Explaining South Africa's Land Reform Policy Failure through its Instruments:

the emergence of Inclusive agricultural Business Models

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The paper seeks to explain the emergence of South African inclusive agricultural business models in relation to the land reform policy. We demonstrate that in South Africa such policy instruments linking small-scale and large-scale farmers respond to endogenous dynamics linked to the *failure* of its land reform policy. We study the land reform policy change induced by its policy instruments. Indeed, introducing the market as the preferred means to implement land reform caused unanticipated side effects, creating constant pressure for change that such inadequate instrument exerted on the set policy objectives during the first phase of policy implementation. After cohabitating uneasily with rather antagonistic policy goals, policy instruments ultimately led to a change in policy objectives, shifting from supporting small-scale black subsistence agriculture to targeting a class of emerging farmers committed to commercial agriculture. Inclusive Business Model's policy instruments were subsequently identified as the best fit to achieve the re-adjusted policy goal.

Keywords: Agriculture; Inclusive Business Model; Land Reform; Policy Instrument; Policy Change; South Africa

Introduction

This article examines the emergence and adoption of inclusive agricultural business models in South Africa from a socio-historical perspective. Inclusive business models are commercially viable business partnerships between large-scale farms, agribusinesses or large corporations (the commercial partner) on the one hand, and smallholder farmers and low-income communities (the beneficiaries) on the other. Promoted by public authorities at the provincial and national level (DAFF 2013; EDD 2011; LDA 2005; NPC 2011), inclusive business models intend to encourage the integration of small producers – mostly black farmers – into commercial value chains, notably by providing them with market access, technical and managerial know-how, and access to credit to fund the purchase of inputs or equipment (Eaton and Shepherd, 2001). In exchange, small producers commit to avail their land, harvest and/or labour power to commercial (mostly white) farmers[1].

Inclusive business models have tended to proliferate in Africa, and particularly in the South African agricultural sector (Hall, 2011). Today, South African public authorities officially endorse inclusive business models as contributor to their national developmental and transformation agenda. Paradoxically, though, they have been evaluated mainly negatively on the four dimensions composing "inclusiveness"[2] (Lahiff *et al.,* 2012; Vermeulen and Cotula, 2010). In particular, the benefits accruing to small-scale black producers appear to be particularly disappointing. This is particularly concerning considering the current prominence of inclusive business models in both land redistribution and land restitution schemes in particular.

In this article, we argue that the preference given to inclusive business models in this specific context is linked to the land reform *policy failure*. These links have already been mentioned in some academic works (Hellum and Derman, 2009), but these were mainly focused on the implementation stage of land reform. Authors who studied this implementation phase (Hall, 2010) emphasised an ideological turn in official discourses, particularly between 1999 and 2004, with the adoption of the *Land Redistribution for Agricultural Development* (LRAD) programme in 2000 by the new ministerial team of Thoko Didiza (Minister of Agriculture and Land Affairs) and the new focus on emerging commercial agriculture (Lahiff *et al.*, 2012, 17). More precisely, R.Hall (2010) stressed the critical role of new “discourse coalitions” as the driver of such transformation (Hall, 2010). This sectoral policy reorientation also coincided with a neo-liberal turn in the country's macro-economic policy and the implementation of the *Growth, Employment and Redistribution* (GEAR) programme, described by its detractors as a neo-liberal programme. The emergence of GEAR corresponds to what Muller (2015) would call a change in global “référentiel”, while the new promotion of emerging commercial agriculture corresponds to a new sectoral “référentiel”[3].

Instead, this article seeks to explore a different path to explain the shift in policy target from supporting poor or landless peasants to promoting a “new class” of emerging commercial farmers (Cousins, 2007; Hoeks *et al.*, 2014). This article contends that at the time when land reform was put on the political agenda in the early 1990s, the debates surrounding the *Land and Agricultural Policy Centre* (LAPC) were already carrying the seeds of such a shift in policy focus. Hence we trace back the policy change to the agenda-setting and policy design phase rather than to the latter policy implementation phase. In addition, the intention is to explain such a shift by mobilising aspects of the public policy instrumentation approach of Lascoumes and Le Galès (2005), particularly its emphasis on the unintended consequences of public instruments, as well as using part of Peter Hall's theoretical framework for policy change (Hall, 1993).

The paper objective is not to delve into the content of current inclusive business model's instruments and experiences but rather to take a step back and study the genesis and rationale behind their emergence within the land reform context. For that matter, we dedicate a major part of the paper revisiting the causes of the land reform policy failure and proposing a new interpretation for its revised objectives over time. Of particular interest will be our emphasis on the side effects of the selection of specific policy instruments during the early stage of the land reform debate. In that sense, following Ntsebeza discussion around the restrictiveness of the property clause (2007), we provide another illustration of provisions within the law which had critical unanticipated consequences and detrimental impact on the land reform.

This article is based on the results of a research project (*Assessment of inclusive development models in South African agriculture, for the integration of smallholder farming and land reform projects in commercial value chains*, 2013-2015)[4]. It is based on qualitative research methods including a review of academic literature, grey literature (study of public policy documents, ministerial reports), as well as approximately 15 semi-structured interviews with key actors in land reform and emblematic inclusive business model projects from different provinces of the country.

In the sections to follow, we start by developing the conceptual framework that helps understand policy changes. The article, then, returns to the debates preceding the formal political agenda-setting phase of land reform in the first half of the 1990s. It analyses the selection process of the market instrument for conducting land reform. This is followed by a discussion of the early stages of the implementation of land reform in the second half of the 1990s, focusing mainly on the unanticipated consequences of using the market instrument while highlighting some of the perverse effects it provoked. Finally, there is an explanation of how the emergence of inclusive business models as a new policy instrument can be understood against the backdrop of policy change and of revising land reform policy objectives following the previous policy failures.

Studying policy change through its instruments: a conceptual framework

Briefly, according to Peter Hall's theory of change in public policy, policymaking is 'a process that usually involves three central variables: the overarching goals that guide policy in a particular field, the techniques or policy instruments used to attain those goals, and the precise settings of these instruments' (Hall, 1993, 278). In terms of P. Hall's perception, these dimensions are hierarchically organised. His conceptualisation of policy change also has three orders, with the third-order change representing a paradigmatic policy change. What is of interest here about his theory is his emphasis on policy change as a result of incremental change. In that respect, tensions between the calibration of policy settings and policy instruments, or between policy instruments and policy objectives, may lead to policy failures and ultimately to policy change.

Indeed, these policy failures can be understood as the impossibility of achieving a particular policy goal using a specific policy instrument or instrument settings. Indeed, repeated policy failures put pressure for incremental change at the lowest level of policymaking, but this incremental change may ultimately result in more radical changes, at the level of policy objectives or at the level of policy paradigm. This attention paid to the role of policy instruments and settings in policy change partly inspired the public policy instrumentation approach of Lascoumes and Le Galès (2005). Among other aspects, their approach stressed the role of technical instruments and their ability to trace policy change. Following Hoods and Peters (2004), they also emphasised the unexpected effects of policy instruments in public policy.

Borrowing from these two approaches, this article, therefore, adopts an approach of policy change focusing on the materiality of the policymaking process, and more specifically focusing on policy instruments. Following Ruth Hall's foucauldian-inspired concept of discourses conceived as text and as associated *practices* (Hall, 2010, 373), our intention, here, is to expand on such practical aspects and political technologies in a bid to pinpoint the origins of the land reform policy failure. In that respect, we demonstrate that the introduction of the market solution as the preferred means to implement land reform would cause unanticipated consequences and create tensions between official policy objectives and some of the instruments used to achieve them.

Indeed, after cohabitating uneasily with rather antagonist policy goals, policy instruments will ultimately lead to a change in these policy objectives. Hence, we show that despite the existence of a ruling coalition led by Minister Hanekom (1996-1999), who from the outset defended a vision of small-scale subsistence agriculture, public policies will eventually be caught up by the original choice in favour of the market instrument to guide land reform. This initial choice in favour of the market instrument makes the prospect of sustainably promoting family-type agriculture relatively unlikely. In the next section, we go back to the early-stage debates around land reform.

The predominant influence of the World Bank on the early-stage debates around land reform

At the end of the apartheid regime, the adoption of a new land policy constituted a priority of the new ruling party, namely the African National Congress (ANC). The aim of such land reform was to enable the black population to recover the land that had been confiscated from them through the Land Act of 1913. It was, therefore, necessary to redistribute mainly white-owned land to the black population to ensure a more equitable sharing of this natural resource[5]. To conceive of the new land and agrarian policy, the Land and Agriculture Policy Centre (LAPC) was established in February 1993 (Lee and Smith, 2004).

The Land and Agricultural Policy Centre under the influence of the World Bank

The LAPC was an ANC thinktank led by Derek Hanekom, who in 1996 became minister in charge of agriculture and land affairs in the new democratic South Africa. Until the 1990s, agricultural and agrarian affairs were far from occupying a prominent place on the agenda of the ANC (Weideman, 2004). The ANC did not have agricultural policy experts in its midst, and few of its political elite were engaged on the issue despite the centrality of agrarian issues in the Freedom Charter (1955). Testimony to that can be found in the fact that, by the end of 1992, the National Land Commission had been dissolved and had become a mere bureau (Land and Agriculture Desk) of the Department of Economic Planning. Belonging to the anti-apartheid white activist movement, Hanekom was chosen to occupy the post of minister with the idea that as an Afrikaner, he would be able to negotiate the land reform policy in co-operation with white commercial farmers (Interview, Professor of Agricultural Economics, University of Pretoria, March 2014).

The objective of the ANC in creating the LAPC was to develop a structure for reflection and expert advice for future agricultural policy, soliciting the World Bank, with which contacts had already been established in the early 1990s, but also with other partners whose contributions could be confronted with the proposals already made by the World Bank (Hall, 2010, 174). The LAPC, through its director at the time, David Cooper, maintained close ties with the World Bank, which was also the first to finance a research contract for the LAPC (Weideman, 2004). The LAPC received further funding from the international development assistance community, including the European Union (EU), the Danish International Development Agency (DANIDA), and its British equivalent, the British Overseas Development Agency. Through a series of LAPC reports, more than 100 South African social scientists and lawyers were able to contribute to the debates on rural restructuring. The major initiative of the LAPC, the Land Options Conference, was held in October 1993 in Johannesburg. Initially, rural NGOs, particularly those focusing on the forced evictions and displacements of black populations, were closely involved in the debate on land reform. However, their involvement in the public policy process very quickly suffered the departure of its chief representatives, newly recruited to occupy executive positions in the new Ministry of Agriculture and Land Affairs (Bernstein, 1998, 5; Weideman, 2004, 228).

Undisputably, the World Bank ultimately had the most decisive influence on the LAPC. Sihlongonyane (1997) and Freund (2013) analyses converge with Bernstein (1998, 5) when he notes that the “many reports of the World Bank's project provided the first generation of publications of the LAPC”. Also, there is certainly no coincidence in the fact that the World “Bank's proposed target of redistribution of 30 per cent of white-owned land within five years featured in the ANC manifesto for the elections of 1994.” As a mainly urban-based mass resistance movement, the ANC lacked an updated analysis of the agrarian question, agricultural restructuring and land redistribution. It was rapidly overwhelmed by models and prescriptions produced outside its ranks. Bernstein (2011) notes that it “was singularly unprepared for the entry of the World

Bank and its corps of international experts, and the ways in which they ‘talk nice’, advocating land reform, the promotion of economically efficient small farmers, poverty alleviation and the like.”[6] As for its expertise, the World Bank easily connected with “hastily 'born again' elements of [White] organised agriculture, agribusiness, and the Development Bank of Southern Africa, DBSA” (Bernstein, 1998, 5). At the dawn of a new political era, those South African experts who had to prove they could “transform”, re-invented their vision of agriculture in the Bantustans. They were willing to borrow from the World Bank and advocate a transition from large-scale projects managed by parastatals to a new small farmer orientation (Bernstein, 1998, 12).

The World Bank and its agenda of agricultural sector liberalisation

The involvement of the World Bank in the debates on South African reform date back to 1991. Weideman (2004) notes that initially the World Bank's experts adopted an attitude of openness, seeking to include in the discussions a large number of contributions from experts and even activists, sometimes even financed with World Bank funds. Before the Land Options Conference, a wide range of contributions was thus produced, initially mainly by prominent World Bank personalities, as well as agricultural economists from the University of Pretoria and the Development Bank of Southern Africa, and then activist researchers deemed close to the ANC, mostly funded by the LAPC. The World Bank legitimised its proposals through this choice of procedure, adopting a seemingly inclusive process. Yet, as pointed out by Williams (1996, 140) and Weideman (2004), the Bank's synthesis of these different contributions[7] was far from reflective of the diversity of opinions expressed, introducing numerous biases in the presentation of arguments. The use of highly technical language and the internationally recognised expertise of the World Bank's envoys in the field of agricultural economics constituted the main vehicle through which the Bank promoted its very specific agenda of economic liberalisation (Williams, 1996, 140). Weideman (2004, 223) cited the testimony of one of the participants in the first LAPC meetings in Swaziland (1993), while South Africa was still under the apartheid regime: '[...] these guys were technically superior and top lobbyists; nobody from South Africa was at that level. We just sat there and were lectured to.' It is also important to note with Bernstein (1998, 7) how the debate on agricultural policy has been, for a long time, confiscated by economists in South Africa.

Since the beginning, the desire to end racial discrimination suffered by the black population was the main *leitmotiv* of the land reform process, which put forward a discourse on restorative justice. However, for Binswanger and Deininger, two emissaries with a rather iconoclastic profile within the World Bank, the process of reforming land tenure in South Africa, especially in a turbulent context of political regime transition, was, also, an excellent opportunity to bring about a number of neoliberal-inspired reforms. Their main objective was the abolition of the protectionist system in agriculture and the liberalisation of the sector, in particular its market and price regulation policies. To convince the rising political forces of the ANC to pass this controversial liberal reform, the World Bank emissaries emphasised the necessity of removing the economic distortions that up until then had mainly benefited the white farmers. In their view, eliminating any direct or indirect subsidies[8] would create a level playing field for all farmers. For fear of the competition coming from new black farmers, white commercial farmers also supported the World Bank's position.

Hence, in terms of the land redistribution programme especially, World Bank experts argued for a market solution that was later validated in the White Paper on Land Reform adopted in 1997. For the World Bank, the state had to intervene as little as possible in the agricultural sector, recommending that the state not proceed with any expropriation even with economic compensation. On the contrary, it argued that it was preferable to leave the market forces at play, following a principle of "willing buyer, willing seller". That principle was rendered more acceptable due to the fact that land prices had fallen during the 1980s (Christiansen *et al.*, 1993, 1449). Only partial aid in the acquisition of land or a grant to initiate the initial operations of the new farms were recommended by the World Bank experts (Van den Brink *et al.*, 2007, 182).

After the October 1993 Conference on Land Redistribution Options, the mission of the World Bank in South Africa was completed. According to the then Director-General of the Department of Land Affairs, Geoff Budlender (1996-2000) (cited in Palmer, 1997, 201), the World Bank no longer contributed to the debates until another of his envoys, Van den Brink, was recruited between 1999 and 2002 by newly appointed Minister Didiza to assist the Department's Director-General, Glen Thomas. Notwithstanding, in 1997, after two and a half years of public consultations, the Ministry of Land Affairs published a White Paper very much in keeping with the principles laid down by the Bank, retaining the principle of "willing buyer, willing seller". The principle of "market-assisted reform" was enacted, stating: "Government will assist in the purchase of land but will in general not be the buyer or owner. Rather it will make land acquisition grants available" (DLA, 1996, 38).

The perverse effects of the market's approach to land reform

At the culmination of these debates, South Africa had not only embraced the principle of market-driven land reform, but had also become a country with one of the most liberalised agricultural sectors in the world. However, while white commercial farmers had benefited from government support in building their businesses, the new black farmers had received no aid for purposes of installation or investment. Indeed, post-installation support (training, technical and financial assistance, supply of inputs and infrastructure) did not materialise before the launch of the *Comprehensive Agriculture Support Programme* (CASP) several years later in 2004.

Initially, the White Paper proposed the adoption of Settlement / Land Acquisition Grants (SLAG) as its first public programme. However, the grants allocated were very modest (14,000 ZAR/household[9]). With the objective of the Ministry being essentially redistributive, the aim was to target as many beneficiaries as possible:

"If there is a need for subsidies for land acquisition, then they should be modest subsidies as much as possible." (DLA, 1996, 28)

In terms of this programme, the Ministry of Land Affairs set small-scale and subsistence farmers as its priority policy target. The Director of the Programme for Land and Agrarian Studies (PLAAS), which was established in 1995 at the University of Western Cape, was working closely with the Ministry in the period up to 1999. The main purpose of the Programme was to undertake policy-oriented research to support the newly elected government in implementing its land reform policies and to support small-scale farmers in particular. The effects of the first public schemes in favour of this group were, however, going to be largely thwarted by the policy instruments privileged to implement the land reform. Although subsidies were available to subsistence farmers through SLAG, these grants were far from able to compensate for the deleterious effects of the market principle, one of which is the tendency of white farmers to speculate, selling their land at a relatively high price. Moreover, such "market-assisted reform" makes the abolition of regulations inherited from apartheid preserving the agrarian structure and the *status quo*, relatively unlikely, especially because such abolition would have required an interventionist State that the reform in its principles hampered. The clause preventing the subdivision of agricultural land is one such regulation, with its maintenance contributing to the paralysis of the expected outcomes of this first policy framework in the context of land reform.

The next section examines in detail the "non-subdivision" clause before moving on to another policy tool, i.e. communal property associations, which represents an attempt to address the challenges encountered during the early implementation phase of the land reform process and specifically the liberal measures that accompanied it:

The retention of the clause preventing the subdivision of agricultural land as an unanticipated consequence of the market-driven approach

Historically, this "non-subdivision" measure represented a spatial planning policy instrument inspired by the perceived threat of a 'blackening of the countryside' (Van den Brink *et al.* 2007). It was designed to prevent any change in land use and intended to limit competition from Black farmers to the newly established White farmers. According to Binswanger and Deininger (1993, 1461):

> The Glen Grey Act of lXY4 […] banned the sale, rental, or subdivision of land by introducing a perverted form of communal tenure […] Then the Native Lands Act, passed in 1913 and confirmed in 1936, […] also confirmed the Glen Grey Act provisions concerning communal tenure, i.e. maximum holding sizes and restrictions on land transactions […]. The main intention of the law – which was

> “almost exclusively the basis of the country’s future policy of apartheid” (Wilson, 1971) – was to transform tenants into wage workers for the mines.[…] The immediate effect of the law was to force African families who were formerly independent farmers on sharecropped land to accept wage labor and give up their equipment. The longer term effect was to end African farming above the subsistence level and to degrade the reserves to "dormitories" (Hendricks, 1990) for a cheap African labor force.

For the World Bank experts, it was necessary to abolish the Subdivision of Agricultural Land Act, No 70 of 1970, which endorsed these discriminatory measures (Binswanger and Deininger, 1993, 1468). The clause preventing the subdivision of agricultural land effectively blocked small-scale black farmers access to farmland and represents a discriminatory economic measure that benefited white commercial farmers exclusively. For the World Bank experts, legal restrictions on the subdivision of large estates, their sale and leasing, had to be abandoned if land reform were to lead to the emergence of “productive smallholder agriculture”. In their opinion, it was by taking advantage of the possibility of choosing their management and farming plan and having the potential to divide these lands that farmers would have had the opportunity to adapt their production systems to their own capital and skills (Christiansen *et al*., 1993, 1553).

At first, at the 1992 Mbabane conference in Swaziland, the ANC was reported to be reluctant to subdivide large farms into small lots of land to be redistributed. The political organisation was not really convinced by the model of small agriculture defended by the World Bank (Hall, 2010, 171), which they saw as betraying a paternalistic attitude similar to the one displayed by the colonial and apartheid regime. Later on, the ANC changed its mind though. Hamman and Ewert (1999, 448) assert that it was heavily influenced by the World Bank call to break away from inefficient, large-scale farming systems to more small-scale, labour-intensive farming.

Renowned South African agricultural economists also opposed this idea, with the controversy taking place against a backdrop of ideological debate on the ‘economically viable size of farms’. The assumed relationship between farm size and farm productivity has been the subject of much research in the political economy of agrarian transformation for more than thirty years (Byres, 2004; Lipton, 1977) and remains one of the main contentious issues among economists. However, the debate on the concept of “viability” is largely biased, with no link to the existence of economies of scale in production, but rather to the idea of targeting a minimum income. Historically, in the former settlements, this “viable” size was calculated by determining the minimum income of a white farmer, and from there the size of a farm was calculated to reach that target income (Van den Brink *et al.*, 2007, 19). Many economists have argued that this dated argument is not applicable to black farmers with different lifestyles and production styles, also employing a workforce largely from within the family circle to compensate for the lack of access to credit to acquire mechanical means of production.

The community of South African agricultural economists was far from unanimous on this question (Vink and Van Rooyen, 2002), but it must be admitted that this idea of a minimum critical farm size is still widely shared within the Ministry of Agriculture at both the national and provincial level, i.e. Rural Development and Land Reform Department or Regional Land Claims Commission (Lahiff *et al.*, 2012). This bias was already pinpointed in an internal evaluation report on the policy of the Ministry of Agriculture and Land Affairs (MALA, 2003, 12): ‘[…] the reluctance of officials of the Department of Agriculture to sub-divide farms below what they consider to be the “viable” size.’

Eventually why did the World Bank fail to persuade of the need to abolish the clause preventing the subdivision of agricultural land, whereas during the same period it managed to impose the logic of "market-assisted" land reform? Lahiff (2007, 30) provides the most convincing explanation. According to Lahiff (2007) who reviewed different currents influencing land reform debates[10], the World Bank was not in a position to efficiently defend this option insofar as it proved to be at odds with the principle of minimal state intervention in the process of land reform:

> Breaking up such units prior to their transfer to beneficiaries would require a much more interventionist stance by the state, to first buy the property and then survey and register individual plots. Allocation of plots would then require a transaction between the state and beneficiaries, and the illusion of a market transaction between landowner and land reform beneficiaries would be shattered. [...] So, while the World Bank and its supporters wish for subdivision, their own policies prevent them from recommending the one mechanism to bring this about – direct involvement by the state in land acquisition and redistribution (Lahiff, 2007, 30).

In other words, it is the tension between the means and the ends, i.e. between the policy instrument (a market-driven approach advocating minimum state intervention) and the policy objective that explains the survival of such a discriminatory measure against small-scale farmers. Other experts corroborate this argument by emphasising the human resources and administrative capacity that should have been deployed to implement such a measure, which was promising to be a 'cadastral nightmare' (Interview, Head of the Faculty of Agricultural Economics, University of Pretoria, March 2014). Thus, despite endless debates about the need to abolish the clause, and despite the

Parliamentary vote for the Subdivision of Agricultural Land Repeal Act (Act 64 of 1998), the President of the Republic has, until now, never ratified the law. In summary, the market approach greatly complicated the implementation of land reform, provoking unanticipated consequences such as preventing from abolishing the “non-subdivision” clause and forcing farmers to regroup into CPA to afford such big farms as we will see in the next section:

The* communal property association *policy tool to remedy the blind spots of land reform

Collective ownership arrangements for redistributed land, known as communal property associations (CPAs) were introduced to counteract the deleterious effects of specific instruments of land reform (primarily the use of the market instrument combined with the clause preventing the subdivision of agricultural land). Indeed, the public land redistribution programme SLAG encouraged the interested beneficiaries to combine their meagre individual subsidies in a bid to jointly purchase farmland that would otherwise have remained out of reach due to their limited financial means. Although the LAPC officially supported this CPA alternative, a document published in 1998 revealed a lack of optimism regarding this mechanism:

> The redistribution policy concentration on willing buyer-willing seller within the land market means that land reform tenants often have to pool their land grant resources to acquire farmland. This entails the establishment of group-based ownership arrangements and new economic relationships. It remains unclear as

to whether such relationships are tenable, for large groups, beyond the initial optimism of the joint purchase.

Indeed, the management of these entities was also assured by these CPAs, which planned agricultural operations as collective projects, creating many difficulties in the co-ordination of activities, in decision-making and so on. Very soon these complications led to policy failure. To sum up, Binswanger himself recently acknowledged that: 'The emphasis on creating successful commercial farms and the associated focus on a group or cooperative farming model rather than subdivision into family farms is probably the single most important causes of program failure.' (Binswanger, 2014, 17)

Policy failures provoking the redefinition of new policy objectives

Bernstein (2013, 39) notes that the land reform policy has delivered very little in comparison to the sheer amount of policy declarations and rhetoric, government programmes and spending, devoted to it. Barely 25% of the redistribution targets had been achieved. More concerning, the failure rate of redistributed land projects is approaching 50% (RSA 2010, 41). Focusing exclusively on the implementation phase, some authors (Hall, 2010; Weideman, 2004) account for the setbacks of land reform by emphasising the failure to create a category of viable small-scale black agriculture during the first phase of public policy under Hanekom (1996-1999). As such, for instance Weideman (2004) pointed out a human resources issue, emphasising that most of the staff of the new Ministry of Land Affairs had defected from the former Department of Native Affairs of the apartheid regime. This had an undeniable influence on the conduct of the affairs of the administration and its relative paralysis:

> When the DLA was established in 1994, it took over the building and personnel of the former Department of Native Affairs. Staff from the old departments of Agriculture and Native Affairs had little influence on policy formulation, but significant influence on slowing down policy implementation. In turn, this contributed to slow delivery, conflict between the departments of Land Affairs and Agriculture and finally to the change of minister and policy direction that commenced in 1999. Although Hanekom systematically replaced personnel in the top leadership structures, he did so gradually, and the lower echelons (those responsible for bureaucratic processes and administration) continued to consist of personnel whose ideological background and experience were inconsistent with the policies of the new Department. (Weideman, 2004, 230)

The explanation put forward by R. Hall (2010), in her thesis on '*discourse coalitions'* in land reform, refers to the takeover of a new coalition in the Ministry of Agriculture from the year 2000, led by Minister Didiza and her new Director-General, B. Njobe, deemed to be close to the orthodox economists of the University of Pretoria. The replacement of Hanekom was also accompanied by a restructuring of the Ministry, particularly its executive echelons – officially to meet the objectives of affirmative action and 'racial transformation' within public administrations, but in reality also because it endorsed a new liberal ideological turn for the government. Indeed, in July 1996, the new government led by the ANC gave birth to the Growth, Employment and Redistribution (GEAR) programme law, focusing on fiscal austerity, as well as the promotion of exports and the attraction of foreign investment. According to R. Hall (2004, 220): 'The replacement of SLAG with LRAD at the end of the 1990s brought land reform in line with GEAR's emphasis on entrepreneurship as a means of building a black middle class with limited direct involvement in the economy by the state and reliance on partnerships with the private sector’. The renewal of the posts of deputy directors within the Ministry, particularly those of the former agrarian reform NGO activists, Stanley Nkosi and Sue Lund, also reflected the rejection of the priority given to poverty reduction objectives, with a target audience composed of landless and subsistence farmers.

This article shows that this radical change of coalition at the head of the Ministry mainly sanctioned an obvious policy failure and a subsequent adjustment of policy objectives, as predicted in P.Hall policy change theory. Indeed, we argue that despite the existence of a coalition in power that initially supported a vision of subsistence and small family farming, politicians were eventually caught up with the original choice in favour of a policy instrument that was highly unlikely to defend anything other than intensive agriculture. Indeed, the market approach had unanticipated consequences, by ultimately restricting the possibilities of choosing an agricultural production model more adapted to the means, the context and the capacities of the small farmers to whom these lands were redistributed. In fact, farming candidates had to buy the white-owned farms at a high price, while only benefiting from very small subsidies.

For small-scale black farmers, this meant that they had little choice but to regroup. Moreover, the non-revocation of the clause preventing the subdivision of agricultural land accentuated this pressure in favour of a large-scale mode of production. Small-scale black farmers were unprepared, however, and above all were no longer able to benefit from direct production aid or support services (marketing support, financial organisations, agricultural cooperatives), which had been dismantled or were being restructured as part of the liberalisation of markets. These measures greatly undermined the chances of success of land reform and its redistribution objectives.

The policy measures already mentioned (market instrument; almost no state support; non-termination of the clause preventing the subdivision of agricultural land; collective ownership and management of redistributed farms) not only deprived the first land reform policy mechanism of its intended effect (redistributing land), but also further entrenched the agrarian structure inherited from apartheid – so much so that recently, the stagnation of the agrarian reform process has been described as follows (Cochet, Anseeuw, Fréguin-Gresh, 2015):

> Twenty years after the first democratic elections, the country's land pattern remains almost unchanged, and primary agriculture and its broader value-chains are more concentrated than ever. […Because of the] oligopolistic entrepreneurial agricultural production model […] presently structuring the sector and […] guiding the reforms, a more equitable redistribution of resources and value addition will by no means be possible.

With an agrarian structure being kept intact, with its monopolistic market positions and striking inequities, there was no space for small-scale farmers to develop in such an adverse economic environment. In order to survive, they had to become commercial farmers themselves. It is in this context that inclusive business models have imposed themselves more and more:

The promotion of inclusive business model instruments in agriculture following the readjustment to the new policy objectives

It is interesting to note that the first reflections around ‘alternative business models’ – the ancestors of inclusive business models – emerged in 1994, on the part of actors who had already anticipated the deleterious effects of the weak measures accompanying small farmers in the context of market-assisted reform. Entrepreneurial formulas such as equity share-type schemes (joint ventures) are the ancestors of the inclusive business model tools experienced on a large scale today. These were first presented in 1994 at an economic seminar on ‘Western Cape Rural Livelihoods’ (McKenzie, 1994). This workshop, held in the Western Cape Province, was aimed at devising an alternative model to the land reform proposed by the ANC, which put forward a goal of 30% redistribution of land. Alternatively, equity share schemes proposed a redistribution of wealth and a catch-up of the inherited inequalities of the past without formally transferring the land from commercial farmers to small-scale black farmers. In this way, these two categories of farmers could be associated in the same commercial entity. The main argument in favour of such an alternative solution was its economic efficiency, knowing the limited public subsidies available.

In that respect, comparing different business models, Craig McKenzie, an agricultural economist specialising in finance, concluded that the equity shares models were by far the most efficient tools because no installation costs were needed since the new black farmers could benefit from the existing physical and financial infrastructures. In particular this model made it possible to retain the technical and managerial skills of white farmers, which were particularly crucial for the wine farms of the Western Cape. In a context of a lack of state subsidy, the reduced cost of such model was a very convincing argument for those who were also anticipating the adverse effects of a lack of post-installation aid. Moreover, an expert group around these ‘*alternative farm* *models'* was formed between 1994 and 1996 when certain economists realised that the no-post-installation financial support policy could trigger detrimental effects and lead to difficult challenges for newcomers in agriculture. For Binswanger, the reflection was not sustained for very long (Interview, Former World Bank Expert, Pretoria, March 2014) but the idea re-emerged later out of necessity.

Indeed, the government began to revisit this idea at the beginning of the 2000s, the challenge being about maintaining commercial farms redistributed within the framework of land reform, especially in sectors considered particularly strategic, such as citrus fruit (exports), fruit and vegetables (export and food safety), wine. Indeed, in the early 2000s, not only has the land reform been stagnating with very little land being actually redistributed but there was another worrying concern that triggered resorting to the inclusive business model's solution. Some projects, such as the redistribution of large citrus farms in the subtropical provinces of Limpopo and Mpumalanga, which are strategic for export, had recorded massive failures, with production having collapsed in the early 2000s. The spectacular failure of other large farms redistribution projects also had the effect of agitating the spectre of a threat to the food security of the country.

Hellum and Derman (2009) summarised the critical factors that led to the testing of these inclusive business model tools:

> An economic imperative to maintain the productivity of commercial farms and minimize the impact on employment and the local export economy; a developmental imperative to ensure long-term benefits to claimants, over and above the symbolic value of the return of the land or the limited benefits perceived to flow from alternative land uses (e.g., "subsistence" agriculture); a political imperative to preserve the image of the government – in the eyes of

> political opponents, potential investors, and international commentators – as competent, dependable in fulfilling its promises, and responsible in the use of state resources. […]. (Hellum and Derman, 2009, 133)

Fraser (2007, 300) adds that the government – through its land claims commissions established in the different provinces – did not hesitate to impose simplified forms of inclusive business models on the beneficiaries of land reform in the early 2000s. Land redistribution in these provinces in the eastern part of the country was conditioned by the signing of a strategic partnership agreement (one of the possible but often simplified versions of inclusive business models) with a commercial farmer (Fraser, 2007: 300). R. Hall (2004) highlighted the strong incentives directed at candidates applying for state subsidies under the *Land Redistribution for Agricultural Development* (LRAD) programme to ensure that their applications adhered to the canons of commercial agriculture. Starting in 2001, LRAD generalised loans to compensate for the lack of public support and the weakness of the land reform grants programme. LRAD precipitated a little more this logic of resorting to inclusive business models, insofar as these loans contracted with the Land Bank did, in fact, induce an agricultural model that was capable of generating profits to repay the loans. However, given these emerging farmers' lack of experience, training and resources, a partnership with active commercial farmers seemed to be appropriate.

The public authorities initially considered a partnership that could take the form of a remunerated mentorship. In April 2002, the *Strategic Plan for South African Agriculture* referred to amounts between 5,000 and 15,000 ZAR per month, but in some cases white farmers had to sponsor more than 50 farmers. Suffice to say that this measure rarely found support, due to its lack of financial attraction for commercial farmers. Hence this tutoring was soon replaced with inclusive business models, which were much more attractive to commercial farmers. Beginning in 2005, these inclusive business models became a popular model of agricultural development in the province of Limpopo, with this policy instrument being disseminated to all agricultural contexts, not just land reform policy (Bourblanc, Ducrot, Mapedza, 2017). Since 2010, these inclusive business models have become widespread throughout the country through the national *Recapitalisation and Development Programme* (RECAP). For RECAP, engagement in a “strategic partnership agreement” took one of two possible forms, namely mentorship or more advanced inclusive business models, which then became *sine qua non*-conditions for access to redistributed lands and installation funds.

To sum up, inclusive business models were perceived by decision-makers to be particularly suitable to achieve the re-adjusted policy goal following the previous land reform policy failure, i.e. to graduate smallholders into commercial farmers. Indeed, considering the lack of public support in a liberal operating environment, inclusive business models represented a way for the government to engage private agribusiness in agriculture and rural policies and ensure it contributes to the investments needed in the sector. Moreover, due to the highly dualistic agricultural sector that hampered any fair competition for new comers in agriculture, inviting smallholders to partner up with experienced commercial farmers was seen as a way to prevent further land redistribution debacle.

Conclusion

The purpose of this article was to explain the emergence of the concept of inclusive business models as models of agricultural development in South Africa. Inclusive business models strive to link small-scale and emerging farming to large commercial farms, or even agribusiness firms, through commercial partnerships. We have argued that inclusive business models are closely linked to the South African land reform policy failure and to the revision of policy objectives that it provoked.

Until now, authors have alluded to link with land reform policies, yet with the main focus on the implementation stage in the 2000s, either by emphasising the emergence of a new discourse coalition or by shedding light on the challenges regarding policy delivery. This article explored an alternative explanation, focusing on the materiality of public policy, and on policy instruments in particular. Hence it was demonstrated that the emergence of a new actors' coalition is merely an epiphenomenon and that causal factors explaining the imposition of inclusive business models lie primarily in the choice of particular policy instruments, and especially the market-driven approach, which occurred during the agenda-setting phase of land reform in the early 1990s. In this paper, we argue that it is not necessary to wait for a coalition more favourable to emerging agriculture (in transition to commercial agriculture) to witness the reorientation of public policy targets and a shift in reform. This shift was already in the grip of the preliminary debates. In fact, it is those instruments selected to implement the policy objectives that have proven to be particularly problematic, causing the reform process to stagnate, and new policy objectives to appear.

Building on P. Hall's theory of policy change, combined with aspects of the public policy instrumentation approach of Lascoumes and Le Galès, this article subsequently highlighted the unanticipated side-effects of specific policy instruments and particularly the constant pressure for change that such inadequate policy instruments exert on the set policy objectives. Ultimately, as the chosen policy instruments could not deliver on the already agreed-upon policy objectives, and as instances of policy failure accumulate, policy objectives have been redefined, as conceptualised in P. Hall's theory of incremental change. In that respect, the new policy objectives target a new population of farmers and strive to bring out a class of emerging farmers in a bid to ensure successful land reform. Over time, those incremental policy changes have culminated at the level of the public policy paradigm, with commercial agriculture becoming the production model to promote land reform. Inclusive business models have been fully deployed in the wake of this reorientation of land reform policy.

Indeed, the use of inclusive business models is part of this logic to encourage the development of emerging and commercial farmers. Since the purpose of the new policy paradigm of land reform was to defend commercial agriculture for new black farmers and considering the constraints and risks associated with the exercise of such a form of production without public support, the association with agribusinesses via inclusive business model instruments was rendered all the more necessary.

Ultimately, the justification for inclusive business models as development models in South Africa became all the more easier as these inclusive business models aligned with the politico-economic evolutions and prevailing paradigms at the global level, promoting them as solutions for revitalising agriculture in developing countries, and as "win-win" strategies for small farmers and agribusinesses alike.

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Notes

[1] Five types of inclusive business models that aim at integrating smallholder farmers into commercial agricultural value chains can be identitfied: (share) equity schemes; supply contract farming; collective organisations; lease/management; mentorship

[2] Risk; ownership; voice; rewards

[3] "Référentiel" can be translated into a "policy paradigm". A policy paradigm can be described as a framework of ideas for interpreting the world. Such concepts belong to cognitive approaches that seek to explain policy change through a change of ideas.

[4] Funded by the South African National Treasury and the Flemish International Cooperation Agency.

[5] In 1994, white farmers possessed about 82 million hectares of land, with the objective of the ANC being to redistribute about 30% of this land (i.e. 24.5 million ha) to the black population by 2014.

[6] https://www.plaas.org.za/sites/default/files/publications-pdf/PP%2020.pdf

[7] "*South African Agriculture: Structure, Performance and Options for the Future"* (World Bank, 1994)

[8] Economic distortions could take the form of public interventions in the commodities market, infrastructure construction, credit facilities, and various services to farmers (Van Zyl, Kirsten & Binswanger, 1996)

[9] The grants were also means-tested.

[10] The "neo-liberal camp" represented by, amongst others, experts of the World Bank; the "modernist-conservative camp" represented by, amongst others, the commercial farmers' unions, the *Freedom Front* and the *National Party*; and finally the "radical-populist camp" close to the ANC.