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## Willing-Buyer, Willing-Seller

### Notes

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## Outline

- What does WBWS mean in general?
- What does it mean in South Africa?
- What has been the impact of WBWS in South Africa?
  - On the prices paid for the land
  - On the pace of land reform
- Policy implications

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## What does WBWS mean in general?

- In general: a completely voluntary transaction between a seller and a buyer
- In Zimbabwe, the WBWS concept has a specific connotation to its pre-2000 land reform program:
  - 1980-85: the UK would reimburse 50% of the land purchase, if the government pre-financed 100% of the purchase price of land on the open market, i.e. using the WBWS principle
  - 1985-2000:
    - any commercial farmer who wanted to sell his land on the open market, would need to first offer it to government
    - Only when the government would not be willing to buy it, would the farmer be allowed to sell it
    - The government would then issue a certificate of "no present interest" to the seller, who would then be allowed to sell it
    - If the government wanted to buy it, the government would enter negotiations with the seller
    - If the owner did not agree with the price, he could simply walk away, but would of course not obtain a certificate of "no present interest" and would hence be unable to sell his property
- Namibia has in place a similar Zimbabwe post-1985 WBWS program
- Both programs' slow pace is better explained by a lack of any substantial budget allocations than by the reliance on WBWS

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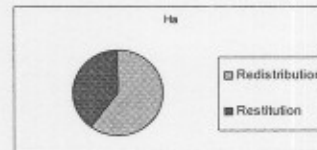
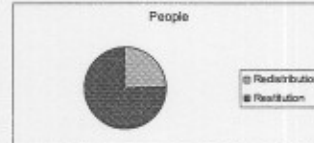
## What does WBWS mean in South Africa?

- Restitution:
  - Land owner is not a willing seller
  - Government is also not a willing buyer, because it has a legal duty to buy and reconstitute the farm to the valid claimant
  - But government has opted for negotiated settlements, rather than going to court and/or expropriate
  - Such negotiations put Government at a disadvantage, because until recently it did not have expropriation as a credible and practical option
- Redistribution:
  - Willing buyer, willing seller
  - Drawback:
    - government officials, rather than beneficiaries, do the negotiations.
    - This may drive up the price:
      - Official not keen to walk away, because of time invested and need to meet targets
      - Owner can exploit this

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## Delivery (1994-2004)

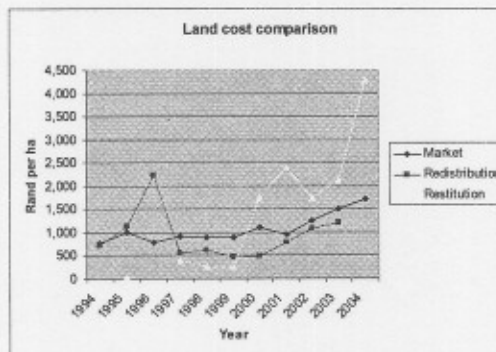
- Total:
  - 2,433 projects
  - 2.2 million ha
  - 225,000 HH
  - 1.1 million people
- Redistribution:
  - 1.3 million ha
  - 256,000 people
  - But based on assumption of 3 grants per household (seems high)
- Restitution:
  - 0.9 million ha
  - 778,000 people
- Tenure reform:
  - 87,000 ha
  - 47,000 people



Redistribution delivered more land  
Restitution benefited more people

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## Comparing prices paid for land in the market, and under the Restitution and Redistribution programs



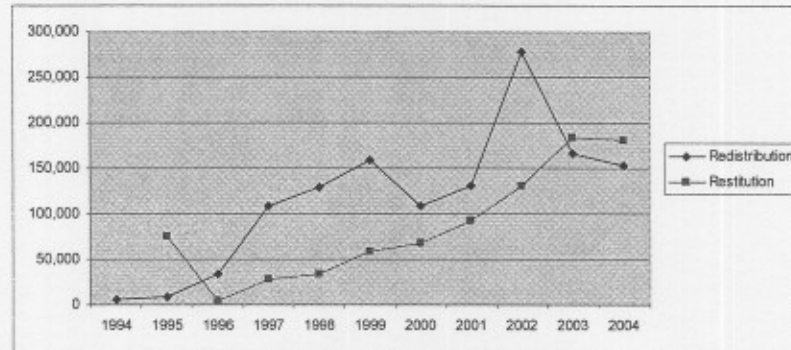
Market: land prices increased by more than 50% from 2001 to 2004.

Redistribution: since 1997, prices paid have been below market prices (on average: 33% less)

Restitution: since 2000, prices paid have been above market prices, with 2004 prices being 2.5 times higher

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## Delivery



### Redistribution:

- dip because of switch from SLAG to LRAD (1999-2001)
- since 2002: combined effect of lack of substantial budget increases, rising land prices, move away from large groups, and no adjustment of grant size)

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## Policy implications

- WBWS has constrained delivery of high quality agricultural and peri-urban land:
  - With no adjustment in grant sizes, and high and rising land prices in these areas, very little land has been acquired in these areas
  - It is likely that beneficiaries have therefore acquired other land (at lower prices than the average)
- WBWS seems not have constrained delivery in other areas:
  - More a question of budget and systems
- Pro-active land acquisition (including the use of expropriation) needs to be implemented in areas of high quality and peri-urban land
- WBWS (LRAD and SLAG) suitable for other areas

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## Policy Implications—continued

- Restitution prices are escalating, because:
  - Government cannot walk away from the negotiations (“captured buyer”)
  - Sellers are able to inflate values
- Expropriation needs to be used urgently to contain escalating costs