

This publication has been produced through cooperation between the GIZ Mpumalanga Rural Development Programme and the Business Trust. The Business Trust has established the Vumelana Advisory Fund to support the development of Community Private Partnerships.

Other publications in this series are:

- Commercial Partnerships for the Development of Restored and Communal Land: Opportunities for Investment in Pro-poor Economic Growth
- Commercial Partnerships for the Development of Restored and Communal Land: An Orientation Guide for the Implementation of Commercial Partnerships

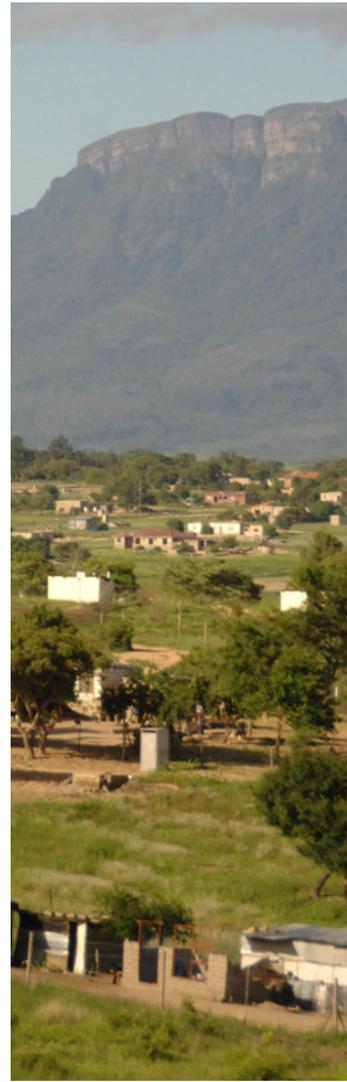


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Together we make a difference.



COMMERCIAL PARTNERSHIPS
for the Development of
Restored and Communal Land

*A Guide for
Community
Leaders*

ABOUT THIS BOOKLET

This booklet is the third in a series entitled *Commercial Partnerships for the Development of Restored and Communal Land*.

It is based on the experience of the Business Trust Maruleng and Bushbuckridge Economic Development Initiative (MABEDI), and the Mpumalanga Rural Development Programme (MRDP), supported by the German International Cooperation (GIZ).

The series shares lessons learnt from MABEDI projects and shows how properly facilitated and carefully structured commercial partnerships can promote job creation and rural development in communities living on restored and communal land.

During the course of the project the managers of the Business Trust's MABEDI and the GIZ's Mpumalanga Rural Development Programme (MRDP) agreed to work in

The majority of the completed MABEDI commercial partnership deals took place on restored land and, as such, the primary emphasis of this document is based on these experiences. However, the MABEDI experience was not completely limited to restored land. Whilst there are differences in the approval procedures for partnership-based projects on communal lands vis-à-vis restored land, the key principles for the mobilisation of investors and for the design of partnership deals remain essentially the same.

cooperation. The purpose of the cooperation was to share information and produce various guidelines and toolkits. Practical support was provided where possible. This was manifested, in particular, in community facilitation support provided by MRDP staff in respect of the development of three partnerships in addition to the 16 deals concluded by MABEDI.

The GIZ supported this publication and promotes commercial partnerships in South Africa based on its six years of experience in capacity development in various locations including Blyde River, Botshabelo, Makuleke and the Richtersveld. Technical support provided by GIZ for these partnerships focused on commercial investments in the tourism sector and the management of natural resources on restituted and communal land.

The MABEDI and MRDP programmes are described briefly below.

Maruleng and Bushbuckridge Economic Development Initiative (MABEDI)

The Business Trust's MABEDI programme aimed to pilot a market development approach to economic development in Maruleng and Bushbuckridge. The programme was developed in partnership with the Department of Cooperative Governance (then Provincial and Local Government) as part of the Business Trust's broader Community Investment Programme, which was launched in 2006. Among other things, the Community Investment Programme produced economic profiles of South Africa's 21 poverty nodes.

ECI Africa was appointed to manage the MABEDI programme on contract to the Business Trust. The programme enabled 176 smallholder farmers to improve productivity and provide produce to local markets. It established 16 partnerships between investors and local communities, which will attract R1,5 billion in investment and sustain 4 975 jobs (direct and

indirect). The total economic impact of this is forecast to be R99,3 million in annual wages and R70,4 million in lease fees to Communal Property Institutions (CPIs).

The success of the projects in which the Business Trust was involved is attributed to the sustained and dedicated attention of skilled transaction advisors, community facilitators and property institution administrators. Without these skills, transactions cannot be secured or property institutions stabilised. However, the parties most in need of the skills do not have the resources to acquire them when needed. At the point of land acquisition communities are asset rich but cash poor.

The Business Trust has thus established the Vumelana Advisory Fund to support the establishment of commercially viable partnerships between investors and local community land owners. It will pre-finance the acquisition of the skills required to establish Community-Private-Partnerships. Its goal is to enable beneficiaries of the land reform process to make effective use of their land. The Fund will operate nationally and be structured to support the development of rural land development partnerships on a sustainable basis.

Mpumalanga Rural Development Programme (MRDP)

The MRDP was established in 2001 in response to the development needs of the province. It is a partnership between the government of Mpumalanga and GIZ, coordinated by the Office of the Premier. At a provincial level the programme cooperates with the Department of Economic Development, Environment and Tourism, the Department of Cooperative Governance and Traditional Affairs, and the Department of Agriculture, Rural Development and Land Administration. Through these and other partnerships, the MRDP assists government and communities to develop sustainable solutions that efficiently utilise the province's resources for economic growth and development.

In cooperation with its partners, the MRDP develops products and packages services that are embedded into partners' programmes in order to increase their efficiency and effectiveness. Special attention is given to mechanisms that link public development policy with large-scale private sector investment. This is based on the principle that both sectors should contribute to, and benefit from, economic solutions to reducing poverty. Therefore, both public and private interests are considered in the joint design of pro-poor development projects.

MRDP supported MABEDI to develop Community-Private-Partnerships adjacent to the Kruger National Park. When signed, these will result in a private sector investment of approximately R900 million for tourism development on communal land. It is estimated that the development will generate R16,4 million in direct wages per year and create about 1 500 new local jobs. These figures will add to the R1,5 billion investment and 4 975 jobs referred to above.

MRDP has also developed a comprehensive and coordinated support programme to establish standards and monitoring tools used to improve the services of home-based care centres for people living with HIV/AIDS. These centres serve approximately 500 000 patients throughout the province.

The programme supported the strengthening of provincial, local and district municipal structures to provide services urgently needed by communities for economic development. Capacity development interventions were based on a province-wide systematic assessment and were followed by training offered by the Wits Graduate School of Public and Development Management.



Land reform is high on South Africa's political agenda.

However, few rural communities have fully benefited from ownership of their land.

This is because they are unable to raise the capital or acquire the skills needed to use the land productively.

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*Over the last few years commercial partnerships
between communities and private investors have helped
a number of communities to make money from their land.
A private investor can lease the land from the community
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1 Why local communities are not benefitting from land reform

Land reform is high on South Africa's political agenda. Since 1994, 5,9 million hectares have been transferred to communities who were removed from their land by the apartheid government, and to black South Africans who have acquired land under the land redistribution programme.

However, few rural communities have fully benefited from ownership of their land. This is because they can't raise the money or find the technical skills to manage it well. They don't have the money to develop infrastructure and facilities, or to employ workers, buy seeds and fertilizer, and keep their tractors going. They can't afford to pay for electricity and they can't afford the water they need. And they don't have good links with companies that will buy their produce, or people who want to develop land for tourism. This means that local communities remain as poor as ever.

2 How a commercial partnership can help

Over the last few years commercial partnerships between communities and private investors have helped a number of communities to make money from their land. A private investor can lease the land from the community and develop it, so improving the lives of the local communities.

This booklet was developed to guide community leaders and owners of restored land by explaining how commercial partnerships work. It tells the story of a community frustrated because they don't have the money and skills to run a business on the land that belongs to them. It also shows the nature of benefits that can accrue to the community as it enters into a commercial partnership with private investors to work its land. The story is based on real events and provides information on:

- the advantages of a commercial partnership
- the typical concerns of communities
- factors that will make the partnership successful.

3 The story of a community in crisis

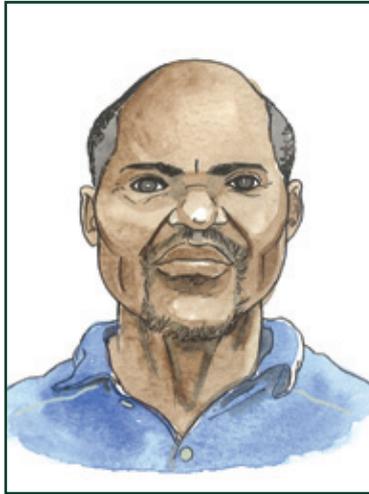
It is early 2009. Four community leaders are sitting on the verandah of a farm house in Mpumalanga. A few years ago they took ownership of the farm under the government's land reform programme. Government restored the land to the rural community that had previously lived on the farm for many generations, before they were forcefully removed in the 1960s.

Although they own the farm and its citrus orchards, the community does not have the money to work the farm. Its members also lack the skills to run the farm as a business. Many community members have lost their jobs on the farm, because the previous owners sold it to government and left the farm. The community is frustrated that they now own land, but cannot make any money from it. In fact, the farm is becoming run-down and neglected. To reverse this situation, they have elected four community members to a committee so they can find a solution to their problem.





Sindi is in her sixties and a matriarch in the community. She was born on the farm and has never left it. She is passionate about her family, her community and their survival.



John is a middle-aged man who has worked on the farm since he was 16. Before the previous owners left, he had an important position working as a foreman. He is now unemployed and cannot support his wife and children.



Katleho is a traditional healer in his fifties. He was born on the farm and people from neighbouring communities consult him on health and personal problems.



Tebogo is a young man in his twenties. He matriculated from a nearby school and enrolled at a college to obtain an agricultural qualification. His parents could only afford to pay his fees for the first few months, because after that they lost their jobs on the farm. The community elected him to the committee because he is the most educated out of all the community members.





Sindi: *So we finally got our land back. But now it is useless to us. We have no money to farm.*

John: Yes, many of us lost our jobs on the farm. And there is no one that knows how to run the farm as a business.

Katleho: *Maybe government can help us and give us a loan.*

Tebogo: Government has no money for us now. They gave us the land. We have to find another way.

John: I heard at church that the Mushis made a deal with a farmer who is leasing their land from them. He has money and knows how to farm macadamia nuts. He is also employing members of that local community.





Sindi: I heard that there are more jobs now than before they got their land back.

Katleho: But how does that work? Will white people take our land away again?

Tebogo: And why should we allow a white farmer on our land? He won't pay our people well and will use our land to make himself rich.

Sindi: That may happen. But we must find someone to help us do business using our land. Otherwise it will go to waste and we will not survive.

Katleho: If we lease the land, we will at least get some money every month.

John: The Mushis are getting very good income from their land. Someone helped them to make a good deal with the commercial investor.

Tebogo: But these investors are educated. They can fool us. How do we know that we are getting a fair deal?

Katleho: We have to find someone who is on our side ... someone who knows how much our land is worth. That person will be able to help us to make a fair deal.

Sindi: We also have to find an investor who has enough money and the right knowledge to help us start a business. We know how to farm. But how do we get the best price for our oranges? And where is the best place to sell our produce?

John: This time I want to learn about the farm business. I don't want to just work on the farm. We have to learn to make money from our own land.

Tebogo: But how do we know that it will work? The Pasekas had a deal with a farmer, but he only paid rent for a few months. Then he fled with some of their equipment.

Sindi: I also heard he did not employ many members of the community. He used people who were willing to work for less money.

Katleho: *These are difficult questions!*

Tebogo: That is why we need someone we can trust to help us.

John: The Mushis used a lawyer from Nelspruit to help them with their contract. He has lots of experience in commercial partnerships on restored and communal land.

Sindi: *But I heard they also used a commercial partnership support team. So how do we find the right people to help us?*

John: I think we should ask the Mushis to put us in contact with the support team that helped them with the structuring of their commercial deal.

They said the team with people who know about finance, contracts and working with the community came from the Business Trust and now they have set up an organisation to help the community find a support team. I think it is called Vumelana.

Katleho: Well Vumelana means “agree together”. Let’s hope they can find an investor we can agree with.

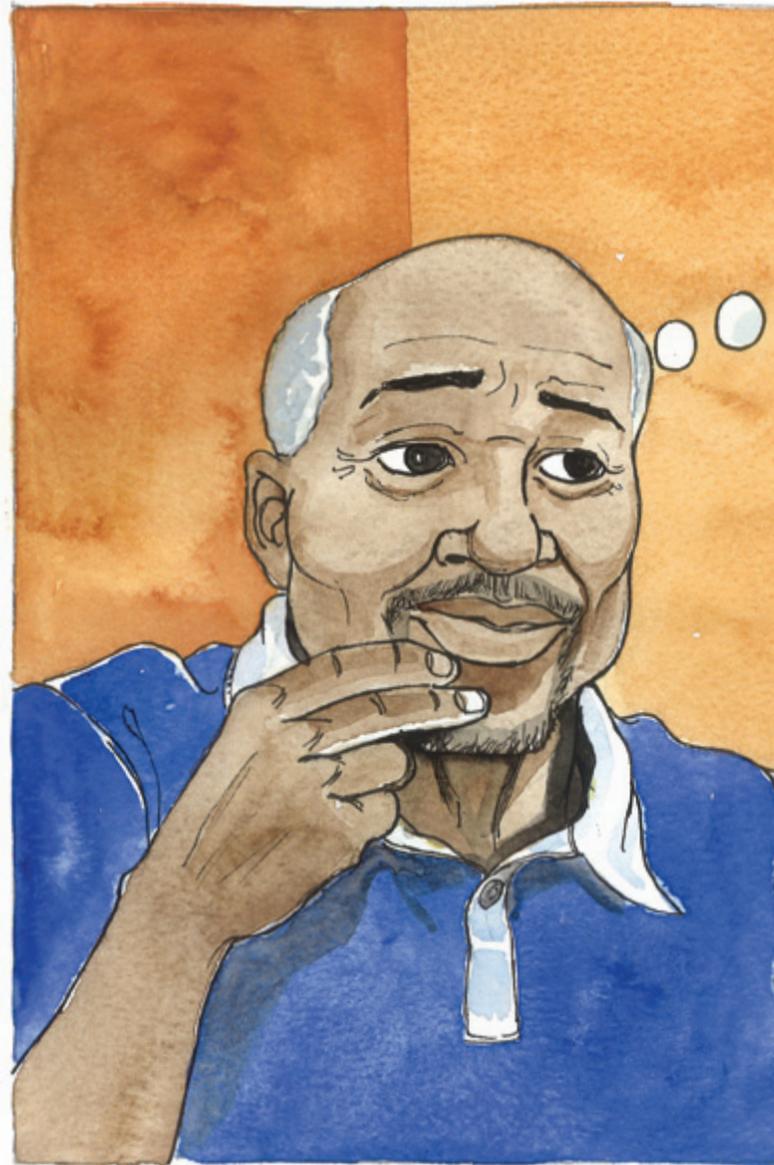
Sindi: *But even if we find a good support team, how will this work?*

John: The Mushis said it’s important to plan and screen the project to make sure it works.

Tebogo: Who is going to do that? We don’t have the skills or knowledge.

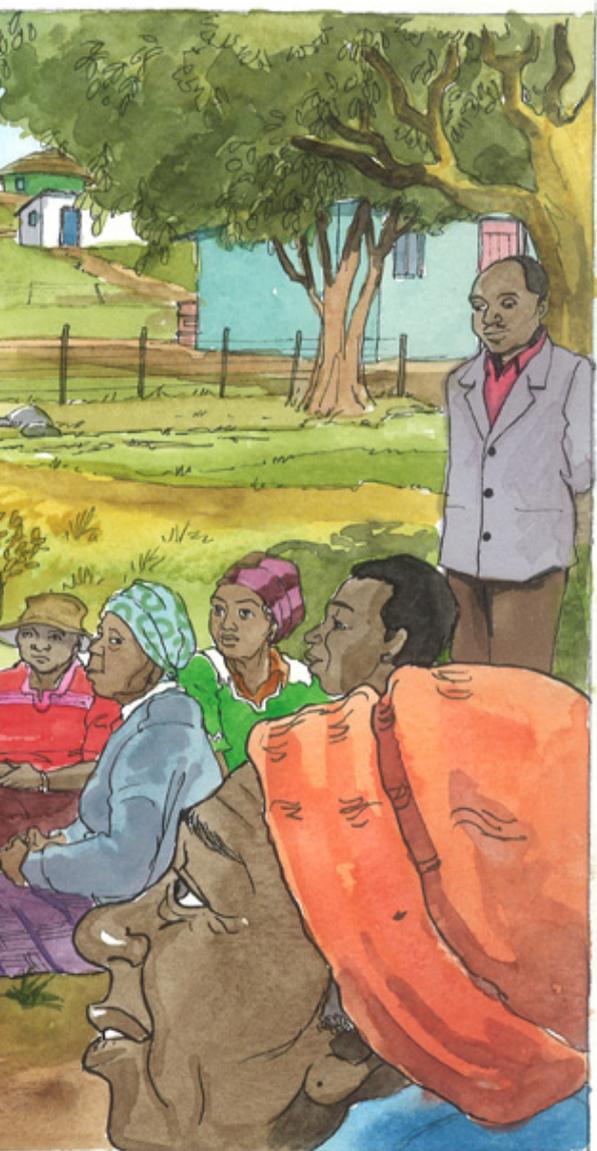
John: We will get advice from a commercial partnership support team. They will help us to find a possible investor.

Sindi: *They can also tell us if the farm can make enough money for us and the investor. And tell us how many jobs will be created.*









John: Then we must talk to our people and get them to agree to a partnership.

Tebogo: I don't think people will be willing to work for someone else again.

Katleho: Well, we don't have a choice. If we explain the process to everyone, they will understand.

Tebogo: I think some of our people are scared that we will take all the money. The Pasekas told me that one of the community leaders had the rent paid into his account. He did not share it with the rest of the community.

Sindi: Oh no, we can't let that happen. We all have to benefit from this partnership.

John: I'm sure our support team can help us to find a way to share the money and benefits fairly.

Katleho: But the support team should also assist us with finding the right investor. And to negotiate a fair contract with the investor on our behalf.

Sindi: Can we make this contract suit us?

Tebogo: Yes, we definitely don't want a partner who will pay us too little.

John: We will negotiate salaries. We will also ask the investor to show us how to run the business.

Katleho: And this must be written in the contract!

Tebogo: Yes definitely. But, what if we don't get along with this investor?

John: Well, I don't think we should sign a contract with someone who does not want to make a fair deal. We need to find an investor that will help us run our farm. And give us the skills so we can take over from him in future.

Sindi: It sounds like a lot of work lies ahead of us.

Katleho: I think we should speak to the community and find out what they think of this.

John: We can only make it work, if we all agree to work together!

Tebogo: Maybe I can go back to college to learn more about agriculture.

Katleho: Then you will have the knowledge to manage this farm one day.

4 The triumph of a community

Two years later, in 2011, Sindi, John and Katleho are sitting in the boardroom of their community's office on its citrus farm. They established the office using money they earned by renting their land to Future Citrus Corporation. The office is used by the community's administrative staff and bookkeeper. This core staff is also paid out of the monthly rental income that the community earns from the partnership.

Tebogo is studying agricultural management and plans to return to the farm in 2013. He wants to run the computer centre that the community has set up. The centre is being used to improve the education of young people in the community. Other projects are being planned to improve the lives of their local community.

Sindi: *This partnership with Future Citrus Corporation worked out pretty well for us.*

John: *Yes, but only because we had the right support team and the right commercial partner. They helped us to get fair rent for our valuable land. And the corporation has agreed to rehabilitate and expand our orchards. We should also give credit to the members of our CPI who gave us their full support to go ahead with the deal.*

Katleho: *Yes, the monthly rent has helped us to improve our lives. And we have managed to add many buildings that our community uses for meetings and education.*

John: *More than 150 of our people have full-time jobs and many more work during harvesting season. And they are training us in planting and harvesting methods.*

Katleho: *Do you think we will be able to take over the farm when the lease expires in 15 years?*

John: *Yes, I think so, but that is why I want us to develop our own vegetable garden and a small citrus orchard to teach our young people about farming.*

Sindi: *My dream of seeing my children and grandchildren earn money from their own land is becoming real! I can now spend my last years sharing their happiness.*





5 What is a commercial partnership support team?

- A commercial partnership support team helps the community make contact with a private investor and achieve a commercial partnership agreement.
- The team has to ensure that the partnership benefits both the community and the private investor.
- Such a team usually comprises a project manager, a community facilitator, a transaction advisor and a legal advisor.
- The team's main goals are to:
 - » help the community make contact with a private investor and handle the negotiations between the community and the investor
 - » mentor the community so it knows how to communicate with its members, work well together and interact well with business
 - » advise the private investor on how to strike a partnership with the community that is to their advantage and also complies with government's requirements
 - » support communication between the different parties so a fair commercial partnership can be made.

6 How to find the right commercial partnership support team

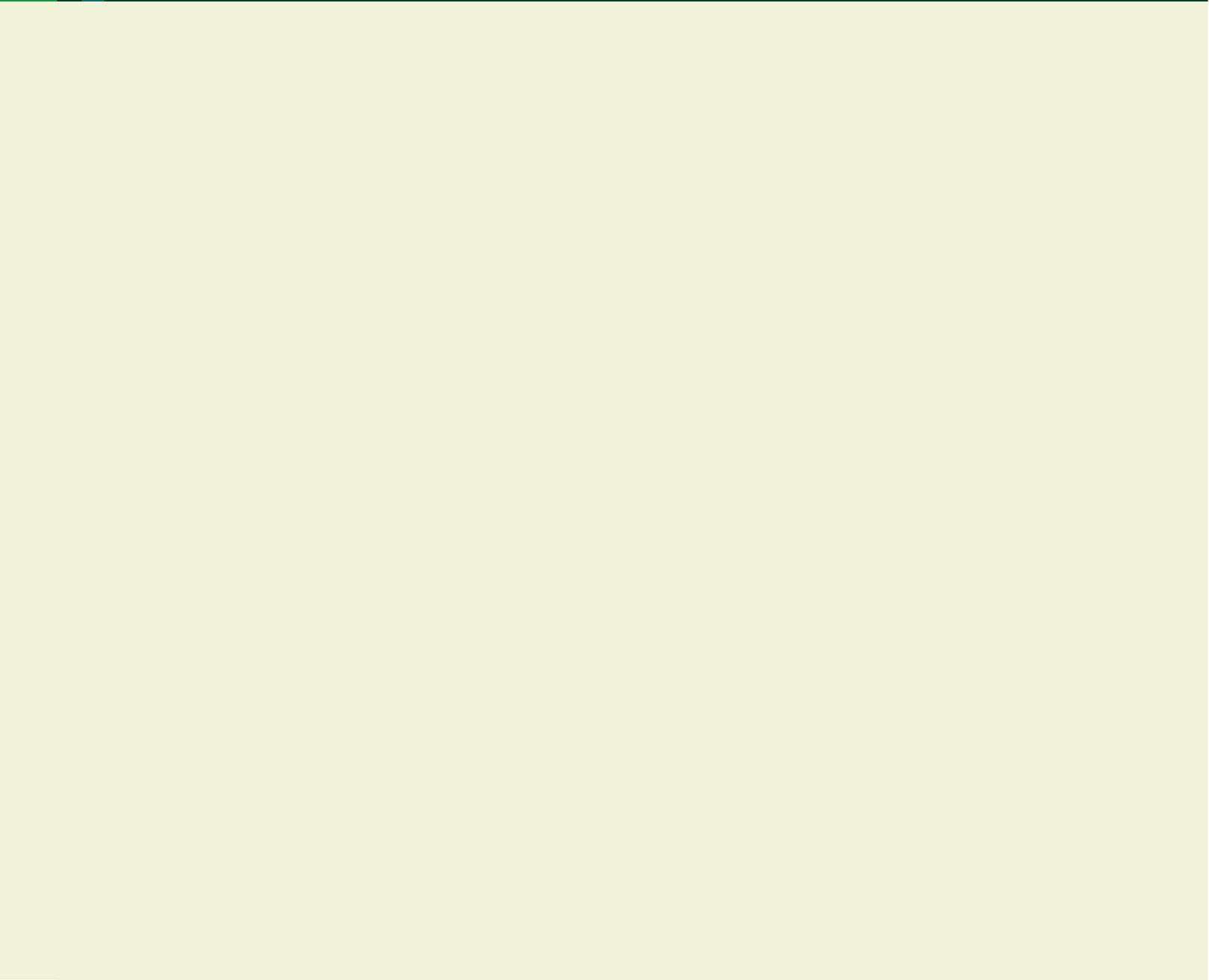
- You need to check that the team has supported the formation of a commercial partnership in the past and have the right experience.
- The team should be able to help you communicate with possible investors.
- They should be able to provide good legal advice and draw up a fair contract.

Refer to the contact details at the back of this booklet for people who can direct you to a support team.

7

What will make a commercial partnership successful?

- Ensure that the communal property institution is united and motivated.
- Get experienced advisors that you can trust.
- Choose a strong partner (investor) with money and experience.
- Draw up well-written contracts to guide the commercial partnership.
- Select a partner who understands:
 - ~ good governance practices and management principles
 - ~ land ownership and land management
 - ~ the principles of investment
 - ~ having good communication skills
 - ~ the importance of creating employment for community members.
- Get training so that one day you can run the farm.
- Ensure that your members support this deal and see the benefits.
- Make proper arrangements within the community to manage the money and to distribute it to members of the community or towards the development of community-agreed projects.
- Pay special attention to writing down decisions and plans and communicating them to all community members.





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