

# FINANCE MATTERS

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Wealth

## Land expropriation is critical for SA's future – by Kevin Lings (Chief Economist, Stanlib).

Land redistribution is a critical and sensitive issue in South Africa, with wide implications for the social, economic and political performance of the country, demanding Government's urgent attention. With an election looming in 2019, the land issue is likely to generate heated political rhetoric for many months. Alarming though this will be for investors, STANLIB sees no signs that the ANC is contemplating a chaotic and indiscriminate land redistribution process.

The lack of progress in resolving demand for land ownership, especially in recent years, has contributed to a growing urgency to find solutions. Those solutions have to satisfy the needs of the population as a whole while still encouraging international and domestic investment. Not an easy task.

Although much discussion has focused on agricultural land ownership, the policy debate is systematically shifting towards redistribution of urban land, for two key reasons. The first is that some surveys have shown that few people, especially younger people, want to farm. If they do, there is a lot of land and support potentially available. The second is that the rate of urbanisation remains relatively high, leading to increasing pressure on the large cities to provide a viable long-term urban development solution.

These pressures are being aggravated by the lack of progress in resolving the thousands of outstanding land claims, partly because land claims court has ceased to function effectively and that government lacks the necessary funds.

This does not mean that the land claims process should be discarded. There are still legitimate unresolved claims and South Africa needs to encourage aspirant farmers. The existing farming population is ageing and the numbers are shrinking. There is a risk that South Africa may lose its longstanding self-sufficiency in agricultural production, to the detriment of the economy, unless this trend is reversed.

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## Facts about land



An equally important priority is to accommodate people who are already urbanised. Access to urban land is linked to job opportunities. Resolving this issue will require a more holistic approach than repeating the land claims process. It generates other challenges, such as extending services and finding ways that people can pay for those services.

If these issues are addressed, the benefits would be significant. Owners of urban land could use it as collateral for loans to improve the land or for education.

We believe the discussion within the ANC about Section 25 of the constitution to allow for expropriation without compensation is unlikely to result in any rush to change the constitution. The constitution already allows for expropriation at fair compensation, which the courts have decided is a market-related price. The ANC is likely to seek a more precise definition of that price. What is not being considered is indiscriminate expropriation without compensation or that land ownership should revert to the state. An important aspect of widening ownership would be through granting title deeds, and that seems to be where the ANC is leaning. Many people have lived in historical townships such as Soweto for decades but still do not own their houses. There are also many people living in areas that began as informal settlements but have now become permanent, such as Diepsloot, who might qualify for ownership. Of course that has to be managed so there is no rapid and unmanageable urbanisation.

Another area of opportunity would be to redistribute vacant or unoccupied land, such as inner-city buildings where the owners cannot be found or there are significant rates arrears. Municipalities may

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own vacant land which could be used for residential purposes, but it has to be serviced. Farmworkers living on farms, in areas set aside for housing rather than production, could also be given title with certain conditions, such as that they can only sell to other farmworkers.

These forms of redistribution could be accompanied by specialised financing available only to young black people. It could have delayed repayment terms and favourable interest rates.

A land summit, which the ANC has raised, would be a useful forum to generate reliable data on land ownership and availability and share ideas on how to tackle the issue, looking at the experience of other countries. It could also look at voluntary land transfers, for example some big businesses could put unused land holdings into a pool for redistribution, perhaps to earn BEE credits.

Ultimately, the essential requirement for making a difference to people's lives is rapid economic growth, which generates jobs. It is very difficult to solve the land redistribution issue in a stagnant economy.

## Facts about farmers

It has become harder to farm successfully because of changing weather patterns and fluctuating commodity prices and currencies. The costs of commercial farming are significant, from seeds to pesticides, fertilisers and equipment causing many farmers to fail.

**32 000** Commercial farmers currently in South Africa

**62** Average age of a commercial farmer

**10 000 - 13 000**  
Farms for sale at any time



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