

Presentation to the Parliamentary Portfolio Committee on Rural Development and Land Reform

ANALYSIS OF RURAL DEVELOPMENT AND LAND REFORM IN BUDGET 2010/11



Ruth Hall, Karin Kleinbooi and Michael Aliber
Institute for Poverty, Land and Agrarian Studies (PLAAS)
University of the Western Cape
9 March 2010



Introduction

1. Restitution

- Capital expenditure: land purchase, grants (RDGs and SPGs), cash compensation.
- Current expenditure: staffing of CRLR and its RLCCs.

2. Land reform

- Capital expenditure: redistribution, farm dweller tenure reform, communal tenure reform, state land purchase.
- Current expenditure: staffing of PLROs.

3. Rural development

- Capital expenditure: almost zero
- Current expenditure: staffing rural development branch

4. Agricultural spending

- Compare to historical trends in state funding for support to black agricultural households.
- Focus on recent trends taking into account both national and provincial departments.

5. Not addressed: deeds registry, cadastral services etc



Note

- This analysis compares budget allocations (estimates of expenditure) as at start of each financial year.
- Where appropriate, it compares these with adjusted appropriations.



Headline issues

- The budgets for restitution and land reform rose 5.4% from last year – just under inflation (ie. a marginal decline).
 - Stable overall, but significant internal shifts within this allocation.
- Rural development: a new mandate of the Department. R255 million reallocated in MTBPS (Oct 2009). Similar allocation this year.
 - Also stable, which means no additional funds compared to last year to roll out CRDP. Surprising for a new and ambitious programme.



Restitution: review

- Substantial process in settling claims.
 - 63,455 claims originally lodged
 - 95% settled (counted as over 79,696)
- But the bulk of large and complex rural claims – perhaps most rural claims – still to be addressed.
 - Unrealistic deadline imposed by Mbeki: 2003 (then 2005, then 2008 – then 2012).
 - Act envisaged 10 years after settling all claims for implementation of settlement agreements
- Priority now: policy direction on how to tackle large community claims
 - Complex, contested and overlapping
 - On high-value land, yet failure of major strategic partnerships.



Restitution: budget

- R1.568 billion has been allocated for restitution
- This is down 18% from R1.9 billion in last year's budget
- Funds for restitution have been reduced each year for the past 3 years
- Focus for 2010/11 will be claims on state land.



Restitution: implications

- Restitution funds must pay for:
 - Settling claims: the finalisation of the bulk of rural claims that are still outstanding; these will have to wait another 2 years.
 - Prior commitments: many of the claims that are officially considered to be settled, but where the land is still to be bought and developed (approx R3 billion in existing commitments).
- Many land claimants and landowners will have to wait for future budgets to get their land and cash.
- Those whose claims have not yet been addressed will have to wait for the backlog to be cleared, as their claims will only start to be attended to in 2012/13.



Land reform: review

- Rate of land acquisition has grown in recent years – rate of hectares delivered per year more than trebled between 2006/07 and 2009/10.
- Redistribution is being pursued through two routes:
 - LRAD and SPLG: provision of land purchase subsidies (grants) and
 - PLAS: state purchase for lease – the increased delivery since 2006/07 has been largely via this route.
- However, given the existing problems the DRDLR has with managing state land, the latter will need attention.
 - Qualified audits over past 3 consecutive years.



Land reform: budget

- R4.083 billion has been allocated for land reform
 - This is up 18% from R3.455 billion last year.
 - BUT: the target for the amount of land to be redistributed this year, and over the MTEF, has been reduced by more than half.
- More money is available to support less land reform.
 - Land reform grants to enable people to buy land through the market-based approach.
 - An Agricultural Holding Account, which suggests that government is going to push ahead with buying more land to lease out rather than transfer to beneficiaries.
 - Resurrection of failed projects.

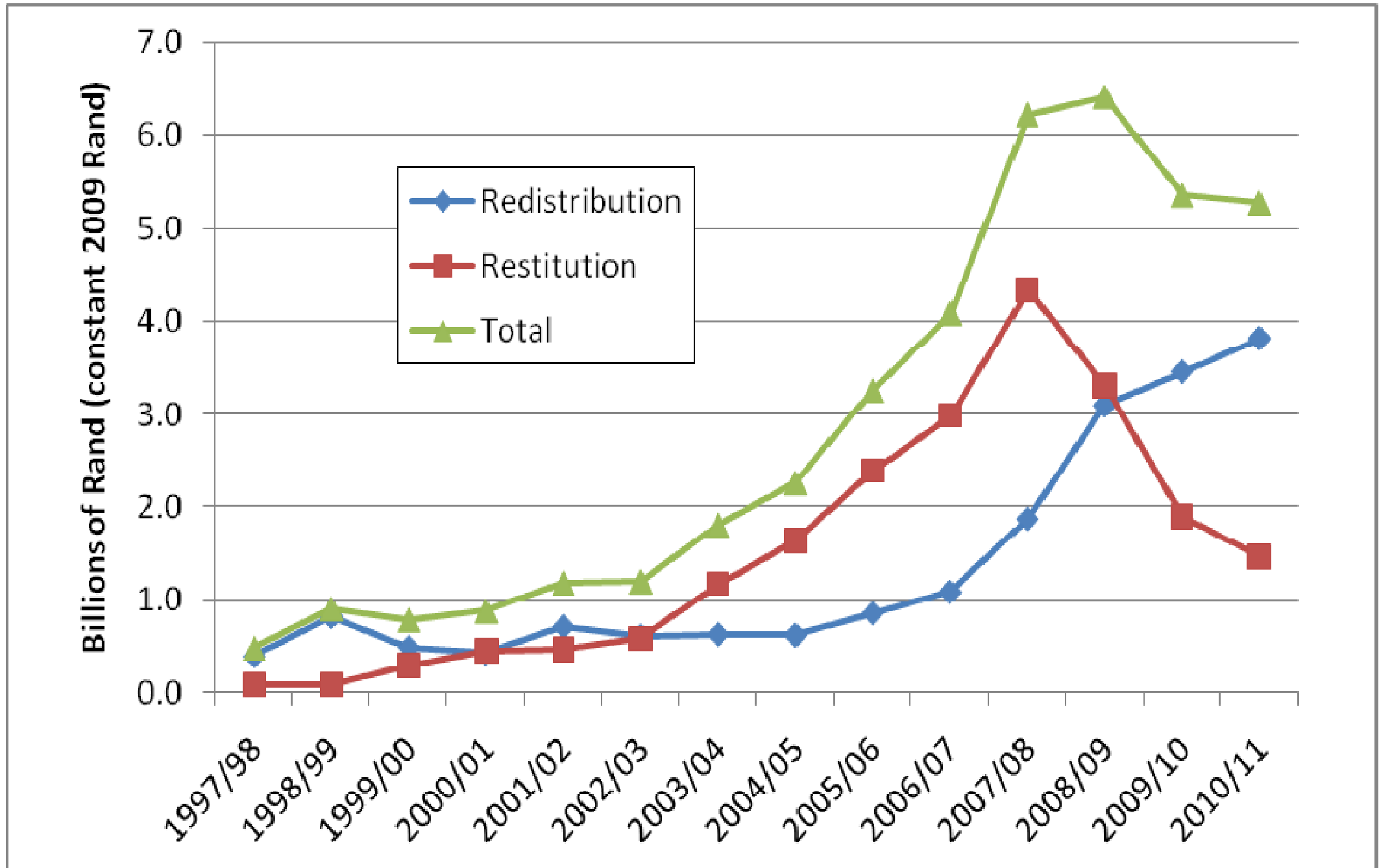


Land reform: implications

- Reduction in target for LR delivery over MTEF:
 - At this rate, will take 60 years to reach 30%.
 - Land acquisition funds now being used for project support in the form of “development grants” on state-owned land
- What is the wider strategy for state land?
 - State land purchase and disposal being pursued in parallel.
- This budget line must fund tenure reform as well as land redistribution; unclear what this now consists of.
 - Farm dwellers: the extent to which any of this funding will be for the farm dweller programme – to upgrade their tenure or get land elsewhere – is anyone’s guess. They are not mentioned.
 - Communal tenure reform: same levels as in previous years – R25 million or so. Suggests no national implementation during the MTEF. Back to the drawing board?



Land reform and restitution budget trends



Rural development: review

- A new mandate: initially no budget
 - CRDP drafted in 2009 and pilots launched in provinces
 - R250 million re-allocated from land reform budget in MTBPS as start-up funds for CRDP
- Department signalled its intention to start roll-out during 2010/11, following (a) learning from pilots and (b) policy direction in Green Paper.



Rural development: budget

- R256 million allocated this year.
 - An increase of 0.4% (ie. declining in real terms).
 - Projected to grow at an average of 3.7% over the MTEF, to R293 in 2012/13.
- How will this be allocated?
 - Most of the money (90%) will go to the national office; rest to provincial offices.
 - Of this, most will be spent on “administrative fees” – transfers to other departments?
 - Capital budget is almost zero



Rural development: implications

- Given the priority this administration has placed on rural development,, this seems a very modest allocation.
 - This level of support is unchanged from last year's medium term budget, and from previous MTEF projections
 - There are no new funds allocated.
 - This calls into question whether the Department will be able to scale up the CRDP beyond the small pilots it initiated last year.
- At the same time, the CRDP depends on funds and services from other govt depts, provinces & local govt
 - Most of the costs to be budgeted elsewhere,
 - Eg R1.2 billion for a new grant programme for on-site water and sanitation, as part of the rural housing programme and EPWP to target rural areas for short-term employment in labour-intensive sectors.



Investing in capacity

- Long-term decline in funds for staff to implement land reform and restitution
 - Current budget dipped from nearly 40% of total budget in 2000/01 to just under 14% in 2010/11.
- Land reform and rural development will need an effective team of skilled civil servants.
 - Given this Department's track record of 'vacant posts', throwing money at the problem can only be part of the solution.
 - The challenge will be to recruit and retain skilled staff, and develop new and innovative strategies.
- Food for thought: what will be needed to invest in institutional capacity (warm bodies, competent minds, functional systems) to deliver rural development and land reform?



Agricultural spending: review

- The amount of money spent by government on the agricultural sector has grown impressively since the mid-1990s
 - Even after adjusting for inflation, between 1996/97 and 2008/09, expenditure nearly trebled
- Public expenditure on agriculture now exceeds what it was prior to democracy
 - in 1985, budgets for agriculture were about R11 bn, of which R2 bn was for ‘black agriculture’ and R9 bn for ‘white agriculture’ (World Bank 1994), expressed in 2008 Rand;
 - the agriculture budget for 2009/10 was over R14 billion, of which most went to ‘black agriculture’



Agricultural spending: budget

- Budget secured for national dept of agriculture for 2010/11 is similar to 2008/09, adjusting for inflation (ie. no dramatic change; excl forestry & fisheries).
 - Provincial expenditure is more than double national
 - Ratio changed little between 2009/10 and 2010/2011
 - Salaries account for 42% of agricultural budgets overall
- Land Bank bailout:
 - The Minister announced a R2.5 billion recapitalisation of the Land Bank (unclear timing; not in this budget).
 - This comes on the back of bailouts for the Bank – which is meant to be self-financing – over the past two years.



Agricultural spending: implications

- In practice, CASP grant funding has
 - Been spent largely on farming infrastructure, with very little attention to other critical inputs and market access
 - Been skewed towards small (& declining) numbers of beneficiaries
 - Largely excluded the communal areas (the focus of the CRDP) where most black and small-scale farmers produce (Aliber & Hall 2010).
- The current model of funding for farmer development cannot feasibly be scaled up
- There is an urgent need to shift the emphasis of support from on-farm infrastructure and inputs, to community-level infrastructure, market development and institutional re-engineering, in order to provide the forms of support that in the past were used to develop the white farming sector.



Agricultural spending: implications

- What is the plan for the Land Bank? A long-term question of sustainability
 - State intervention is needed to provide affordable loans to small and disadvantaged farmers, particularly as the better-off borrow from commercial banks.
 - Equally, the Bank's problems are not only with clients' ability to repay but also longstanding issues of mismanagement.
- Lack of consensus as to underlying problems, partly owing to lack of publicly available analysis from the Bank
 - Poorly designed land reform projects?
 - Over-zealous pushing of agric credit on 'new entrants'?
 - We don't know!



Summary

- New realism:
 - Government now recognises that 30% target cannot be reached by 2014 – or anytime soon after that.
 - Must go back and fix ailing projects – and work out how to avoid repeats into the future.
- Really good news:
 - In spite of fiscal squeeze, DRDLR's budgets have emerged largely unscathed.
- Really worrying news:
 - The exception is restitution (and farm tenure and communal tenure)
 - In redistribution, there's enormous confusion as to what is going on, with rampant rumours that part or all of the redistribution programme will be put on hold in 2010/11, notwithstanding what is stated in the budget.

