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Land reform and its Impact on Livelihoods

Evidence from eight land reform groups in the Northern Cape Province of South Africa

Alastair Bradstock

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Editors: Elizabeth Hopkins and Laura Greenwood
Editorial Assistant: Rachel Fahey
Photographs: FARM-Africa

Design: Eileen Higgins E eileen@eh-design.co.uk
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Copies of this publication are available from:
FARM-Africa
9-10 Southampton Place
London, WC1A 2EA, UK
T + 44 (0) 20 7430 0440 F + 44 (0) 20 7430 0460
E farmafrica@farmafrica.org.uk W www.farmafrica.org.uk

FARM-Africa (South Africa)
PO Box 2410, Kimberley 8300, South Africa
T +27 53 831 8330 F +27 53 831 8333
E lazarus@farmncape.co.za

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FARM-Africa's **Policy and Research Series** encapsulates project experiences and research findings from its grassroots programmes in eastern and southern Africa. Aimed at national and international policy makers, national government staff, research institutions, NGOs and the international donor community, the series makes specific policy recommendations to enhance the productivity of the smallholder agricultural sector in Africa.

FARM-Africa's **Northern Cape Land Reform and Advocacy Programme** aims to improve the natural resource management and livelihoods of communities benefiting from South Africa's land reform programme. In collaboration with the National and Provincial Departments of Land Affairs and Agriculture, FARM-Africa helps to provide training in agricultural techniques, livestock management skills, planning and financial management, so that communities in the province can realise the potential of their newly acquired land and improve their living standards.

About the author
Alastair Bradstock is Director of Research and Policy based at FARM-Africa's London office.

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Executive summary

When the new South African Government came to power in 1994, it embarked upon an ambitious land reform programme. One of the key objectives was to provide poor people with an additional asset that they could use to develop strategies to escape from poverty. The programme has begun to change the land ownership pattern in the country, albeit at a very slow pace, but there is little evidence to show how land reform beneficiaries are using their land and whether it is making a significant impact on poverty reduction.

FARM-Africa, a British based NGO, has been working in the land sector in the Northern Cape since 1995, when it provided a range of support to the Riemvasmaak community in their efforts to develop their farm. In 1999, FARM-Africa launched a new project in the Northern Cape with the aim of developing the technical agricultural and managerial skills of land reform groups so that they have the ability to develop their farms.

This report is based on a study which formed part of that project. It examines the assets, activities and income sources of a random sample of 118 households chosen from eight land reform groups, looking at changes between 2001 and 2003. These groups had all received land from the redistribution and restitution components of the government's land reform programme, but they had not yet been significantly affected by the support offered by FARM-Africa.

The findings showed that the majority of households in the sample had limited asset holdings, and were involved in a narrow range of activities. In general the poorer households were highly dependent upon public transfers, in particular old age pensions and disability allowances. The rich, who had larger asset holdings, avoided poverty by successfully accessing the labour market. While most households had increased their livestock holdings, there was little evidence to demonstrate that they were making agriculture a more significant part of their livelihoods. Moreover income derived from their land was a small proportion of total household income.

Considering the low levels of technical agricultural and managerial support available from the government, the dry climatic conditions in the Northern Cape and the competitive nature of South Africa's agricultural market, the decision by households to treat agriculture as only a minor component of their livelihood strategy is a rational one. In such circumstances the land reform programme will be unable to make a significant impact on poverty reduction, and consequently there is a need for organisations like FARM-Africa with practical experience of the land reform programme to advocate for change.

Kid goats in kraal, Northern Cape

1 Background

The government's overall objectives

When the African National Congress (ANC) came into power in South Africa at the historic multi-party elections of 1994, it had multiple objectives. It started the complicated process of reforming the economy, aiming to attract foreign investment and increase competitiveness in the international economy, in order to achieve increased growth rates and employment opportunities.

At the same time, it repealed the remaining legislation enacted by apartheid and earlier governments to discriminate against black South Africans. It re-focused the national budget to ease access by the majority of the population to social infrastructure such as education, health and housing. This policy was crucial because one of the tenets of apartheid had been that the homelands, where most black people lived, should fund their own development. Because of the low levels of investment and economic activity in these areas (Aliber, 2003), this policy ensured that black people's human capital development and quality of housing were massively inferior to that of whites (Posel, 1991; van der Berg, 2001).

Despite its far-reaching policy objectives, there is little evidence that the ANC government has yet managed to achieve significant social and economic change for the majority of black South Africans. Many of the distortions relating to land, labour and capital markets that were present in 1994 are still in existence today, and have proved more difficult to refashion than was expected. The country still has many of the characteristics of the apartheid era, with a starkly dual economy. On the one hand, an effective modern industrial economy competes in globalised markets, produces goods using advanced consumer and retail technologies, and has the second most liberalised agricultural market in the world. On the other hand, a poverty stricken, dispossessed labour reserve economy still struggles to subsist.

This raises a key question: can government reshape the economy sufficiently to enable individuals currently in the labour reserve economy to participate in the modern industrial economy? One programme that aims to contribute to this goal is the land reform programme. This research study which forms the basis of this paper investigates whether land reform is able to act as a policy instrument to achieve poverty reduction.

Agriculture in South Africa

In the late nineteenth century, there was a significant decline in black agriculture in South Africa. There were two main reasons for this: the concern of the European farming community that the profitability of their enterprises was being undermined by a more efficient black agriculture, and the dramatic rise in the demand for cheap unskilled labour for the expanding mining sector, especially on the gold fields of the Witwatersrand (Bundy, 1985). In response, new policies were devised to restrict Africans' access to land, creating reserves which were much too small for African agriculture to remain profitable.

The land policies implemented by colonial administrations, by the Government of the Union of South Africa and, latterly, by apartheid administrations, are estimated to have affected between 3.5 to 7 million people (Levin, 1996). They had far reaching consequences on the social fabric of black households, their livelihood strategies and their ability to maintain and expand their knowledge and skills (Jeeves, 1998; May, 2000b; May, 2000c).

In 1904 and 1907, the Agricultural Development Acts were passed, providing cheap credit and marketing assistance exclusively to European farmers. The Native Lands Act, passed in 1913, restricted the area where Africans could establish new farming operations to the reserves, which totalled 8 per cent of the country's total area;[1] it also barred black people from buying land from white people. In 1936, the Native Trust and Land Act increased the amount of land available to the African population from 8 to 13 per cent of the country (Turner and Ibsen, 2000). While the Native Lands Act 1913 did not affect the Coloured community, 37 years later the apartheid regime passed the Group Areas Act (1950), which severely restricted the Coloured community's ability to gain access to land for productive purposes (De Klerk, 1996). From 1948 onwards, the National Party maintained and added to this discriminatory legislation, and it was not until the early 1990s that many of these laws were repealed (Binswanger and Deininger, 1993).

The discriminatory land policies created a highly skewed land ownership pattern. In the late 1980s, 50,000 white commercial farmers owned approximately 90 per cent of the agricultural land in the country (Kinsey and Binswanger, 1993).

The remaining 10 per cent of agricultural land was located in the Bantustans or so-called homelands.[2] The task of agricultural production rested with female household heads who were already over burdened with domestic chores (Zulu, 1996). They practised small-scale labour intensive agriculture and their access to agricultural support services ranged from poor to non-existent (Turner and Ibsen, 2000).

The inability of black people to access land severely restricted the contribution that agriculture could make to the livelihoods of rural-based Africans. Moreover, the Native Land Act of 1913 also prohibited them from sharecropping, thereby restricting them to selling their labour either to the white commercial agricultural sector or to the industrial sector (Levin, 1996; Adams et

1. For example, Africans were allocated only half a million hectares out of 69 million hectares in the Transvaal, and 1 million hectares out of 5 million hectares in Natal (Bundy, 1985).
2. The apartheid regime created ten homelands: Kwazulu, Gazankulu, Kwandebele, KaNgwane, Lebowa, Qwaqwa, Bophutswana, Ciskei, Transkei and Venda.

al, 2000). This restrictive legislation made migrant labour, remitting wages to rural households, a new and increasingly important livelihood strategy for most Africans (Deininger and Binswanger, 1995).

Moreover, the unequal land distribution coupled with the capital intensive nature of the white commercial sector also meant that agriculture's contribution both to GDP and to employment in South Africa was low. In a "middle income" country, agriculture typically generates 15 per cent of GDP, and employs approximately 25 per cent of the work force (Christiansen, 1993; Lipton et al, 1996). In the late 1980s South African agriculture's contribution to GDP was only 7 per cent, employing only 14 per cent of the work force.

The land reform programme

The objectives of the land reform programme

Before coming to power at the 1994 elections, the ANC had prepared an ambitious programme calling for a wide-ranging and re-distributive land reform, as a key component of a rural development programme (ANC, 1994).[3] The objectives included redressing the injustices caused by past land reform policies, supplying both residential and productive land for the poorest section of the rural population, helping to raise incomes and productivity through the provision of support services and building the economy by generating large-scale employment and increasing rural incomes.

However, it has been suggested that since the ANC came to power it has failed to give its land reform programme the high priority that it was given in the Reconstruction and Development Programme (RDP), the ANC's strategy to rebuild South Africa (Levin, 1996; Lipton et al, 1996; Cousins, 2000; Turner and Ibsen, 2000). Indeed, in the early 2000s, the government never allocated more than 1 per cent of its total annual budget to the programme (Adams, 2000; Cousins, 2000). This situation gives cause for concern: experience from elsewhere in the world (for example Brazil, Mozambique, Guatemala, El Salvador, and Angola) demonstrates that skewed land ownership patterns, when left unchanged, can lead to destructive political, social and economic tension (Binswanger and Deininger, 1993; Cross et al, 1996; Adams, 2000).

While there is consensus that there is demand for land from black groupings, there is some disagreement between researchers and the government about the way in which the land will be used once it has been transferred. The government's RDP (1994) argued that the most important step toward achieving food security was to provide productive employment opportunities through land reform, job programmes and the re-organisation of the economy (ANC, 1994). In fact, research has shown that many rural households want land for a residential plot, rather than to become full-time farmers: they want to continue to pursue many different livelihood strategies, of which agriculture is only one (Christiansen, 1993; Ardington and Lund,

3. The World Bank played an influential role in the development of the programme. In 1990, it started a dialogue with future policy makers on land reform. It took the lead in preparing the Rural Restructuring Programme for South Africa and in February 1992 commissioned a report on the agricultural sector.

1996; Cross et al, 1996; De Klerk, 1996; McIntosh and Vaughan, 1996; May et al, 2000b; Turner and Ibsen, 2000). A monitoring and evaluation exercise carried out in 2000 for the Department of Land Affairs showed that 72 per cent of households who bought land with land grant monies wanted it explicitly for residential purposes, whereas only 12 per cent wanted it for agriculture (May et al, 2000a).

In 1997 the ANC, drawing on the RDP document, restated the key objectives of the land reform programme as follows (DLA, 1997):

- to redress the injustices of apartheid;
- to foster national reconciliation and stability;
- to underpin economic growth; and,
- to improve household welfare and alleviate poverty.

The land reform programme has three elements: restitution, tenure reform and redistribution.

Land restitution

The aim of the land restitution programme is to return land to those people who were dispossessed as a consequence of legislation such as the Natives Land Act of 1913, and the Native Trust and Land Act of 1936. Black people who had been forcibly removed from their land during the period 1913 to 1994 were entitled to submit applications for the restitution of their land. By the closing date in March 1999, approximately 69,000 claims had been lodged. A Land Claims Court was established under the Restitution of Land Rights Act, 22 of 1994, with responsibility for adjudicating these claims (DLA, 1997; Adams 2000). In response to criticism about the slow delivery of the programme, the Restitution of Land Rights Amendment Act 1999 provided for simpler administrative procedures (DLA, 1997; Adams, 2000).

While May et al (2000b) acknowledge that processing the restitution claims will be a lengthy process, they do not estimate the potentially high cost of settling those claims. Adams (2000) does address this issue, arguing that the cost of restitution may be so high as to overwhelm the DLA's budget; this could constrain the land redistribution element of the programme, which he considers to have the greatest potential for changing land ownership patterns in the country. However, De Klerk in Lipton et al (1996) makes a strong argument for the majority of funds to be used for restitution "where the demand is greatest and the moral case the strongest".

It is encouraging that by 31 August 2002 approximately half of all the restitution claims had been settled. Nevertheless, there is concern that the easier claims may have been dealt with first, and that complex challenges lie ahead regarding bigger rural claims that may involve large numbers of households (Kepe and Cousins, 2002).

Land tenure

The aim of the land tenure reform programme, as articulated in the White Paper on Land Policy (1997), is to introduce new systems of land holding, land rights, and forms of ownership. The White Paper explains the often puzzling way in which land rights were administered in many parts of the country pre-1994, emphasising that, even though households might have occupied land for many years, they had no legal right to it. Such ambiguity was the cause of much conflict as land could be confiscated, redistributed or sold by others who claimed to own it, while users had no formal means of protecting themselves from these types of injustices (DLA, 1997).

A number of Acts have been passed to tackle these problems.

- The Land Reform (Labour Tenants) Act, 3 of 1996, provides a grant to enable labour tenants to purchase land
- The Communal Property Association Act, 28 of 1996, creates a legal mechanism enabling a group of people to purchase and hold land collectively
- The Extension of Security of Tenure Act, 62 of 1997, aims to help people obtain stronger rights to land they live on, and to land which is situated nearby
- The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 19 of 1998, improves the rights of tenants by (amongst other things) prohibiting unlawful eviction and repealing the Prevention of Illegal Squatting Act, 1951.

Finally, the Interim Protection of Informal Land Rights Act, 31 of 1996, aimed to protect people with informal rights to and interest in land, pending the preparation of new tenure reform measures (DLA, 1997). This Act, targeted at improving the security of tenure for households living in the former homelands and South African Development Trust land, was intended to be underpinned by the Land Rights Bill introduced in 1999. However this bill never reached the statute book, and was replaced by a measure proposing to transfer land to tribes (Adams, 2000; Cousins, 2000). The Land Rights Bill of 1999 was replaced by a Communal Land Rights Act that was passed in 2004 but to date has not been implemented.

Looking at the three components of the land reform programme, May et al (2000b) argue that theoretically it is the land tenure component which will have the most far-reaching consequences in terms of numbers of people affected and of reducing poverty. However, Adams (2000) claims that even though the legislative framework to implement the tenure programme is in place, it may prove extremely difficult for the legislation to have a significant impact, as the government has failed to allocate sufficient resources to enable it to be implemented properly.

Land redistribution

The land redistribution programme aims to redistribute land to the landless poor, labour tenants, farm workers and emerging farmers for residential and productive uses, to improve their livelihoods and quality of life (DLA, 1997). The programme was designed to be flexible so that it could react to the demands of different stakeholders, but in practice it has had difficulty in doing so. Also the government accepted the principle of land transactions being voluntary, and they are based upon the principle of a 'willing seller' and a 'willing buyer'. This policy has contributed to slowing the pace of the programme.

The Provision of Land and Assistance Act, 126 of 1993, enables the government to make grants to beneficiaries satisfying specific eligibility criteria. Until 2001, the main grant available was the Settlement/Land Acquisition Grant (SLAG), and the government expected that the majority of applicants would be the rural poor. Households with a joint monthly income of no more than Rand 1,500 were eligible to apply for a grant of Rand 16,000. While most of the grant was supposed to be used primarily for land acquisition, the government expected that it would also finance important on-farm investments, helping beneficiaries establish viable farming enterprises. As outlined below the grant has been much less effective than was anticipated.

Following the appointment of Thoko Didisa as Minister of Agriculture and Land Affairs in Thabo Mbeki's first government, a new sub-programme of the land redistribution programme, Land Redistribution for Agricultural Development (LRAD), was initiated in 2001. The programme, that comprises a government grant and requires a contribution in kind or in cash from beneficiaries, aims to enhance the effectiveness of redistribution as well as contributing to the objective of transferring 30 per cent of the country's agricultural land to black ownership by 2015 (Ministry for Agriculture and Land Affairs, 2001).

The land potentially available for redistribution is owned either by the state or by private individuals. Adams (2000) believes that because much of the state land situated outside the homelands is in production, the land tenure legislation described above will protect current users from having their land redistributed. He expects state land in the homelands to be equally difficult for the programme to access, since former employees of parastatals and traditional leaders may try to confirm their rights to land that they have lived on, have used productively or have worked on as employees. Thus privately owned land will be the main target for redistribution.

In practice, the programme has progressed much more slowly than expected. There has been little substantive change to the land ownership pattern over the last 10 years. Kepe and Cousins (2002) showed that from 1994 to 2001, the programme had only managed to redistribute 1.2 per cent of the country's agricultural land. Unless the current transfer rate is substantially increased, the government's target of transferring 30 per cent of land by 2015 will not be achieved.

The characteristics of the Northern Cape Province

While the Northern Cape province covers 30 per cent of South Africa's landmass, it contains only about 2 per cent of the country's population, or 840,000 people.

The Northern Cape has an arid climate; in the east the average annual rainfall is 450-500 mm, while in the west it is 200 mm (Low and Rebelo, 1998). If farmers are able to access irrigation water, mainly from either the Orange or the Vaal Rivers, they can grow a wide variety of different crops. However, the majority of farmers cannot access irrigation water: their land is best suited to extensive livestock production. The carrying capacity of the range or veld in the east of the province near Kimberley is approximately 12 hectares for a large stock unit (i.e. a mature bull is equivalent to 1.5 large stock units) while at Witbank, situated in the drier west of the province, a large stock unit needs approximately 35 hectares.

The Northern Cape's economy is dominated by agriculture and mining. The agricultural sector is the main employer in the province, but it has been in decline for a number of years and there is evidence to suggest that it is substituting capital for labour. There are also concerns that the minimum wage legislation introduced in 2003 may result in the most vulnerable workers (such as domestic servants and farm labourers) losing their jobs, as the demand for these type of unskilled people is sensitive to rising labour costs.

The FARM-Africa project in the Northern Cape Province

FARM-Africa has been working with farmers in South Africa since 1995. Its first involvement was in supporting the Riemvasmaak community, situated to the west of Upington, to develop their land.

A more extensive project under the title "Capacity Building in Community Natural Resource Management" began in 1999, working with ten land reform groups. The project focused on developing the technical agricultural and managerial skills of executive committee and group members. Monies were allocated to establish revolving credit funds at each group to address the difficulty that land reform beneficiaries experienced in accessing the credit market. Studies were also commissioned to assess the agricultural potential of the groups' farms, and to understand the livelihoods of group members and the constraints which beneficiaries experience when trying to make agriculture a more important part of their livelihood. The project also supported groups in the process of preparing development plans outlining how they proposed to use their land to meet a variety of group objectives. Finally FARM-Africa provided training in Participatory Rural Appraisal (PRA) as well as development planning techniques to the Departments of Agriculture and Land Affairs, key partners in the implementation of the project. Lessons from this work have been disseminated widely throughout the country (for example, *'Key Experiences of Land Reform in the Northern Cape Province of South Africa'* and '*Supporting Land Reform in South Africa: Participatory planning experience in the Northern Cape Province'*.)[4]

The study which forms the basis of this paper was a component of this project. The next section describes the study and its findings.

4. Published in FARM-Africa's *Policy and Research Series,* nos 1 and 3 respectively (2005).

2 Emerging livelihoods

The research on which this paper is based involved eight case studies of previously excluded social groups located in the Northern Cape province, all of which received land through the government's land reform programme in the late 1990s and early 2000s.

The objectives of the research were to:

- understand the livelihood circumstances of the case study groups;
- assess the changing nature of the asset holdings and income sources of households from these groups over a two-year period; and,
- identify those households that had improved their livelihood outcomes, and to gauge to what extent this had been caused by accessing land.

How the research was carried out

The case study groups

The case study groups varied in location, the method of land acquisition, the type of land, the infrastructure available and the size of the group. Figure 1 shows the location of the case study groups in Northern Cape Province.

Of the eight case study groups, six had acquired their land through the land redistribution programme. Of those six, five (Pofadder (17,688 hectares), Marydale (7,584 hectares), Prieska (18,157 hectares), Niekerkshoop (6,799 hectares) and Strydenberg (5,766 hectares)) had accessed common land or so-called commonage.[5] The remaining group of 384 households, most of whom live in the town of Warrenton, purchased a farm (5,500 hectares) approximately 80 kilometres north of Kimberley in the eastern part of the province. The #Khomani San (the majority of whom live at Rietfontein) and Witbank successfully secured the return of their land through the land restitution programme. The #Khomani San received six farms from the government totalling 62,000 hectares and Witbank's successful claim gave them access to 45,000 hectares of land.

Most land in the Northern Cape is best suited to extensive grazing, and only the Witbank and Warrenton groups have access to both grazing and irrigation land. The water supply on the additional commonage land that DLA bought for Pofadder was wholly inadequate to meet the water requirements of the group's livestock and, while few of the farms showed any signs of severe environmental degradation, the quality of grazing was highly variable from farm-to-farm.

5. Turner and Ibsen (2000) show how commonage was established with the aim of helping poorer members of rural communities, and how successive apartheid governments undermined these principles. Unlike other provinces, the Northern Cape Department of Land Affairs has made commonage a key element of its programme.

Figure 1. Map of Northern Cape Province showing the case study locations

Source: Adapted from The Department of Environmental Affairs and Tourism, South Africa (2005) by The Drawing Office, Department of Geography, University College London, UK.

It is difficult to generalise about the extent and quality of infrastructure on farms (fences, windmills, water troughs, animal handling facilities). While one of the farms owned by the Witbank group had no infrastructure whatsoever, two of the #Khomani San farms had been extensively developed to accommodate game species.

There is great variation in group size. The largest of the eight groups has a membership of 800, and the smallest only 22. Excluding the two largest groups (#Khomani San with 800 members and Warrenton with 384 members), the mean group size is 44 households. One characteristic shared by all but one of the groups was the long distances between the group's farm and where members lived.[6] Evidence from other provinces in South Africa demonstrates that group sizes similar to that of #Khomani San and Warrenton are common. In the early stages of the programme many large groups were formed, and Deininger (1999), commenting on the progress of the programme nationally, emphasised that the government's failure to require group members to make their own contributions to the purchase price of farms may have played a part in the creation of these cumbersome groups.

6. Bradstock (2005) discusses this 'distance effect' in more detail.

Research approach and methods

The research adopted the livelihoods framework as the methodological approach to understanding the circumstances, options and constraints of the different groups.[7]

A combination of qualitative and quantitative methods was used to collect data from the groups. The initial data were collected in early 2002, to show the situation of the households concerned in 2001. A repeat exercise in early 2004 collected data for 2003, for comparison with the 2001 baseline data.

The qualitative methods included key informant interviews, focus group interviews and wealth ranking. The focus group interviews comprised approximately 15 group members, differentiated by wealth, age and gender. The aim of this part of the research was to understand the historical context of the different groups, how livelihoods were changing at the community level, and the institutional environment's influence over the ability of households to integrate land into their livelihoods. Wealth ranking exercises at each site facilitated an understanding of the perceptions the groups had about poverty and wealth: what factors cause households not only to descend into poverty but also to escape from it. It also produced a stratified sample frame from which 118 households were chosen at random for the household survey.

The quantitative survey provided information at the household level about asset holdings, activities and income portfolios. The quantitative data were analysed in terms of households falling into three per capita income groups (poor, medium and rich), with an equal number of households in each group.[8]

Asset status in 2001

It is often suggested that access to assets enables poor people to develop their own pathways out of poverty (Moser, 1998; Bebbington, 1999; Ellis, 2000). Other things being equal, households with an abundance of different assets will be more able to cope with shocks and to exploit opportunities to accumulate wealth than those households that have fewer assets. However, while assets are a necessary condition for poverty reduction, they are not sufficient alone. A favourable institutional environment that allows households to use their assets to the greatest potential is also necessary. Where markets are dysfunctional, legislation is

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7. The livelihoods approach has been discussed at length elsewhere and the reader is referred to the following, Carney, 1998; Scoones, 1998 and Ellis 2000. However in brief, while the framework does not aim to capture the complexity of poor people's livelihoods, it does try to provide a structure to think about and reflect on the causes of poverty. It assumes that poor people live with high levels of risk, and within this context, their ability to access and use assets to produce beneficial livelihood outcomes is affected by the prevailing social, institutional and organisational environment.

8. In these calculations household numbers were adjusted to reflect differences in age and gender. Men aged 15 years or older were allocated one adult equivalent unit; women aged 15 years or older were allocated 0.8; male and females under the age of 15 years were allocated 0.5 of an adult equivalent unit. Household per capita income was calculated by dividing net household income by the total number of adult equivalent units in the household. The income data were adjusted for inflation.

discriminatory and public administrations are ineffective, households will be constrained in their efforts to design viable poverty exit strategies. The study explored these themes in relation to the asset status of the eight case study groups.

Information was initially collected on the position of households in 2001 in relation to the following assets that they owned.

- Land area
- Livestock holdings
- Access to credit
- Access to public transfer payments (old age pensions, disability and child support grants)
- Access to housing
- Number of economically active adults in the household
- Educational attainment (the highest number of education years achieved by an economically active adult in the household).

Land area owned

The figures used for land holdings were restricted to land on which the household had constructed its house, in other words its home plot, and did not include land that had recently been transferred through the land reform programme. This acknowledges the fact that individuals do not have title to land that has been transferred through the land reform programme. Groups own the land that is transferred through the restitution and redistribution programmes, and municipalities own commonage. However while they are often poorly defined, especially in restitution and redistribution groups, individual members do have access rights to their new land for cultivation and grazing purposes.

What Table 1 below emphasises is the smallholdings that black households had access to during the apartheid era. The average holding per household was 473 square metres or one twentieth of a hectare; 83 per cent of households owned less than 600 square metres of land.

Table 1. Household distribution of home plots

Area owned	**Per cent**
0-200 square metres	16
201-400 square metres	32
401-600 square metres	35
601-1600 square metres	17
Total	100

Source: Sample survey conducted in January – April 2002

Black people came to "white" South Africa in order to work for white owned businesses; once their contract was terminated the majority of them were expected to return to their homelands. To prevent black people from establishing a more diversified livelihood in the townships that would have made them more independent of white business and more likely to stay in "white" South Africa, the apartheid regime curtailed their access to land, as well as to other assets. The very small land holdings of households in the case study groups are the result of these discriminatory policies as, prior to 1994, none of them lived in a homeland.

Livestock holdings

The livestock types recorded were cattle, goats, sheep, donkeys, horses and pigs. The two most common species owned by households in the sample were sheep (1744) and goats (1667), both of which are well suited to the Northern Cape's climate and ecology. Pigs were the third most popular species, but only 93 were owned.

It was predictable that livestock holdings would be low, given the inability of black households to access land coupled with the difficulties that households experienced in accessing and developing their new land. This proved to be the case: only 57 per cent of households owned one or more animals. The mean holding was five cattle equivalent units (CEUs).[9] Richer households (those with higher per capita incomes) owned significantly more animals than poorer ones. For example, while the poor and medium groups had a mean holding of 2.5 CEUs, households from the richest group had nearly 10.5 CEUs.

Like this study, an investigation of livelihoods in Uganda by Ellis and Bahiigwa (2003) showed a positive correlation between livestock ownership and wealth, although the numbers and distribution of animals between the wealth groupings were more even. However, a similar study undertaken by Roberts (2001) in Kwa-Zulu Natal showed the opposite, with poorer households owning more animals than richer ones. This may be because Kwa-Zulu Natal is a more economically dynamic province, where richer households, with larger asset endowments, choose to exploit the higher yielding non-farm investment opportunities to which they have access.

Access to credit

Before the 1994 elections, apartheid legislation made it impossible for black people to access the formal credit market. As Kaplinsky (1995) highlights, government policy restricted the business activities of black people in the townships by preventing them from accessing input and output markets. However, even if poor black rural South Africans had not been purposively discriminated against in the credit market, they would have experienced difficulties in accessing it. Many problems combine to cause the rural credit market in low income areas to fail: lack of information about the borrower, the borrower not having sufficient collateral, the high transaction costs that financial institutions incur when dealing with small borrowers in remote

9. All livestock were converted into cattle equivalent units (CEUs). This was achieved by taking market value ratios between the mean current price (five per cent trimmed mean) of different species of livestock. The figures were as follows: Cattle = 1; Goats = 0.13; Sheep = 0.15; Pigs = 0.15; Horses = 0.52; Donkeys = 0.17.

rural areas, and the high risk of default due to the occurrence of shocks or the borrower defrauding the lender (moral hazard).

This study found that less than 10 per cent of the households were borrowing money from either the formal or the informal credit market. Borrowers were evenly distributed across the sample. Due to the high interest rates charged by lenders (the monthly mean rate was 20 per cent), the majority of households could only afford to borrow between Rand 100 and 500. Money borrowed was being used to meet immediate consumption needs such as purchasing food and clothes.

Finding a way for poor land reform beneficiaries to overcome these credit market failures is of crucial importance for the success of the land reform programme. Beneficiaries who wish to make agriculture a key component of their livelihood will need to borrow money from a formal financial institution to finance the cost of production and of maintaining and replacing capital equipment. As Bradstock (2005) explains, initiatives such as Rotating Savings and Credit Associations (ROSCAS) or Accumulating Savings and Credit Associations (ASCRAS) are unlikely to work in the land reform groups investigated by this research. There are few incentives for individuals to join these schemes as the majority of farms have failed to produce any benefits thereby discouraging them from making any contribution to these types of initiatives. Even if they were to join, it is unlikely that they would be able to raise the sums required to finance agricultural operations.[10]

Access to public transfer payments

It is well recognised that South Africa has the most inclusive social security system in sub-Saharan Africa; the similar systems in Botswana and Namibia are less comprehensive (Devereux, 2001). While a number of grants are offered to protect poor people from falling into poverty when they lose their jobs or experience other unforeseen shocks, the three grants which are most effective at preventing households from slipping into poverty are the old age pension, the disability grant and the child support grant (Ardington and Lund, 1996). All these grants are means tested on the basis not only of individuals' incomes but also of the value of their assets.

The maximum grants available are as follows: women are entitled to receive an old age pension of Rand 740 per month at the age of 60 and men at 65 (Department of Social Welfare, 2001). A medical examination determines eligibility for the disability grant and the amount is the same as the old age pension. The child support grant is Rand 170 per month: all children below the age of 11 are eligible, but each household is limited to six grants. There are also two other child-related grants. Families which have adopted a child and can prove this with a court order are entitled to a foster child grant of Rand 530 per month until the child is 18. And children up to the age of 18 certified as disabled are entitled to a care dependency grant of Rand 740 per month.

10. For example, Van Niekerk estimated that one group's annual working capital needs were Rand 250,000 or £22,000.

These payments capture an aspect of human capital that is of particular importance for poorer South African households. It shows that economically inactive members (for example, old age pensioners, the disabled and the very young) are often assets that give rise to benefits.

Table 2 shows the distribution of these grants across the three per capita income groupings in this study.

Table 2. Distribution of government grants received by per capita income groups

Grant	Poor *n = 39*		Medium *n = 40*		Rich *n = 39*		TOTAL	
	No. of grants	No. of HHs receiving the grant	No. of grants	No. of HHs receiving the grant	No. of grants	No. of HHs receiving the grant	No. of grants	No. of HHs receiving the grant
Old age pension	18	16	28	20	8	5	54	41
Disability grant	14	14	16	14	7	7	37	35
Child support grant	21	14	11	10	6	6	38	30
Foster child grant	0	0	6	3	0	0	6	3
Care dependency grant	3	1	3	1	1	1	7	3
Total	56	45	64	48	22	19	142	112

Source: Sample survey conducted in January – April 2002

Of the five grants shown, the three most frequent are the old age pension, the disability grant and the child support grant; the number of foster and care dependency grants is insignificant. Households from poor and medium per capita income groups received nearly 84 per cent of the total number of old age pensions, child support and disability grants. Households from the medium per capita income groups claimed one and a half times as many old age pensions as the poorest households. The richest households received only half as many child support grants as the medium per capita income group and nearly a quarter of the number of the poorest households.

The striking feature of the table is that richer households have fewer members that are disabled and economically inactive than the other groups and, as mentioned above, having a human capital profile that has economically inactive members can give rise to benefits.

Access to housing

The apartheid government's policy of 'influx control' aimed to restrict the number of black people living in 'white' South Africa. Those black people who came to work in 'white' South Africa were housed in townships that were situated away from white residential areas, and were designed as dormitory towns (Wilkinson, 1998; Turok, 2001). Before and during the apartheid period, the failure of influx control policies led to growing numbers of black people living in 'white' South Africa in temporary housing (Posel, 1991). This led to the gradual growth of informal shack settlements around many towns and cities in the country. When the ANC came to power in 1994, it was estimated that almost 10 million people, or nearly one quarter of the country's population, were living in low quality housing (Goodlad, 1996).

A house is often a poor person's most valuable physical asset and, if the household has security of tenure, it may be used as collateral to secure loans for productive purposes that can have a positive effect on household welfare (IFAD, 2001). Moser's (1998) work on asset vulnerability in the Philippines, Ecuador, Hungary and Zambia confirmed this view.

The study considered a number of factors with regard to the quality of housing and the services supplied to case study households' dwellings. This included the materials used to make the walls, roof and floor of the house; whether the house had access to a toilet, piped water, electricity and potable water, and how frequently the municipality collected household waste. Overall the quality of housing and access to basic services across the sample was good and there were few substantive differences between rich and poor households.

Number of economically active adults

The study explored the number of economically active adults (EAAs) resident in households. These were defined as all male and female adults between the ages of 15 to 60 years old, exclusive of those individuals in full-time education. 94 per cent of households in the eight case study groups had at least one economically active adult resident. The median number of EAAs was three, two and a half and two for the poorest, medium and rich per capita income groups respectively.[11]

The study shows a negative correlation between the number of EAAs and per capita income. This echoes the findings of some other studies undertaken in South Africa (see, for example, May, 2000a; Leibbrandt and Woolard, 2001; van der Berg, 2001) and in other developing countries (see, for example, Scott (2000) on Chile). However, Sender's (2000) research in the Mpumulanga province of South Africa found a positive relationship between the two variables, and elsewhere in Africa the same positive relationship has been found (see for example, Reardon *et al* (1992), who found that in Burkina Faso large numbers of economically active adults in a household may help in the process of livelihood diversification).

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11. Because the coefficients of variation were unacceptably high, medians were used as a more accurate descriptive statistic.

Educational attainment

Before 1994 black people faced high levels of discrimination in education, which made it extremely difficult for them to develop their human capital. In the mid-1970s, government expenditure on African education was only 4 per cent of that on white education, and on the eve of the 1994 elections that figure had only risen to 51 per cent (Leibbrandt et al, 2001; Terreblanche, 2002; Weber, 2002). There were also large differentials in the quality of teachers: while only 3 per cent of white secondary school teachers were not university graduates, only 4 per cent of black teachers were graduates (Collins and Gillespie, 1993). Shortly after the ANC came to power, it was estimated that approximately 55 per cent of South Africans from disadvantaged communities were illiterate, and possibly 10 per cent of the population above the age of 16 had never attended school (Howie and Plomp, 2002). This lack of human capital in black South Africans is a major challenge: without a minimum level of numeracy and literacy skills, their chances of securing employment in a modern economy are limited to vulnerable, unskilled, low paid occupations.

Table 3 shows the educational achievement measured in years of education completed by the most educated economically active adult of each household in the three per capita income groups.

While the positive effects of education on the economic and social well-being of households worldwide are well documented in the literature (Psacharopoulos, 1994), this relationship was not evident in this study. The most likely reason for these results is the distortionary effect that apartheid policies had upon the functioning of both the education and the labour markets.

Table 3. Number of completed education years by the most educated economically active adult (EAA) by income group

Education years	Poor *n = 39*	Medium *n = 40*	Rich *n = 39*
Mean	9.03	8.26	9.77
Std. Dev.	3.46	4.26	3.26
Median	10.00	10.00	9.00

Source: Sample survey conducted in January – April 2002

Summary of asset status

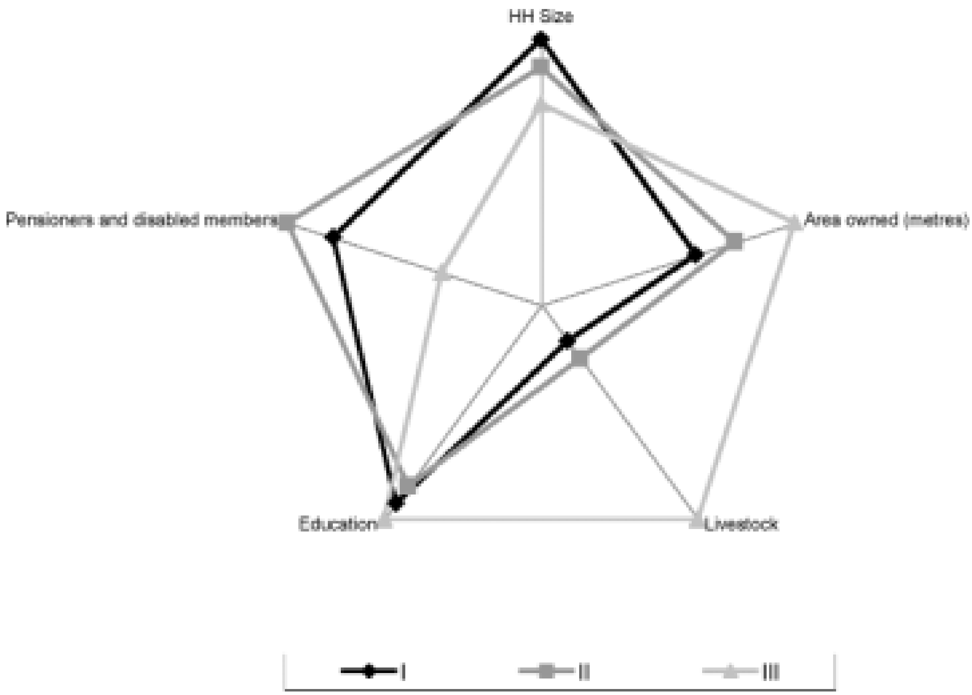
Figure 2 is a radial graph that presents the comparative level of five assets for per capita income groups across the whole sample for 2001. Access to credit and housing are not shown on the graph because only a minority of households had gained access to credit, and the quality of housing was similar for the whole sample.

The radial graph compares asset levels between the three income groups and is constructed as follows: for each asset, the group that has the largest holding is situated furthest from the centre of the graph. The location of the other groups along the radial is determined by the amount of that asset they have in relation to the group which has the largest holding.

It should be noted that the radial graph simply presents the comparative levels of asset holdings of the different income groups. It does not attempt to describe any causal relationships that might exist between assets and per capita income.

The graph shows that, in general, the richest (having the highest asset holdings) third of households have the highest land and livestock holdings, and the lowest numbers of economically active adults (labelled HH size in the graph) and old age pensioners and disabled people.

Figure 2. Selected asset levels by income group, whole sample 2001



Source: Sample survey conducted in January – April 2002

Livelihood activities and income portfolios in 2001

Table 4 presents the income portfolios of the sample households, showing the sources from which they derived their incomes in 2001. Of the sources listed:

- *crop and fruit* shows both cash income and the value of own consumption;
- *livestock* shows both cash income and the value of own consumption;
- *non-farm self-employment* relates to income generated from activities that include, for example, carpentry and beer making;
- *wage income* is comprised of income or income in-kind earned from employment in either the private or the public sectors;
- *public transfers* are money from the three state grants outlined above;
- *private transfers* are remittances from non-resident family members; and,
- *physical transfers* are gifts to the household that were given on the understanding that they did not require any own-contribution from the recipient.

The findings show a relatively low level of income diversification. The number of households across the sample engaged in growing their own fruit and vegetables in their home plots was small, so the contribution of this activity to household income (including cash and the value of any in-kind receipts) is low. Interestingly none of the 118 households was using the land that it had recently gained access to grow either fruit or vegetables. The small number of livestock owned by households in the poor and medium groups is reflected in the relatively low proportion of household income derived from this source.

Table 4. Income portfolios by income group for 2001 – structure of household incomes in percentages

Income Source	Poor *n = 39*	Medium *n = 40*	Rich *n = 39*
Crop and Fruit	1.1	0.8	2.0
Livestock	7.0	9.3	15.2
Non-Farm Self-Employment	0.8	–	–
Wage Income	25.4	41.0	69.2
Total Transfers, *of which*	65.7	48.9	13.6
Public Transfers	55.6	41.5	9.6
Private Transfers	9.3	7.4	4.0
Physical Transfers	0.8	–	–
Total income	100.0	100.0	100.0

Source: Sample survey conducted in January and February 2002

While the poorest households accessed all of the seven possible income sources, medium and rich households had no income from non-farm self-employment or from physical transfers.

One striking feature of Table 4 is that gaining access to the labour market is an important factor in determining a household's wealth status as well as avoiding poverty. This finding is corroborated by other South African studies (see, for example, Leibbrandt *et al*,. 2001; van der Berg, 2001; Woolard and Leibbrandt, 2001; Terreblanche, 2002). The findings also show the considerable contribution made by public transfers to the incomes of poorer households.

These findings are very unlike the income portfolios of rural groups in other African countries. For example, a much greater variety of income sources was found by Ellis and Bahiigwa (2003) for households in Uganda, by Ellis and Mdoe (2003) in Tanzania, for all per capita income groups, and by Bird and Shepherd (2003) for rural households in the communal areas of Zimbabwe. Work on livelihoods in rural Mexico by Wiggins *et al* (1999) found that households were on average drawing upon five income sources.

However, in South Africa the findings of this study are not exceptional. Using the PSLSD[12] data set, May *et al* (2000c) and Woolard and Leibbrandt (2001) compare and contrast the income sources of poor and non-poor households; their work highlights the insignificance of agricultural income for both rich and poor households. This is confirmed by other South African studies (see, for example, Baber, 1996; May, 1996; May *et al*,. 2000b). Moreover, these studies also reveal the importance of public transfers and wages as key income sources for all households. Public transfers are shown to contribute more to poorer than to richer households, and the opposite is true for wage income. The existence of these very visible distortions in South African rural livelihoods, when compared to rural livelihoods elsewhere in the developing world, is explained by the extraordinary control that apartheid policies had in restricting black South Africans from accumulating assets and diversifying their livelihoods.

Changes in asset status and livelihoods between 2001 and 2003

In 2004, the same households were revisited and the same data collection process was used to collect asset and income data for the calendar year 2003. The aim was to establish what changes had occurred to households' asset status during this period, and to explore whether households had successfully managed to integrate agriculture into their livelihoods. By 2003, the households had had access to their new land for a few years, but there had not yet been time for FARM-Africa's interventions to have an impact upon the case study groups.

12. The Project for Statistics on Living Standards and Development (PSLSD), supported by the World Bank, was a national study of poverty undertaken by the University of Cape Town's South African Labour and Development Research Unit (SALDRU).

Every household experienced a change in its income over the two-year period.

- 61 per cent of households increased their incomes. In the poorest per capita income group, those households that increased their incomes did so on average by 98 per cent; for households in the medium and rich groups the rate of increase was more modest, at 57 per cent and 30 per cent respectively.
- In the 39 per cent of households where per capita incomes declined, the average fall was greater in the two richest groups.

The causes of changing per capita incomes varied between households.

- Some households were affected by a number of factors combining, in varying degrees of intensity, to pull their incomes to lower or higher levels
- Some households experienced a change in a single key income source
- Some households encountered multiple factors, some reducing income and others increasing it.

For households which had experienced falls in their income levels, the study examined the reasons. Table 5 lists the major factors, whose impact was discussed with households immediately following the collection of the data.

Table 5. Factors affecting households' deteriorating livelihood status

Factors	Poor	Medium	Rich	Total
Fall in income from casual work	2	5	5	12
Loss of child grant	0	2	0	2
Child grant downgraded	0	1	0	1
Loss of old age pension	0	1	0	1
Loss of disability grant	1	0	0	1
Unemployment	0	5	4	9
Decrease in remittances	0	2	1	3
Livestock income decreases	0	1	9	10
Increase in household numbers	2	7	4	13
Reduction in business income	0	1	0	1

Source: Sample survey conducted in January 2002

The table shows that different factors did not affect all households in the sample evenly. The most common cause of falling per capita incomes was unemployment or a drop in wage rates for either casual or seasonal work. While households from the medium per capita income group experienced this more frequently than the poorest households, the impact on per capita incomes was greater in households in the richest group, reflecting their greater dependence upon wage income. The increase in the number of household members impacted more heavily upon households in medium and rich households, and the most frequently cited reason for increasing household size was migrant members losing their jobs and returning home.

One notable change was that all per capita income groups had increased their livestock holdings.

- In the richest per capita income group, 29 of the 39 households owned livestock in 2001; by 2003 this had increased by 20 per cent to 35 households
- In the medium per capita income group, 17 households owned livestock in 2001; by 2003 this had increased by 47 per cent to 25 households
- In the poorest per capita income group, 15 households owned livestock in 2001; by 2003 this had increased by 60 per cent to 24 households.

However, although households from the two poorest groups were building their livestock holdings, they were still small compared to those of richer households.

Moreover, despite the increase in livestock numbers, the contribution of livestock income to total household income declined across all the per capita income groups over the two-year period. The group with the richest households experienced the most dramatic falls: in 2001 livestock income accounted for 16 per cent of household income, and in 2003 this had declined to 9 per cent. While households in the other per capita income groups experienced falls in their livestock income, the decline was much less severe because their livestock holdings were low. One of the main reasons for this fall in income was the severe drought conditions affecting the Northern Cape province during the study period, which had depressed livestock prices.

3 Conclusion

The legacy of apartheid makes achieving poverty reduction by transferring assets more difficult than policy makers had expected. The case study households have all been beneficiaries of the land reform programme, yet many of them still have low asset holdings, and income portfolios with low levels of diversification.

The causes of these distorted livelihoods are to be found in apartheid era legislation which restricted the ownership of productive assets by black people and discriminated against them in factor and product markets. In the current socio-economic environment, success in the labour market and accessing social grants are key to avoiding poverty.

The mean per capita income of the households in this study did increase significantly from 2001 to 2003, but there was no evidence to suggest that any of this change resulted from agricultural activities. In particular, although land in the Northern Cape is most suited to extensive livestock production, none of the households was re-structuring their livelihoods to make livestock a key element. Households were expanding their livestock holdings to some extent, with poorer households achieving this at a faster rate than richer ones, but the contribution of livestock income to total household income across the sample in both 2001 and 2003 was less than 10 per cent.

This is because land reform groups were being constrained from developing their land by:

- a lack of technical agricultural support;
- difficulties in accessing their land due to large distances and the high cost of transport;
- low levels of human capital with regard to technical agricultural skills;
- credit market failures limiting the number of people able to access funds to finance production activities, farm infrastructural repairs and maintenance; and,
- a liberal macro-economic policy that has significantly increased risk in the agricultural sector. The two most prominent are: product price fluctuations arising from the abolition of foreign exchange controls and, by reducing tariff barriers, South African farmers are now affected by fluctuations of global commodity markets.

These constraints combine with the low levels of assets that characterise households in the sample and the substantial risks involved in farming in a harsh, arid climate – so it is not surprising that agricultural activities do not play a more prominent part in livelihood portfolios. The strategy of developing livestock only as a secondary activity is a rational one.

Witbank farmers, Northern Cape

These different factors combine to constrain the land reform programme in its current arrangement from making any significant impact on poverty reduction in the Northern Cape. If the government is unable to address these issues, the chances of the programme realising its objectives as well as creating a black commercial farming class looks remote. While reforming South Africa's land market is undoubtedly an important political objective, policies that seek to complement and develop poor people's assets especially their human capital through education and skills training helping them to compete more successfully in the labour market may prove to be more effective at achieving poverty reduction than land reform in areas that have similar socio-economic and environmental characteristics as the Northern Cape.

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FARM-Africa Head Office
9-10 Southampton Place, London, WC1A 2EA, UK
T +44 (0) 20 7430 0440 F +44 (0) 20 7430 0460
E farmafrica@farmafrica.org.uk W www.farmafrica.org.uk

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