



FREE MARKET FOUNDATION'S

Khaya Lam Land Reform Project



Local Knowledge and Trust: Designing Projects to Make a Difference



INTRODUCTION

The Free Market Foundation (FMF) is a South African think tank founded in 1975 to promote and foster an open society, the rule of law, personal liberty, and economic freedom as fundamental components of its advocacy of human rights and democracy based on classical liberal principles. One of the founders, Leon Louw, is a South African intellectual entrepreneur and life-long property rights activist. His interest in property rights came from an early personal experience while working at a law firm in Johannesburg. According to Louw, “Every day I saw and occasionally bought food from an elderly black woman who sold fruit on the sidewalk outside our law offices. One day I saw the police kick her basket of fruit into the street, and chase her down around the corner where they caught and arrested her; they threw her violently into their police van, and drove off. I dropped what I was doing and followed. They took her to [a] central Johannesburg police station where I spent the rest of the day trying to get her released.”

This anecdote describes the spirit and motivation behind both FMF and its Khaya Lam (My House) Land Reform project, an initiative to return freehold land titles to survivors of

South Africa’s apartheid. As Temba Nolutshungu, co-director of FMF, explains, “I still remember a time when black South Africans could not even conceive of owning land.”

Enacted in 1913, the Natives Land Act prohibited black people from buying or owning land and also forbade them from being tenant farmers on land owned by white people. Post-apartheid reforms in the 1990s sought to reverse this oppressive legacy by ending the prohibition and making it possible for tenants of government property to obtain freehold title to their homes.

The new law, however, has not been sufficient to trigger the change that Nolutshungu describes. The vast majority of title conversion candidates today remain either unaware or distrustful of the opportunity. FMF started the Khaya Lam project to bridge this divide and to secure titles for as many conversion candidates as possible.

Today, FMF is led by executive director Louw and co-directors Eustace Davie, Temba Nolutshungu, and Jasson Urbach, and employs 10 full-time and three part-time employees with an annual operating budget of roughly US\$650,000. Its board of advisors includes the highly regarded economists Deepak Lal and Israel Kirzner.

PROJECT NARRATIVE

The goal of the Khaya Lam Land Reform project is to secure title for previously disenfranchised South Africans. FMF estimates there are as many as 7 million such candidates, an immense figure. To turn legal rights into reality, the FMF team knew they needed to test a new model for facilitating land title conversion at a smaller scale, using the results to inspire further cooperation and replication throughout the country.

The team developed the initial goal of converting 3,000 municipally owned rental houses into freehold titles through a pilot project. They believe this will not only encourage economic growth in the communities affected, but also hope that the positive outcomes will convince government leaders to extend the title conversion policy to all 7 million of South Africa’s government-owned rental houses.

The team identified the Ngwathe municipal area of the Free State province for a pilot project. Ngwathe includes approximately 17,000 candidate properties, and has a municipal council led by a majority party that largely supported land titling at its founding.

The FMF team had gotten to know a retired farmer in Ngwathe named Perry Feldman, who later became a project manager for Khaya Lam. Feldman made introductions to local officials and Louw made a request for a meeting with the municipal council in order to present



▲ FMF conducted extensive outreach to the Ngwathe community about the benefits of the titling process.

the FMF plan, explaining the anticipated economic benefits for the community. The council voted and approved the plan, including a provision that the council would not “impose pre-emptive conditions that restrict the rights of what black residents may do with their land.”

According to Nolutshungu, this provision was important because, “In a free market, there has to be voluntary exchange, personal choice and private property. Only when government accepts these principles as sacrosanct can South Africa realize a peaceful, socioeconomic revolution that will result in the economic uplifting of the greatest number of people.”

The council was not only supportive, but, according to FMF project coordinator Gail Day, it promised to provide “a one-



- ▲ Including donors in titling ceremonies and activities lent a human face to the effort, and led to increased dedication and support.

stop-shop to deal with and minimize formalities and red tape.” Because of this reduced administrative burden, and because FMF had negotiated a bulk rate with attorneys, the project was able to reduce the average cost per title at the time from US\$348, a formidable sum for local residents, to about US\$122. With an average property value for candidate homes in Ngwathe of US\$8,000, this represented a compelling value proposition.

Another FMF representative, Jeanette Mpondo, then set up an office in Ngwathe in cooperation with the council, and served as a land reform liaison officer to work directly with potential beneficiaries as she helped them prepare documentation for their title applications.

Setting up the office in Ngwathe was a critical step. The FMF team quickly learned the importance of local

relationships and building trust. Mpondo maintained office hours, but spent much of her time working in the community to better understand residents’ views. This helped FMF get up to speed quickly on local concerns and adjust accordingly.

For example, local residents did not trust the attorneys that FMF had initially hired to serve them. Because they were from out of town, they were seen as foreigners and not committed to local residents’ best interests. In their place, FMF hired local attorneys who understood local attitudes and who had existing relationships with residents.

The team also gained a deeper appreciation for the role of marketing and outreach, particularly the need to explain the benefits of titling. For some, the opportunity to own property is innately attractive. For others, the benefits are less obvious

and the administrative hurdles and accompanying costs arouse suspicion.

To combat this, the FMF team developed a multi-pronged marketing strategy. First, they went door to door introducing themselves to candidate residents and explaining the economic benefits of ownership. Mpondo was also given a weekly slot on the local radio station to speak to residents about the benefits of titling, and to invite applications when new donor funds became available for titling.

Second, they held informational events to explain the application process and to provide an overview of ownership benefits (opportunity to sell, incentive to improve, and ability to access credit markets). Those events also provided residents the chance to ask questions such as, “Will my children really be able to inherit my property?”

Third, they organized functions at which larger donors could personally present the title deeds to the new homeowners they sponsored. For instance, representatives of the First National Bank

presented title deeds to 200 successful applicants in the school hall in Tumahole township. FMF also invited project donors to witness the transfer of title and to get to know the people their funds had benefited. For example, FMF held a titling ceremony for Maria Mothupi, who was 99 years old at the time. For Mothupi, the benefits of her new title were clear: She would now have something to leave her grandchildren. She also said she would invest in a few improvements on the property. As Nolutshungu notes, “for many black South Africans [land titling] is a healing process.”


Donor Tersia Cook joined the ceremony and celebrated with Mothupi. Cook said she made the donation in lieu of a birthday present to her brother and was so glad she did so. She later threw a 100th birthday party for Mothupi in January 2016, with FMF in attendance.

The FMF team shared Mothupi’s story in marketing materials and generated some media attention. By using the title transfer ceremony as an opportunity to both galvanize donors and expose



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TEMBA A. NOLUTSHUNGU, DIRECTOR OF THE FMF



neighbors and friends to the opportunity, FMF was able to accelerate its rate of applicants and expand its funding.

Fourth, the team also secured the vocal support of popular government leaders such as Free State Premier Ace Magashule and Ngwathe Executive Mayor Joey Mochela. Those leaders helped to draw media to titling ceremonies where reporters could meet the individuals and families benefiting from the project. Those stories helped to engage key audiences and energize them for this cause.

Fifth, FMF reached out to local businesses, including banks and farms, explaining the significance of the work they were doing. Some farms began sponsoring their workers' titles. Through word of mouth and media attention, other businesses began calling FMF to ask how they could get involved. For example, a nationwide hardware company has sponsored 54 title transfers in Ngwathe and promised to carry out titling in every area where it operates stores. A fruit exporter promised to

assist all of its 100 or so workers to obtain title to their homes. A large steel manufacturer in the Johannesburg metropolitan area is exploring the feasibility of helping 5,000 of its workers obtain title to their homes. Those opportunities are helping to pave the way for expansion beyond the pilot project and into other municipalities.

By early 2016, the pilot project had secured 870 land titles in Ngwathe, with another 300 in the pipeline. There has been an increase in donor interest in titling in other areas, too, with contributions and pledges received for 1,700 title transfers, mainly in the Cape Town area.

FMF has demonstrated that for every US\$100,000 in funding it secures for direct project expenses, it is able to generate approximately US\$6.7 million in capital for low-income South Africans. This translates into potential for loans for education expenses, new businesses, and property improvements, as well as opportunities for inheritance and relocation.



KEY INSIGHTS

ON PARTICIPATION

FMF developed a deeper appreciation through this project for the importance of knowing its audience. The local residents of Ngwathe did not immediately jump at the chance to obtain title through FMF's project. In fact, earning the trust and enthusiasm of candidate residents continues to require effort. Some do not believe such an opportunity could be real. Others do not see the benefit, or think it is not worth the effort to apply. This illuminates a broader insight about helping others: It is crucial to understand the perspective, desires, and tradeoffs of those you desire to help. Their knowledge is the most relevant for the decisions they must make. Those decisions must be made voluntarily. FMF was able to adjust its efforts to better account for local needs. By using local attorneys, relocating key staff to work daily among the candidate residents, and working through local bodies, FMF was better able to discover a productive model for success.

ON GETTING STARTED

There are an estimated 7 million candidates for FMF's project. That is a daunting number. By developing a manageable pilot project, FMF was able to demonstrate viability while building its model with flexibility. Starting a project at a large scale can be risky,


particularly if the experience of executing the project informs significant changes in program design. For more on this, read Eric Ries's book *The Lean Startup*.

ON FUNDING

FMF wants to see all candidates given the opportunity to learn about and consider converting to land titles, but it knows that the current funding model will not be able to meet the full scale of what is possible. For this reason, it is important that FMF continue to track and demonstrate the benefits of titling, particularly among those who have benefited from Khaya Lam. Even US\$122 can be a large sum for many in South Africa, so FMF hopes to see enough appreciation for the upside of titling that candidates will begin finding their own ways to raise the funds for their title conversions, either through savings or borrowing. In addition, the employer model, whereby companies sponsor their workers' land titles, has considerable promise. Planning ahead for subsequent project phases can help ease transitions to shifts in the funding model.

ON MESSAGING

Understanding your audience is key. In South Africa, some economic terms are heavily politicized and loaded with contentious meanings. "We did not



once talk about capitalism; we went in and talked about titles and property,” Davie noted. “That’s it.” By focusing on its audience and not its own interests, FMF was better able to articulate the benefits of the project in ways that resonated and produced results. FMF

also consistently presents itself as a nonpartisan organization that is sincerely committed to achieving justice for those harmed by the apartheid era. As a result, they have been able to bridge partisan divides and work with a diversity of allies.



DISCUSSION QUESTIONS

- ▶ List the audiences that one of your programs is intended to serve. What are the benefits they will realize if you are successful? How can you communicate those benefits effectively to those audiences in a way that will resonate and engage them in your cause? Will jargon that is associated with the ideas of liberty enhance or confuse your message?
- ▶ Identify a new or upcoming project in your organization. How can you test your model without overinvesting in features that may not be successful?
- ▶ Are there opportunities to bring your donors and the beneficiaries of your work together to meet and learn from each other? Draft a plan for such an occasion and brainstorm ways to ensure a memorable experience. Could this also serve as a media opportunity?
- ▶ Are there any opportunities to help accelerate the benefits of existing public policy in your area?