Prospects for Land Expropriation without Compensation

Bundu Lodge

Mbombela

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Theo Venter

Policy Specialist

theo.venter@nwu.ac.za

@theo_venter

Outline

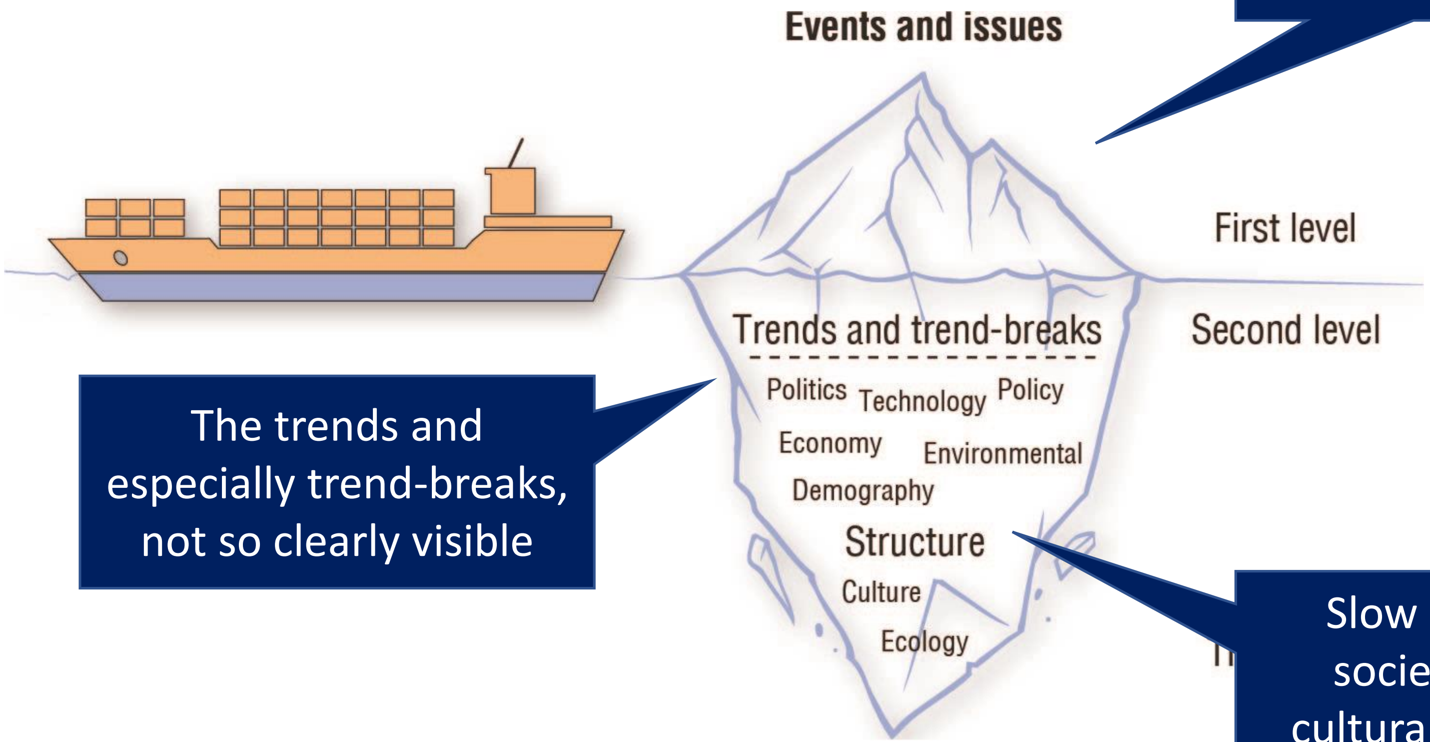
- The current political climate
- Expropriation without Compensation – a proxy for a divided ANC?
- Global perspectives
- Possible outcomes
- Expectations

A VUCA world / TUNA* world

*Turbulent, Uncertain, Novelty and Ambiguity

The world at three levels

The daily political, social, economic and technical noise

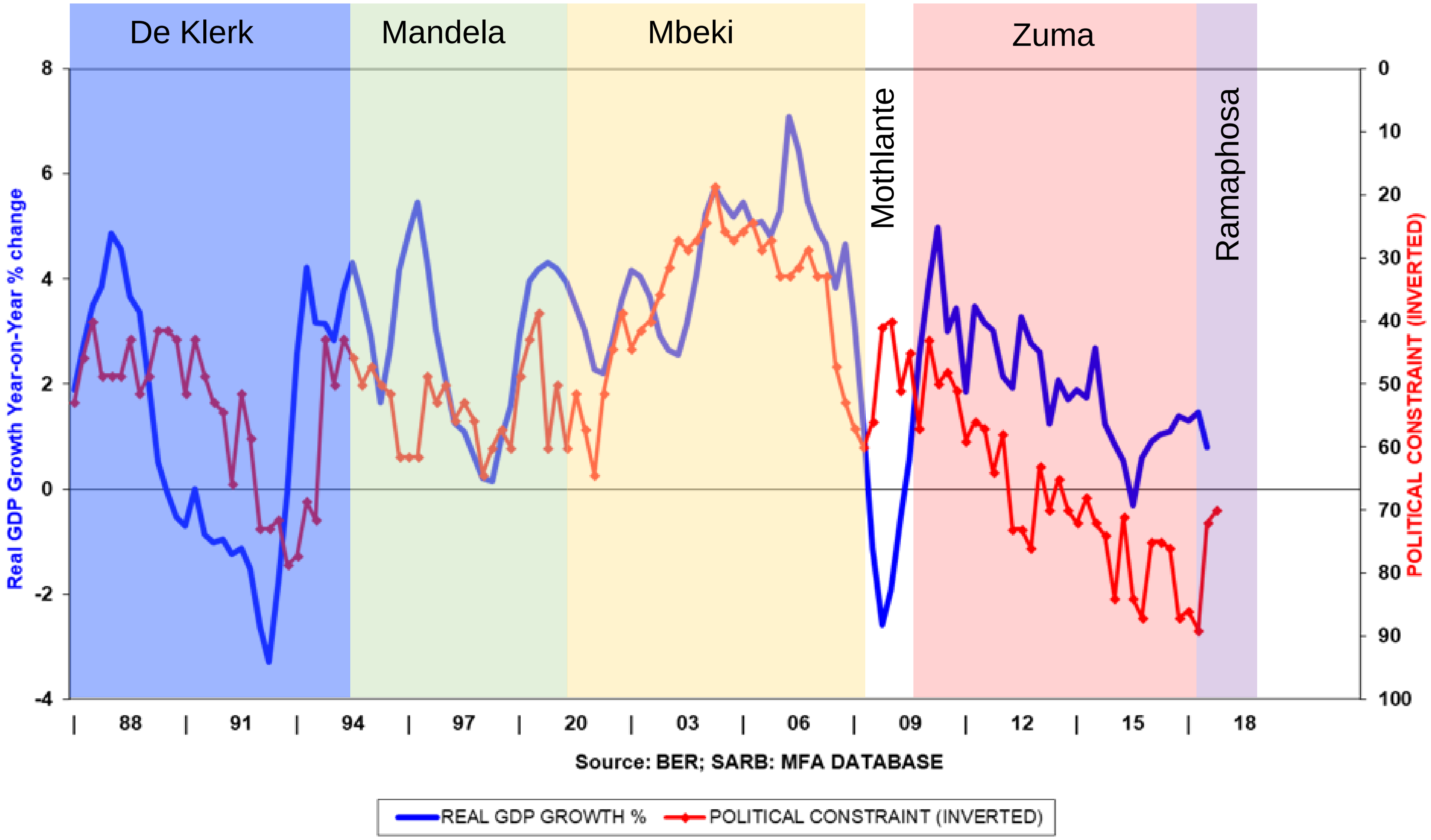


The trends and especially trend-breaks, not so clearly visible

Slow moving societal and cultural changes

Real GDP Growth and Political Constraint

Real y-o-y % GDP growth and political constraint (Inverted)

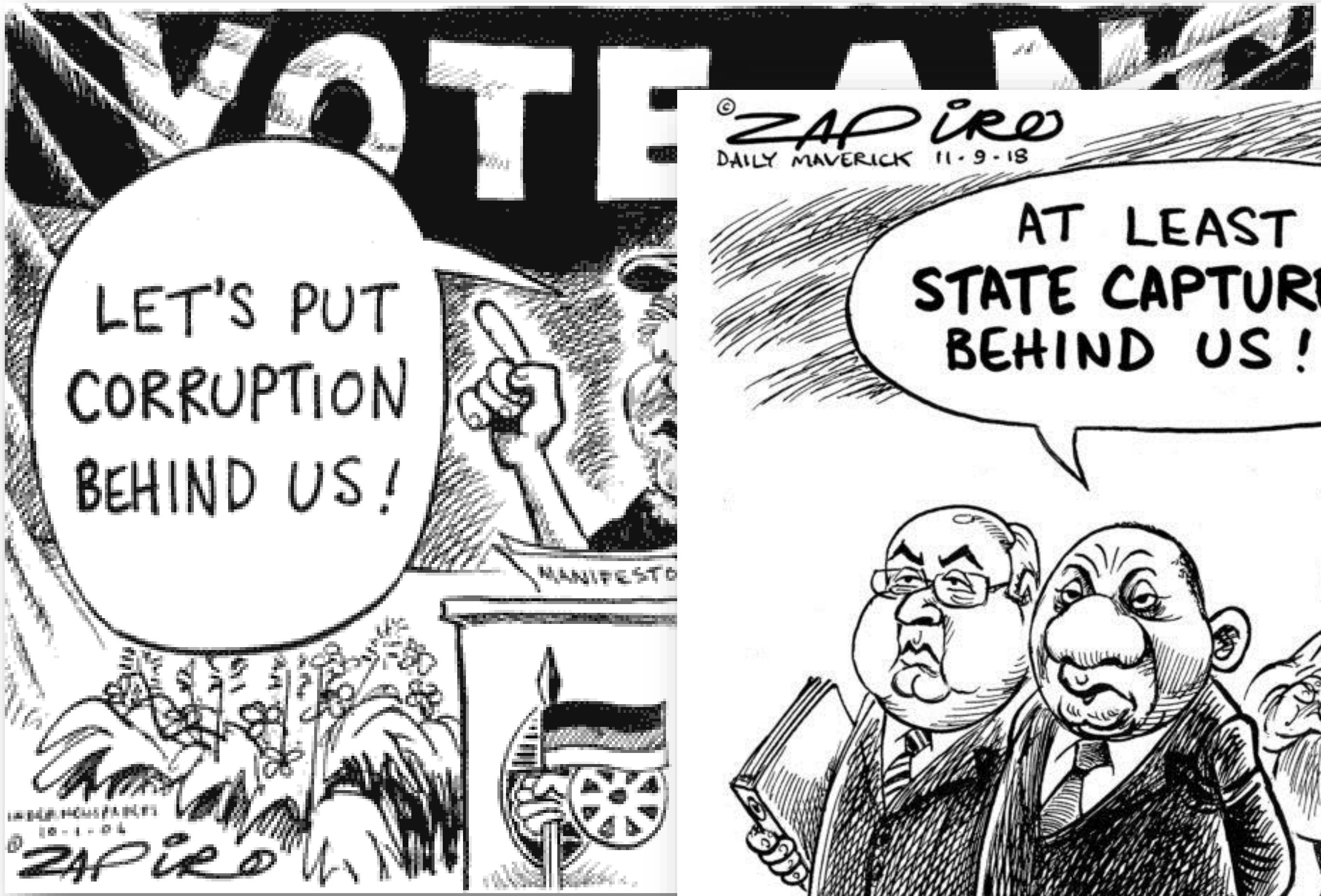


South Africa towards 2019 and beyond

Part One: How did we get here?

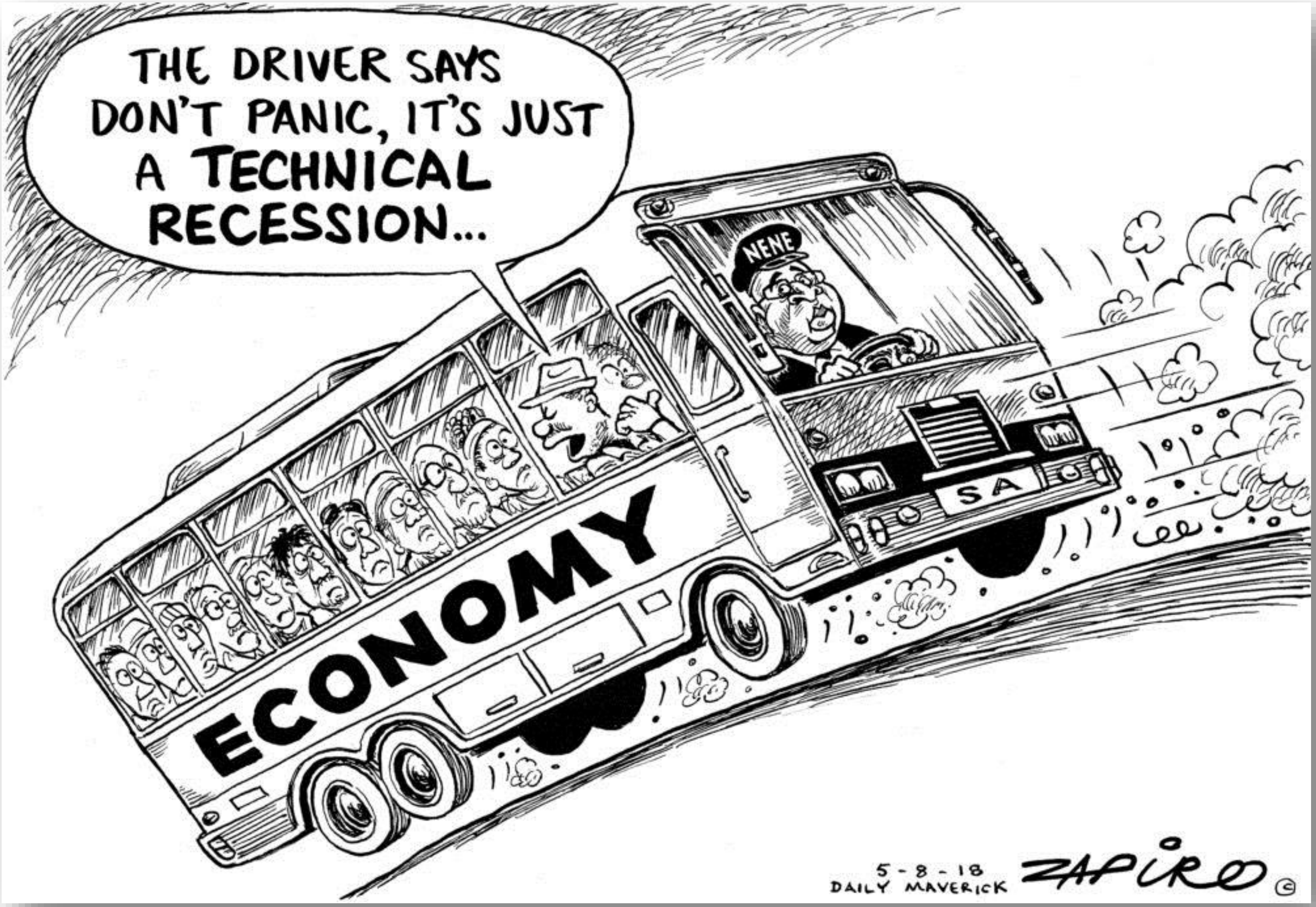
- Nasrec & CR17
- Cabinet
- Factions still active
- Role of political opposition

Many a truth said in jest (2006 - 2018)!



With acknowledgement: Jonathan Shapiro (Zapiro)

The impact will be felt in many sectors



With acknowledgement: Jonathan Shapiro (Zapiro)

Just for the fun, Trump tweeted on land….

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Part Two: Critical uncertainties

- Virtuous Cycle
- Vicious Cycle
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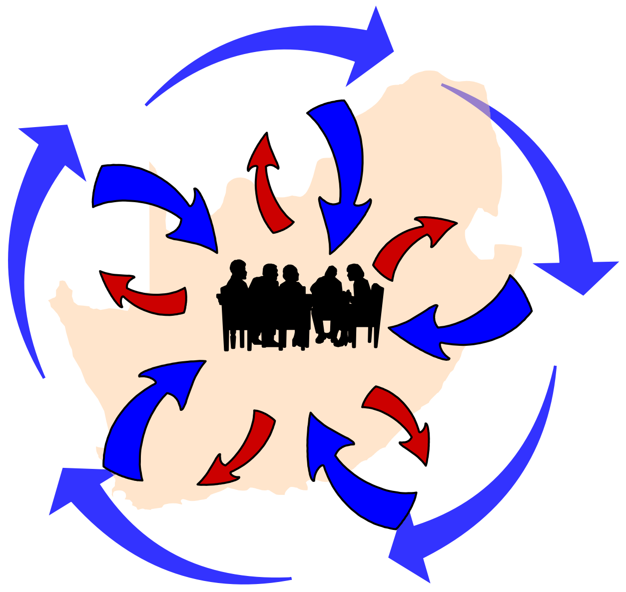
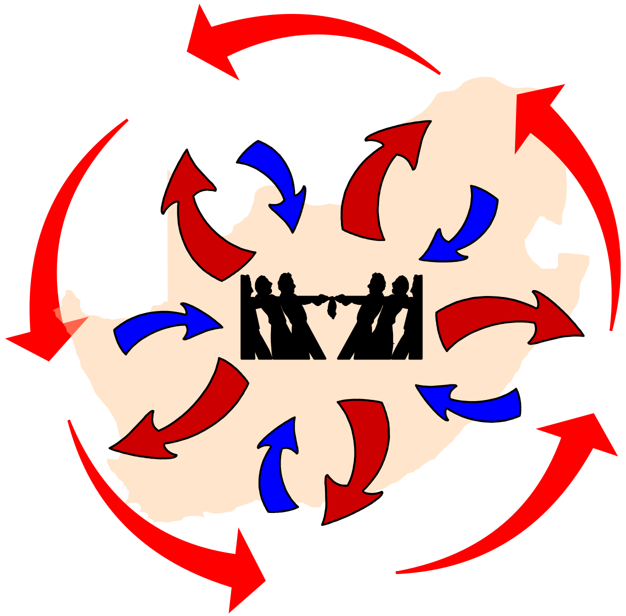
The Virtuous and Vicious Cycles

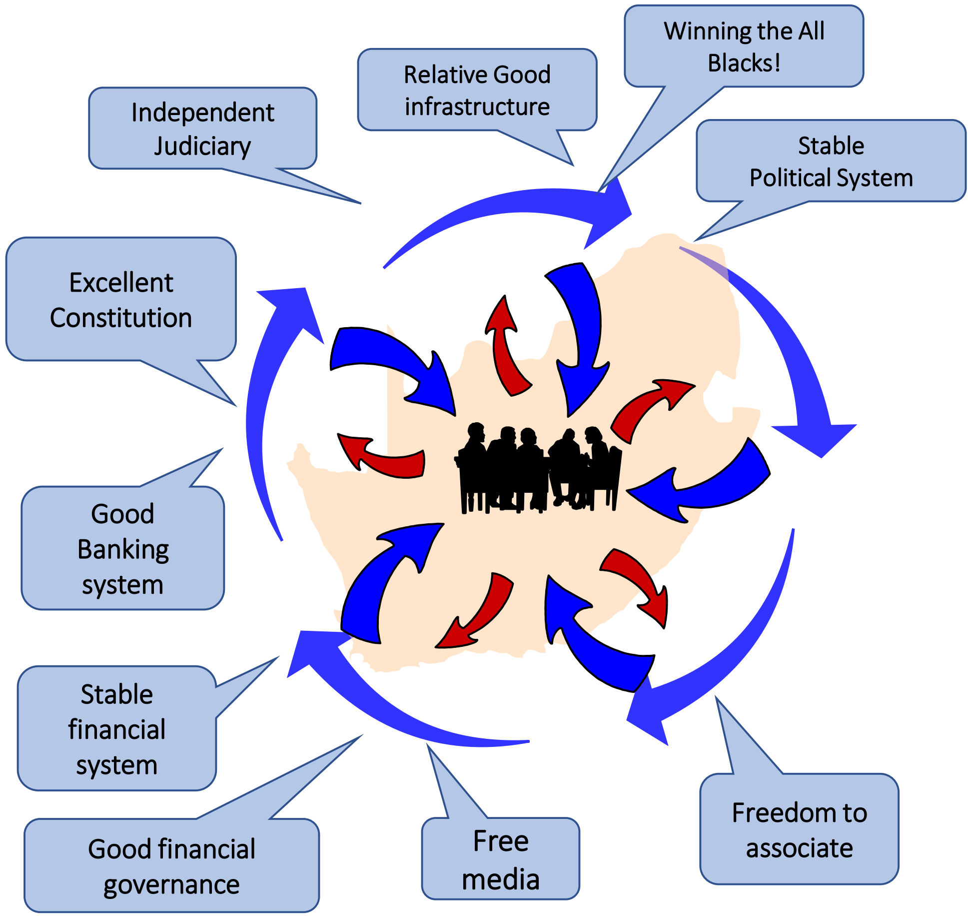


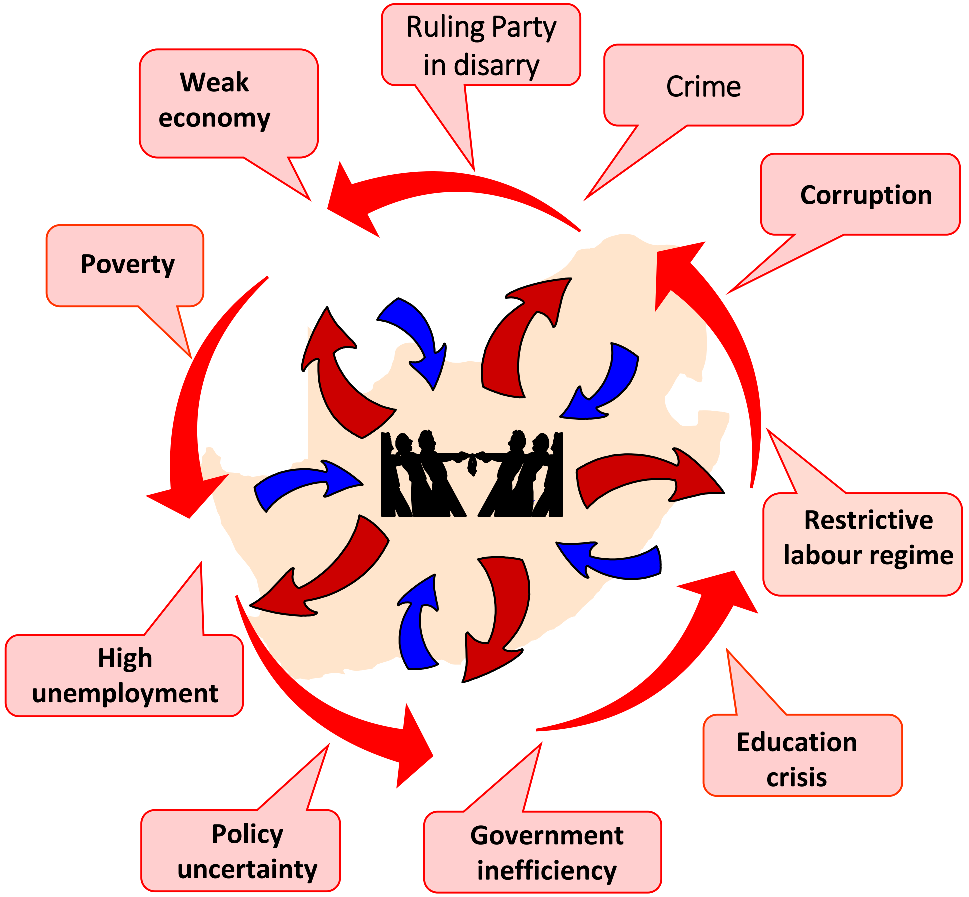
Virtuous Cycle
Centripetal forces dominate
("Seeking the centre")



Vicious Cycle
Centrifugal forces dominate
("Moving away from the centre")

The Vicious and Virtuous Cycles





South Africa falls with 14 places in WEF Competitive Report 2017-2018

52	Kuwait	4.43	38
53	Turkey	4.42	55
54	Latvia	4.40	49
55	Viet Nam	4.36	60
56	Philippines	4.35	57
57	Kazakhstan	4.35	53
58	Rwanda	4.35	52
59	Slovak Republic	4.33	65
60	Hungary	4.33	69
61	South Africa	4.32	47
62	Oman	4.31	66
63	Botswana	4.30	64
64	Cyprus	4.30	83

The Global Competitiveness Index in detail

Index Component	Rank/137	Value	Trend
1st pillar: Institutions	**76**	**3.8**	
1.01 Property rights	56	4.5	
1.02 Intellectual property protection	36	4.8	
1.03 Diversion of public funds	109	2.6	
1.04 Public trust in politicians	114	2.0	
1.05 Irregular payments and bribes	91	3.4	
1.06 Judicial independence	36	4.9	
1.07 Favoritism in decisions of government officials	127	2.0	
1.08 Efficiency of government spending	103	2.6	
1.09 Burden of government regulation	89	3.2	
1.10 Efficiency of legal framework in settling disputes	31	4.6	
1.11 Efficiency of legal framework in challenging regulations	36	4.0	
1.12 Transparency of government policymaking	74	3.9	

Doing business in South Africa (WEF Competitive Report)

WEF 2016 -2017	WEF 2017-2018
1. Restrictive labour regulations	1. Corruption
2. Inefficient government bureaucracy	2. Crime and theft
3. Inadequate supply of infrastructure	3. Government instability/ Coups
4. Policy instability	4. Tax rates
5. Inadequately educated workforce	5. Inefficient government bureaucracy
6. Crime and theft	6. Poor work ethic
7. Corruption	7. Restrictive labour regulations
8. Poor work ethic	8. Inadequately educated workforce
9. Access to finance	9. Inflation
10. Insufficient capacity to innovate	10. Access to finance
11. Tax rates	11. Policy instability
15. Government instability/ Coups	15. Foreign currency regulations

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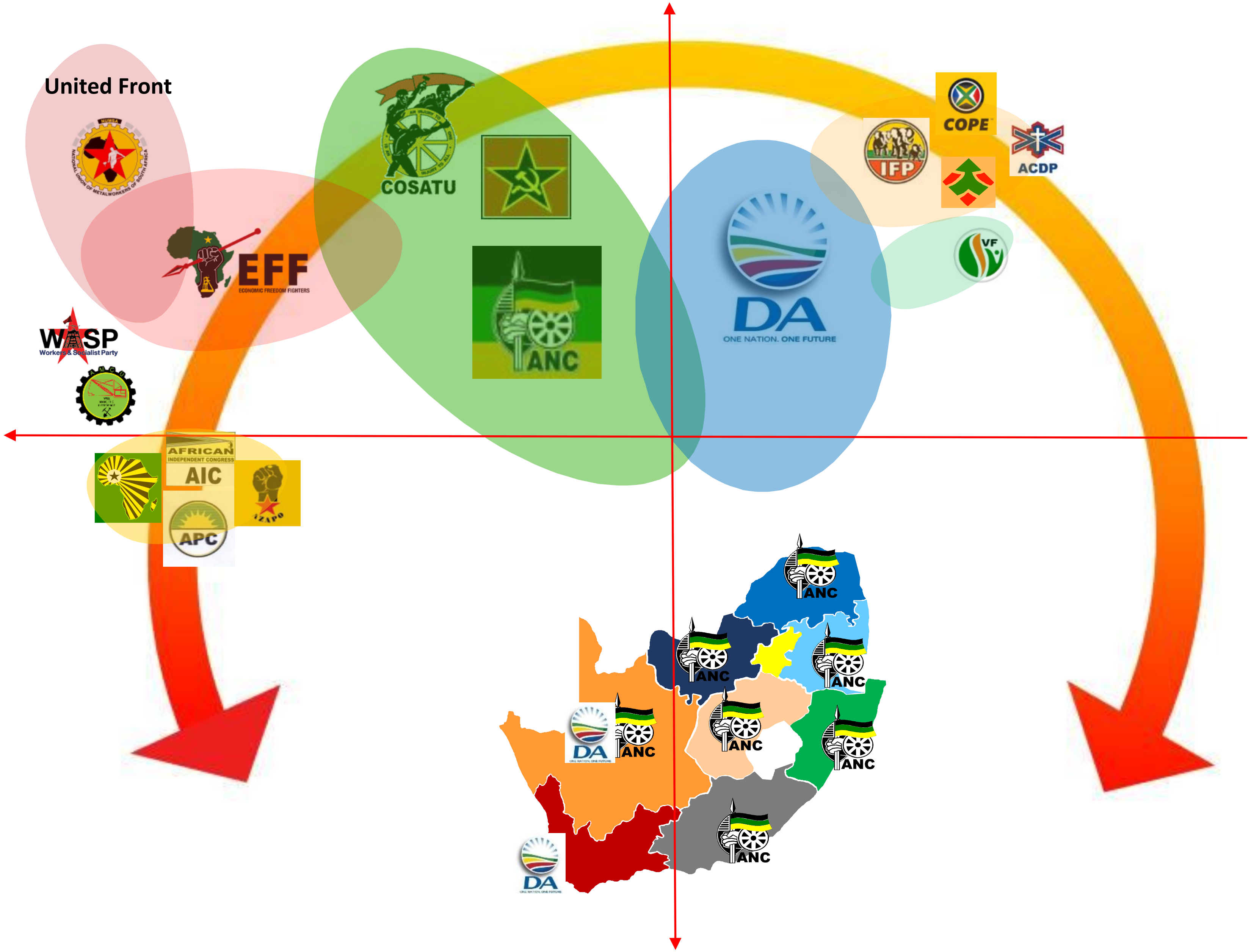
Part Three: How does it all fit?

- Transition
- Dominant Party System
- Political Dynamics 2019

The 2019-2024 political landscape



1. ANC: 54-58%
2. DA: 20-22%
3. EFF: 6-8%
4. IFP: 3-5%
5. Voter apathy
6. Voting by staying away
7. Bread and butter issues
8. Land

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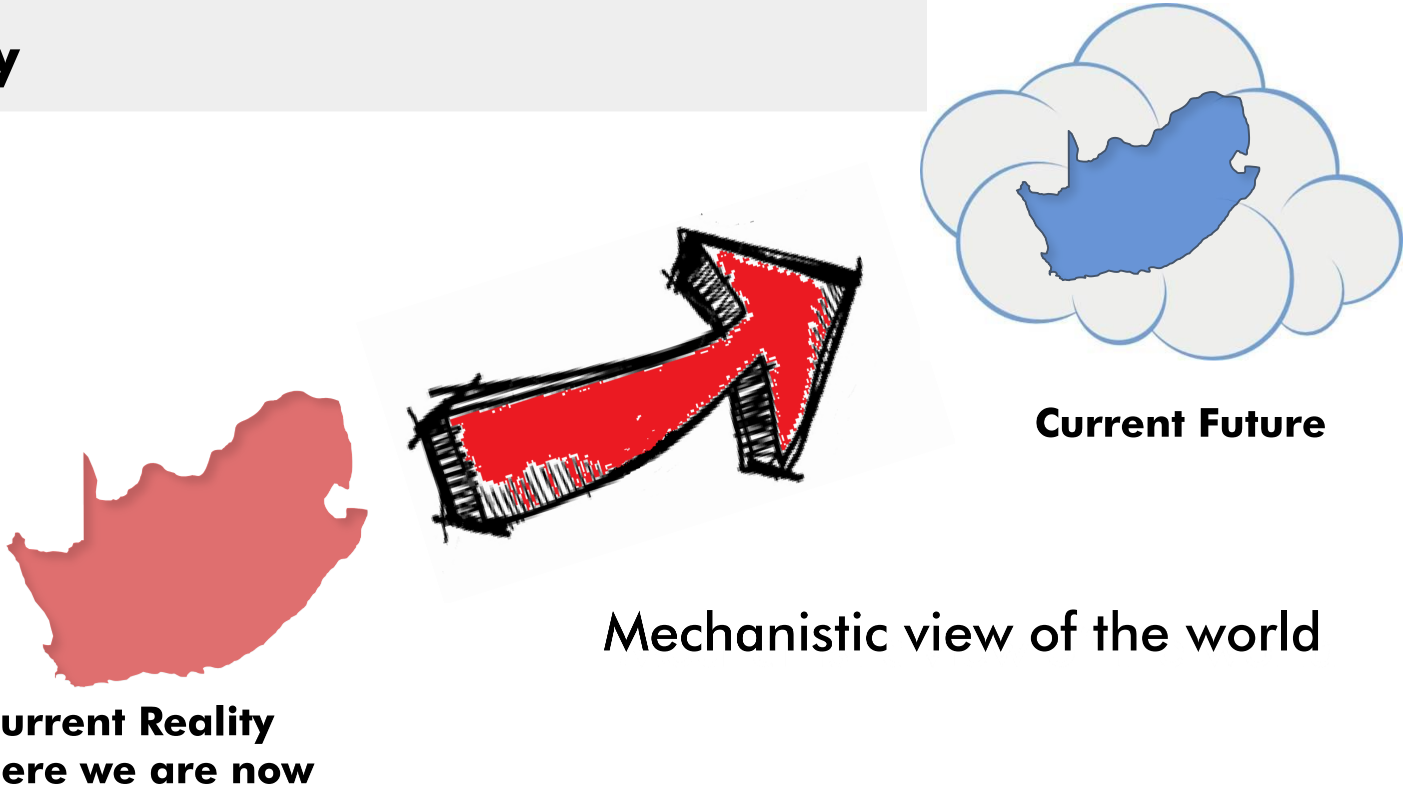
Part Four: The way forward
- The road to 2019
- Beyond 2019?
- Political realignment
- Four scenario themes

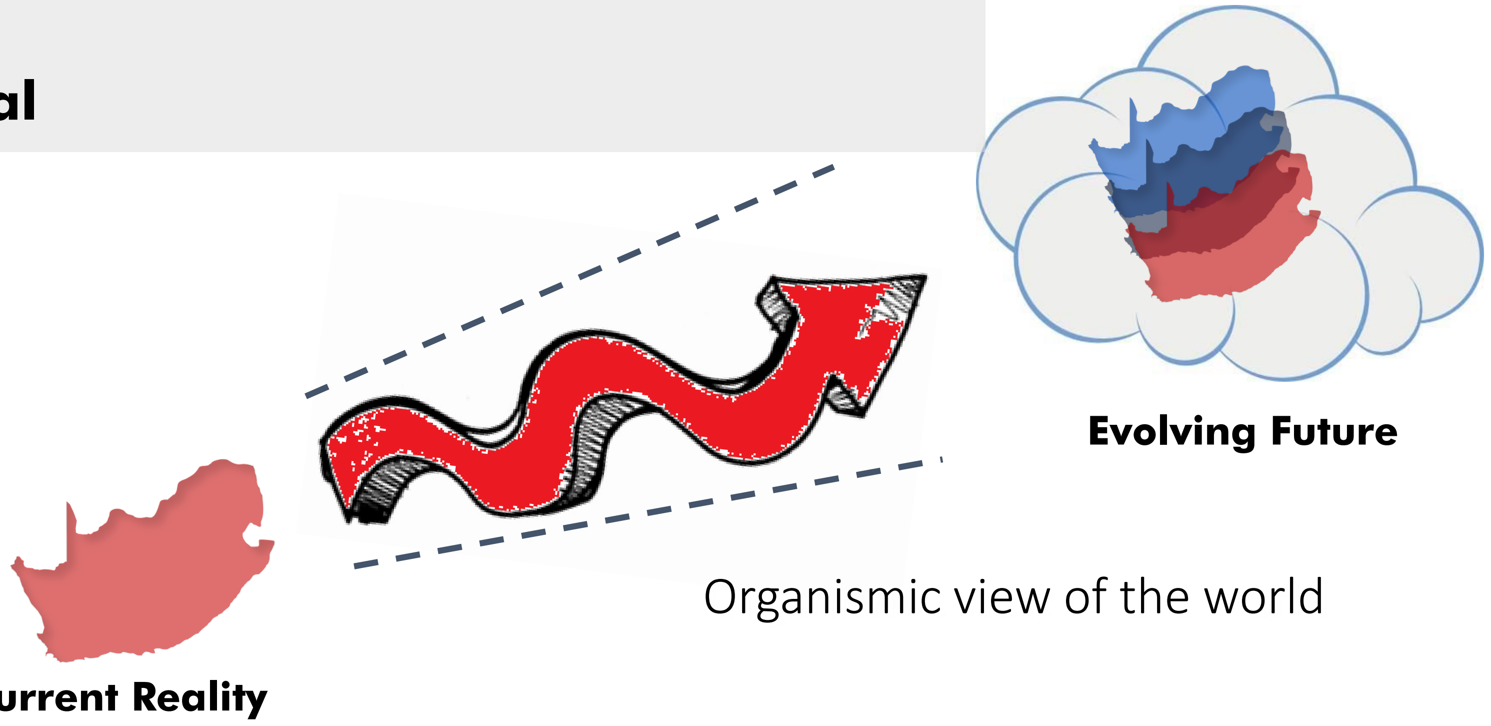
Land reform as an inflection point: A clear, single view of the future

- You must understanding the dynamics of change
- You must be able to control the environment
- You must have predictability
- You must have stability



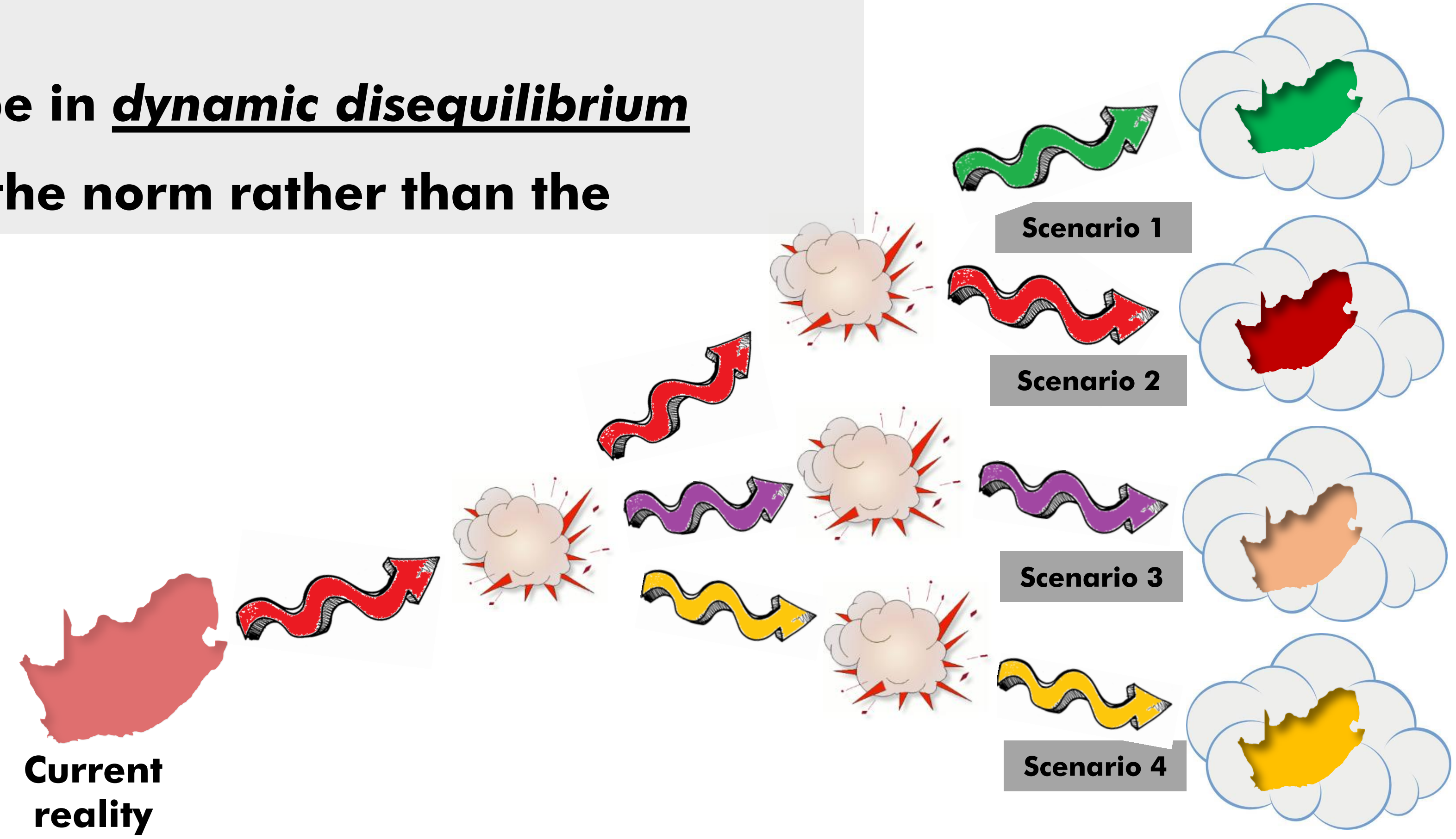
Land reform as an inflection point: A fuzzy future

- Change is more complex than we think - only the parameters of change is knowable.
- We assume the system is in <u>dynamic equilibrium</u>.
- We have very little control over the external environment.
- The process is cyclical



Land reform as an inflection point: A range of future outcomes

- **Social systems are extremely complex systems.**
- **We experience periods of *stability* followed by periods of *chaos*.**
- **Systems seems to be in *dynamic disequilibrium***
- ***Multiple outcomes* the norm rather than the exception**



South Africa towards 2019 and beyond

Bad Road Scenario

Gravel Road Scenario

Long Road Scenario

Highway Scenario

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BASA reported un-audited figures which show that the quantum of loans that the four largest banks in South Africa made to farmers increased 11% from R133bn in December of 2017 to R148bn in June of 2018.

Banks have invested about R1.6trn of South Africans savings, salaries and investments into property loans. Banks rely on these properties as security for the loans.

Mind-set issues

- Challenges status quo?
- Critical distance?
- Open opposition?
- Constructive engagement?

Constitutional issues

- Change needed?
- Legal challenges

Policy issues

- Policy uncertainty
- Specialist input

Political issues

- Ideological positions
- Party political posturing

Demography

- Urbanisation
- Rural development

Historical issues

- Moral issues / Legislation
- Political choices

Legal issues

- What is status quo
- What is changing?

Economic issues

- The cost of EWC
- Food security
- Exports / International agreements
- Financial obligations

Developmental issues

- Expanding farming base
- Emerging farmers set-up to fail – Finance, training and markets
- Concentrate efforts

Expectations on Land Reform

1. EWC will stay a proxy for factions in the ANC.
2. Political and policy messages will stay ambivalent until elections 2019. Land will be an important election issue, apart from service delivery and corruption.
3. No policy certainty in the short term possible due to political inclusions and exclusions.
4. Constitution may change artificially – to satisfy political constituencies.
5. Pressure on urban land will increase. Urban patterns will adapt.
6. Symbolic action on rural land – innovative solutions from agricultural sector.
7. Interest groups will speed up action – traditional leaders included.
8. Economic imperatives will temper political expectations (1913/1936/1948).

Thank You

Theo Venter

Political and Policy Specialist

theo.venter@nwu.ac.za

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