



SEMINAR REPORT

Agrarian reform and the two economies: transforming South Africa's countryside

Land
Reform,
Inequality
and Rural
Poverty

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The South African economy is doing well but poverty and inequality are growing and it seems that no one knows how to address the structural divide between rich and poor. This paper suggests that taking small-scale agriculture and rural livelihoods seriously is part of the answer, and that land reform can help to revitalise the rural economy. The paper sets out a theoretical and conceptual framework to support this argument.

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President Mbeki has said that we have a modern industrial economy and a third world economy where most of the poor live and work. He has argued that the solution involves building bridges between these two economies so that the second economy benefits from growth in the first economy. Agrarian reform and the integrated rural development programme are some of the government strategies to achieve this. At the recent land summit government admitted that the current land reform programme is unable to meet its targets and that there are big problems with post settlement support.

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Cosatu and other critics reject the two economies thesis arguing that there is a single integrated economy that disadvantages the poor. If this is so then the solution lies not in integrating the two economies but in removing the structural causes of poverty and inequality.

There is growing recognition that addressing poverty in rural areas requires a wide-ranging agrarian reform that goes beyond land redistribution to restructure the rural economy. In South Africa the evolution of a successful large scale commercial agriculture and agri-business sector is evidence that the agrarian question of capital has been resolved by 'accumulation from above'. This happened with extensive state support. But the agrarian question of the dispossessed - of labour - is far from being resolved.

Resolving it requires contesting the monopolistic privileges of large-scale agriculture and creating conditions for more diverse forms of commodity production - for 'accumulation from below'.

A major problem in tackling this in South Africa is deep-seated scepticism about smallholder farming. In government and society there is a stereotyped understanding of agricultural development, which is actively promoted by the commercial farming lobby. This view sees subsistence farmers as relics of deliberate underdevelopment under apartheid, deprived of scientific knowledge, inefficient and unproductive. In this view poverty will only be addressed by urban industrialisation. Therefore land reform should focus primarily on deracialising commercial agriculture.

However, evidence from around the world shows that small-scale farmers can be highly efficient producers. But structural disadvantage in rural areas in South Africa has deep historical roots and the dependence of rural households on pensions and other grants is a reality. Arguments for accumulation from below must take note of these realities and show they can be changed.

Agriculture and natural resource harvesting remain important for rural people who are being squeezed by rising prices, growing unemployment and the unfavourable economics of crop production on the rural periphery. There is an urgent need to resolve the agrarian question of the dispossessed through strategies that incorporate multiple livelihood forms and recognise the close connections between rural and urban areas.

The following five core propositions could provide a framework to facilitate conditions for accumulation from below.

1 A wide-ranging programme of land reform is a necessary but not sufficient condition for the resolution of the agrarian question of the dispossessed

2 A decisive break with market led approaches to land reform is required; these must be replaced by an approach premised on the central role of the state, together with progressive forces in civil society, in driving processes of land acquisition and redistribution

3 Area-based land reform is required to create the conditions for agrarian reform. Zones of both need and opportunity include commercial farming areas next to former homelands; areas with large rural populations, growing economies and adjacent high potential agricultural land; peri-urban areas with good agricultural potential; districts with high proportions of land restitution claims; areas with potential for expanded smallholder production of high value cash crops; areas with potential for community based eco-tourism.

4 Paradigm shifts are required to focus state policies on agrarian reform: the first shift is to drop our bias against small-scale production; the second is to embrace the multiple and diverse character of rural livelihoods; the third is to put government back in the driving role; the fourth is to create real participation by beneficiaries in planning and implementing land reform.

5 Land and agrarian reform requires a major investment in capacity building as well as innovative institutional arrangements

Is this politically feasible? Government and others have recognised the need for more effective land reform and to address the increasingly urgent political problem of rural poverty. Significantly the civil society sector, land NGOs and social movements are regrouping to act against farm evictions and this could lead to increasing mobilisation around land issues. These developments ensure that agrarian reform policy will increasingly be on the mainstream political agenda.

Ms. Mastoera Sadan

After ten years of democracy government has been reviewing its policies and has recognised the need to improve its understanding of the dynamics of poverty and unemployment. Increasingly we are seeing the links between urban and rural poverty and between the two economies. The deputy president is looking at the issue of accelerated growth and an inclusive growth strategy. Looking specifically at agrarian reform, the land reform programme still faces big challenges despite some acceleration and the introduction of the comprehensive agricultural support programme.

NGOs and other seeking to work with government and influence policy change need to take account of existing policy frameworks like the national spatial development perspective (NSDP) which directs investment to areas with economic potential and the Integrated and Sustainable Rural Development Programme and the Urban Development Programme which set out to improve coordination and integration between spheres of government and between government departments. Turf issues and other tensions can impact on the success of programmes and NGOs and others need to take this into account and avoid viewing government as monolithic.

One of the main problems has been post-transfer support for beneficiaries. It is important to understand that the people who develop policy often have little understanding of what it means to be in a rural area and the difficulties of dealing with service provision in dispersed settlements.

Given this context not enough attention has been paid to the potential contribution of smallholder production to alleviating poverty in South Africa. Researchers have done interesting work on multiple livelihood strategies, which begins to throw some light on how people manage to survive when we have such high levels of poverty and unemployment.

Government is re-evaluating the willing seller willing buyer model and looking for ways to accelerate growth. The five core propositions are useful and area based land reform could contribute to a more strategic approach to programmes. The point about paradigm shifts probably needs to come first because without this there will be a lot of resistance. Capacity issues also need attention including institutional and human resource challenges. It is very important to be conscious of the political dynamics.

Discussion

The framework

Chair There is an economic question and a political one. Historically all previously disadvantaged groups that have gained political power have used it to get economic power. Land is more than an economic asset; it is a symbol of power, of social status. Land reform is necessary to complete the transition so that the industrial economy can draw labour from the land. The difference between Latin America and Asia is largely that Asia resolved the land issue before embarking on economic growth. The economic issue has two parts. Ben has argued that we need land reform to enable the rural poor to participate effectively in the economy. The argument from the other side is that the industrial economy must draw people from the rural areas to achieve economies of scale there.

BC The politics of land is as important as the economic dimensions. Zimbabwe is a case in point. If we do not resolve the land issue it will remain as a symbol of the lack of fundamental transformation. Along with more authoritarian, nationalist ideologies, populist politicians and widespread grassroots dissatisfaction this can lead to explosive situations. We are moving in that direction so there are powerful political reasons to resolve the land question as well as economic ones.

Q The framework is useful but it needs to go beyond the shortcomings of the land market to look at food security, rural industrialisation and encouraging private capital flows.

The example of Kentucky Fried Chicken not using local chickens emphasises the need to look at restructuring the value chain.

BC We need to look at restructuring existing enterprises and markets. This includes getting chain stores and franchises in small towns to buy local produce rather than importing it. This is what black economic empowerment is all about and we need to do it at local level.

Q Are we looking at a new class of petty bourgeois small farmers who will create jobs or at kick starting economic growth in the rural areas to benefit the underclass you talk about?

BC I have avoided using the term peasant because small-scale producers in the contemporary world are commodity producers. When I talk about accumulation from below I am talking about creating the conditions for the poor and marginalised to start to produce a surplus. This will lead to class differentiation but we can try to make this growth as broad based as possible.

Q Landowners and the state have different understandings of willing seller willing buyer. For landowners price is the issue.

How do you see expropriation complementing the role of developmental state?

BC Under the present willing seller willing buyer programme landowners have a virtual veto over whether to sell or not. As a result we have the worst aspects of the market, (unequal power to influence markets), and the worst aspects of a bureaucratic system (inappropriate, lengthy processes that slow everything down). No wonder it is not working. We need a fundamental rethink on land reform. Expropriations may be part

of the answer but we also need to consider instruments like a land tax and relaxing restrictions on subdivision.

Urban and rural development

Q The urban centres are the engines of growth in our country why should we focus on this kind of development.

Small scale and communal farming are associated with low output. Can they be effective?

BC Growth in the cities is not providing people with jobs. Critics of rural development overplay the dynamism of the urban economy and underestimate the potential of smallholder agriculture.

A good example is the dramatic increase in smallholder production in Zimbabwe after independence, which saw the contribution of marketed maize increase from 12% to 65% of the total in six years. This was concentrated in high potential areas but it was very significant.

There are also examples in the former Transkei in South Africa and in KwaZulu-Natal. These examples show that even in the generally inhospitable rural environment there is potential.

The state

Q We need to distinguish between land reform and agrarian reform. The integrated nature of agrarian reform makes it difficult for a single department to take responsibility. Would district and metro councils become the point of delivery for agrarian reform?

State intervention has played an important role in successful land reform in other parts of the world and the state helped to develop white commercial farming and agribusiness.

BC The state needs to become involved in supporting agriculture again. Mainstream agricultural economists like Andrew Dorward and Johnathan Kydd in the UK are saying that to get agriculture going in the developing countries we need to go back to some of the things that structural adjustment policies did away with like marketing boards and subsidies to kick start rural economic growth. They also see land reform playing a role in this. Emerging farmers have been saying since 1994, 'if white farmers got state support in the past why are we not getting it?'

Q It sounds very hollow to say that the South African state lacks capacity. There are issues of turf and coordination, and lip service paid to involving beneficiaries. How do we deal with this?

Is the failure of market based land reform due to the failure of the policy or its implementation?

MS Governments around the world struggle with hierarchies. We need to look at successful government departments and identify the reasons for their success. A key capacity issue is that skills are not always used in an appropriate way. A lot of people can't plan properly and we are probably also too ambitious in many cases.

BC Turf wars are disabling our society. We have to find a less bureaucratic way of operating. In addition to skills we need to streamline processes and put more people on the job. Land reform has suffered from a simple lack of people on the job. This is partly why market based reform is not working but the policies are also problematic.

Trade

Q The Mexican experience points to the need to look at trade policy in conjunction with land reform. Land reform in Mexico took place in the 1990s when the country was opening up to foreign markets. The result was that peasant producers were faced with a flood of subsidised imported grain.

BC The larger trade context is relevant. Internationally the highly uneven playing field can put any gains we make at risk.

Supply and demand

Q One of the problems seems to be that we are still not sure what kind of land people want, where it should be and what they would use it for.

How will you identify the right people if you move away from the willing seller willing buyer approach?

BC It is true that we don't have a strong sense of the demand for land but the best way to find out may be through programmes that deliver in response to local demand rather than research. The HSRC study provides a different picture to the one provided by the CDE study but it is also not definitive.

The state needs to work with people to identify land that meets their needs. At present bureaucratic requirements like business plans are delaying the process and are often not relevant to people's needs.

Land policy

Q Is expropriation only seen as a last resort?

I understood from the land summit that a task force would look at ways of reforming the land redistribution process. What progress has it made?

MS I can't give an answer on the outcome of the land summit. On the issue of expropriation it seems more likely that it is meant as a signal to people from government.

BC In my view the current expropriations are not a shift in policy but a measure of last resort to speed up the process. But this is a significant development.

Area based development

Q Does the paper look at how to implement an integrated approach to area based development?

BC The area based strategy tries to bring together the resources of a range of stakeholders in areas to get things to work. We have to ask whether a range of national government departments working through local government, which lacks capacity, will ever work. My suggestion is to make agrarian reform the responsibility of a department that combines land affairs and parts of agriculture. At district and local level land reform projects must be included in all IDPs.

Gender

Q how can rural policy address casualisation, gender relations and HIV/Aids?

Although gender had a high profile in early land reform discussions it has now fallen off the table completely. Is there a strategy in the paper for ensuring that land reaches women?

BC There are real impacts on women and the gender dimension is very serious. HIV/Aids is having an impact on everything. In rural areas it really is impacting on the way that people can meet their needs. We can't think in isolation. We have to think in ways that address the larger problems in our society.

Chair

In 1993/4 I was chairing the Zimbabwe land commission. It was very difficult to see how large-scale agriculture could provide a basis for broad based economic growth. We could not get a credible answer from the large-scale farmers or from government. I suggested a progressive land tax and relaxing the very strict laws on sub dividing land to encourage a more viable land market, facilitate the creation of smaller farms and promote the growth of a multi-racial rural middle class. The aim was to move from around 4 000 commercial farmers to 20-30 000. The commercial farmers felt threatened and rejected this in favour of retaining their large farms. The question is how can you uphold a liberal democracy and the sanctity of property rights if you don't have a substantial middle class with meaningful property rights.