring newcomers are not so readily recognisable. This is true especially in times of social tension, which to a degree still characterises South Africa's political landscape with regard to land reform. But once the benefits are spelled out explicitly and legally binding contracts are concluded with government agencies, previous owners of land do recognise the business benefits they stand to gain through cooperation with interested parties.

A recommendation for policy making and state agencies is a simple one, namely to approach the land redistribution process from a cooperative framework of medium- to long-term binding contracts among players. The agreements should be clear on legal responsibilities and economic rewards for all parties involved, and they must be forward looking. This means that the length of such collective contracts would take on board sound mechanisms and length of time that would be required to transfer production and marketing skills to new owners. The specifics would obviously differ for different crops and be adaptable to different geographical and social contexts.

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In cases where relationships were not in place and new owners were left without mentoring support from previous owners the transfers were less successful.

*This article is based on Mbatha, NC and Antrobus, GG 2012. A cooperative benefits framework in South Africa's land redistribution process: The case of sugarcane farmland transfers. Agrekon, 51 (4): 81-104.*

<sup>1</sup> 44,0% and 37,9% in iLembe and uThungulu respectively. This translated into around R700 000 per farm transfer.

<sup>2</sup> These were mostly major milling companies, some listed on the stock exchange.



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