

THE WITZENBERG PARTNERSHIP

November
2014



**An
initiative
for
successful
land
reform,
economic
growth,
job
creation
and social
cohesion**

EXECUTIVE SUMMARY

This document provides a guide to the details of the Witzenberg Initiative, which was launched by the community of the Witzenberg in collaboration with the Witzenberg Local Municipality. The document starts with a summary of the main points of departure that underlie the Initiative, namely the National Development Plan proposals for land reform and job creation; the municipal Integrated Development Plan; and the socio-economic realities that confront the community. This is followed by a broad discussion of the projects that make up the substantive proposals of the Initiative. Finally, the document addresses the likely consequences of success with the initiative in terms of the economic and social spill-over effects that can be expected.

The Witzenberg Local Municipality is responsible for service provision to the towns of Ceres, Tulbagh, Prince Alfred's Hamlet, Wolseley and Op-Die-Berg and to the rural areas of Warm Bokkeveld, Koue Bokkeveld, Agter-Witzenberg and the northern portion of the Breede River Valley around Tulbagh. The area is well watered and an important centre of agricultural production for export in South Africa. Agriculture and its related industries that contribute some 44% of the GGP of the area.

An Agreement has been reached between the Witzenberg Municipality, agricultural producers and other stakeholders that binds them to work together to establish successful black farmers, involve the whole community in an inclusive process, extend the initiative to other areas and other agri related activities, create the Witzenberg Centre as one-stop shop and focus on training and mentorships. The resulting Witzenberg Initiative will be implemented in accordance with the principles of the National Development Plan and the Integrated Development Plan of the Municipality.

The PALS framework represents a radical departure from past land reform in South Africa:

1. Participant commercial farmers donate 30% of the shares in the project to the beneficiary farmer(s) to ensure that the latter have a veto over all major decisions.
2. The relationship between the beneficiary and the partner farmer gives the former better access to finance, and guarantees access to markets.
3. The beneficiary farmer is indemnified from debts of the new venture while a minority shareholder.
4. The Worker Trust receives 5% of profits for community projects of their choice.
5. The beneficiaries have an option to purchase all the shares.
6. The One-Stop shop provides a physical location where the coordination, facilitation and mentoring functions can be implemented.

Most of the projects require some intermediation from the state in order for them to be implemented in the form of either permission to build or enlarge a dam, rights to acquire unused water allocations, and subdivision rights. The other projects also require one or more of a long list of other types of suspensive conditions. In addition, farmers have identified two further avenues that the state should consider in recognition of their contribution:

- Security of their current ownership rights in land and in water and other resources;
- BEE Level 4 or equivalent status in terms of the appropriate BEE Scorecard.

Finally, the potential economic spillover effects of the Initiative is analysed.

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1. Introduction

Nature has been kind to the continent of Africa in many different ways, and the town of Ceres and its surrounds are one of the outstanding jewels in the continent's crown. Blessed with a Mediterranean climate that is tempered in parts by high altitudes, the area of jurisdiction of the Witzenberg Local Municipality has the ideal climate for the production of high quality fruit, which is exported to the far reaches of the world. It is also ideal for the production of a wide variety of vegetables that serve the domestic market almost all year round. Together with the value added processes that accompany fruit and vegetable farming, these activities make up by far the largest contribution to the Gross Geographical Product (GGP) of the region. The Witzenberg Local Municipality is responsible for service provision to the towns of Ceres, Tulbagh, Prince Alfred's Hamlet, Wolseley and Op-Die-Berg and to the rural areas of Warm Bokkeveld, Koue Bokkeveld, Agter-Witzenberg and the northern portion of the Breede River Valley around Tulbagh.

However, the town has not escaped the general South African malaise of the consequences of apartheid and its predecessors, and of the current low economic rates of growth, high rates of unemployment, highly skewed distribution of income and opportunities, and a wide range of social pathologies. These threaten the future prosperity of the inhabitants of the Municipality. It is for this reason that the leading farmers of the region have come together to launch the Witzenberg Initiative, which is an initiative to ensure successful land reform, job creation and social cohesion, i.e. to implement the National Development Plan of South Africa.

The purpose of this document is to provide a guide to the details of the Witzenberg Initiative. To this end, the document starts with a summary of the main points of departure that underlie the Initiative, namely the National Development Plan proposals for land reform and job creation; the Integrated Development Plan of the Witzenberg Local Municipality; and the socio-economic realities that confront the community. This is followed by a broad discussion of the projects that make up the substantive proposals of the Initiative. Finally, the document addresses the likely consequences of success with the initiative in terms of the economic and social spill-over effects that can be expected.

2. Points of departure

2.1 The Witzenberg Partnership

The Agreement between the Witzenberg Municipality, agricultural producers and stakeholders binds them to work together to establish successful black farmers, involve the whole community in an inclusive process, extend the initiative to other areas and other agri related activities, create the Witzenberg Centre as one-stop shop and focus on training and mentorships. This resulted in a consensus document that was agreed to by the agricultural producers and the municipality and subsequently a consultative process with all role-players which took place over a period of more than 4 months.

The initiative entails approximately 50 land reform projects to date, supplemented by empowerment initiatives in the agricultural value chain as well as socio-economic projects such as training facilities, housing projects and youth programmes.

The Initiative has the support of the agricultural producers, with the Municipality leading the process. The enthusiasm from community leaders and stakeholders such as AFASA and other

black farmer associations as well as farmworker representatives is building up such a momentum that new projects are continuously being added.

The details of the consensus document, consultation process, different areas of the initiative as well as the projects are discussed in more detail later herein.

2.2 Alignment with current initiatives

It is important that the Witzenberg Initiative should be aligned with current government development policies and the realities of the market place. To this end the National Development Plan proposals on employment creation in agriculture and on land reform are presented first. This is followed by the relevant sections of the Integrated Development Plan of the Municipality.

2.2.1 The National Development Plan

Chapter 6 of the National Development Plan identifies strategies to end the dualism in South African agriculture, which distorts the spatial organisation of the country's rural areas and makes access to markets for smaller scale producers all but impossible. The Chapter addresses three sets of strategies: a) rural development and food security, b) employment creation in agriculture and related upstream and downstream industries, and c) land reform. All three are of direct interest to the Witzenberg Partnership

Employment creation in agriculture is unlikely in the absence of investment in irrigation infrastructure. South Africa does not have unused arable land that can readily be planted to dryland crops, and dryland farming is in any case not very labour using. Furthermore, it is unlikely that employment can be created by using more workers per hectare under the current *status quo* – over the past decade the opposite has been the case, as the farm labour force has been declining, from well over 1.5 million workers to about half that now. The only other solution, therefore, is to convert land to the production of more labour-intensive crops, and in practice this means to convert it to irrigation.

Land reform, as proposed in the National Development Plan, is a three step process that addresses some of the realities of land reform in South Africa. However, the NDP argues that these three steps, even if they result in successful settlement of people on the land, are possibly a necessary condition for sustainable transformation of the rural economy, but they are not sufficient. To be successful, land reform requires that the appropriate farmer support services (access to rights in land and in supply chains such as export licences; access to input and produce markets, the appropriate physical and institutional infrastructure, access to inclusive financial services and to research and extension services, etc.) should be in place *ex ante*. Without farmer support services, land reform will fail. *Ex post* provision of services such as those produced via CASP and RECAP are invariably too little and too late, and are not a substitute for the real thing.

The three steps for ensuring land access according to the NDP are as follows:

- **Step 1** is to convene an area-based Land Committee with representation by all interest groups such as Departments and agents of the State, farmer organizations, financial institutions including the Land Bank. The NDP argues that this should be set at the level of a District Municipality, and the Department of Rural Development and Land

Reform is putting in place the mechanisms to establish such Committees, but this does not mean that initiatives at a lower level of administration (a Municipality or even a ward) cannot function, as long as the Land Committee is able to coordinate all such actions. The first task of this area-based initiative is to decide on a short and long term vision for land reform in their area of jurisdiction: for example, do they want only small-scale farmers, do they want to encourage the production of any particular crop or livestock enterprise, can they identify agro-processing opportunities that are suited to their area, or what are their plans for the communal lands that may fall within their area of jurisdiction. This vision will guide their selection of prospective farmers, as is shown below. It will also ensure that there are as many options for land reform across the country as there are good and implementable ideas for land reform. Importantly, the District Committee also considers what farmer support services, from hard infrastructure to farmer support, is required in their area of jurisdiction in order to secure the success of their vision of land reform, and starts to negotiate its provision with the relevant stakeholders.

- **Step 2** is where the Committee identifies 20 per cent of the privately owned commercial farm land in their area of jurisdiction that is available for land reform. In the short term (the first year or so) this will most likely be state land, municipal commons, land already purchased for land reform but not settled, farms that are under severe financial stress and commercial farmers willing to offer land for sale, while in the longer term (around five years), other farms will be identified. The state should take the right of first refusal on such land that is privately held, and be given one year to exercise this right. The Committee then sets criteria for tenders for the beneficial use of the privately owned commercial farm land, and invites tenders that meet these criteria. It is important that this should be a transparent process, with well-reasoned criteria. The Committees will be supported by the Department of Rural Development and Land Reform or its successor institutions in this endeavour. The criteria could include factors such as the age and formal educational status of the prospective beneficiary, their farming experience, the presence of a mentor, the ‘fit’ between their business plan and the vision of the District Committee, etc. The successful tenders will immediately be put on a professionally managed performance monitoring system that will be in place for at least the first three years of their new venture.
- **Step 3** commences once the successful beneficiaries are identified. The Land Bank buys the land (where this is required, i.e. in the case of privately owned land) with money furnished by the Land Bank, and a Land Reform Mortgage Bond is registered at the Land Bank. The Land Bank gets half of the capital value as a grant from the Treasury via the Department of Rural Development and Land Reform, and then sells long term Land Reform Bonds to the value of the other half of the purchase price of farms to participating commercial farmers and to industry bodies on a voluntary basis. As will be seen below, the Bonds will have a life span of at least 40 years. These Bonds will yield only one third of the normal market return on such financial instruments (for example if ‘normal’ Land Bank bonds return 6 per cent, purchasers will receive a return of 2 per cent.) These Bonds will preferably be tradable, and any business enterprise that buys such Bonds should be eligible for ownership points on an amended AgriBEE scorecard that recognises this contribution explicitly as part of the Ownership element of the Scorecard. The State will also investigate the possibility of guaranteeing that the enterprises of participating commercial farmers become minimum Level 4 BEE contributors. At the same time IF the participating commercial

farmers agree to mentor the new farmer for three years (and if the new farmer agrees: while mentorship may be made compulsory for the new farmer by the District Committee, the new farmer should at least have some say over who is to be the mentor) and IF the mentor passes the annual performance appraisal conducted by the District Committee, then over the three years the interest they earn on their Land Reform Bonds at the Land Bank will be increased by say a half percentage point per year. Furthermore, the beneficiaries get production inputs (fertilizer, seeds, and animal health care products) as well as working capital in the form of equipment and/or animals free of charge, and get access to the land rent free for the first three years. If the farmer fails the performance appraisal in the third year, they lose their preferential access to the land. In the case that she or he passes this test in the third year, the Land Bank then registers a long term lease on the land in the name of the beneficiary, and phases a market rate of rental in over four years at 25 per cent increments per year. The Land Bank gets reimbursed for this loss of rental income by a grant from the State. In year 4 (i.e. after 7 years in total) the Land Bank may, on instruction of the District Committee, cancel the long lease on the land and transfer the mortgage bond with a length of at least 40 years to the farmer. This means that the new farmer will now either pay a normal market rental in the event that the land remains under leasehold or a normal market premium in the event that title is conferred on the new owner. From this point onwards (i.e. after seven years), the new farmer may exercise all the rights of ownership of the lease or the title deed that accrue to any farmer – they may sell, buy or hire additional land, rent out, etc. The purchasers of the Land Reform bonds, on the other hand, will receive their capital back after the mortgage has been paid off, but will not receive a market rate of interest.

In the rest of this document, the various proposals for land reform projects that fall under the Witzenberg Partnership will be weighed up against these criteria for the implementation of successful land reform. As will be seen below, there are at least four important elements of these proposals that support the National Development Plan:

- The proposal for the establishment of a training college is aligned to the principles of the NDP to train, mentor and develop the youth of Witzenberg to become commercial farmers.
- The proposals are heavily skewed towards the establishment of farming under irrigation.
- The NDP supports the deployment of established agricultural enterprises throughout the value chain in support of land reform as enabling partners, and this is exactly what the proposals envisage.
- The NDP argues that detailed plans should be tailored to local conditions.

Witzenberg Partnership is an initiative tailored to Witzenberg and will “enable a more rapid transfer of agricultural land to black beneficiaries without distorting land markets or business confidence in the agri-business sector.”

2.2.2 The Integrated Development Plan of the Witzenberg Local Municipality¹

The Witzenberg Local Municipality is responsible for service provision to the towns of Ceres, Tulbagh, Prince Alfred's Hamlet, Wolseley and Op-Die-Berg and to the rural areas of Warm Bokkeveld, Koue Bokkeveld, Agter-Witzenberg and the northern portion of the Breede River Valley around Tulbagh. The municipal area is 2851 km², and is surrounded by three mountain ranges that are often spectacularly covered in snow during the winter months. Average annual rainfall in Ceres is about 1088mm, which is considerably higher than the average for South Africa (464 mm). The area is also well served by irrigation infrastructure, with the result that the area is best known for its fruit, vegetable and wine production. The municipality has the smallest population of the 5 municipalities within the Cape Winelands District Municipality, and also has the smallest economy, which only contributes 9% to the Cape Winelands GGP. The two largest sector contributors to GGP in Witzenberg are agriculture (29.1%) and the manufacturing sector as a whole (16.2%). Because the food, beverage and tobacco sub-sector contributes 70% of total manufacturing GGP, the economy is clearly dependant on agriculture and its related industries for some 44% of the GGP.

The **vision** of the Municipality is:

“A Municipality that cares for its community, creating growth and opportunities”

And its **mission** is as follows:

The Witzenberg Municipality is committed to improve the quality of life of its community by:

- *Providing and maintaining affordable services.*
- *Promoting Social and Economic Development*
- *The effective and efficient use of available resources*
- *Effective Stakeholder and Community participation*

To this end, the Municipality recognises the key role of agriculture and of land reform in its area of jurisdiction in terms of its Key Performance Areas, and its Integrated Development Plan is aligned with:

1. The Medium Term Strategic Framework (MTSF), whose base document is meant to guide planning and resource allocation across all the spheres of government;
2. The National Spatial Development Perspective (NSDP), which provides a framework for deliberating the future development of the national space economy and is supplemented by Provincial and District level plans; and
3. With the NDP.

In response to these national initiatives, the Witzenberg Local Municipality has changed the focus of the municipal Local Economic Development strategy to focus more on economic growth through infrastructure development, municipal procurement, international (national and provincial) investment opportunities and partnerships. To this end, the strategy aims to partner with the local business community to build on the natural resources of the area, largely but not entirely in the agricultural sector, in order to stimulate key industries, with nature-based and health-focussed tourism at the forefront.

¹ Most of this discussion has been extracted from the IDP 2012-2017

2.3 Agricultural production

Agriculture's contribution to the Western Cape economy is not much above its national contribution, i.e. in the vicinity of 3% per year². However, it plays an important role over and above its direct GDP contribution through its contribution to employment, its contribution to export earnings, and its ability for counter-cyclical growth, at least in recent years: agriculture in the Cape Winelands District grew by 4.8% per year during the recession years 2008/09 when the rest of the economy was performing poorly. In addition, agriculture makes a far larger contribution to the GGP of the non-metro regions of the Province: more than 10% in the Cape Winelands, West Coast and Overberg District Municipalities and more than 5% in the Eden and Central Karoo District Municipalities. Manufacturing makes up more than 15% of the GGP in all of the District Municipalities in the Western Cape (excepting the Central Karoo) but manufacturing is largely in the Food and Beverages subsector in the non-metro municipalities.

The economy of the Cape Winelands region has grown at a rate of 3.9% per year from 2000 to 2011, which is lower than the total Western Cape economy (4.1%). Within the Cape Winelands District Municipality, growth in agriculture in the Witzenberg Municipality was higher than in any of the other municipal areas, even though it was a slow 0.8% per year. This was enough to expand agricultural GGP by more than a third between 2000 and 2011.

Blessed with a unique climate, the agriculture of the area sustains up to almost a third of South Africa's production and exports of apples, more than a third of the production and exports of pears, and above 50% of the production of nectarines³. Table 1 shows the proportion of trees, of the hectares planted as well as the value of production for apples, pears and nectarines. These fruit types deliver an annual gross production value of well over R2bn and foreign exchange earnings of R1.5bn. Farmers in the area also produce copious quantities of apricots, peaches and plums, while vegetable production (onions at 22% of the national total in 2013, potatoes, butternuts, tomatoes, etc.) is also significant.

Table 1: The share in national aggregates of major fruit types from Ceres, 2013

	Apples	Pears	Nectarines
Trees	31%	36%	50%
Hectares	29%	38%	40%
Production value	R1.455bn	R747m	R69m

2.4 Socio-economic circumstances

Witzenberg's population was 115 946 in 2011 and a projected 122 763 in 2013, with an annual growth rate of a high 3.3% between 2001 and 2011⁴. The age profile of the population compares well with that of South Africa as a whole, with some 30% of the people younger than 15 and 4.2% over 65. The literacy rate of 75.5% is lower than the national average of 80.9%, as can be expected from a relatively large rural population (45% of the region's

² Data in this and the following paragraph were sourced from: *Western Cape Government, 2013. Municipal economic review and outlook. Cape Town, Provincial Treasury*. The data originate from Quantec Research's Regional data base.

³ Data in this paragraph sourced from *Hortgro, Key Deciduous Fruit Statistics, 2013. Paarl, Hortgro*

⁴ Data in this paragraph sourced from: *Witzenberg Municipality: Consolidated Provincial Joint Planning Initiative (JPI) report, September/October 2014. Cape Town, Western Cape Provincial Government*. Note that StatsSA gives a lower 2.64% growth rate (http://beta2.statssa.gov.za/?page_id=993&id=witzenberg-municipality)

population lives in non-urban areas). The Gini coefficient of income distribution is 0.59, which means that income is highly skewed, but not to the same extent as South Africa as a whole, where the Gini is 0.65 in the World Bank’s estimation.

Population growth is very high by Western Cape and national standards, but is no doubt largely because of the in-migration of people who hope to find employment – and, given the ubiquity of agriculture and their general lack of skills, this is largely a search for employment as seasonal farm workers. This is expected to skew the demographics of the community somewhat. In this regard, Figure 1 shows the levels of education of the whole population (or at least of those who responded to the relevant Population Census questions) by place of abode.

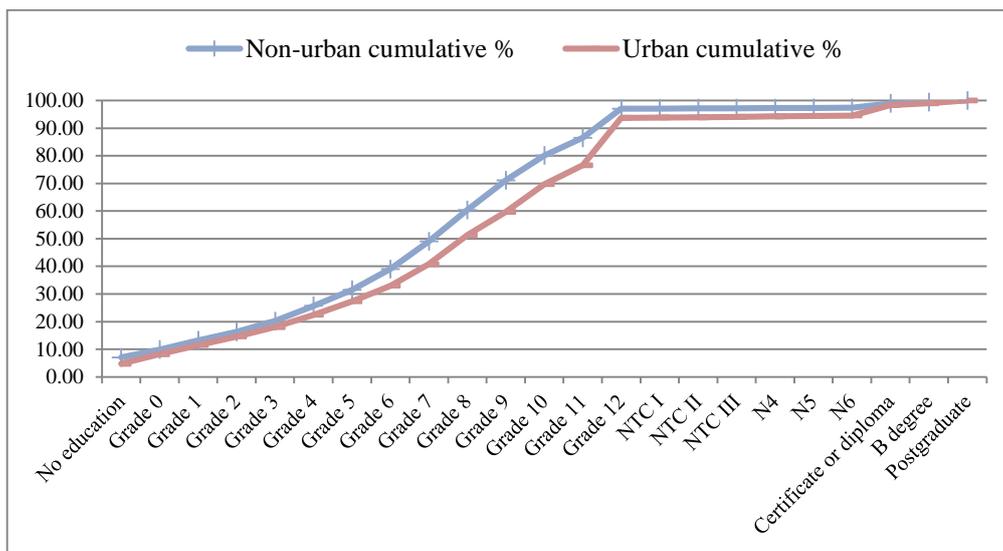


Figure 1: Cumulative percentages by level of education for the urban and non-urban population, 2010

The data show that a greater proportion of the rural population has achieved each level of education than has the urban population, which is unusual, but reflects the relative sophistication of the farming sector in the Witzenberg area.

Second, while employment and wage data are not available for all farms in the district, the Workplace Skills returns from farmers who are members of the Koue Bokkeveld Training Centre show that employment on these farms actually increased from 25 311 to 26 847 between 2013 and 2014, despite the large increase in the minimum wage in 2012. The reason is clear, as these data also show that at least these farmers pay all of their permanent workers and many of the seasonal workers above the minimum wage. While the standards differ between farms, it is well known that permanent workers are also provided with housing, utilities, recreational facilities, etc., on farms in the outlying areas, and increasingly in town for those closer to areas of higher population density.

A third indication of the socio-economic status of the area is provided by the levels of employment⁵. Here the story is even more positive. With an unemployment rate of only 7.6%

⁵ Data in this and the following paragraphs were sourced largely from: *Western Cape Government, 2013. Municipal economic review and outlook. Cape Town, Provincial Treasury.* The data originate from Quantec Research’s Regional data base.

in 2011, the Witzenberg region is far ahead of the Western Cape, where narrow unemployment was 21.6%. Table 2 shows that the employment rate of household heads was even higher – all but 3.88% of household heads were employed, while less than 1% were discouraged from seeking work. Here the rural-urban differences are also marked: there was virtually no unemployment among household heads in the non-urban areas.

Table 2: Employment amongst household heads in Witzenberg, 2010

	Non-urban	%	Urban	%	Total	%
Employed	9806	86.99	10007	62.07	19813	72.32
Unemployed	82	0.73	982	6.09	1064	3.88
Discouraged work-seeker	9	0.08	220	1.36	229	0.84
Not economically active	1376	12.21	4914	30.48	6290	22.96
	11273	100.00	16123	100.00	27396	100.00

In summary, the Witzenberg Municipality spans an area whose economy is dominated by irrigation agriculture (mostly apples and pears, and vegetables) and the processing of these farm products. While the economy is slowly diversifying away from agriculture, the sector is still responsible for virtually all of the exports from the region, and is its largest single employer. Furthermore, the region is the recipient of large-scale in-migration, and displays many of the social pathologies that are found throughout South Africa. Strangely, there seems to be a degree of pessimism about the future prosperity of the area, but this is largely because the most recent data on economic performance are from 2011: agriculture, and especially the horticultural sector, has grown more rapidly in the past three years than almost any other period in history. Gross farm income in South Africa as a whole has increased from R141bn in 2010/11 to R183bn in 2012/13, while for the horticultural sector the increase was in the order of R10bn, i.e. from R36.2bn to R46.5bn, a large portion of this from the Witzenberg.

3. The Witzenberg Initiative

At the time of the writing of this report (December 2014), the Witzenberg Initiative consisted of more than 50 projects that entail 4 000 hectares of fruit trees, and represent an investment of some R1.3bn. In this section, the goals underlying the Witzenberg Partnership are first stated, followed by the proposal for a Witzenberg Centre. Then the vexing question of how to judge whether a land reform project is successful is addressed. Finally, the proposed institutional (legal and contractual) arrangements for the different types of projects are described.

3.1 The goals of the Witzenberg Partnership

Representatives of agricultural producers in the Witzenberg Local Municipality agreed on 19 August 2014 in a consensus document that:

1. Their joint goal was to establish successful black farmers in Witzenberg as well as other areas of South Africa where they may be involved.
2. They accept the Partnerships in Agricultural Land Solutions (PALS), which has been developed in line with the principles of National Development Plan, as the framework for the planning of projects.
3. Subject to the fulfilment of certain conditions, they bind themselves to the goal to transfer the majority shareholding in PALS projects to black shareholders.

4. Their aim is to involve the whole community of Witzenberg in an inclusive process which benefits the region and the whole community.
5. They agree that the initiative will be implemented in all the regions of Witzenberg as well as other districts where they may be involved, and that it can be extended to other agri-related institutions/activities.
6. They will set up management and oversight structures to take the initiative further.
7. They will create the Witzenberg Centre in the town of Ceres, which will serve as a “One-stop shop” that performs important supporting functions for the Initiative (see below).
8. An inclusive consultation process should be followed with community stakeholders, black farmers, state agencies, unions, farm workers, etc.⁶

3.2 The Witzenberg Centre

The Witzenberg Centre is a key part of the strategy. In line with the proposals of the NDP, it is envisaged that a Local Land Committee (LLC) will be established, with representation from the Municipality, commercial farmers, black farmers, the various project teams, State Departments (Agriculture, Rural Development and Land Reform, Water Affairs), financial institutions (Land Bank, commercial banks), and the Land Reform for Agricultural Development (LRAD) Trusts. The LLC will meet regularly (monthly) to decide on matters such as new water permits, new projects, evaluation of new applicants for participation in the projects, and to monitor the implementation and management of projects and of mentorship arrangements, as required in terms of the NDP.

To this end, the Witzenberg Partnership envisages the establishment of an office in the town of Ceres, which will act as a One-Stop venue for everyone involved in the Witzenberg Initiative (Figure 2). The main functions of the Centre will be coordination, facilitation and implementation of the core business of the land reform projects. Apart from the support to the LLC, the Centre will also take responsibility for:

- Public relations (liaison with the press, organisation of press visits, connecting them to the different stakeholders)
- Providing information to interested parties;
- Dealing with requests from farmers and farm workers for training, and with the placement of graduates in jobs; etc.
- Facilitating requests from applicants in respect of entry into the training college and projects.
- Maintaining a database regarding farmworker housing, etc.

⁶ This has already been put in motion, with singular success

Projects	Public relations and media	Water	Monitoring	Training and farmer support	Access to finance	Potential black farmers	Community
<ul style="list-style-type: none"> • Planning • Approval • Implementation support 	Liaison with role players, state agencies, banks, media and producers	<ul style="list-style-type: none"> • Facilitating access to new water sources • Department Water Affairs a key role player 	<ul style="list-style-type: none"> • Annual confirmation that conditions and targets are met • Representation from State Departments and agencies 	<ul style="list-style-type: none"> • Training facility • Schools and youth projects • Support current black farmers 	<ul style="list-style-type: none"> • Water schemes • Banks • Government (Land Bank) • International • Supermarkets • Market agents • Input suppliers 	<ul style="list-style-type: none"> • Training • Selection • Approval • Placement 	<ul style="list-style-type: none"> • Housing • Training • Youth • Job opportunities

Figure 2: Key functions of the Witzenberg Partnership Central Office

3.3 When is a land reform project successful?

While land reform is recognised as important to South Africa for a host of reasons (redress, fairness, stability, economic growth, etc.) there is little consensus around the criteria for success of land reform projects. At the national level, the target of 30% of land owned by commercial white farmers to be redistributed to black farmers by 2014 was adopted as formal government policy for a time (between 1999 and somewhere around 2010). Yet even when this target was abandoned, there was little recognition of the damage caused by its adoption:

1. First, it did not provide succour to the supposed beneficiaries of land reform: not many people in this country can seriously believe that the achievement of the 30% target would spell the end of government intervention in the land market.
2. Second, there can't be many people left in the country who still think that this was a realistic target given the redistribution policies that were adopted (something that became clear well before 2014 arrived). The result has been to create uncertainty amongst commercial farmers, which has negatively affected investor sentiments.
3. Third, it was always obvious that the target of 30% would become a ceiling, given the structure of government. Because the Department of Rural Development and Land Reform (and its predecessors) operates on a provincial basis, but not as a provincial competence, there is no incentive for bureaucrats to go above the target in any specific region, despite the fact that land reform is more difficult in certain areas.
4. Fourth, it took the attention away from farmers and farming conditions in the former homelands, and resulted in the withdrawal of virtually all farmer support services in these areas.
5. Fifth, recognition that it was not possible to achieve the target shifted attention to the restitution programme, and to encouraging beneficiaries of restitution to opt for land instead of cash as restitution. As a result, thousands of people who have no interest in farming, and very little knowledge of farming, find themselves being coerced into becoming farmers.
6. Sixth, and most damagingly, land reform became a process of chasing hectares with little debate on what constituted a successful land reform project. This, unfortunately, still seems to be the case.

The question therefore remains: when is a land reform project successful? The answer is important to both the design of land reform projects and to the timing, nature and scope of state intervention in these projects. To this end, there are at least five classes of objectives that have been used to rate the "success" of land reform beyond the mere number of hectares redistributed:

1. **People-centred criteria** such as the creation of sustainable and sufficient livelihoods for the beneficiaries, the transfer of skills, the creation of new employment opportunities, and improving the Human Development Index (HDI) performance of the target population;
2. **Production-centred criteria** such as meeting agreed upon production targets; meeting criteria of financial success such as the Internal Rate of Return (IRR), meeting agreed upon benefit/cost ratios, meeting water use efficiency criteria, and meeting targets in terms of numbers of hectares;
3. **Externally imposed criteria** such as scoring sufficiently on the individual and collective elements of the relevant BEE scorecard, meeting export status in terms of sanitary and phytosanitary standards (SPS), meeting private standards such as

Fairtrade and GlobalGAP, and meeting standards adopted by the various industries within the agricultural sector such as the WineBEE Charter, Integrated Production of Wine (IPW), Integrated Fruit Production, etc.;

4. **Criteria for the establishment of ownership and real rights**, i.e. the project should result in the gaining of real rights in property, in water, in market access, etc. and hence in the empowerment of people;
5. Criteria of **environmental sustainability**.

The principals of the Witzenberg Initiative recognize that there is no obvious choice of a “best” criterion or set of criteria to measure the success of land reform projects. In fact, it seems evident that the type of project will largely influence the choice of the most appropriate criterion. To this end, the Initiative consists of the following project types:

1. Existing (LRAD) projects that need attention in the form of rehabilitation, upgrading, and/or recapitalisation. Such projects are unlikely to add to the number of hectares redistributed, but could be evaluated in terms of most of the other criteria;
2. Greenfields projects where all resources (water, land) are present and accessible. There is a tendency to emphasise either people-centred or production-centred criteria for such projects, but it is evident that any of the above could be used here;
3. Greenfields projects where certain suspensive conditions have to be met, such as additional water rights or water storage (dam) permits are required. There is an obvious bias towards measuring success in terms of real rights gained, but again, the other criteria could as readily be used;
4. Expansion of existing farming businesses or existing land reform (LRAD) projects. There is a temptation to consider these projects as primarily aimed at increasing the number of hectares redistributed, but the other criteria are as important;
5. Projects that focus on other upstream and downstream elements of the value chain. Here the temptation is to use standard business criteria (ratios of financial success, meeting externally imposed criteria);
6. Projects that are aimed at alleviating socio-economic pathologies, such as the provision of housing, schools, pension funds, etc.

It would be convenient if a single criterion of success, or at least class of criteria could be associated with each project type. Not only is this not possible, but the problem is compounded by the fact that these objectives are not necessarily mutually reinforcing: pursuit of hectares, or of financial sustainability, for example, does not guarantee environmental sustainability, or even improved livelihoods for the beneficiaries, as the past 20 years have shown. To this end, it is the position of the participants and stakeholders in the Witzenberg Initiative that the proper criterion for success of a particular project that makes up part of the initiative (see below) should be any option that falls under one of the main classes of measure discussed above. However, this should be tempered by the condition that pursuit of one of these objectives cannot be to the substantial detriment of any of the other criteria, where “substantial” will be interpreted within the context of a specific project by the stakeholders in that project.

3.4 The PALS proposal

The farming community in the Witzenberg have proposed that a Land Management Committee be established in order to implement a pilot land reform project as envisaged by the National Development Plan. Given the nature of the community, the emphasis will be on

land redistribution rather than restitution or tenure reform (except, naturally, to the extent that these supplement land redistribution). To this end, preparatory work has been done in liaison and discussion with the Local Municipality and with other stakeholder groups (farm workers, representatives of current and prospective farmers and farming communities) in order to ensure that all stakeholders have sufficient voice in the process. These preliminary steps have resulted in the PALS framework, put forward by the existing commercial farmers. The elements of the plan include the following:

1. The establishment of approximately 40 – 50 new farming units in Witzenberg and other areas within the PALS framework. More than 4000 hectares of irrigated agriculture with successful black commercial farmers on these units after 10 – 15 years.
2. Implementation of a strategy to make existing black farmers successful by assessment within 3 months, partnering with a commercial entity, providing mentorship and other types of assistance to upcoming farmers.
3. Further improving or restructuring current LRAD projects.
4. Implementing projects with livestock and educational projects in the Ceres Karoo.
5. Establishing a Training College for black farmers (Ceres) and artisans (Wolseley).
6. Providing priority access to the value chain for black farmers.
7. Providing housing for farm workers and providing security of tenure on privately owned land.
8. Implementing community projects such as food gardens at schools and near residential areas.
9. Investing in municipal livestock farms at Nduli and Tulbagh.
10. Initiating educational projects – schools, crèches, after-care and youth programs.
11. Initiating economic growth projects such as the Ceres Rail Company (CRC), packhouses, tourism, manufacturing, etc.
12. Ceres Community Trust – educational projects for youth, women and students (to receive percentage of profits from CRC).
13. Making available 9 ha of land owned by the agricultural society for training and sport facilities.
14. Striving towards best practices regarding housing, facilities, labour relations and a sustainable healthy environment

As argued above, the PALS framework consists of four types of land reform projects, namely:

1. Existing (LRAD) projects;
2. Greenfields projects where all resources (water, land) are present and accessible;
3. Greenfields projects where certain suspensive conditions have to be met;
4. Expansion of existing farming businesses or existing land reform (LRAD) projects.

The basic model can be summarized in the following steps, with reference to Figure 3. There are naturally variants of this model to suit the circumstances of the four types of projects identified above:

1. A sustainable agricultural unit is identified (it can be one farm, several farms or a portion of a larger farm). The farm is registered in the name of the new company (New Farm (Pty) Ltd), which owns the property and also develops the unit to make it a commercial farming unit.

2. The shareholding of the new company is divided between a commercial partner (Commercial Farmers (Pty) Ltd), potential model black farmers (Black Farmers (Pty) Ltd) and a workers' trust.
3. The business plan for the first 10 years of operation of the farm will be based on existing norms in the industry and the experience of the mentor. During or after this 10 year period the group of potential model black farmers can purchase more shares in the company in order to become the majority shareholder. An option to purchase the shares of the commercial partner is therefore granted to the black farmers on day one. This option can be exercised as soon as the project is regarded as successful.
4. The PALS plan can be implemented without government funding, but in instances where ownership of the farming unit is to be transferred or forms part of a larger existing farm, approval for subdivision in terms of Act 126 of 1993 will be required.
5. Should government be required to render assistance in the form of water permits, finance or consent for subdivision, the value added to the project can be calculated. This value can be used as collateral by Black Farmers (Pty) Ltd to procure more shares.
6. PALS projects can be structured in such a manner that an Annual Report and audited financial statements are furnished to the Department of Rural Development and Land Reform. This will ease the task of monitoring the projects.
7. The Workers Trust decides on how to use the money, subject to the fact that it has to benefit the whole community

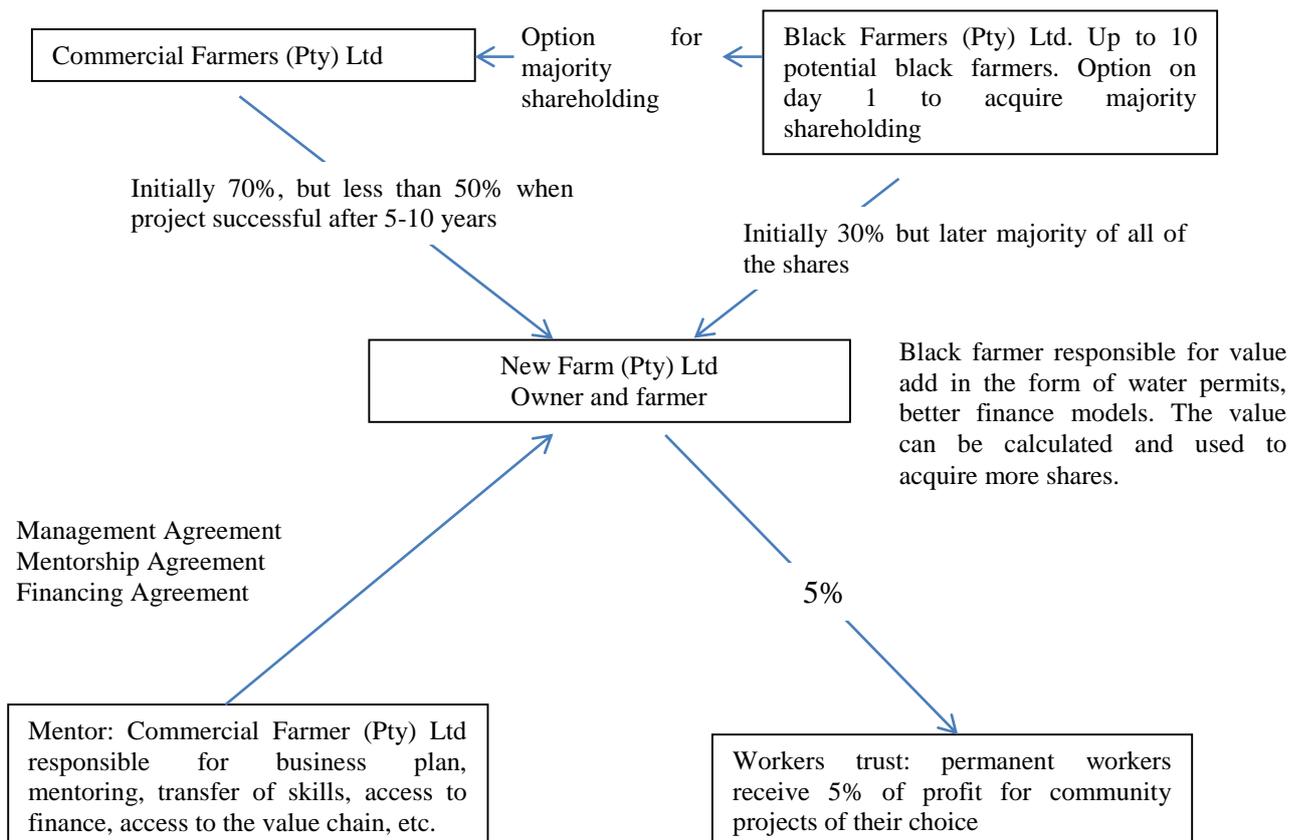


Figure 3: The generic shape of the PALS proposal

3.5 How does PALS differ from land reform in the past?

The proposals illustrated in Figure 3 represent a radical departure from past land reform in South Africa, in a number of different ways:

1. The commercial farmers who participate in the project must be willing to donate 30% of the shares in the project to the beneficiary farmer(s). The reason for this proportion is simply that a shareholding of 25% plus one gives the beneficiary a veto over all major decisions taken on behalf of the company, i.e. it is an important first step to real empowerment.
2. The relationship between the beneficiary and the partner farmer gives the former better access to finance, and guarantees access to markets.
3. The beneficiary farmer is indemnified from debts incurred by the new venture while s/he remains a minority shareholder.
4. The Worker Trust will receive 5% of the profits of the new venture for spending on community projects of their choice, as long as this benefits the entire community.
5. The beneficiaries have the option to purchase all the shares, while the partner farmer will end with less than half the shares as soon as the project shows that it is successful.
6. The One-Stop shop provides a physical location where the coordination, facilitation and mentoring functions can be implemented.

Is this a model for the rest of South Africa? No, because it has been tailored to meet the specific needs of the Witzenberg community. In this sense, it is a true embodiment of the principles of the National Development Plan.

3.6 The individual projects

The number of projects that are envisaged to be included in the Witzenberg Initiative keeps growing. In the Appendix to this report, a short overview is provided of each of the projects. This is a living document, and will be kept updated on a continuous basis.

3.5.1 Suspensive conditions

Most of the projects that have been proposed under the Witzenberg Initiative require some intermediation from the state in order for them to be implemented. The suspensive conditions for the various projects make up a long list, but it is a list of practical services and support that it required from the relevant authorities. Most of the projects identified thus far require one or a combination of the first three of these conditions, while among the rest of the projects one or more of the rest of the list is required. It is also evident that, were some of these conditions to be met (e.g. the building of a pipeline) it would result in even more projects being offered to the consortium.

- Permission to enlarge a dam.
- The acquisition of rights to unused water allocations
- Permission to subdivide a title deed
- The allocation of water rights
- The building of a new pipeline
- Permission to transfer water from one property to another
- Assistance from Public Works in making land available for development

- Assistance from the Land Bank in purchase of property
- Assistance from the Department of Water Affairs to build dams and create an efficient irrigation system
- Assistance from the Department of Water Affairs to upgrade an irrigation system
- A subsidy from the state to subsidise lifting of dam wall
- Assistance from the Department of Rural Development and Land Reform to reduce the number of beneficiaries in a worker trust, who have either passed away or would like to sell their rights
- Financial support and approval of the piping of existing water
- Affirmation of legal status of current dams
- Permission to build a water pipeline or water duct

3.5.2 What is the quid pro quo?

The National Development Plan argues that farmers who commit substantial resources to land reform should be entitled to favour from the state, and goes on to provide examples of such favours: indemnity from further land reform (for example, in the event of a restitution claim, successful claimants should be given the options of cash payment or alternative land only), guaranteed BEE status, and tax breaks. In the initial design of the constituent projects of the Witzenberg initiative, participants have identified two potential avenues that the state should consider:

- Some kind of recognition of their contribution in a manner that secures their ownership rights in land and in water and other resources;
- BEE Level 4 or equivalent status for the firm in terms of the appropriate BEE Scorecard.

These proposals should be discussed further, based on the principles enshrined in the National Development Plan and given the large investments in land development and mentorship that commercial farmers are prepared to make – it has been calculated to be in the order of R350 000 per hectare, and a total of R1.2bn for the projects identified thus far.

4. The economic multiplier effects of new investments

It is not possible to model the economy of Municipalities in South Africa because of the general lack of local level economic data. Nevertheless, it is possible to make a qualitative assessment of the likely impacts of the successful implementation of the Witzenberg Initiative. The PALS projects have several advantages and should bring large benefits for Witzenberg.

Some of these benefits are:

1. Job creation, including permanent and seasonal on-farm jobs, as well as those in upstream and downstream industries;
2. Extra water and security of water usage as provided for in the NDP;
3. Production of food and contribution to food security;
4. Expansion of Witzenberg's agricultural sector through land reform projects which will grow and support the economy;

5. Guarantee of success by involvement of experienced mentors who undertake to assist black farmers to become model black farmers/owners of land;
6. Risk mitigation, as the projects are distributed over the entire area, with experienced commercial producers as partner.
7. It will be a catalyst for investment in the Witzenberg area.
8. It can be implemented without significant additional Government subsidies and will lighten the burden of Government departments to monitor and support farming projects via the Witzenberg Centre.
9. It will be the ultimate example to the rest of South Africa of how a community should take hands with their local government and expedite land reform to create growth and harmony.

These benefits are summarised in Table 3.

Table 3: A matrix of potential project contributions

	Existing (LRAD) projects	Greenfields projects where all resources (water, land) are present and accessible	Greenfields projects where suspensive conditions are present (e.g. water rights)	Expansion of existing farms or existing LRAD projects	Projects that focus on other elements of the value chain	Projects that are aimed at alleviating socio-economic pathologies
Social benefit	+/-	+/-	+/-	+/-	+/-	+
Economic benefit	+/-	+	+	+	+	-
Rights	+/-	+	+	+/-	+/-	+/-
Environmental sustainability	+	+	-	-	N/A	+/-

Note: Each of the six project types across the columns are “scored” in terms of the prospect of success measures by each of the criteria in the rows. Scores are as follows:

+ means that there will be benefit if implementation follows the guidelines.

+/- means that there may be benefit if this is included in the planning

- means that there is a serious possibility of damage unless mitigation steps are implemented

N/A means that it is not applicable

5. Conclusion

Land reform should be about improving the lives and livelihoods of people in South Africa in a way that reduces the dualism between black and white farmers, and between commercial and small scale farming systems. Instead, in South Africa, land reform has become about land, as if chasing hectares will ever be sufficient for solving the land question that we inherited from our apartheid past.

The land reform proposals of the National Development Plan encourage local solutions to local problems. The Witzenberg Initiative is one such local initiative that takes account of the unique features of the area. As one of the most important agricultural areas in the country, where some 44% of the region’s GDP emanates directly or indirectly from agriculture, land reform is a serious matter, and key to the future prosperity of the local population. It is for this reason that the Witzenberg Partnership between all the major stakeholders involved in the agricultural sector, from the state, the private sector and community organisations deserves to be taken seriously.

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