

Press Release

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South African Institute of Race Relations

The power of ideas

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A profound danger for SA's economic future

Any renewed effort in the National Assembly to begin the process of introducing a regime of expropriation without compensation represents a profound danger for South Africa's economic future.

The Economic Freedom Fighters (EFF) has reportedly resolved to table a motion blaming Section 25 of the Constitution (the 'property clause') for the failure of land reform, and proposing that a parliamentary committee amend the constitution to permit expropriation of property without the obligation to pay compensation. Its resolution purportedly recommends a new land tenure system – which would include the 'necessity of the state being a custodian of all South African land'.

This resolution rests on a flawed diagnosis of the problems facing South Africa's land reform efforts, and proposes reckless and counterproductive responses.

First, its evidence is questionable. While the land reform programme is not performing well, the figures it purports to draw from the land audit – 'black people own less than 2% of rural land, and less than 7% of urban land' ('black' refers to African) – are incorrect. These numbers refer only to those properties that are registered and held by individual owners. The audit was unable to assign racial identity to around two thirds of South African land, a substantial portion being state or 'state trust' land.

Agri-SA's study of the country's farmland found that some 46% of agricultural potential – land with fertile soil and good water, mostly in the eastern parts of the country – were in the hands of government and historically disadvantaged individuals.

Second, there is little credible evidence that the obligation to pay compensation has been a significant obstacle. This suggestion was rejected by Government's own commission into the impact of transformative legislation, chaired by former president Kgalema Motlanthe. It noted that 'other constraints, including increasing evidence of corruption by officials, the diversion of the land reform budget to elites, lack of political will, and lack of training and capacity have proved more serious stumbling blocks to land reform.'

Third, far from hindering South Africa's land reform efforts, the Constitution affords the state considerable latitude in achieving these goals. As the eminent agricultural economist, the late Dr Hans Binswanger-Mkhize, wrote: 'This constitutional and policy framework is one of the most favourable in the world for successfully and rapidly implementing land reform.'

Fourth, attacking Section 25 would undermine property rights across the board. All property would be vulnerable to an intrusive state: mines, factories, houses, artworks. The poor could be especially hard hit – there are numerous examples across the world of poor people with weak property rights being deprived of their holdings in the name of 'development'.

Fifth, the resolution suggests what amounts to the wholesale nationalisation of South Africa's land resources. It should be understood that under state 'custodianship' no one would really own anything. Everything would be at the mercy of the state.

Sixth, this resolution avoids reference to economic considerations. Expropriation without Compensation – as officials in the banking industry have warned – will undermine the capital base of agriculture. The heightened risks are likely to make financial institutions exit the sector. Government cannot match these financing requirements (farm debt now stands at over R160 billion).

This implies a predictable inability to sustain production. The damage would not be limited to job losses, declining taxes and export receipts, and the disruption of value chains. It would likely prove destabilising to the country as food price inflation takes off, compromising food security.

It would also show that President Ramaphosa's promises of improved economic management have little substance. It is unlikely that South Africa would be able to avoid further downgrades or be able to attract much investment. Our own interactions with businesspeople – foreign and domestic – have shown that this debate is already inflicting damage on the economy.

The IRR believes that the success of land reform policy should be measured by the extent to which it improves the lives of its beneficiaries, and enhances the economy as whole. South Africa needs a rejuvenated land reform programme that incentivises investment, encourages the entrepreneurial spirit and gives new entrants the keys to success – support, financing and title to their land. This would be a decisive turn away from the abuses of our past.

Ends.