

# Land reform: Trailblazers

## Seven successful case studies

BY  
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## Introduction

‘PLEASE TELL US ABOUT SUCCESSES IN LAND REFORM!’ THIS WAS THE SOMEWHAT DESPERATE CRY FROM A participant during a recent workshop on land reform. This report is a small step in responding to that request. (The information contained in this report is current at the time it was received from the interviewees during October 2005.)

There are many examples of successful land reform projects in South Africa, but emphasis in the public arena has so far fallen on failures or potential failures. Although we focus on a few successful cases, it must be borne in mind that land reform is an ongoing process and that any comment on a particular case study is limited by time. Although it is too early to draw any final conclusions as to the long-term success of any of the particular case studies herein, we believe that the progress made in the cases discussed in this report is such that they can be regarded as a ‘success’.

International experiences show that land reform is one of the most complex areas of public policy that any government can undertake. This applies particularly to South Africa with its history of dispossession, vast discrepancies in land ownership, scarce resources, harsh climate and competing interests in land. It requires no great insight to predict that land reform will be on the policy and political agenda for many years to come.

Unfortunately, it is the failures in land reform that usually attract public and in particular media attention. This applies not only to South Africa but also to other countries where land reform is undertaken. Cows dying or neglected orchards are newsworthy – not so when cows are grazing or when orchards are well kept.

With so much commentary and analysis on the complexities of land reform, there is a risk that positive progress and outcomes are disregarded; however, positive lessons and experiences are important particularly for those involved in land reform. New and aspiring landowners can learn from one another – the challenges that face them are sometimes so overwhelming that they do not have the time or energy to take a step back and compare their situation with others involved in land reform.

We are aware of the risks of land reform and the hurdles that new landowners face. These hurdles sometimes seem to be insurmountable, particularly when it comes to the sustainability of projects after handover of land. However, there are examples in South Africa where early analysis indicates positive progress. In this report we focus on a few such cases. We hope that these case studies will assist others who are involved in land reform to be encouraged, to learn, as well as to share their experiences with the wider community.

### **BACKGROUND**

The Konrad-Adenauer-Stiftung (KAS) in 2002 commissioned research on comparative experiences in land reform. The research culminated in a book entitled *Land reform: issues and challenges* (B De Villiers, KAS, Johannesburg, 2003) in which some of the experiences and challenges of land reform in South Africa, Zimbabwe, Namibia and Australia are discussed. Following this publication, KAS organised a series of workshops to consider the progress made with land reform in general and land

claims in particular. The workshops were held in Johannesburg, Cape Town and Durban. They were well attended and debates were open and relevant.

Although the workshop participants were aware of the complexities of land reform, the resources required and the time it takes to implement, they also expressed a need for more information about progress and successes in land reform. Particular interest was expressed in cases where previously dispossessed communities have successfully settled on land.

KAS commissioned us to undertake interviews and to write a report on the experiences of a few successful land reform projects. We realise in doing so that land reform is an ongoing process that makes it difficult (and risky) to declare any project a 'success'. We are also mindful of the risk of choosing some case studies and excluding others. However, we view this report as one step in an ongoing process of review of land reform outcomes. We also realise that there is wide interest in learning about respective case studies and the progress that is being made in managing land in accordance with business plans.

There are two main processes by which communities can acquire land. The first is by lodging a successful claim for the return of ancestral land. If the claim is successful and the community receives their ancestral land or alternative land, they also qualify for various settlement grants. These settlement grants are used to cover costs such as relocation, drafting of a business plan, development of new infrastructure, fencing, and acquisition of equipment and farming implements. Appendix A contains more information about the grants available to successful claimants.

The second process is the Land Redistribution and Agricultural Development (LRAD) grant which assists families or communities to acquire land for agricultural purposes. No successful land claim is required to qualify for these grants. The proponents are required to make a matching contribution that could include labour, capital, stock or other loans. The grant is directed at planning, acquisition of the land, development of infrastructure, training and so forth. Appendix B contains more information about the grants available to new landowners.

The case studies chosen represent both funding arrangements: Zebediela, Makuleke and Giba used successful land claims, while Stentor, Coromandel, Winola and African Exporters used the LRAD scheme.

One of the major post-settlement funding programmes for new farmers is the Comprehensive Agricultural Support Programme (CASP). CASP is coordinated by the national Department of Agriculture in cooperation with the provincial departments of agriculture. New projects for funding are proposed at local level, considered at provincial level and finally approved at national level. The provincial department is responsible to ensure that the funds are used for approved purposes. CASP funding is available for a wide spectrum of capital and operational needs that new farmers may face, such as fencing, irrigation, planting new crops and acquiring equipment.

## AIM OF THE REPORT

The aim of this report is to provide an overview and brief analysis of the progress made and experience gained by those involved in the respective case studies. The report is aimed primarily at those who are closely involved in the land reform process, and in particular previously disadvantaged communities who have acquired land or who are in the process of acquiring land, and are attempting to manage it in a sustainable way. We trust they will be encouraged and find hope and guidance in the experiences of others.

Although each case of land reform is unique, new landowners may learn and take strength from the experiences of others. We have therefore requested interviewees to identify what they would see as useful lessons for other communities involved in land reform. Those potential lessons are included at the end of each chapter.

In discussing the experiences of the respective cases we do not purport to provide a detailed overview of every aspect of their operations. We are also mindful that a 'success' today may run into



hardship tomorrow. We can at best provide insight into what happened in a specific case at a specific point in time.

External circumstances such as drought, deregulation, crime, low commodity prices, labour unrest, economic decline and scarce resources impact on many farming operations, not just on those involved in land reform. We therefore admit to being rather subjective by focusing on what appears to be working.

## IDENTIFICATION OF CASE STUDIES

Identification of the case studies was completely at our discretion. We realise that there are other examples that could have been included in the research; however, limited time and resources did not enable us to expand the list. We may in due course undertake additional research, but have for now decided to focus on the seven herein. We consulted widely with people involved in land reform and are satisfied that these case studies provide a good starting point for analysis.

The tricky question we had to deal with is how to decide when a project is regarded as 'successful'. We opted for a basic three-legged threshold to determine if a project is successful, namely: is there a business plan for the management of the land; is the business plan generally adhered to and implemented; and has the project been operational for more than two years?

A consideration that also influenced our choice was to include a spectrum of cases that reflect a variety of projects rather than to focus on one type of activity. As a result we have a mixed bag of cases ranging from agriculture to tourism, large community projects to smaller family projects, multi-million dollar projects to projects of a smaller scale, and projects arising from successful land claims to those based on worker participation.

In identifying potential case studies we consulted with a wide range of government departments, organisations and individuals. These included the national departments of Land Affairs and Agriculture, the Land Claims Commission, provincial departments of agriculture, the South African National Parks, AGRI-SA and several individuals who specialise in the field of land reform.

We would like to emphasise that the seven case studies included in our research do not necessarily reflect the recommendations of those with whom we consulted. We would, however, like to express our appreciation to them for the assistance we received in identifying case studies.

The case studies we settled on are the following:

- Zebediela citrus estate
- Makuleke national park
- Giba banana plantation
- Stentor sugar cane plantation
- Coromandel dairy farm
- Winola Park vinery
- African flower exporters

## METHODOLOGY

Our research methodology is based on an overview of available published information on each case study, followed up by in-depth, personal interviews with the leadership responsible for the management of the land. Prior to the interviews we sent a questionnaire for completion to a leading person involved in each of the case studies. The completed questionnaire gave us insight into the main characteristics of the scheme and progress made with implementing the business plan. A copy of the questionnaire is enclosed as Appendix C to this report.

In each case we interviewed at least four to eight people who are actively involved in the management of the land and the implementation of the business plan. The discussions included

interviews with the new land owners and with business managers who have been retained by the community to assist them with training or management of the property.

The interviews enabled us to obtain on a first-hand basis an insight into their experiences since handover. It also enabled interviewees to provide us with informal and confidential comments on issues that impact on their success. While respecting the confidential nature of discussions, we nevertheless obtained permission from interviewees to list some recommendations and issues they identified based on their experiences.

## OUTLINE

Each case study must be considered in its own right. We do not attempt to compare the case studies as they differ in many respects. Future studies may endeavour to compare the experiences of case studies in a particular sector. The outline followed in each overview is as follows:

- Summary of events leading to the land acquisition
- Legal arrangements
- Strategic partner
- Relationship with government
- Condition of land and equipment at handover
- Key projects planned
- Challenges they face
- Recommendations to other communities

## Zebediela Citrus Estate

### RETURN OF ANCESTRAL LAND

Zebediela citrus estate is the biggest citrus plantation in Southern Africa. It is situated 50 km out of Potgietersrus in Limpopo Province.

The land was returned to the Bjatladi community on 28 September 2003 following a successful land claim. The process from lodging the claim to settlement took about five years to complete.

The land measures 13,750 ha. The Bjatladi Community Property Association (CPA) holds title to the land on behalf of the community. The CPA comprises 423 households with some 1,800 beneficiaries. The farm employs about 800 workers in season, with 237 permanent workers. Some, but not all, of the workers are also beneficiaries of the CPA. The previous workers at Zebediela had to be retained in accordance with labour legislation, which means it would take some time before all the workers are beneficiaries.

Zebediela has a long history as a citrus estate and as one of the major exporters of citrus in South Africa. Before handover it was managed by the Regional Development Corporation under the auspices of the Lebowa government, and most recently management fell to the Limpopo government.

External influences such as the abolishment of farming subsidies, deregulation of the industry, vandalism, theft, unemployment and severe drought have had a major impact on operations at Zebediela before and since handover.

One of the conditions of handover was that workers who had been employed previously at Zebediela had to be retained with similar conditions of service. The ability of the new management group to make commercial decisions and to create new employment opportunities for the beneficiaries has therefore been constrained by several influences outside of management's control.



The leadership of Zebediela. *From left: Daniël Tswai, Nimrod Tsoai, Johannes Aphane and Frans Tlolane.*

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The authors would like to thank the following people who were interviewed: Frans Tlolane (chairperson, Community Property Association; director, Zebediela company); Daniël Tswai (committee member, Community Property Association; director, Zebediela company); John Boyes (managing director, Zebediela company); Johannes Aphane, (representative, Workers' Trust); and Nimrod Tsoai, (member, Community Property Association).



Grading oranges.

Most of the beneficiaries live in close proximity to the farm or in villages and towns close to it. Some beneficiaries work on the farm but, as already mentioned, not all workers are beneficiaries. Beneficiaries can therefore only be employed when new positions are created or when vacancies arise. Although there are preferential employment policies for beneficiaries, few new positions have been created since transfer.

#### **LEGAL STRUCTURE OF THE ZEBEDIELA COMPANY**

The CPA, its strategic partner – Henley Farm Properties (Boyes Group) – and the workers established the Zebediela company to which the land is leased. The company has three shareholders, namely the CPA, the Workers' Trust and the Boyes Group. The CPA is not allowed to encumber or dispose of the land.

Shareholding in the company is as follows: the CPA holds 30% of the shares with shareholding set to increase by one per cent a year up to 35%; the Workers' Trust holds 15%; and the strategic partner holds 55%, with shares set to reduce by one per cent a year to 50%. Each shareholder is represented on the company's board of directors. Board members are elected for a five-year term. A government representative also serves on the board of directors as an observer.

The Zebediela company leases land from the CPA for a period of 15 years at R1 million (consumer price index adjusted) a year, after which there will be a review of the arrangement. Zebediela employs the workers and all commercial activities on the farm fall under the auspices of the company.

Zebediela appointed a managing director, John Boyes, to take responsibility for implementing the business plan as well as for the daily management of the land, marketing, new operations, the training of staff and matters associated therewith.



The managing director is also a director of the company where he represents the interests of the strategic partner.

While the board is responsible for policy decisions and oversight of the implementation of the management plan, the managing director is responsible for daily operational decisions. Due to the close proximity of the shareholders and particularly the directors to one another, the managing director meets frequently with representatives of the workers and the CPA to discuss operational issues.

The strategic partner, the Boyes Group, is involved in the management of other, similar land reform schemes and regards itself as well placed to assist communities to manage their newly acquired land. The Boyes Group also offers training to new landowners to enable them to take full control of the land at expiry of the lease.

The legal structure was set up in close consultation with the Department of Land Affairs and the Limpopo government prior to the transfer of the land to the CPA.

### WORKERS' TRUST

The Zebediela company was required, in accordance with labour legislation, to retain those workers who were employed at Zebediela prior to handover, at the same conditions of service. The benefit of this was that the workforce's experience was retained, although it did limit the discretion of the company to appoint new staff, to change employment conditions or to reduce staff to increase profitability of the operation.

A Workers' Trust was established in order to cater for the interests of the workers (some of whom are also members of the CPA). The trust has 236 members and is served by six trustees. Workers lose their membership of the trust as soon as their service is terminated. No new members are taken into the trust. Any new employee is appointed on standard conditions and must be a beneficiary, unless special expertise is required.



Testing the harvest. *From left: John Boyes, Nimrod Tsoai, Daniël Tswai and Frans Tlolane.*

The functions of the trust should not be confused with a labour union that represents the interests of all its members. The trust was instituted merely as a transitional arrangement to take care of the interests of existing workers within the new company. The trust elects one director to the board and one observer, and meets at least every quarter.

It is envisaged that the trust will over time become defunct as its members leave the service of the company for whatever reason. The shares of the trust will then be transferred to the CPA.

## **STRATEGIC PARTNER**

Prior to handover of the land, the Limpopo government awarded a short-term contract to the Boyes Group to purchase the citrus crops which were at risk of being lost due to lack of effective management of the land. The province entered into a year-to-year arrangement with the Boyes Group whereby it could harvest the citrus and keep the farm operational while the land claim was being processed. The arrangement was also intended to prevent the farm from becoming vacant and derelict or exposed to more vandalism.

After settlement of the claim, interested parties – including the Boyes Group – were invited to make submissions to the Department of Land Affairs with the aim of becoming a ‘strategic partner’ to the new landowners. It was envisaged that the strategic partner would be responsible for managing the farm and training beneficiaries for a certain number of years, whereafter full management and control would revert to the new owners.

The business plan for Zebediela submitted by the Boyes Group was accepted by government. Although it was drafted without extensive involvement by the new landowners, the business plan provided for community involvement and training, employment objectives, as well as the handover of management when the lease expired. The fact that the group had been involved in similar management arrangements with other communities weighed in its favour.

According to the undertakings made by the Boyes Group, it could bring the following benefits to the management of Zebediela: raising working capital, transferring skills, marketing of products (65% of product is destined for export), start-up capital and diversification of products, knowledge of working in close consultation with communities and workers, and day-to-day management experience.

The Boyes Group receives between 3-5% of gross turnover of all operations for its services, in addition to its shares in the company.

One of the main pillars of the Boyes Group’s application was its ability to provide for and to access working capital for the estate. As already mentioned, the CPA cannot encumber the land and as a result the company has an ongoing need to access alternative sources for operational and capital requirements. The Boyes Group has assisted by offering limited security for funding. Crop-bonding has been used to access funding. Comprehensive Agricultural Support Programme (CASP) funding has also been obtained from the provincial department of agriculture.

It appears from the interviews that the interaction between the company and the general manager is good. This is assisted by the fact that the general manager resides on the estate and is in daily contact with other company directors. Although formal operational meetings are held on a weekly basis, the close contact between the general manager, directors and key workers has contributed to the success achieved thus far.

## **CONDITION OF LAND, EQUIPMENT AND STOCK AT HANDOVER**

Although Zebediela has a history as a top exporter of citrus, the farm became derelict and vandalised over time due to various reasons. After handover of the land to the homeland of Lebowa in 1973, it made a profit for only three of the following 20 years. By the 1990s the number of citrus trees had been reduced from 200,000 to 60,000 due to drought, mismanagement and vandalism. By the time the farm was returned to the CPA, large investments were required to replace and upgrade equipment.



Zebediela pack store.

For example, it is estimated that only eight of 45 tractors were fully operational, large parts of the irrigation system were blocked or broken, irrigation pipes and equipment had been stolen, trees had been vandalised and fencing had been damaged.

Some of the community's settlement grant had to be used towards supplementary fencing, opening and sinking new boreholes, fixing reticulation systems and upgrading roads. The company received a special grant from government to erect fencing over a 45 km distance. Although the farm was regarded as a going concern, large investment was (and is) required to bring it back to its full potential.

## RELATIONSHIP WITH GOVERNMENT

The CPA sees the government as a catalyst and partner in the project: government is a catalyst in the sense of it having set a certain legal framework as a condition for the transfer of the farm; it is a partner in the sense that it has representation on the board of directors, it views Zebediela as a priority project for the Limpopo Province and it continues to fund key aspects of the farm's operations and development. For example, as mentioned, a special grant was received from government to improve fencing around the farm so as to prevent further theft and vandalism. Government has also made available a grant to expand and upgrade the irrigation system. Further expansion in the reticulation system and new projects discussed below require ongoing government support.

Although government has representation on the company's board, the interviewees have not experienced any undue interference by government in the strategic or operational affairs of the farm. According to the interviewees, it has been beneficial to secure government representation on the board in order for government to be fully aware of the problems that the company may encounter when implementing the business plan. They would like to see government's role expanded, in particular with regard to funding for key capital-intensive projects.



## KEY PROJECTS

The company is divided into ten operational departments: finance; citrus; pack house; administration; housing; human relations; security; workshop; cattle; and orchard. It is envisaged that over time each of the departments will be managed by one of the beneficiaries. A managing director will in time be appointed from the ranks of the departmental managers. Some of the key projects undertaken are as follows:

### *Skills transfer*

The primary objective of the project is to create employment for the beneficiaries and to train them to eventually take over the overall management of the estate. Beneficiaries have first preference when vacancies arise but it is recognised that certain specialist or technical positions may require external appointments. It is acknowledged that it would be some time before the company makes a profit but there is a sense that as long as employment can be maximised the beneficiaries would be satisfied.

The CPA and the company compiled a skills register with a summary of the know-how available among the beneficiaries should vacancies arise. So far new employment opportunities have been limited due to the requirement to retain previous staff. The company is, however, considering several new projects that may lead to diversification of activities and, consequently, to new employment opportunities.

Beneficiaries fill roughly half the current positions; 14 people have been identified for specialist training to take over some of the operational departments. AGRI-SITA has provided a list of potential service providers that could assist in the training of staff. Trainers visit the farm twice a week to assist in on-the-job training. Some examples of the practical progress that has been made include the following:

- Beneficiaries have been appointed to middle management positions in human resources, packing, mechanics, and as sectional managers.



*Above and right: A good harvest.*



- Six beneficiaries, five of whom are female, have been identified for intensive training over the next year in the areas of finance, human resources, pack house, orchard, live stock and security. The target is to fill all management positions with beneficiaries within the next five to six years.

### ***Land management***

The community realise that their fate depends on the proper and sustainable management of the farm. Where previously huge subsidies were available to Zebediela, it now has to cope in a deregulated environment with fluctuating prices, where limited grants are available but with no large-scale, ongoing subsidies or tax incentives. Pressure from neighbouring communities is high for the land to be made available for alternative subsistence use such as farming, grazing and firewood.

The main produce will remain citrus and the reticulation system is currently being upgraded to increase efficiency and improve conservation of water. New areas have also been identified to install reticulation. It is envisaged that macadamia nuts will be added to the produce and that macadamias may even replace some of the citrus as it is a hardy tree with less water requirements. Approximately 200,000 macadamia trees will be planted during 2005/06 depending on the progress made with the new reticulation system.

### ***Citrus***

Some 850 ha are under 210,000 citrus trees. At its height Zebediela carried approximately 600,000 trees, but economic circumstances and subsidies at the time were markedly different and more beneficial than is the case today. It is envisaged that 30,000 new trees will be added in 2005/06 and that this would place the farm close to its commercial and environmental capacity. Some blocks are currently uneconomical with a harvest of 16-20 tonnes/ha compared to the commercial return of 40 tonnes/ha. These blocks may have to be replanted or even replaced with macadamias.





Ready for export.

From a commercial perspective the farm is not yet breaking even, with the first year rendering 33 tonnes/ha, the second year 25 tonnes/ha and the third year 32 tonnes/ha. The severe drought has been a major debilitating factor.

### ***New pastures***

Fifty hectares of buffalo grass is being added as part of the diversification of activities on the farm and to provide feed for the cattle. The grass is dependent on rainfall as water for irrigation is limited. It is hoped that some cash flow can be generated from the grass by selling excess feed to farmers in the area.

### ***Beef and dairy project***

One of the main projects involves the dairy with its more than 260 head of cattle. This is an important generator of cash and employment. Five people are employed in the dairy on a full-time basis and it is expected that an additional position will be created in 2006. The project is managed by one of the beneficiaries, Frans Tlolane.

### ***New projects***

Several initiatives are under way to further diversify activities on the farm and up to 60 additional beneficiaries may be employed if these ventures materialise. Two major projects are the establishment of poultry farming with 4,000 to 5,000 chickens and the acquisition of a shop on the farm. The shop serves the local community.

## DISTRIBUTION POLICY

Benefits that flow from the farm are of both a direct and indirect nature and must be shared in accordance with the objects of the CPA. Direct benefits are distributed to all beneficiaries when the company declares a dividend. In the first year the company made a cash distribution to each beneficiary although no dividend was declared. The purpose of the cash distribution was mainly to express appreciation to the beneficiaries for their support during the claim process as well as for their patience in waiting so long for the settlement to come through.

It is envisaged that the CPA will use the annual rental income towards new employment generating projects. Indirect benefits relate mainly to employment, training, housing on the estate, investment in community projects, respect as landowners and government provision of social services to the community.

## CHALLENGES

The following are some of the main challenges that face the CPA:

- *Maximising employment within the commercial constraints of the farm.* The expectations of beneficiaries to see direct and indirect benefits flow from the project are not necessarily tempered by commercial reality. It must be borne in mind that due to the social objectives of the CPA, commercial decisions that might be taken by a private operator under different circumstances cannot be considered by the company. Where a private enterprise may, for example, reduce its workforce to become more commercially sound, the Zebediela company is functioning within very strict confines where it has to meet commercial objectives within the framework of high beneficiary expectations.
- *Coping with the expectations of, and poverty in, neighbouring communities.* The large community of non-beneficiaries residing adjacent to and in the immediate area of the estate poses a direct challenge to the stability and security of the farming operations. Unemployment in the community is very high and theft and vandalism have been occurring over a long period. The situation is so desperate that one interviewee remarked: 'Only God can give direction how to solve it.' Examples of theft and vandalism are the stealing of cables, reticulation, wires and fences; the theft and slaughtering of cattle; damage to citrus trees by taking fruit and cutting trees for firewood; and the lighting of fires.
- *Achieving projections and meeting expectations against the reality of drought and fluctuating prices.* These are typical challenges that any farmer has to deal with, but in the context where a large community expects real returns from the land in the short term, they can become a major challenge to the long-term stability of operations.
- *Managing the relationship between beneficiaries who are not employed and those who are employed.* Since no dividend will be declared for some time there is a risk that those beneficiaries who are not employed on the farm may become uneasy and frustrated at the perceived lack of benefits flowing their way. The annual rental is also not enough to address poverty by means of a cash hand-out; it is therefore better to invest it in future projects, but that would require patience on the part of unemployed beneficiaries.

## LESSONS LEARNT

The interviewees identified a number of lessons learnt that may be of help to other communities involved in land reform:



- *Temper beneficiaries' expectations.* There is a risk that in the process of compiling a business plan and the excitement of accessing land, community expectations are raised to a level that proves to be unreachable and unsustainable when the land is occupied. There is also a risk that beneficiaries agree to a business plan that suits the requirements of a funding body rather than one that looks at their own needs and capacity.
- *Involve the beneficiaries in all decisions – starting with drafting the business plan and the premise on which commercial decisions are based.* If beneficiaries are not part of the entire process they will be reluctant to accept ownership of the venture or to buy into it at a later stage. If the community does not take ownership of the project, this may in turn lead to them disowning the business plan or turning their backs on management decisions. It is therefore important to ensure that the commercial basics for the project are in place and that these are supported by the community since the government will not be able to 'save' a project that is fundamentally flawed.
- *Finalise the objectives, principles and conditions for distribution of benefits as soon as possible.* Clear rules ensure that beneficiaries are realistic in their expectations and that they understand when distributions can occur and under what circumstances. It may be better in some circumstances to reinvest the annual income into employment-generating projects or into projects that benefit the entire community rather than doling out cash with only a few rands reaching each beneficiary. Importantly though, investing requires a long-term perspective and patience from beneficiaries.
- *Adopt clear and transparent policies with regard to requirements for employment, promotions, training and personnel management.* In this way internal conflict among beneficiaries can be averted when new positions become available.
- *Government has an interest in contributing to the project.* Land reform projects should not be treated as just another privately operated farm. If a project such as Zebediela fails, this would not only impact on the land reform process but would lead to increased unemployment in an area that can ill afford it. Government must therefore be willing to direct additional resources towards projects of a similar nature to ensure their success as far as practically possible. Government support is critical during the first three to five years after handover. This applies not only to financial support but also to support in the area of staff training.
- *Retain skills of previous landowner and/or employees for a transitional period.* This is essential to ensure that new employees understand the business, to facilitate training and to ensure that the transition is as smooth as possible.
- *Constantly manage the relationship between employed beneficiaries and unemployed beneficiaries.* There is a risk that discontent may arise among unemployed beneficiaries who do not derive any direct or indirect benefits from a project. They may feel that employed beneficiaries are receiving benefits in an unjustified way. There is therefore a risk that two 'classes' of beneficiaries arise – those who are employed in the project and those who are unemployed (and who receive few, if any, benefits).
- *Strive to achieve a sound relationship between the new landowners (beneficiaries) and the rest of the local community – particularly where unemployment in the local community is high.* Although only the beneficiaries are entitled to direct benefits from the project, it is important for other communities to derive indirect benefit so as to ensure a stable social environment within which the project can function.

## Makuleke National Park



Entrance to the Makuleke national park.

### **RETURN OF ANCESTRAL LAND**

The Makuleke community lodged a land claim for the northern part of the Kruger National Park (KNP) – the so-called Pafuri area – on 20 December 1995. The Pafuri, which comprises approximately 25,000 ha, was occupied by the community until August 1969 when they were forcibly removed.

A historic agreement was signed on 30 May 1998 between the South African National Parks (SANP), the Makuleke community, the Department of Land Affairs, several other government

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The authors would like to thank the following people who were interviewed: Livingstone Maluleke (member, CPA; member, Joint Management Board), Lamson Maluleke (member, CPA; operations officer: Joint Management Board), Abigail Shingange, Mavis Hatjane, Solomon Makondo (deputy chair, CPA), William Moshimbye (principal, local secondary school), legal representatives Moray Hathorn, Paul Richter, James Westgate.

departments and a few non-governmental organisations to provide for the return of ownership of the Pafuri area as well as some land situated outside the KNP to the Makuleke Community Property Association (CPA).

The CPA has some 15,000 beneficiaries. The Pafuri area was aptly renamed the Makuleke region of the KNP; the region is also referred to as a 'contractual national park' since the land is privately owned but leased for purposes of a national park.

The negotiations lasted 18 months and culminated in what was described by the two main parties as a 'world-class agreement' and a 'breakthrough' for conservation in South Africa. The agreement is widely held in South Africa as a benchmark for land claim settlements affecting national parks and other conservation areas.

The agreement, which provides for the return of ownership of the Makuleke region to the community and the joint management thereof as part of the KNP, was the first agreement whereby the rights of a community to land situated within a national park were restored. What made it unique was the willingness of the community to let the land remain part of a national park subject to the joint management thereof by the Joint Management Board (JMB). The key elements of the agreement are as follows:

- Ownership of the land is returned to the CPA, which holds it on behalf of the community.
- The land remains part of the KNP on a contractual basis for at least 25 years.
- A joint management board is established to manage and control the area.
- All commercial benefits arising from the land will accrue to the community while the SANP remains responsible for conservation matters subject to directives of the JMB.
- The community may at expiry of the lease dispose of the land provided that the SANP is afforded a right of first refusal. Importantly, a condition registered on the title of the land stipulates that whoever owns the land may only use it for conservation purposes.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS

Title to the land is held in trust by the Makuleke CPA, which association was established with the assistance of the Department of Land Affairs in the run-up to the settlement of the claim.

In setting up an appropriate mechanism to hold the land, the community had to address the role of the traditional authority under which it functions. Provision was made for the Chief to be the chairman of the CPA; however, proposals have recently been made for this arrangement to be amended to allow other people to be elected as chairman. This would enable the Chief to remain outside the day-to-day operational issues of the CPA and place him in a supervisory role that is more akin to his status within the community.

The CPA has a nine-member executive elected for a term of three years. The executive meets on a monthly basis. The CPA employs two full-time staff members who are responsible for general implementation of decisions and administration of CPA affairs. Staff are responsible for overseeing the smooth functioning of the office and undertake duties such as coordinating CPA activities, arranging meetings and keeping minutes, following up on the outcome of meetings, preparing papers for discussion and providing the CPA with a 'face' when it deals with the public.

The CPA is organised into sub-committees, the three most important of which deal with conservation issues, commercial negotiations and recruitment of staff respectively. All income received by the CPA is placed in the Makuleke Community Trust. Management of the trust takes place in accordance with set objectives. In addition to the community members who serve on the trust, it also





**Left:** (From left) Livingstone Maluleke, Abigail Shingange and Lamson Maluleke. **Right:** (From left) Dr Bertus de Villiers, Solomon Makondo and Abigail Shingange.

comprises one representative each from government, the community's auditing firm and the community's legal firm.

In order to improve communication and interaction between the executive and the beneficiaries, three district development forums have been established. The forums enable the three villages that make up the Makuleke community to each elect ten people for a total of 30. The CPA executive consults with the forums, using them as a sounding board, identifying spending priorities through them, utilising them to communicate with the beneficiaries, as well as channelling development funds for projects through them.

An added benefit of the forums is that they legitimise CPA decisions and involve more beneficiaries in the process of decision making and governance. The forums also serve as a check and balance on the executive and provide a training ground for future candidates for the CPA executive.

## STRATEGIC PARTNERS

The agreement to settle the land claim recognised that the CPA would require the involvement of strategic partners in the management of the land. The agreement envisaged two main areas for involvement by strategic partners, namely: conservation management and commercial development. The SANP was identified in the agreement as the strategic partner for conservation activities. The CPA is autonomous in choosing strategic partner(s) for its commercial activities.

The SANP, and in particular the management of the KNP, is the strategic partner for conservation management for the duration of the lease. For this purpose the parties established the JMB on which they are represented equally. The JMB makes management decisions for the area, while the implementation of decisions is the responsibility of the KNP.

All activities affecting the land fall under the jurisdiction of the JMB. After the JMB has considered a matter, the decision is referred to the strategic partner: conservation (KNP), or the strategic partner: commercial for implementation.

The community has also been receiving assistance from 'Friends of the Makuleke', which comprises people in civil society with various skills and expertise in conservation and commercial matters.

The scope of support for the Makuleke during the claim process and since settlement has had few, if any, equivalents in South Africa. Owing to the high profile of the claim, its link with the KNP, and the availability of local and international funding, there has been an abundance of legal, commercial, tourism, environmental and general advice available on an ongoing basis.

Members of the Makuleke contract park cautioned during interviews that other claimants may not be as fortunate as they were in receiving such strong and ongoing support. There is indeed a risk of other conservation claims ‘standing in the shadow’ of the Makuleke claim. Although other claims may not receive the same level of private and institutional support as the Makuleke they do, however, enjoy the benefit of referring to the Makuleke claim as an example of how seemingly competing interests in conservation and land reform can be harmonised.

The following is a brief overview of the roles and functioning of the respective strategic partners in implementing the claim settlement.

### ***Kruger National Park – Strategic partner for conservation***

The KNP is the strategic partner for all conservation functions on the land for the duration of the lease (25 years). Thereafter, the Makuleke can choose if the region should remain a contract park under the National Parks Act or whether they want to manage it completely on their own.

A condition of settlement was that the land must be used for conservation purposes in perpetuity. The CPA may therefore choose a new strategic partner or manage the land on its own after expiry of the lease.

The JMB comprises three representatives each from the KNP and the CPA, with the chairperson rotating annually between the KNP and CPA representatives. The JMB meets at least four times a year or more regularly if required. Decisions of the JMB are by consensus; the agreement provides for a deadlock-breaking mechanism if agreement is not reached.

It was envisaged when the agreement was concluded that the KNP would over a period of time employ members from the Makuleke community to be responsible for the day-to-day operational activities in the region. In this way the KNP would not only build capacity of the Makuleke, but it may also encourage them to renew the lease so that the region remains legally part of the national park under the management of the KNP.

The JMB got off to a slow start: the parties had their respective historic experiences and preconceived ideas about each other and it took time to break those down and to develop a common approach.

On the one hand, the Makuleke had to accept that although it is their land, the KNP retained a conservation management role for the land. The KNP on the other hand had to accept that its management discretion was constrained since the land belonged to the community as private owner. Trust and acceptance of each other has, however, grown over time and the JMB has found a way to function effectively.

The general experience is that the JMB now functions as a partnership with a fundamentally smooth relationship. However, there is a sense that the JMB can be more forceful in its decision-making role rather than referring contentious issues back to the respective principals for resolution.



A great place to spot the big five.





Place of the majestic Boabab.

It is recognised that the ability of the JMB to become an effective decision maker depends on the degree and scope of delegated authority approved by the KNP and CPA respectively. Those serving on the JMB are therefore constrained by the brief from the respective principals. There is, however, a risk that the JMB might erode its own credibility by deferring contentious issues for decision to the partners' 'head office' rather than settling disputes around the JMB table. This may cause external people to circumvent the JMB by approaching the principals directly, thereby undermining the authority of the JMB as a 'decision-making' body.

Some community members who serve on the JMB commented on the difficulty they had during the initial years to come to grips with the technical expressions and jargon used by KNP officials. Concepts such as strategic objectives, management objectives, sustainable development, concession and EIA (environmental impact assessment) were foreign to some community members and it took time for them to figure out what was meant and what decisions were required. However, their level of expertise has since developed and community members are now more confident to participate in discussions.

The JMB's appointment of a full-time operations officer from the Makuleke community has contributed to its improved functioning. The parties contribute equally to the officer's salary. The operations officer is the only JMB employee and gives the JMB a sense of permanency as well as a 'face' to deal with the public.

The responsibility of the officer is to follow up on decisions of the JMB, liaise with KNP and CPA staff members, popularise the JMB and explain its functions, avoid duplication and set the agenda for business. Previously, no single person was responsible for overseeing the functioning of the JMB and

the implementation of decisions. As a result the lines of communication were vague and decisions were sometimes not conveyed properly to junior staff within the KNP for implementation.

The success of the JMB is at least in part dependent on the ability of the operations officer to communicate effectively with the owners of the land and the KNP staff as managers of the land. KNP staff are not accountable to the officer; this means that a fair degree of diplomacy is required so as not to encroach on lines of authority.

Although the JMB does not employ any other staff, it is envisaged that in future the office of the operations officer may be expanded to increase its capacity to deal with matters arising from the JMB.

Management of a contract park requires exceptional skills and patience from both parties involved: both win or both lose. Although the SANP has extensive experience in managing private land that forms part of a national park, this is the first case where land belonging to a community has been included into the management of a national park. The drafting of a business plan for the JMB and an Integrated Development Plan for the land contributed to the development of a good team spirit among the JMB members.

Conservation and commercial activities planned for the land cannot always be divided into watertight enclaves, and it is therefore only by sharing all information that any misunderstandings are averted.

The JMB has in a relatively short time considered recommendations regarding new tourist accommodation, access roads, utilisation of natural resources, anti-poaching, relocation of game and hunting. A practical outflow of the information sharing is that the KNP shelved its plans for a new rest camp on the banks of the Luvuvhu River after the Makuleke had indicated that they intended to erect a camp on the other side of the river.

One of the main issues that requires clarification in the functioning of the JMB is the legal status of the joint management body. The JMB is currently only a committee and the participants have limited delegated powers from their respective principals. The JMB does not have legal standing in its own right and it can only make recommendations to the KNP or CPA for decision. Although the drafters of the agreement intended this to be the arrangement, it is foreseeable that in due course the JMB may have to be empowered to make effective decisions over the land and even to employ staff to implement the decisions.

There seems to be sensitivity in the CPA to the fact that although the Makuleke own the land, their members are not employed by the KNP to manage the region. Pressure will probably increase on the KNP either to employ Makuleke members in the area or to agree to the functions of the JMB being expanded.

### ***Strategic partner: Commercial***

The CPA is autonomous in choosing strategic partner(s) for its commercial activities in the Makuleke region.

The CPA has a sub-committee responsible for guiding and overseeing the implementation of the commercial aspects of the agreement. Experts from the law firm Webber Wentzel Bowens provide ongoing assistance to the committee. There seems to be a high level of trust and understanding between the Makuleke and their advisors. The law firm provides its assistance free of charge as part of its community assistance programme. It is estimated that up to R1 million in free legal advice has been given to the CPA since handover of the land. This again highlights the beneficial position of the Makuleke when compared to many other claims.

The functions of the commercial committee are to consider commercialisation options, invite expressions of interest, make recommendations to the CPA and monitor the implementation of the commercial agreements. Before the CPA can enter into an agreement that affects the environment, the proposal has to be approved by the JMB to ensure all environmental and conservation requirements are complied with. The advisors used by the CPA assisted, for example, in preparing invitations for



Sundowner overlooking the Luvuvhu River.

expressions of interest prior to the establishment of the two lodges, assessing submissions and drafting contracts that result from successful tenders. The advisors are essentially project managers until such time as an initiative comes to fruition.

The Makuleke enjoy the benefit of a number of local and international agencies that provide various forms of financial support, grants and training. Some of the agencies that have been involved are the Ford Foundation, Daimler Chrysler, GTZ, Maputo Corridor Company, USAID and Friends of the Makuleke. The role of the advisors and the provision of funds have been crucial to the success achieved by the CPA. It is generally agreed among the Makuleke that without the technical assistance received, the CPA would not have been able to cope with the complex legal, commercial and environmental issues that had to be dealt with.

The CPA has undertaken three major commercialisation projects since handover. The first, and most controversial, was to allow for limited hunting shortly after transfer of the land. This provided the community with an immediate cash flow. The two other projects concern the construction and operation of luxury lodges within the region and associated employment projects. Preceding both latter projects the CPA invited public expressions of interest for potential partners to visit the region in order to inspect the location of the intended lodges before submitting a formal tender.

The first partner, Matswana Safaris, was awarded a tender in 2002 to construct a small luxury rest camp at the western end of the Makuleke region. The second partner, Wilderness Safaris, was awarded a contract in 2004 to construct a larger luxury lodge. Wilderness Safaris has the right to construct an additional lodge within the next three to five years. In July 2003 the Makuleke community and Wilderness Safaris signed a concession agreement valued at R45 million.





Luxury accommodation in the bush.

Wilderness Safaris has also contributed to the establishment of an anti-poaching unit for the land as part of its tender. Although this is a function that should, strictly speaking, be the responsibility of the KNP as part of its conservation objectives, the JMB allowed the community and Wilderness Safaris to set up the unit.

### CONDITION OF LAND, INFRASTRUCTURE, EQUIPMENT AND GAME AT HANDOVER

The Makuleke region was before handover managed for approximately 30 years as part of the KNP. The infrastructure on the land at handover comprised a main access road from the Pafuri gate, fencing and a few boreholes.

The Pafuri area never had as high a level of tourism as the southern parts of the KNP due mainly to such factors as its remoteness, lack of supportive tourism facilities outside the park, limited infrastructure, the prevalence of malaria and harsh climate. Pafuri therefore did not contain at handover any overnight accommodation (although the Punda Maria rest camp is situated just to the south of the Makuleke region), picnic areas, major water holes or other tourist attractions.

It was acknowledged during the negotiations preceding the handover that although the area had not been developed as a tourist destination, it had the potential to offer a 'true wilderness' experience: the Makuleke region is well known for its diversity of bird life and the prevalence of some scarce species of game.

An added attraction of the region is that it is situated in the heart of the Limpopo Transfrontier Park. Tourism is therefore expected to increase as the transfrontier park becomes a tourist and conservation reality. (For a discussion and references to a few examples of international transfrontier conservation areas refer to De Villiers B, *Peace Parks – the Way Ahead*. Pretoria: HSRC Publishers, 2000.)

Criticism had in the past been levelled at the KNP for allegedly directing insufficient resources at the region to combat poaching. While the authors cannot comment on the merit of this criticism, Wilderness Safaris made it a condition of their lease that anti-poaching activities be expanded before they would operate a lodge in the region. They made available a grant for the establishment of an anti-poaching unit. According to information provided to the authors, the unit has been very successful since its establishment. Hundreds of traps and snares have been removed. The KNP has also resettled game into the region to increase its attractiveness to tourists.

## RELATIONSHIP WITH GOVERNMENT

Government has always regarded the Makuleke claim as one of its keystone projects in land reform. There has been an abundance of support for the project and such support is ongoing. Although government maintains a keen interest in the activities undertaken by the CPA, there have been no complaints of undue interference by government. The linkage of the land with the KNP, the transfrontier park and support from international donors continue to make it a favourite case study that government often refers to in the arena of land reform. The settlement has also received international recognition as an example alongside cases such as Uluru and Kakadu in Australia where seemingly competing interests are harmonised for the common good.

A concern has, however, been expressed that government might expect the community to fund certain social projects from their own resources, where normally it would be government's obligation to provide funding for such projects. Examples referred to are upgrading at local schools, fencing schoolyards, providing basic equipment for schools, and expansion of the electricity grid to the community. Although the community is willing to reinvest their income in community projects they are mindful of the burden they might face if government expects them to use their commercial income to 'stand in' for services that would normally form part of government's responsibility.

## KEY PROJECTS

Some key projects undertaken by the CPA are as follows:

### *Distribution policy*

The emphasis of distributions falls on community projects rather than per capita cash payments. The CPA and the trust believe that indirect benefits such as increased employment, development of infrastructure and training will in the long term bring more benefits to the community than small, one-off cash payments to individuals.

### *Skills transfer*

The CPA has an employment sub-committee that deals with employment of staff arising from its commercial activities. It is a complex



Top spot to see the rare Nyala.



process to choose staff as the interests of the respective villages must be taken into account, as well as gender and youth employment.

In the normal course of events the strategic partners would liaise with the sub-committee when new job opportunities become available. A preferential employment policy exists towards members of the Makuleke, and it is only when a particular skill is not available that external applications are sought.

The strategic partners are under a general obligation to train staff but there are no specific targets or objectives in the lease arrangements. The parties were of the view that strict requirements need ongoing 'policing' and it is better to rely on goodwill and partnerships to secure maximum employment for beneficiaries.

Entrepreneurship programmes are being established to enable local Makuleke businesses to become involved in the provision of services to the lodges, such as security and laundry, as tour guides, making and selling curios and growing fresh produce.

Four major employment projects are under way, namely the appointment of the JMB operational officer, the activities of the anti-poaching unit, employment of staff by the two lodges and the conservation training courses offered by Eco-Training. The role of the operational officer is discussed above.

The anti-poaching unit is funded by Wilderness Safaris as part of its lease to establish two lodges in the region. Fifteen beneficiaries have been trained in the anti-poaching unit and the process is ongoing. Although issues regarding the legal status and indemnity of the unit require clarification (for example, a private unit with police functions operating in a national park), the anti-poaching unit and its impact is seen as one of the major successes of the community.

Eco-Training is an initiative supported by Wilderness Safaris to offer public training and accreditation courses in eco-tourism. As part of the commercialisation arrangements, the Makuleke are entitled to nominate up to five people for training. The course runs over a period of 28 days and successful candidates receive a diploma. Training takes place in the bush and it is hoped that over time the course will garner interest from international students.

The two lodges are the main source of employment, with Outpost Lodge employing 22 staff members and Wilderness Safaris 32. In addition, 30 people are involved in the Work for Water project



Overlooking the Luvuvhu River from Pafuri Lodge.

and 15 are under training or part-employed as wardens. It is estimated that up to 200 new jobs could result from the eco-tourism ventures in the region.

### ***Accommodation***

Two luxury lodges have been established and a third one may be built within the next three to four years, bringing the total number of beds for the region to full capacity. The management plan set the optimum number of beds at 200.

Outpost Lodge was established by Matswane Safaris in 2002 and was the CPA's first commercialisation project. At that stage the region was relatively unknown and few bids to operate a lodge were received. The lodge is upmarket and the recent upgrading of the local airstrip may contribute to it becoming part of the luxury accommodation circuit. The lodge operates on the basis of 10% gross turnover for a period of 45 years, reviewable after every 15 years.

The Pafuri Lodge was opened by Wilderness Safaris in 2005 after public expressions of interest had been invited. The bidding process was more active than in the case of Outpost Lodge. Wilderness Safaris is regarded as a top international operator with good experience in this type of market.

The lodge is also aimed at the exclusive market. A sum of R150,000 was paid up front to the CPA and 8% rental is payable calculated on total annual turnover. The lease includes the right to open an additional lodge within the next three to five years. Wilderness Safaris' bid also included funding for community projects such as the anti-poaching unit and training offered by Eco-Training.

### ***Educational projects***

The CPA has made donations to local schools to acquire computers, improve security and fencing, and to upgrade classrooms. Each primary school received R50,000 and high schools R70,000. The principal of the one high school commented during the interview that 'we would be nowhere had it not been for the support of the CPA'.



One of the CPA projects – fencing the local high school. *From left:* Abigail Shingange, Mavis Hatjane and William Moshimbye (headmaster).





Chief Phahlela Joas Mugakula's house.

### ***Expansion of electricity grid***

A major electrification project funded by the CPA to the tune of R3.8 million saw each of the Makuleke villages being included in the electricity grid. Although the local government had the area prioritised for expansion of the electricity grid within the next three to five years, the CPA self-funded the project to complete it sooner. The local authority agreed to refund the CPA for the work done.

### ***Office and residential complex***

A CPA office has been built to provide the community with a permanent administration office. A house for Chief Phahlela Joas Mugakula has also been built on the same property.

### ***Community bed and breakfast complex***

The community erected an impressive bed and breakfast with huts, an amphitheatre *lapa* and break-away areas. The CPA is considering outsourcing the complex to an external operator to run as a cultural eco-tourism venue that links in with the KNP and the accommodation offered by the Makuleke in their two lodges.

## **CHALLENGES**

The following are some of the main challenges facing the CPA:

- *The CPA's term of office is too short.* This does not allow the members to settle into their positions,





Top: The lapa at the bed and breakfast complex. Above: Relaxing in a hut at the bed and breakfast complex.

undergo training, start new projects and see the implementation thereof to conclusion. Suggestions are therefore being considered to extend the term of office.

- *The legal status of the JMB and its position within the process of managing the Makuleke region requires revision.* The JMB fulfills a useful function as a coordinating committee, but its decision-making powers, funding and administration may require clarification and improvement. This is particularly important as the JMB technically has a life-span of 25 years, of which six years have already expired.
- *Responsibilities for the day-to-day management of the Makuleke region require fine-tuning.* This is evident in the following two examples. First, it appears that the anti-poaching unit functions outside the framework of the agreement which provides that conservation management is the responsibility of the KNP. Second, the KNP has not yet employed any Makuleke people to take responsibility for daily operational duties in their region.
- *The community seek additional employment opportunities to what is offered in the eco-tourism industry.* Although unemployment within the community is not as high as in other communities in the area, demands for more employment may best be addressed by greater emphasis on additional land for the purposes of grazing, vegetable and other cash crop production.

## LESSONS LEARNT

The interviewees identified some lessons learnt that may be of help to other communities involved in land reform:

- *Each claim or land reform project is unique.* Although it may be beneficial to extrapolate lessons from one to another, this should be done with caution so as not to oversimplify experiences.
- *New landowners must be willing to accept a slow start before a project can build up momentum.* Prepare the community and tone down their expectations so that they understand that it will take some time before a project bears fruit. It may prove difficult to balance the expectations of the community with the time it takes for employees to be trained, to build their capacity and to acquire the skills to implement the business plan. If expectations are not realistic, projects can appear to be set up to fail.
- *The structures within which decisions of the CPA are taken must be credible and accepted by the community.* The same applies to professional support that is available to the CPA. Decision making must be transparent and proper governance processes must be adhered to. The entire group must perceive the CPA as acting as their agent. The objectives of the CPA must also be spelt out to ensure that decisions are properly understood and interpreted. In the absence of clear objectives and benchmarks, decisions may appear to be directed at specific interests and not at the entire community. If possible, consultative mechanisms should be set up to enable the CPA to engage with the beneficiaries on an ongoing and regular basis. Where possible, those elected to serve in the CPA must be fully literate so that they understand and participate in governance, negotiation and commercial processes.
- *The business plan need not be adhered to slavishly.* It often happens that the drafters of the plan had limited information at their disposal and they might have worked on assumptions that have not materialised. If necessary the business plan must be adjusted from time to time, or annual operational plans must be adopted to reflect changing circumstances. There is a risk that the drafters

of the first business plan sketch an over-optimistic scenario in order for funding to be approved but without taking sufficient account of limitations and challenges that a community might experience.

- *It is important that the beneficiaries consent to specific land use options prior to hand-back of the land.* This applies particularly where the land is locked into a long-term lease, such as conservation usage, or if the management of the venture is outsourced to a strategic partner. In the absence of a clear understanding, beneficiaries may challenge the chosen land use, or in a worst case scenario occupy the land in breach of the lease. It is particularly in instances where expected benefits do not materialise at a pace anticipated by the community that alternative land use options may become a burning issue.
- *Provide ongoing education to beneficiaries so that they understand the technical jargon associated with a particular form of land management.* It is a quantum leap to move from ‘claimant’ to ‘owner’, and it is therefore essential for beneficiaries to understand their obligations and rights as landowners. It is also important for beneficiaries to comprehend the differences between landowners, shareholders, beneficiaries, trustees and employees. This is more so the case where some beneficiaries are employed as ‘workers’ or ‘managers’, and other beneficiaries may see them as receiving preferential treatment or ‘more’ benefits than the rest of the community.
- *Constantly remind beneficiaries that land ownership cannot and will not solve all economic or social problems.* This is one of the most challenging hurdles to overcome as communities may expect far more from a parcel of land than can be reasonably justified. In a worst case scenario the economic situation of a community may deteriorate if too many beneficiaries return to the land with the expectation to live off it or if they expect the annual dividend to be a substantial source of income.
- *There are several principles to consider when setting out a framework for a distribution policy.* For example: be clear that there will be direct and indirect benefits; explain that the larger the group, the less each beneficiary would receive if money is distributed on a per capita basis; refrain as far as possible from short-term cash distributions and invest in long-term employment creation projects; calculate rental from lessees on gross turnover rather than on profit sharing; and ensure benefits flow to the entire community.
- *Nominate a person to monitor on an ongoing basis the availability of local and international grants-in-aid.* Where possible adjust programmes to suit the requirements of donors in order to qualify for funding. This is a specialist function but if properly managed it could assist communities to diversify the activities associated with their land management.





## Giba Banana Plantation



Proud owners. *From left:* Richard Matsebula, Sam Thobela, Chief Bernard Matsebula and Suzman Matsebula.

### **RETURN OF ANCESTRAL LAND**

Several farms close to the lowveld town of Hazyview in Mpumalanga Province were in 2003 returned to the Giba community as part of the settlement of their land claim. Chief Matsebula lodged the claim on 28 September 1998 on behalf of the community and it was settled on 15 November 2003. The claim was over the area known as the Burgers Hall farm and it affected several small, previously privately owned family farms.

The acquisition for land to settle the claim took place in three phases. During Phase 1 and 2 a total of 15 farms were acquired. Phase 3 is currently under way with another 14 farms identified for acquisition.

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The authors would like to thank the following people who were interviewed: Chief Bernard Matsebula (chief and director), Suzman Matsebula (board member and director); Sam Tobela (board member and director); and Xander Botha (manager).



Workers with part of the 2005 harvest.

When the entire claim is settled it is expected that a total of 1,645 ha would have returned to the community at an approximate cost of R29 million. In addition to the private land being acquired, state-owned land has also been made available to the community as part of the settlement package. The state-owned land is mainly suited for grazing and subsistence farming.

The area is well known for its production of bananas, ginger, litchis and other citrus. It is anticipated that the output of the farms can be improved through integrated management and the benefits of economies of scale that a single management body offers. The strategic partner retained by the community serves as such a single management body.

## LEGAL STRUCTURE

The Giba community formed a Community Property Association (CPA) to hold title to the land on their behalf. The community comprises some 500 households. The CPA is made up of 25 elected members, of which five are nominated to serve as directors on the board of the managing company.

Chief Matsebula does not chair the CPA but he oversees its activities at a policy level. The CPA consults him on decisions, and in such a way a balance is maintained between the traditional lines of authority and the elected CPA structures. The chief is a director of the managing company.

The CPA together with its strategic partner and the employees who worked on the farms at the time of acquisition formed a managing company which leases the land from the CPA. The directors of the company are made up of five nominated by the CPA, four nominated by the strategic partner, and one nominated by the workers. The company's auditor sits in as an observer at board meetings.

The shareholding of the company is as follows: 50% of the shares are held by the CPA; 40% by the strategic partner; and 10% by the workers' trust.

All the workers who had been employed on the farms prior to acquisition had to be retained under the same employment conditions. In order to protect their rights as workers, a Workers' Trust has been established. No new workers may join the trust and it is envisaged that the trust would cease to exist in due course as pre-acquisition workers leave the service of the company.

It is estimated that 40% of employees are also beneficiaries. Those beneficiaries who used to work on the farms prior to acquisition are therefore also members of the Workers' Trust, but beneficiaries who are employed after transfer cannot belong to the trust.

As in the case of Zebediela, the Boyes Group (South African Farm Management) has been retained as a strategic partner for a period of 15 years. The strategic partner is responsible for implementing the business plan, managing the farm on a day-to-day basis, providing some capital for development, and transferring skills to the Giba community to enable them to take over responsibility for management at expiry of the lease.

The company pays the CPA an annual rental (3–5%) calculated on the basis of a percentage of gross turnover. All income is paid into a community investment fund with the focus on reinvestment and new business ventures. A single cash payment was, however, made to the beneficiaries shortly after transfer as a sign of gratitude for their support and patience during the claim process.

## STRATEGIC PARTNER

SA Farm Management is the strategic partner of the Giba community on terms and conditions similar to their involvement in Zebediela. The community 'inherited' the strategic partner and was not directly involved in its nomination or in negotiations on the terms of its involvement.

The process of choosing the strategic partner caused some controversy among the beneficiaries prior to and shortly after handover of the land. Some in the community preferred closer CPA involvement in choosing the strategic partner, but there was an eagerness on the part of government to get in place as many building blocks as possible prior to handover. It seems, however, from the interviews that relations are on the mend.

It is envisaged that the strategic partner will hand over complete management of the land after ten years, retaining a supervisory role for the remainder of the five years of the lease. At the conclusion of the lease the strategic partner's 10% shareholding will revert to the CPA, and the CPA will acquire the remaining 20% at market value.

The strategic partner appointed two managers with extensive experience in banana and litchi farming and a third manager may soon be appointed. The managers are required to bring the farms to full commercial production, and they must also train people and transfer skills to CPA members to enable them to take over the running of the farms in due course.

The board of directors meet with the managers fortnightly to be updated on all operational issues affecting the farms. These meetings ensure that directors are well informed of the challenges experienced by management. The directors meet with the CPA and with the entire community on a regular basis to ensure that information is passed on.

The managers are also involved in these meetings to respond to questions and explain at a technical level what progress is being made in commercial operations. Managers view these community meetings as akin to 'shareholder' meetings.

## RELATIONSHIP WITH GOVERNMENT

Although the community appreciates the role government has played in securing their land, frustration has been expressed at the lack of close practical involvement by government departments since the transfer of the land. It seems that the community's main concern is that government has not provided enough support after settlement and that the assistance that is provided takes too long to materialise. One person remarked that 'government handed back our land but then they disappeared'. Although





Bumper season.

interviewees understood that government cannot assist on a daily basis, they were keen to see more frequent visits and closer involvement by relevant departments.

This criticism may not be solely attributable to government's lack of action but could also relate to the high level of expectation within the community and the community's relative lack of preparedness to take control of the land. Although the strategic partner has brought many skills to the farms, the availability of funds to upgrade the farms and infrastructure remain a major issue. The immediate benefits that flow from the project, such as employment and annual rental, may also not be on par with community expectations. The strategic partner and government are therefore under pressure to ensure that the project delivers in a relatively short time.

## EQUIPMENT AND STOCK

Although the farms were productive units when the land claim was lodged, the basic infrastructure – such as roads, pumps, fencing, irrigation and pipes – had suffered from years of lack of investment, and worsened once the claim was lodged. Owing to the drawn out nature of the claim process, the previous owners downscaled investments up to a point where little maintenance or soil treatment were undertaken. Although the land has good potential, it was therefore in a relatively poor condition at handover.

The fact that government only bought the land and not the equipment contributed to a slow start. It is therefore expected that it will take longer than originally estimated in the business plan to return the land to full production.

## KEY PROJECTS

Some key projects undertaken by the CPA are as follows:

### *Skills transfer*

It is estimated that 40% of the 230-strong workforce are beneficiaries of the CPA. The majority of workers are therefore from communities other than the claim group. Two main priorities of





Offloading the harvest.

management are to fill new vacancies with beneficiaries and to train beneficiaries to take over management positions. Presently, the likelihood of new employment opportunities is slim as substantial investment in the farms is required to bring them back to full commercial production. The current employment ratio is approximately one person per hectare, while the industry standard for banana plantations is three to four people per hectare. The potential for employment is therefore positive but will depend on the availability of funding and training programmes.

Eight assistant managers have been appointed as trainees to key management positions. Each of the key management sectors has an assistant from the beneficiaries in training. Some of them have had previous experience on the farms as employees and have also attended training courses. As with many projects in other parts of South Africa, the CPA risks losing trained staff to better paid government and private sector positions.

The objective for the strategic partner is to hand over complete management and control of the farms to the CPA after ten years. Thereafter the strategic partner will only be available in an advisory capacity for the remaining five years of the lease.

### ***Land management***

As mentioned, the condition of the farms at handover was less than optimal due to various factors. Substantial investment is required to bring the infrastructure up to standard and to improve the quality of the soil. One of the interviewees estimated that of the 15 farms that made up the Phase 1 transfer, only four were completely operational. The challenge facing the strategic partner is therefore to commit the required resources to a project in which it has a relatively short tenure.



The harvest is ready.

Fencing, especially the part that separates the neighbouring residential areas from the farms, also requires attention to combat the already high levels of theft. The farms are surrounded by communities, including the beneficiary community, that suffer high levels of unemployment. The prevalence of people stealing bananas and other produce and even equipment for personal use or for roadside stalls is therefore very high.

Controlling theft is complicated by the fact that beneficiaries see it as their ‘right’ as owners of the farms to use the bananas as a source of income for them and their families. The relationship between beneficiary-employees who must protect the farms against theft (which is sometimes perpetrated by unemployed beneficiaries) is very complex.

The potential for the land is to produce 30-40 tonnes of bananas per hectare. So far the average has been between 10 and 15 tonnes per hectare. The previous owners produced up to 30 tonnes when the farms were at optimum production. The main objective of management is to return the land to full production, but this requires funding for operational and capital expenditures. Replanting is also under way and it would take two years to harvest those areas. It is expected that the Phase 3 farms will be in better condition, provided it does not take too long for the settlement process to run its course.

### ***Distribution policy***

All income derived from the farms is paid into the Community Trust Fund. The main aim of the trust fund is to reinvest dividends and rental income to create new employment opportunities. A single payment was made to beneficiaries shortly after transfer, but as a general policy the CPA prefers income to be reinvested.





Community land for grazing.

### ***Planned projects***

The following are some projects under consideration by the community:

- *Subsistence farming* on the 1,000 ha state land which forms part of the settlement. The CPA is hopeful that by making the land available for grazing and subsistence farming a large portion of the beneficiaries would be able to receive direct benefits from the settlement. This would mean fewer beneficiaries relying exclusively on income from dividends from the farming operations.
- *Accessing tourism* by setting up fruit stalls, a tearoom, curio shops, a nursery and other shops on the main road passing through the farms. The running of such shops could be outsourced with preferential employment policies to benefit the beneficiaries. The interviewees realise that diversification brings its own complexities, but believe that the skills of strategic partners to manage such smaller operations could be utilised successfully.
- *Production of banana by-products* to diversify farming operations.



Potential for roadside stalls.

## CHALLENGES

The following are some of the main challenges facing the CPA:

- *Balancing the expectations of the beneficiaries with the commercial reality under which the farms operate.* Community expectations for the farms to improve their economic situation, to provide new employment opportunities and to produce a sizable source of income are very high. Many beneficiaries do not appreciate how complex farming is, the constraints to which operations are subject, and the limitation of the farms to address the general economic plight of the community. Although the farms have the potential to become a major source of employment, some trustees are concerned that beneficiaries may lose patience if the tangible benefits of owning the land are not visible within the foreseeable future.
- *Securing ongoing government involvement so that the community does not perceive government as setting them up to fail.* Although the CPA accepts its responsibility to manage the land under the guidance of, and with the assistance of, the strategic partner, it believes government should play a hands-on role with ongoing funding and training to ensure that the community is able to take over the land at expiry of the lease. The community expect regular visits from government, on-site training and special grants to assist them to make a success.
- *Managing the politics and interaction between land ownership, beneficiary, employee and manager.* It is estimated that the strategic manager spends up to half his time dealing with what is loosely referred to as ‘community politics’. This does not come as a surprise since the respective relationships are complex and potentially confusing. It is particularly the relationship with unemployed beneficiaries that requires ongoing attention as they may in time become a destabilising factor. Unemployed beneficiaries often find it difficult to comprehend why they cannot use the resources of ‘their’ land to sustain their families. The notion that they are being fenced out of their land by employed beneficiaries remains a difficult issue to grapple with.
- *Establishing more subsistence projects.* Although the farms can become an important provider of employment, it is accepted that only a relatively small percentage of beneficiaries would ultimately be employed as farm workers. The challenge is therefore to create alternative opportunities whereby beneficiaries can use their land as a springboard for subsistence farming and other enterprises – for example, running cattle, growing vegetables, buying and selling bananas and litchis, providing overnight accommodation, and diversifying the use of bananas and litchis to produce juices, dried products, etc.

## LESSONS LEARNT

The interviewees identified a number of lessons learnt that may be of help to other communities involved in land reform:

- *Involve the community as soon as possible in all aspects of planning, including drafting the business plan and choosing a strategic partner.* It is easy for disgruntled beneficiaries to exploit issues that may arise after transfer of the land, especially if the community did not have close involvement in the lead up to transfer. By involving key beneficiaries in the drafting of the business plan and the review thereof, they would not only take ownership but also convey information to the broader community.
- *Undertake ongoing education to explain to beneficiaries the differences between their roles as ‘owners’, ‘employees’, ‘trustees’, ‘directors’ and ‘managers’.* Particular attention should be given to



those beneficiaries who are not employed and who do not receive a direct benefit from the farming operations. Operations could be disrupted if the worker-beneficiaries and the unemployed beneficiaries develop into two 'classes'. Director-beneficiaries must also guard against the perception that they are enriching themselves while the unemployed are neglected.

- *The strategic partner should be assisted in managing community relations.* If the strategic manager does not receive assistance and the necessary training in cross-cultural issues, the manager may fall between two chairs where s/he spends too much time on community relations to the detriment of his/her commercial and management obligations. Direct communication between the strategic partner and the beneficiaries is important, but this must not detract from the strategic manager's core responsibilities to make the project commercially viable.
- *Government should assist the strategic partners and their managers* from different projects to exchange ideas and lessons in managing land with, and on behalf of, a community.
- *The CPA must nominate a person to keep track of grants-in-aid that become available from time to time.* Management or employees cannot undertake this function due to their involvement in daily business operations. Many grants do, however, become available and communities may be able to undertake specific projects or to tailor existing projects to qualify for funding.



## Stentor Sugar Cane Plantation

### **ACQUISITION OF LAND**

The land known as Stentor is located in the Mpumalanga lowveld close to the town of Malelane. Stentor comprises two farms: Farm Vorem 655 measuring 1,572 ha; and Portion 6 of Farm Koedoe measuring 84 ha.

During October 2003 the farms were acquired after the workers had formed a trust to qualify for a Land Redistribution for Agricultural Development (LRAD) grant to acquire the land on which they had been working for many years. Funding was made up of an LRAD grant combined with a loan from the Land Bank.

Since the acquisition a land claim has been lodged on a part of the farm. The merit of the claim has not yet been determined.

The initiative to buy Stentor came from the farm workers, supported by Transvaal Sugar Ltd (TSB). The farm was previously owned by Stentor Estates (Pty) Ltd. The farm is situated close to a sugar mill operated by TSB. The LRAD application was supported by the Department of Land Affairs and the Land Bank. The Land Bank provided a loan of R25 million repayable over 25 years at a fixed interest rate of 10%. The LRAD grant amounted to R21 million to cover the difference between the selling price and the loan. The LRAD grant included some working capital to get the operation under way.

TSB's decision to support the project rests on three main grounds: first, TSB believes it represents a model of cooperation between workers and its role as strategic partner that may over time be extrapolated to other sugar-growing areas. Second, the arrangement ensures a secured source of sugar cane supply to the TSB mill. Third, it is in TSB's interest to support a stable environment in which to conduct its business.

The operation of the mill depends on a reliable cane supply and TSB is aware that any disruption of supply may impact negatively on its operations. Large cane growing areas in the lowveld are subject to land claims, and the economic and social implications would be severe if the sugar industry is crippled. TSB therefore approaches its role as strategic partner with the larger picture of stability of cane supply in the lowveld in mind.

Stentor is a large and well-managed farm with a good track-record of cane delivery.

In terms of the Cane Delivery Agreement all sugar cane in the lowveld is sold to the TSB mill in what is referred to as a one-channel market.

The business plan for the Stentor acquisition stated three key objectives: to enhance the human assets of the farming business; to provide profitable and sustainable production systems; and to improve existing yields. The business plan (p 10) describes the viability of the venture as follows: 'Due to the size of this sugar cane operation (approximately 5% of all cane crushed by the Malelane Mill of

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The authors would like to thank the following people who were interviewed: Jan de Villiers (legal officer); Richard Coetsee (farm manager); Willem Tempel (estate manager); Hans Balyanjura (general manager: agriculture); and Aaron Makabula (chair: Blue Cloud Investments).



Owners and strategic partner. *Back from left:* Aaron Makabula, Richard Coetsee and Willem Tempel. *Front from left:* Jan de Villiers and Dr Hans Balyanjura.

Transvaal Sugar Limited) and the proximity of the farm to the mill, there is very little competition. In fact, the biggest competition is our own capacity and ability to deliver sugar cane of good quality and reasonable quantity.’

## LEGAL ARRANGEMENTS

The workers who had been employed previously on the farm formed the Vorem Shukela Trust with the objective of applying for funds to acquire the farm. The trust in turn formed a company, Blue Cloud Investments 73 (Pty) Ltd, to purchase the land. The trust is the sole shareholder in the company.

Membership of the trust comprises the workers on the farm, some previous workers and members of the local community who are associated with the farm. This expanded membership enabled the trust to qualify for a greater amount of LRAD funds. Had the trust only relied on the actual workers, the number of beneficiaries would have been insufficient to qualify for the amount required to buy the farm.

The trust is managed by 11 trustees for the benefit of 419 beneficiaries. Membership of the trust is closed, which means that no new workers can become beneficiaries thereof.

The workers realised that they would for a period of time need the assistance of a strategic partner to run the farm. The trust recognised that its members would not be able to take over full management and control of the land and that a training programme was therefore required to build capacity. The trust also did not have the financial resources to undertake an operation of such a scale.

TSB entered into a 15-year lease with the company. The lease may be renewed. TSB pays an annual rental to the company based on a percentage of turnover of the project; however, a minimum amount of the rental is paid to service the Land Bank loan. The company is therefore guaranteed that it would at least be able to repay the interest on the loan regardless of the farm’s performance. Losses that occur in one year are, however, carried over to subsequent years, which in essence means that even if a loss is made, TSB provides the company with an interest-free loan to repay its obligations to the Land Bank. If the company makes a profit, the dividends are payable to the trust for distribution to the beneficiaries or for reinvestment.



TSB took control of the farms in October 2003, approximately three years after the initiative to buy the land got under way. So far the farms have for various reasons performed below projection. Although the interest on the Land Bank loan has been paid, the debt has been carried over to subsequent years to be repaid from any future profits. The target is for some 115 to 120 tonnes of cane to be produced per hectare. This would result in an estimated net profit of R3,560/ha. The first harvest delivered approximately 50 tonnes and the most recent, approximately 75 tonnes.

## STRATEGIC PARTNER

TSB is a wholly owned subsidiary of Remgro Ltd. Its core business is the growing of sugar cane and the production of sugar at its mills. As explained above, TSB is the sole 'client' for sugar cane in the lowveld and its mill crushes all cane from the area. TSB needs to ensure a stable and predictable flow of cane to its mills; the company is, however, concerned that the supply of cane may become degraded if land claims or land invasions cause instability or disruption.

Experience shows that farmers tend to slow down or even discontinue investment as soon as their land becomes subject to a land claim. TSB therefore views it as being in their best interest to bring stability to the land reform process in the lowveld as soon as possible – and Stentor is an experiment that might be repeated with or without variation in other areas.

In the light of its strategic interests, TSB welcomed the opportunity to assist the trust and its company to acquire Stentor and to continue with sugar cane production. The business plan to support the acquisition identified sustainability of the local economy and stable cane supply to the mill as two key objectives. The business plan (pp 11-12) described the role of TSB as follows:

'The lease agreement will be the instrument through which TSB will provide expertise in managing business and sugar cane production. TSB will be responsible for the farming practices and the security and productive value of the property will be enhanced. Although the risk inherent to the project cannot be denied, the involvement of TSB virtually guarantees a successful project ... . The ultimate reward of the implementation of the proposal, remains the empowerment and development of the 419 beneficiaries through provision of access to land and the beneficiaries becoming owners of a successful commercial farm and farming enterprise.'

It was initially thought that the involvement of the strategic partner would be limited to between two to five years. It was soon realised, however, that the financial commitment required from the partner and the time needed to train workers into management positions would require a longer term approach.

According to TSB, the company has so far invested some R10 million in upgrading infrastructure on the farms. Few private operators would be able to offer such a level of assistance with tenure shorter than 15 years, and it is recognised that even with a 15-year tenure the time to recover the investment is relatively short. The lease provides that TSB would lease the farms for 15 years from the company and in return pay an annual rental (of which the minimum amount is the Land Bank loan repayment), train staff to take over operations, continue existing farming practices, and create new employment opportunities. If the lease is not renewed after the expiry period, the company becomes responsible for the management and control of the farms. TSB believes that although there are risks in the arrangement, it makes strategic and commercial sense to its shareholders – especially if the model, or some adaptation thereof, can in due course be applied to other areas without major disruption to cane supply.

## RELATIONSHIP WITH GOVERNMENT

The national Department of Land Affairs played a leading role in bringing the Stentor partnership to

fruition, providing financial and other support in particular to the process leading to the formation of the trust, and in drafting the business plan.

Since acquisition the national government through the Department of Land Affairs is no longer technically involved in operational aspects of the farm, but interviewees expressed the desire that the provincial government through its department of agriculture should continue a facilitating role. Both workers and strategic partner are keen to involve government in the project on an ongoing basis. They believe that such involvement would enable government to support similar arrangements in other areas.

It is important for government to understand the range and complexity of issues that face the trust as well as the strategic partner after handover of the land. According to the interviewees there are many issues 'on the ground' that they would want government to be aware of. These issues require long-term management, funding, training, skills and patience, and interviewees are keen for government to remain 'in the loop' vis-à-vis management decisions.

One of the areas in which interviewees expect government to play a key role is in assisting with facilitating communication between the commercial operators and the beneficiaries. Although TSB often meets with the beneficiaries, there are concerns that those beneficiaries who are not employed on the farms may not be as well informed about the complexities of farming operations as employed beneficiaries. There is concern that varying levels of information exist among the beneficiaries and that this could in due course be exploited to undermine the partnership.

## **EQUIPMENT AND STOCK**

It took approximately three years to finalise the handover of Stentor to Blue Cloud and for TSB to commence its operations. As has happened in other instances where land has become subject to a claim or where land has been identified for acquisition, the previous owners downscaled and even discontinued investments. As a result the farms suffered from lack of maintenance of equipment, replacement of irrigation systems, and the administering of chemicals and fertiliser up to handover. To add to the slow start, government only acquired the land and not the equipment and machinery.

TSB's model is to outsource the harvesting and transport of the sugar cane, but this means that at handover the beneficiaries would have to acquire their own equipment or alternatively continue with outsourcing arrangements. Outsourcing may in fact offer opportunities to beneficiaries as they may want to establish a business to provide services to the main operations.

The time required to bring the farms to full production would therefore take longer than estimated in the business plan. It also means that the investment required from TSB to return the farm to full operational status is greater than originally anticipated. As a result of these factors it would take longer for the beneficiaries to receive direct benefits in the form of dividends from the farming operations.

Although the current harvest is below projected returns, TSB is optimistic that following the investments made the project will soon realise its potential. Some cane has been replaced, irrigation systems have been upgraded and treatment of the land is having a positive effect on the quality of the cane.

## **WORKERS**

As explained above, the beneficiaries of the trust comprise mainly those workers employed on Stentor, but it also includes previous workers and members of the community associated with the farms. Approximately 200 of the 419 beneficiaries are employed on the farms. Not all beneficiaries are workers, and in a similar vein new workers would not qualify to become beneficiaries.

TSB gives priority to employee-beneficiaries but this is not necessarily always possible. No new positions have been created as yet but it is anticipated that opportunities may arise as the farms return to full production and some of the proposed diversification projects get under way. In order to bring the farms to profitability, a short-term reduction of staff may be needed; however, employment opportunities are expected to increase in the long term.

Although there are no binding targets or quotas for training workers, TSB is mindful that the lease will expire in 15 years and that the beneficiaries or those appointed by them must then be in a position to take over management and control of the operation. The workers and TSB agree that ongoing training should be part of the normal course of business but that special effort is needed to train people for future management positions. A few workers have already been identified for training to fill senior management positions.

The ability of the project to create new employment is dependent on its commercial viability and success. The parties are aware that conflicts may arise in future if some beneficiaries prefer to place emphasis on additional employment opportunities or better remuneration (at the cost of commercial viability), while others prefer maximisation of profitability even if this means less employment.

## **KEY PROJECTS**

The following are some key projects undertaken by the trust:

### ***Skills transfer***

All service contracts that existed at handover were transferred to Blue Cloud and thereafter to TSB. The benefit to workers is that no jobs were declared redundant, but this also means that no new employment opportunities for beneficiaries have been created. In order to secure the commercial viability of the project consideration may be given to reducing employment during the initial phase. Although the project aims to maximise employment, most of its activities are outsourced to private external contractors. These contractors are under no obligation to employ beneficiaries; however, beneficiaries may in due course establish businesses to provide services to the farms and thereby replace private contractors.

Several workshops have been held to discuss such topics as the rights of beneficiaries, the role of trustees, the rights of workers, the rights of people residing on parts of the farms, beneficiary–trustee–worker–manager interaction, and related topics. Some of these concepts are new and foreign to beneficiaries and as a result misunderstandings can easily arise.

The interviewees agreed that proper and repeated explanations are the only way for beneficiaries to take ownership of the project and to continue to support it in the long term. There is no quick way of explaining what is essentially a very complex model. Explaining the model to beneficiaries who do not live or work on the farm is even more difficult since it will be some time before they receive any direct benefits from the project.

### ***Land management***

The farms were in a relatively poor condition at handover since little or no ongoing investment and maintenance had occurred after negotiations for purchase had started. The first harvest was delayed due to the time it took to effect the transfer and TSB had to make bigger investments than originally planned. Although the parties remain positive that targets will be reached they agree this would not be within the original timeframe.

Nine hundred hectares are under sugar cane but some must be replanted. In 2005, 550 ha was harvested; the target is to bring 950 ha under sugar cane. The parties agree that there is scope for expansion but that this depends in part on factors such as rainfall and funding. The more time expires the less likely it is that TSB would be willing to make new capital investments unless, of course, the company is offered an extension of the lease.

A small area is available for subsistence farming. The business plan envisioned that with the assistance of the Department of Agriculture, an agri-village could be developed to encourage production of fruit and vegetables for market.

### ***Raising funds***

TSB is aware that it faces competing demands as far as project outputs are concerned. On the one hand it is in the interests of all beneficiaries if the project becomes profitable as soon as possible. On the other hand the demand for more and improved employment opportunities and working conditions may impact on profitability. The ability of TSB to invest in the land is also impacted on by the term of the lease: TSB is less likely to be in a position to make new capital investments as the end of the lease period draws closer.

The farms were bought for R40 million, made up of a loan from the Land Bank of R25 million, an LRAD grant of R21 million and a loan of R3 million by the previous landowner. These grants included funding towards capital and operational expenditures. The beneficiaries also made a contribution in the form of cash and sweat equity. TSB pays an annual rent of 15% of turnover or R2.5 million minimum rental (whichever is the greater). The R2.5 million is the amount required for the loan repayment to the Land Bank. The original expectation was for a loss to be incurred in the first two years, with breakeven thereafter and a profit possible in the fifth year. This has been adjusted but the parties remain positive that the project will deliver in all key areas.

Outstanding land claims are not necessarily seen as a 'risk' but the parties agree that it might complicate their operations. The main risks identified in the business plan are the price of sugar and availability of water. However, as stated in the business plan (p 12) 'although the risks inherent to the project cannot be denied, the involvement of TSB virtually guarantees a successful project'.

### ***Trust projects***

The trust does not have any new projects under way as the main focus is on cane operation. The trust's priority is to service the Land Bank loan and to expand employment opportunities where possible.

The farms include some citrus (8 ha) and mango (15 ha) plantations and the produce is sold directly to market. The benefits after costs flow to the community. Although the land could probably be better utilised for growing sugar cane, the orchards sustain beneficiaries who would otherwise be unemployed. It is envisaged that an agri-village might be established along the main road to serve as a selling point for fruit and artefacts. Another potential project is for beneficiaries to establish businesses to which activities can be outsourced, for example, transport, mechanical services and so forth.

## **CHALLENGES**

The following are some of the main challenges facing the trust:

- *Developing a strategy to strike a balance between competing objectives* – such as creating employment, training new staff and managers, long-term capital investments, maximising profitability of the farms and paying direct benefits to all beneficiaries. Presently, the two main benefits that flow from the project are retaining the previous employees (however, not all beneficiaries are employed) and repaying the loan. Due to the losses incurred during the first few years of operation, it would be some time before actual dividends are returned to the trust. The beneficiaries may therefore not receive direct benefits in the form of dividends or a cash payment for some time.
- *Maintaining a balance between intense enthusiasm and inflated expectations.* The business plan was based on the best case scenario, but the commercial reality on the farms is more complex and challenging. Although the enthusiasm that goes along with land ownership is essential to the success of the project, unrealistic expectations may erode progress. If direct benefits do not flow to all beneficiaries, disgruntled beneficiaries may start questioning the business model and challenging the type of land use.



- *Managing the complex beneficiary-employee-manager-strategic partner relationship.* Three issues are particularly complex to explain to beneficiaries: they are owners of the farms but somebody else is managing it and their rights to the land are restricted; the workers who are beneficiaries (owners) 'report' to the strategic partner; and no direct benefits flow to beneficiaries who are not employed. These relationships can become very complex and even problematic. The strategic partner is not necessarily geared to engage in the ongoing 'management' of community relations. These relations are further complicated by population pressures in the area, with people who are neither beneficiaries nor workers residing on the farms.
- *Resolving outstanding land claims that affect parts of the farms and other parts of the sugar-growing areas of the lowveld.* The sustainability of the TSB mill is inevitably linked to the consistent supply of cane, and any major disruption or delays will impact negatively on the local economy and on employment.
- *Ensuring closer government involvement in the project without government becoming prescriptive.* The partners believe that government has two important roles to play, namely: to provide ongoing funding for capital investments to ensure sustainability of the project; and as a facilitator in community relations.
- *Resolving tenure issues with those living on the farms who are neither employees nor beneficiaries.* The lowveld's growing population increases the likelihood of further pressure in the form of informal settlements on the land.

## LESSONS LEARNT

The interviewees identified a number of lessons learnt that may be of help to other communities involved in land reform:

- *The involvement of a strategic partner for a limited period of time is a viable and sustainable way for new landowners to become involved in taking over the management and control of their land.* The landowners must be part of drafting the business plan and any adjustments thereto to enable them to take ownership and understand the complexities of managing a farm. The benefits of having a strategic partner are that they bring experience and capital to the project, improve economies of scale if they run similar operations in the area, and are able to train new landowners.
- *Open, direct and frequent communication between the strategic partner and beneficiaries is of crucial importance for the long-term stability of the project.* Although the strategic partner must be mindful not to become entangled in intra-beneficiary conflict, the strategic partner also cannot afford not to be in close contact with the beneficiaries as they are the owners of the land.
- *Each land reform model is unique to the specific circumstances but a model can be adjusted to suit land reform in other areas.* By keeping expectations realistic, the beneficiaries and strategic partners can 'test the water' and refine the arrangement as time progresses. However, high expectations on the part of beneficiaries may not always allow time for experimentation and adjustment.
- *Sound and effective intergovernmental cooperation between national and provincial departments is essential.* Care must be taken that the provincial authorities are involved throughout the process leading to handover to enable them to continue working with the beneficiaries and strategic partner after handover. Where necessary, the local authority must also be part of the process so that relevant support can be rendered at a local level to the new landowners.

- *The multifaceted relationship between the beneficiaries as landowners, shareholders and workers, and between beneficiaries and the strategic partner, requires skillful management.* The strategic partner may find that management of this relationship requires far more time and patience than anticipated. The beneficiaries may also discover that conflict lines develop within their ranks between those who are employed in a project (and therefore receive some benefits) and those who are not employed (and therefore receive no benefits).
- *The main 'driver' of a project of this nature should be increased profitability to ensure the long-term sustainability thereof.* Although other objectives may be laudable from a social perspective, the landowners and strategic partner must realise that secondary objectives will not materialise unless the project is profitable. Government would not be able to save failed enterprises even if it means jobs being lost. It is therefore incumbent upon management to pursue maximum profitability.
- *Landownership must be used to stimulate other economic activities among the beneficiaries.* Small businesses and secondary service providers can be established to provide services to business operations on the land, for example, the provision of mechanical, transport, laundry, recreation, tourism, accommodation and cleaning services. The land must therefore become a multiplier of economic activities rather than a single, static source of income.

## Coromandel Dairy Farm



Entrance to Coromandel.

### **ACQUISITION OF LAND**

The land known as Coromandel is an amalgamation of 21 farms totalling 5,852 ha. The land is situated close to Lydenburg in Mpumalanga Province and was acquired as part of the Land Redistribution for Agricultural Development (LRAD) programme and a loan from the Land Bank. The previous workers on the farms and those associated with them formed a trust for the purpose of the acquisition.

The previous owners allowed the farms to deteriorate before acquisition due to an ongoing internal family dispute. The dispute, which started in 1994, became drawn out and as a result investment in the farms was placed on hold and operations were disrupted. Workers kept operations going but with minimal guidance and oversight.

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The authors would like to thank the following people who were interviewed: Sipho Ngwenyama (trust chairman); Winnie Poee (trust deputy chair, trust bookkeeper); and Brian Phokane (trust secretary, farm manager).



The headquarters from where operations are conducted. *From left: Siphon Ngwenyama, Winnie Poole and Brian Phokane.*

At the height of the family conflict, the farm workers became concerned for their future and in particular their job security and residency. All the workers lived close to or on the farms and they were anxious that a change in ownership could have severe impact on them. The workers, supported by some previous workers and community members associated with them, therefore approached government for assistance to buy the farms. The reason for involving non-workers was that the asking price for the farms was too high for the workers alone to satisfy LRAD funding. By including previous workers and community members associated with the farms in the application, they managed to meet the LRAD requirements.

The farms were acquired for R15.6 million and the equipment and livestock for R4 million. The Coromandel Farm Workers' Trust was formed, and with the assistance of the LRAD programme and a loan from the Land Bank, the trust acquired the farms. Ownership passed to the trust on 21 November 2002. The trust used the services of an external consultant to compile a business plan to qualify for funding. Yakheni Consulting drafted the business plan and a service provider, Mpho Mayepa, was appointed to assist in preparing the business plan and giving advice during the implementation of the plan after handover.

The authors were impressed by the diversification of operations on the farms and the potential for even further expansion of activities. The diversification is on the one hand very challenging to manage, but on the other hand it offers alternative employment, as well as contracting and outsourcing opportunities to the beneficiaries. There are many opportunities for entrepreneurs among the beneficiaries to set up small business operations to service primary and secondary farming activities.

The main business units of Coromandel are dairy, blueberries, maize, citrus, as well as a bed and breakfast with associated tourism activities. Several secondary businesses can grow from the core operations, for example, transport, dry cleaning, field guides, biking, catering, growing vegetables, small-scale subsistence farming, horse-back riding and camping.

## LEGAL STRUCTURE

The trust comprises 248 beneficiaries made up primarily of workers, previous workers and some community members who are associated with the farms. As explained above, the workers alone did



not qualify for sufficient LRAD funding and therefore decided to expand the list of beneficiaries. Although the project leaders were aware that an open invitation for people to become beneficiaries might lead to abuse, the process of enrolling members was according to all accounts very orderly and no controversy arose from the registration process. Beneficiaries were basically accepted on grounds of mutual recognition of their involvement and association with Coromandel.

The trust has been functioning since November 2002 and membership thereof is now closed. New residents on the farm or new workers are not eligible to become beneficiaries. All current workers are beneficiaries but not all beneficiaries are employed on the farm.

The trustees appointed a farm manager to take responsibility for the overall management of the farms. A management committee comprising the trustees, farm manager, auditors and service provider oversee management of the farms.

The trust is managed by eight trustees who are elected for a three-year term. The trustees meet with beneficiaries every three months to update them on management and operational issues affecting the farms. One annual general meeting is held for all beneficiaries to be updated on the progress with activities.

The trust is in the process of establishing additional communication structures to ensure that regular and ongoing communication occurs between the beneficiaries, trustees and management. This follows criticism by beneficiaries that the trustees do not consult with them sufficiently.

The trustees and management have experienced some communication problems arising from the difficulty in balancing transparency of decision making with the need for quick decisions required to run a commercial enterprise. As a result of the communication problems some commercial decisions, such as the outsourcing of the tourism function, had to be delayed in order to address confusion and even distrust towards trustees that had arisen among the beneficiaries.

The trustees hope the new communication structures will improve communication with beneficiaries and special interest groups among the beneficiaries. The trustees have identified as many as 16 beneficiary sub-groups with special interests. The interviewees agree that the main challenge they face other than the commercial success of the venture is to manage the intricate, multifaceted relationship between beneficiaries, workers, trustees and management. This is not only very time consuming but also requires hands-on involvement from the farm manager – which in turn can distract him from operational matters.

## MANAGEMENT OF THE FARMS

A manager appointed by the trust is responsible for the day-to-day management of the farms. The current manager, Brian Phokane, who was previously employed on Coromandel, has more than 20 years' experience in various capacities on the farms. Management is assisted by the service provider, Mpho Maepa, who provides ongoing management support and advice. The Land Bank made it a condition of funding that assistance must be provided for at least three years after handover of the land.

The manager is responsible to the trust although he is also a trustee and a beneficiary. This could potentially lead to a very complex interaction between beneficiaries since duties and lines of authority among the respective leaders are not necessarily clearly demarcated. Interviewees said they were surprised by the adjustment required to move from a 'worker' to becoming a 'manager' and 'trustee', but fortunately the availability of external assistance has facilitated the transition.

The relationship, however, remains complex and it takes a lot of time to keep the beneficiaries happy and informed. Management has experienced situations where a speedy decision in the commercial interest of Coromandel was not possible due to the time it takes to meet, consult and explain a proposal to all beneficiaries.

There is a general sense of optimism among the trustees and management that Coromandel will live up to expectations. They caution, however, that beneficiaries must be realistic as to what benefits can flow from the project in the short term.



*From left: Brian Phokane, Winnie Poee and Sipho Ngwenyama.*

The current objective is to secure repayment of the Land Bank loan and a profit is not expected in the short term. However, some of the indirect benefits that result from the project are the pride of being landowners, accommodation on the land, free electricity, free milk, transport to town, attendance at the local school and clinic, free firewood, and harvesting citrus and other fruit for personal consumption.

## **RELATIONSHIP WITH GOVERNMENT**

The trustees are very satisfied with their relationship with the national and provincial departments of agriculture. They receive regular visits and assistance from the provincial department of agriculture and feel that government treats the project as a priority.

The interviewees stressed just how complex and difficult it is to make the transition from worker to manager/owner and recommended that government play a greater facilitating and training role in other land reform initiatives where similar arrangements are entered into to prepare new owners for the challenge.

The process to acquire and transfer the farms took longer than the interviewees had expected. It seemed to them that the process had at one stage stalled, but then got on track. Frustration set in during the acquisition phase and workers became despondent at the drawn-out process. Although the trustees understood the complexities faced by government to acquire land, they had to deal with the aspirations and lack of patience of their community.

The delay in receiving funds to plant the first crop and drought in the following years made the transition process very complex.

A key area in which the interviewees recommended that greater support is required from government, is with regard to the repayment of interest on Land Bank loans. It is strongly felt that new landowners should receive an interest-free period of three to four years to enable them to find their feet, get operations under way, make investments, set objectives and work out management roles. As

one trustee said: ‘We needed more time to find our feet and cope with the drought, but the Land Bank wanted their money immediately. Why not give us a chance?’

The trustees found it stressful to make the first repayment shortly after transfer without having been able to plant new crops. Consequently, operational funds had to be used to service the loan. Although they complied with their loan repayments, it defies the purpose for a community to use operational funds to service a government loan.

## **EQUIPMENT AND STOCK**

Coromandel suffered neglect for many years prior to acquisition due to family wrangles among the previous owners. During the years of turmoil new investments came to a standstill, equipment fell into disrepair, the irrigation system was poorly maintained and little treatment of soil or spraying of orchards occurred. Although the trust acquired a farm with much potential, the need for new investments and the time it would take to return to full production were probably underestimated by the drafters of the business plan.

The fact that the trust had to acquire farming equipment separately from the farms was not only unexpected, it also required funds from the operational budget needed for fertiliser and irrigation to be directed to the acquisition of equipment. As a result, management started with a shortfall in the operational budget.

## **WORKERS**

As explained above, the trust is made up mainly of workers who had been employed on the farms. New workers cannot become beneficiaries. All workers are currently beneficiaries but not all beneficiaries are workers.

Coromandel employs approximately 90 permanent workers and 50-70 seasonal and casual workers. It is expected that both categories of employment would be expanded if the proposed tourism joint venture materialises, if funding is received to upgrade the orchards and if secondary businesses come on line. A few good rainy seasons will get the maize under way and provide much needed recovery to the orchards.

Beneficiaries fill all the management positions and ongoing training is offered to assist managers in the execution of their duties. Managers and trustees used to meet on a weekly basis in the first year of operation and now meet two to three times a month. A stakeholder meeting attended by the trustees, workers, Land Bank and service provider is also held once a month. The farm manager provides detailed reports at these meetings.

## **KEY PROJECTS**

The following are some key projects undertaken by the trust:

### ***Skills transfer***

The entire management of Coromandel is in the hands of the beneficiaries. The current manager is one of the previous workers on the farm and he has more than 20 years’ experience in farming. Junior workers receive training to become sectional managers to run the different sectors of the farm. The bed and breakfast facility is run independently by one of the beneficiaries. The ideal is for each section to operate as a business unit within its allocated budget.

The functioning of separate business units is not yet fully operational. Management aims to assist each unit manager to develop performance objectives and targets for his/her unit, supported by an operational budget. The objectives would include benchmarks for the creation of employment,



turnover targets, profitability of the business unit, reduction of costs, and increased productivity. However, the trust has agreed that benchmarks for units would only be set after a few years of farming to enable beneficiaries, trustees, workers and managers to find their feet and set realistic targets.

Junior managers and supervisors require ongoing training as far as their management responsibilities are concerned. The training is best offered on site to enable managers to relate principles of management with the challenges they face on Coromandel.

Invaluable training assistance has been given by the Mpumalanga Management and Mentorship Pilot Programme (MMMPP) which was funded by Germany's Agro Action. MMMPP is an initiative of the Rural Action Committee of Mpumalanga (TRAC). Key elements of the MMMPP project are to provide management support and mentorship, organisational development and governance, skills development and capacity building. TRAC has made a consultant available to visit the farms twice a week to advise on technical matters. The consultant had previously been employed on the farms in a management capacity and therefore brings ample experience to the new owners.

TRAC has made available a consultant to complete a skills audit of the expertise available among the beneficiaries in the event that new employment opportunities arise. TRAC also assisted the beneficiaries by workshoping the respective roles and functions of beneficiaries, trustees, workers and managers. This has contributed to a relatively smooth transition to full management responsibility.

The interrelationship between beneficiaries, workers, trustees and managers remains challenging. The fact that the relationships between people changes depending on the position they fill, adds to the complexity. For example, the farm manager who is a trustee and beneficiary, is accountable to the trust. At the same time the chairman of the trust is a worker who is accountable to the manager.

### ***Land management***

As mentioned, the farms were severely neglected at the time of handover. The business plan describes the state of the land prior to handover as follows (p 10): 'The orchards have suffered from neglect and as a result, trees and blueberry bushes have died ... the arable land has been underutilised ... '

To add to the new owners' challenges, funding for the first planting season arrived late and a severe drought followed. As a result, the programme for fertilizing the fruit trees in 2005 had to be scaled down and the planting of new blueberry trees had to be postponed. The drought has not yet broken and as with many established farmers, Coromandel is battling it out.

Funding received from the Comprehensive Agricultural Support Programme (CASP) enabled management to repair the feed mill and the maize drying machine. This allows them to feed cows with locally produced feed and to generate income by selling excess feed. Management has also considered expanding the mill to produce chicken feed for farmers in the area.

### ***Dairy***

The dairy, which is the backbone of the farming operation, operates 500 cows a day of which 250 are in milk. The existing facility can milk 18 cows at a time and it produces approximately 4,300 litres of milk a day. It is planned to increase the milking capacity to approximately 400 cows a day.





### ***Orchards***

The blueberry orchards are doing very well and the export market is promising higher profits. Sixty per cent of the harvest is currently destined for export. Some parts of the orchard must be replanted. This is the most profitable sector of the operation, but of the original 14 ha of blueberries only 7 ha remain in full production due to the severe drought.

### ***Other products***

The peach and nectarine orchards were severely affected by the drought of the past two years. Lack of funds has also curtailed the ability of management to maintain the orchards and as a result no pruning occurred in 2005. There was also insufficient funds to apply fertiliser to the orchards or to spray for insects. If funds are made available and the drought breaks, the peach, nectarine and almond orchards are likely to become operational, offering new employment opportunities.

The dry beans, maize and wheat fields have also suffered from the drought, with irrigation dams almost running dry. Approximately 280 ha is under maize but it failed in 2005 due to the drought. The business plan anticipated that maize and bean planting would be increased to about 1,100 ha by 2011.

### ***Eco-tourism***

Eco-tourism is one of the most promising areas of potential expansion at Coromandel. The eco-tourism facilities comprise two luxury self-catering houses and associated activities such as horse-back riding, trout fishing, biking, bird watching and walking in the game reserve. Although the project is currently run by the trust, plans have been advanced for it to be outsourced to a commercial tourist operator.



The bed and breakfast facility – popular among tourists from Johannesburg and Pretoria.



Luxury overnight accommodation.

The operator would be required to employ and train beneficiaries. It is envisaged that upgraded three- to four-star tourist facilities so close to Dullstroom and Lydenburg could become a major attraction and a resultant source of employment for beneficiaries. Management hopes to complete the outsourcing and to get the new operation under way in time for the 2010 soccer world cup.

Upgraded tourist facilities may also stimulate small ventures within the community to deliver such services as catering, laundry, cleaning and cultural excursions.

## CHALLENGES

The following are some of the main challenges facing the trust:

- *Keeping the expectations of the beneficiaries realistic.* This is especially so considering the long time it took to transfer the land, the delays in receiving funds, the persistent drought, and the challenges to adjust to new roles. Beneficiaries must be assisted to understand that farming is complex and risky with small profit margins and that the implementation of the business plan is subject to funding, training, good rains and sometimes a solid dose of good luck. Beneficiaries, especially those not employed on the farms, must be realistic that it might take some time before direct benefits in the form of a cash distribution would flow from the project.
- *Striking a balance between the discretion of the farm manager to make commercial decisions on the one hand and involving the beneficiaries in operational affairs on the other.* Beneficiaries expect that the farm manager and trustees would consult with them as 'owners' on a regular basis. The

delegation of powers to trustees and management and the degree of autonomy in which they act can cause disputes. Although management endorses the principle of consultation with beneficiaries, it is in the nature of a commercial operation that some decisions must be made expeditiously, and as a result there is not always time and it may not be commercially appropriate to consult with all beneficiaries before a decision is made. The experience in 2005 when the proposed outsourcing of the tourist facilities was shelved due to community–trustee conflict has left management and trustees reluctant to make commercial decisions. The consultative forums are intended to flatten communication lines between trustees, management and beneficiaries. Management is, however, aware of the risk that decision making may become drawn out, as well as the perils of the farm being managed ‘by committee’.

- *Although much has been done to explain the respective rights, roles and duties of beneficiaries, trustees, managers and workers, ongoing discussions are necessary to prevent misunderstandings from arising.* The complexity of these interrelationships is illustrated by the fact that the farm manager is also a beneficiary and a trustee. As manager he reports to the trust, but the chairman of the trust is also employed on the farm and he in turn reports to the manager on daily operations. The same people therefore have different responsibilities depending on their functions.

## LESSONS LEARNT

The interviewees identified a number of lessons learnt that may be of help to other communities involved in land reform:

- *Limit the number of beneficiaries who make up the trust.* The larger the group the more difficult it is to keep the members well informed and to ensure that some benefits flow to the respective beneficiaries. Larger groups also run a bigger risk of internal conflict, competing agendas and lack of communication – particularly if some beneficiaries are not employed in the operation or if they do not reside on or near the land.
- *Ensure that the time span between negotiations to acquire the land and actual transfer is as short as possible.* The longer it takes to finalise the transfer, the more likely it is that the previous owner will scale down or even discontinue investments, which in turn places additional burdens on the new landowners to get the farm back into full production.
- *Establish discussion forums where the respective roles of beneficiaries, workers, managers, trustees and strategic partners can be discussed on an ongoing basis.* Changes to the management plan, adjustments to operational objectives and other decisions that affect operations must be discussed at these forums without falling into a trap whereby the farm is managed ‘by committee’. Managers must act within their delegated powers to enable them to make timely decisions in the interests of the business.
- *Managers must be assisted and supported to prevent ‘burn-out’.* There is a lot of pressure on management in land reform programmes where a community holds the land, and there is a risk of high staff turnover or of unqualified people taking the reins. It is in the interests of government to provide ongoing assistance to managers to enable them to fulfil their functions under very difficult circumstances. Managers must also be trained in management techniques and personnel management.
- *Encourage unity among beneficiaries.* Community-held land cannot be successfully managed unless the beneficiaries share common ideals and are prepared to wait patiently for objectives to

materialise. In instances where beneficiaries do not share family or other community bonds, special effort is required to ensure that a sense of ‘community’ is developed. If beneficiaries approach their land as mere ‘shareholders’ of the scheme, the risk is high that individuals would act in their own interests and not in the interests of the greater community of beneficiaries.

- *Beneficiaries must realise that land only brings benefits if they are willing to work hard, to be trained and to be patient.* If beneficiaries sit back and expect others to do the hard work while they as beneficiaries receive benefits, the project will fail in the long term.
- *Government and the Land Bank must take into account that it is extremely complex and challenging for communities to find their feet after handover of the land.* An interest-free period of two to four years should ideally follow handover to enable the community to get operations under way, to set realistic benchmarks and to direct any income towards reinvestment in the land. The pressure of making immediate payments on a loan can be daunting and tends to stifle rather than stimulate enthusiasm.
- *Be aware that farming is a risky venture and success cannot be guaranteed.* External factors such as drought, product prices, deregulation, exchange rate fluctuations, to name but a few, can bring an enterprise to its knees even if no internal management challenges are faced. If external influences combine with internal influences – such as labour unrest, lack of funds, conflict among beneficiaries, corruption and lack of skills – the consequences can be disastrous.
- *Find benchmarks among peer farmers who are involved in the same sector and exposed to similar risks.* This may offer a better gauge for progress than a business plan that in essence is a theoretical model. Farming in South Africa is at best a risky venture with slim profit margins, fluctuating prices and unpredictable rainfall. If small, family-based farms struggle to make ends meet, the risk to community-based farms is even greater. Managers, trustees and beneficiaries would benefit by sharing experiences with other farmers.



## Winola Park Vinery

### ACQUISITION OF LAND

The Nooitgedacht farm is situated in the Overhex area outside the town of Worcester in the Western Cape Province. The farm was bought on 1 April 2003 by workers whose families had been employed on the farm since the 1930s. The farm is 135 ha in size. The workers formed the Winola Park Trust and obtained funding through a Land Redistribution for Agricultural Development (LRAD) grant, the Land Bank, a bank loan as well as private funding. The farm and equipment were bought for R3 million.

A close relationship exists between the previous owner, Chris du Toit, and the trust. Du Toit has been retained by the trust as a mentor to provide ongoing management and financial advice and assistance in planning, budgeting and operational affairs.

The project started as an initiative to give workers the right to buy their houses but over time it developed into them acquiring the farm. The farm came on to the market after the previous owner had experienced some financial difficulties and workers were concerned that their future employment and tenure might be affected.



*From left: Stuurman Thys, Chris du Toit and Niklaas Prins.*

### LEGAL STRUCTURE

The Department of Land Affairs made available funds to assist the trust to draft a business plan in order to qualify for LRAD funding. The consultants who drafted the business plan had discussions with the workers and the previous owner to determine their vision for the farm and possible options to diversify activities to create additional employment opportunities.

The consultants also discussed with workers the implications of establishing a trust, the role and functions of trustees, the difference between a 'beneficiary' and a 'shareholder' and related topics. According to the interviewees, ongoing explanation is required to ensure that beneficiaries are well informed of the roles and responsibilities of the respective functionaries of the trust.

The trust is made up of 52 beneficiaries comprising 22 families and is managed by seven trustees who are elected by the beneficiaries. No new beneficiaries can be added and new workers do not have the right to join the trust. Approximately 32 beneficiaries are employed on the farm and the remainder

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The authors would like to thank the following people who were interviewed: Chris du Toit (previous owner; consultant/mentor); Niklaas Prins (trust chair; farm manager); and Stuurman Thys (trust vice-chair; farm employee).



Part of the Winola vineyard.

are employed elsewhere. It remains a priority of the trust to employ all beneficiaries and their children on the farm. This ideal may materialise when new vineyards are added and additional cropping activities come into production.

According to the interviewees, one of the strengths of the Winola Park Trust is that its members have a long association with the farm and a good relationship with the previous owner.

They caution, however, that in other land acquisition arrangements where beneficiaries merely hold the land without being employed on it, beneficiaries may become disillusioned at the lack of benefits flowing to them. In the Winola Park arrangement the families experience the direct benefit of employment, as well as a sense of pride of owing the farm where their forebears used to work. Even though the farm is not yet profitable, those beneficiaries who are employed have the benefit of receiving a wage.

When asked whether the trustees would consider selling the farm if they could continue employment, the answer without hesitation was ‘no’. They explained that the sense of pride and fulfilment they feel in being the owners of the land their ancestors had developed is such that they do not see themselves as ‘workers’ but as ‘owners who work’. The previous owner shares this philosophy; he was formerly chairman of the Rural Foundation and strongly supports the policy to assist workers to obtain their own land or a stake in the land on which they farm.

## STRATEGIC PARTNER

The previous owner, Chris du Toit, has been retained as a mentor/strategic partner. He resides on the farm and continues his own farming activities on adjacent land. Du Toit’s family also farms in the area. Du Toit is an accountant by training and he remains responsible for the general administration of the farm as well as its financial planning and management. His retainer expires after five years unless it is renewed.

Du Toit and the farm management are in daily contact about farming operations. During the first year they had formal meetings every second day, but now they meet formally once a week to do a five-day working schedule. Du Toit's role is to make 'suggestions' about what activities can be considered for the week ahead but it is for management to make the decisions and to direct the workers. The fact that Du Toit farms his own land facilitates the interaction between him and the new owners. He is therefore not seen as a supervisor but as a neighbouring farmer with whom common issues are discussed. Du Toit will gradually hand over key planning, financial and management decisions to the trustees while he continues to give advice to the new management.

Du Toit has made available credit to the trust without which it probably would not have been able to continue operations. The severe drought experienced for two years after acquisition nearly crippled operations but the farm has survived due to good cooperation with local suppliers, the local cooperative and the bank. According to Du Toit, the trustees had a steep learning curve and had it not been for their personal commitment to the land, the pressures might have been overwhelming. Du Toit added that as far as his own experience goes, had it not been for his long-term commitment to land reform and capacity building, the challenges would have been too daunting to continue. Du Toit and the trustees meet with the beneficiaries at least every three months to discuss operations and to provide an update on progress with the farm and its financial status.

## RELATIONSHIP WITH GOVERNMENT

The trustees are appreciative of the assistance they received from LRAD to acquire the land but are critical of the time it took for the transaction to be finalised. The application and approval process took so long that the previous owner considered withdrawing the offer of sale. The initial date for payment had moved from 1 April 2001 to 17 April 2003. Operational funding for the first season was also received too late but repayment of the Land Bank loan had to take place on schedule. In order to meet this obligation the trust had to use operational funds to repay the loan.

The main concern expressed by the interviewees is that they feel government abandoned them after the transfer of land. The commercial reality of having to make repayments to the Land Bank without the first crop being harvested compounded the impact of the drought. They would have preferred for repayment of the Land Bank loan to have been deferred for two to three years to enable them to get operations under way. As Du Toit said: 'The financial and humanitarian cost of the project failing is potentially far higher than the cost to assist the new owners to meet their debt obligations by deferring the payment of interest on the Land Bank loan for a few years.'



New vineyards scheduled for harvest in 2007/8.



## EQUIPMENT AND STOCK

The equipment and stock were in good condition as the farm was fully operational when sold. Although it took long to settle the transaction, the previous owner continued operations and the workers were fully involved in farm management prior to handover.

The delay in funding meant that the new owners could not harvest crops for six months although they had to repay the Land Bank debt; as a result they experienced cash flow problems from the get go. While they required approximately R1 million for the operational budget, they had to make do with R300,000. This shortfall in cash to operate the farm was compounded by the two years of drought that followed.

The interviewees are optimistic that a few good seasons will put them on track to a financially secure arrangement. With the drought broken in the 2005 season, they expect their financial fortunes to improve markedly over the next few years.

## WORKERS

As explained above all the workers are beneficiaries and those beneficiaries who are not employed on the farm are employed elsewhere.

There is no systemic unemployment among the beneficiaries. New workers will not qualify to become beneficiaries but it is anticipated that all labour needs will be filled from the ranks of the beneficiaries.

According to the interviewees it is essential for beneficiaries to work on their own land to enable them to understand and appreciate the complexity of farming and to enhance their sense of ownership. Being a beneficiary is therefore different from being a shareholder where one's interest in a company can be disposed of. A beneficiary is the owner of the land and must if possible work on it.

Various training schemes are under way to assist workers and management with their duties. Some of the schemes require participants to attend courses at agricultural college while other training takes place on the farm.

The interviewees agree that it is a big step to move from farm worker to farm owner and manager. A gradual handover is therefore essential to enable everybody to adjust to their respective roles. Farming has become so specialised that even established farmers require assistance with financial management and planning – and more so when it comes to new landowners who have little experience in management.

## KEY PROJECTS

The following are some key projects undertaken by the trust:

### *Skills transfer*

The workers share a wealth of experience as they and their forebears have been working on the farm for three generations. All positions on the farm are filled by beneficiaries, except for the financial and administration management aspects which form part of Du Toit's retainer. He discharges his duties in consultation with the leadership of the trust.

Du Toit does on-site training and gives advice on all farming activities, particularly with respect to financial and administrative systems. Some of the younger workers have attended agricultural college. Training courses in such fields as welding, driving, vineyard management and farm management are also offered on and off site.

The interviewees expressed the need for more practical courses directed at management to be offered on site. The thrust of the courses must be mainly practical rather than theoretical and must relate to the day-to-day activities for which managers on the farm are responsible.





The onion harvest.

### ***Land management***

The farm is managed in accordance with the general objectives of the business plan but the interviewees cautioned that a business plan must not be approached as if cast in stone. They expressed concern that business plans tend to sketch very optimistic scenarios in order for funds to be allocated, but the reality is more uncertain. The drafters of the business plan could not have anticipated the severe drought, the delays in funding or price fluctuations that impacted on farming operations. Beneficiaries must therefore be mindful of the limitations of a business plan and approach it with realism. The main crops farmed are:

- *Grapes* – 33 ha of white grapes, and since acquisition 2.5 ha has been added with a grant from CASP. The first harvest may be as early as 2006/7. In 2004 a total of 840 tonnes of grapes was produced and delivered to the Overhex Cellar.
- *Onions* – 10 ha. The first year yielded an excellent crop but prices were low. The onions contribute to a good cash flow and ongoing employment. The onions are marketed through DEMA Fruit.
- *Oats* – 2 ha. This also contributes to cash flow.
- *Lucern* – 34 ha. The income from lucern was pivotal to secure cash flow which kept operations going during the drought. It is planned to expand the onion, oats, lucern and vegetable operations to a total of 75 ha.
- *Pumpkins* – 10 ha of which some was exported in 2004.
- *Ostrich breeding* – the business plan anticipates a programme to breed ostriches but that has been placed on hold until the current financial challenges have been overcome.

### **RAISING FUNDS**

The main hurdle facing the trust after transfer of the land, other than the drought, is to obtain operational funds to continue normal farming activities. Approximately R1 million was required but the trust had access to only R300,000. To make ends meet they obtained a crop bond from the Land Bank, credit for the local cooperative and a loan from Du Toit.

It was a shock for the beneficiaries to be confronted with a drought and lack of funds during the first year or two after transfer; however, they are now hopeful that the first solid crop will be harvested

in April/May 2006. If that is followed by another good rainy season they would be well on their way to clearing the debt.

Although no profit has been declared yet the interviewees anticipate that profits would be distributed 50% to the beneficiaries, and 50% towards reinvestment in farming operations. The trust did a per capita distribution in the year that followed the transfer to thank beneficiaries for supporting the project, but this was funded from borrowings.

The main benefits that have flowed towards the beneficiaries are salaries for those who are employed, security of tenure and pride in owning their land.

## CHALLENGES

The following are some of the main challenges facing the trust:

- *The operation started on the back foot due to delays in funding to acquire the farm.* Having missed the first harvest and then confronted by drought and lack of operational funds, the farm came close to financial ruin. The adjustment for beneficiaries to move from ‘workers’ to ‘owner-managers’ has been great, and the complexity and risk of farming operations have come as a surprise to many of them.
- *The business plan created high expectations that may not always be achievable.* Management therefore has to defend decisions on the grounds that the objectives in the business plan have not been met, while little account was taken in the drafting of the plan of external factors such as drought, funding and fluctuating prices. According to the interviewees it is sometimes best to put the business plan in the bottom drawer and to press ahead with the business at hand.
- *Government, and in particular the Land Bank, must show greater understanding of the harsh conditions and circumstances that new landowners face.* The imposition of water quotas has had a major impact on all operations. It would have made a great difference to the mindset and balance sheet of the trust had the Land Bank offered an interest-free period of two to four years.
- *Funding for operational purposes must be streamlined to ensure that applications are dealt with within the time frames of commercial and agricultural reality.* Closer government involvement in operations is preferred so that government can release funds sooner.

## LESSONS LEARNT

The interviewees identified a number of lessons learnt that may be of help to other communities involved in land reform:

- *Be realistic as to what can be achieved and the timeframe in which it can be achieved.* Do not set sights slavishly on the business plan as it is dependent on a range of factors over which new owners have no or little control. Be mindful that farming has never been easy and that employment rather than profit is one of the main benefits that would flow to beneficiaries. Make a conscious effort to reduce expectations of the younger generation without stifling their enthusiasm.
- *It is ideal for land to be acquired by a small, homogeneous community bound by family ties or shared history.* Many of the challenges faced can only be overcome by being a closely knit, homogeneous family with a shared vision and enthusiasm for the land.
- *Do not underestimate the adjustment from being a worker to becoming the owner of the land.* It is essential to retain a mentor – if possible, someone with farming or industry-specific expertise. The

mentor must be available on hand, daily if possible, to assist in training and management issues. The mentor may also require ongoing support as it can be challenging to manage a farm that is held by a community. Do not set up new landowners to fail due to lack of support. Give regular and detailed updates to beneficiaries – do not hide the reality of any problems experienced.

- *Clarify leadership roles as a business cannot operate effectively if it is managed by committee or if all beneficiaries expect they would be consulted on all decisions.* Strong leaders who are well trained are essential for the operation's success.
- *Government and the Land Bank must continue playing a supportive role after handover.* Financing of the acquisition must be realistic to ensure a balance between debt and potential income – especially in the first few years of operation. Ideally, an interest-free period must be agreed during which time the amount that would have to be repaid can be directed towards new investments. The cost of failure would ultimately be far higher than the cost of keeping operations going during the transitional phase.
- *Make expert advice available on matters such as the business plan, adjustments thereto, the operational plan, objectives and benchmarks, financial planning and opportunities for expansion and diversification.* Farming has become so technical that without expert advice no operation would survive the challenges faced.
- *Establish discussion forums with other farmers in the area to exchange ideas and learn from them.* Inter-farm partnerships and assistance are essential for new landowners to make a success. Government may even award tax or other benefits to farmers who assist new landowners to settle.





## African Flower Trust



Bouquets for Europe. From left: Suraya Cassiem, Ali Africa and Jusef Africa.

### ACQUISITION OF LAND

‘The day we first visited the farm the previous owner told us – “the Langkloof is a hard country. I have seen people arrive in a Rolls Royce and leave without shoes.” I replied: “Sir, we arrive without shoes, but we will leave in a Rolls Royce!”

*Suraya Cassiem (personal interview)*

The story of Suraya Cassiem and her family (surname Africa) is an inspiration to other families who are waiting for a chance to break free from poverty through the land reform process.

The Africa family comes from a long tradition of flower sellers. Their forebears started their business in Cape Town, expanded operations to Bloemfontein and thereafter Cassiem opened a flower

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The authors would like to thank the following people who were interviewed: Suraya Cassiem (managing director); Jusef Africa (director; pack house and transport manager); Ali Africa (director; farm manager); and Faan Mathee (advisor: provincial Department of Agriculture).



Flower stall in George.

stall in George. It is in George where Cassiem's meeting in 2001 with Ebrahim Rasool, current premier of the Western Cape, changed their life. Since the meeting the Africa family have moved from flower sellers to growers and exporters of prized proteas and other wild flowers.

Cassiem delights in telling the story of how Rasool encouraged her to talk to the Land Bank about buying a farm to grow flowers after he had seen her striking flower stall in the main street of George. She took up the offer and to her surprise the Land Bank was in the process of repossessing a protea farm in Langkloof.

In less than two years after the discussion with Rasool the family had a protea farm, export contracts and progress they had never dreamed of. Their story is indeed one of hope, *vasbyt*, survival, dedication and a will to succeed.

The farm, Bo-Molen River, is situated 70 km from the town of George in Langkloof, Western Cape Province. The farm was repossessed by the Land Bank after the previous owner had run into financial difficulties. After discussions with the Land Bank and a visit to the farm, the Africa family decided to take the plunge and applied for a Land Redistribution for Agricultural Development (LRAD) grant and a Land Bank loan.

The farm is 1,070 ha in size with 50 ha under proteas. The Africa family immediately saw the potential of the farm although the proteas were overgrown after years of neglect and lack of clearing and pruning. Their father, Mr Africa snr, who had a keen eye for flowers, knew the proteas were of price-winning class the first time he visited the farm. When he saw the flowers his comment was that 'these are export proteas'. He passed away in late 2003 shortly before the family moved to the land.

In 2003, shortly after the family decided to pursue the acquisition, they got permission to start clearing and pruning the proteas. At that stage the proteas were overgrown and neglected. The previous owner had lost interest in the farm due to a family dispute and financial difficulties.

The Department of Land Affairs made the services of a consultant, Charl Pienaar, available to assist the family to draft a business plan. On the basis of the business plan they succeeded in accessing funds. The business plan described the project as one with 'excellent potential', and strongly recommended government support.



The farm cost R700,000 and was financed in part by an LRAD grant and in part by a loan of R200,000 from the Land Bank. According to Cassiem they had no or little capital to invest except hard work, sweat and enthusiasm.

They received their first Comprehensive Agricultural Support Programme (CASP) grant in 2004 to upgrade the infrastructure, clear the overgrowth, and to buy basic tools and equipment. The provincial department of agriculture also funded the building of a pack store and basic office facilities from where the business is managed.

According to Cassiem they were completely overwhelmed by the size of the farm. They had no idea what one hectare of proteas looked like, let alone 50 ha. At first sight it looked as though the farm stretched over the horizon.

They had no machinery, equipment or tools to start with since the previous owner had disposed of all his equipment. During the first few months they had to clear and prune the proteas with second hand tools, an old bakkie and a tractor they had bought with their own funds.

Since then Cassiem has been nominated as female Farmer of the Year in the Western Cape and the business has been nominated as one of the top new export companies in the Western Cape. Their objective is to become the top protea growing and exporting farm in the province.



Export proteas.



The best proteas in the Western Cape. Jusef Africa and Ali Africa.



Suraya, Jusef and Ali in their office discussing the next shipment of proteas – *one day we will leave in a Rolls Royce.*

## LEGAL STRUCTURE

The Africa family comprises ten listed beneficiary sub-groups. They initially formed a trust but a corporation, which is in the process of being finalised, will in due course replace it.

## STRATEGIC PARTNER

The family is responsible for the entire management of the farm, including the export business, marketing and the proposed new ventures discussed below. They do not have a full-time strategic partner to assist or train them, but they receive ongoing assistance from various sources, for example:

- The Department of Land Affairs provided funding to draft a business plan and application for LRAD and Land Bank funding.
- The Department of Agriculture has made available several CASP grants through the provincial department of agriculture for new projects, to buy tools, machinery and equipment, as well as to upgrade the infrastructure.
- The Land Bank provided a loan to make up for the difference between the LRAD grant and the purchase price of the farm.
- The provincial department of agriculture, and in particular the Farm Support and Development section headed by Faan Mathee, has been giving on-hand advice from the first day they occupied the farm. The section is closely involved in daily activities and provides technical, financial, planning and other advice on a broad range of issues. Willem Hoffman, an agricultural economist employed by the department, assists the family on land management issues. They have also received advice from the University of Stellenbosch.
- Their neighbour, with whom they have a very constructive relationship, gives them assistance and advice on day-to-day farming issues.
- South Coast Business assisted them in planning and management issues.
- ABSA bank assists them in financial planning and management.
- A horticulturalist consultant, Dr Gerhard Malan, assists them with management of the proteas. Dr Malan provides practical advice on measures to improve the yield and quality of the proteas.
- Discussions with established businesses who seek BEE (black economic empowerment) partners are in an advanced stage for the delivery of roses or other flowers and vegetables to large department stores.





### RELATIONSHIP WITH GOVERNMENT

Cassiem and her brothers are full of praise for the support they have received from government at national and provincial levels to acquire the farm and for the ongoing assistance they receive from the provincial department of agriculture.



The venture's leadership team is small and this made it easy to meet with government officials and to discuss strategies and procedures. Legal arrangements are simpler because there are few beneficiaries and they are all closely knit as a single family. The ongoing assistance from the provincial department of agriculture is indispensable, and the family meets with different officials from the department on at least a fortnightly basis.

The one area in which they require more support is in accessing additional funds to expand their activities. Large parts of the protea farm are not yet in full production since these have not been cleared or pruned. The family believe they can double their workforce if the necessary funds are made available. The export market for the proteas is virtually unlimited and they could become one of the key providers of employment in the area.

They are, however, mindful that a growing business presents unique challenges and hence they understand the importance of being patient and planning well prior to expanding the business.

## EQUIPMENT AND STOCK

The family started the farming operation without any machinery or equipment save some hand-tools bought with their own savings. The previous owner had sold all his equipment. During the first few months they used rudimentary equipment to clear the overgrowth and to start pruning the proteas. In the past two years they have bought a bakkie, tractor and sprayer; however, to expand the business they need another bakkie and sprayer, a two-way radio and a packing store closer to where the proteas are harvested.

## WORKERS

The farm is managed by three partners, with Cassiem being the de facto managing partner. Her two brothers are responsible for protea management and pack house/transport management respectively. The farm employs 30 permanent workers and 40 seasonal workers. They believe employment can be expanded to 200 if it is taken into account that 20 ha of the 50 ha of proteas have not been cleared. The additional flower project will only commence in 2005/6 and the vegetable gardens in 2006/7.

## KEY PROJECTS

The following are some of the key projects undertaken:

### *Skills transfer*

Although none of the partners have formal training in farming or management, according to Cassiem 'we stole with our eyes' and 'we have a BA degree in life'. This is confirmed by Mathee who remarked with a smile: 'There is nothing you can teach this family about business.'

Cassiem's two brothers worked on protea and other flower farms and acquired their knowledge from on-the-job training. Since the family has been involved in flower selling for at least three generations, they understand the demands of the market better than many other producers.



From left: Ali Africa, Jusef Africa and Suraya Cassiem.



Their experience in running a small business has been invaluable in getting the farm under way: no wonder Cassiem was elected as the Western Cape's female farmer of the year and came second in the 2005 national competition. They realise, however, that more training and assistance on how to manage a farm are required to enter the 'big league'.

Cassiem and her brothers are currently in negotiations with potential, established partners who are seeking BEE companies to support. Their track record of the past few years, their enthusiasm and their commitment to the land combine to make them attractive partners.

The family receive ongoing assistance from a horticulturalist consultant, Dr Gerhard Malan, and also from Faan Mathee and his staff at the provincial department of agriculture.

### ***Land management and new projects***

Only a small part of the farm is currently used for commercial purposes. Of the 50 ha of proteas, 30 ha have been cleared, with the rest not yet in production. Protea output can double if the remainder is cleared and the necessary treatment and pruning take place. A major breakthrough for the operation was when an export contract with Flora Holland was secured. A truckload of proteas and bouquets are exported to Europe every second day from Cape Town.

Approximately 8,000 bouquets and 20,000 proteas are delivered. A benchmark for production has not yet been set as the project is still in its very early stages. After another year or two they would be in a better position to formulate objectives and targets for the protea business. Some new projects being planned are as follows:

- Funding has been received to put one hectare under cover for a rose or another type of flower nursery. The flowers will also be destined for the export market. A review is currently under way with the assistance of the department of agriculture to determine if roses are the most appropriate flowers or if another type of flower should be considered.
- Planning for vegetable gardens and the planting of strawberries are in an advanced stage.
- A walking trail and eco-tourism facilities are planned as large parts of the farm are mountainous with unspoilt bush. These facilities may be outsourced to commercial tourist operators.
- Work for Water and firewood collection.
- Protection of wild species of fauna and flora in cooperation with the provincial department of nature conservation.

If these projects get off the ground, full-time and part-time employment would be increased as well as ensuring stability of employment throughout the year.

### **RAISING FUNDS**

The family had very little money to begin their operation and had to use whatever personal savings they had to get going. It took some time for funding and grants to be allocated and they had to cope with the little they had during that time. They believe, however, that their track record will now make it easier to access grants. This is already evident in the R1.5 million grant received for the proteas and the R2.2 million grant for the roses. The building of a pack store and office was completed in late 2005.

The family is keen to repay their Land Bank debt as soon as possible. Other than payment of salaries, all profits will be reinvested to upgrade the farm and expand operations to new ventures.



The water is sweet ...

## CHALLENGES

The following are some of the main challenges faced:

- *The time it took to get access to the farm and to commence operations nearly had a debilitating effect on their personal finances.* The little savings they had had to be used to buy basic equipment since the department could not make available funds prior to finalising the legal arrangements.
- *The farm has vast potential but it requires capital and operational grants to get new projects under way.* Although the farm could become one of the major employment agencies in the area, government would have to assist with funding to get new projects off the ground.
- *There is the challenge of maintaining a balance between establishing a new business and expanding one's business.* So many opportunities are coming their way that decisions would have to be made about short-, medium- and long-term objectives. The family is aware that a fast expanding business has challenges of its own and that a balance must be kept between consolidating activities and taking on new opportunities.
- *Although the farm receives excellent support, training the directors in financial management, planning and administration is necessary to enable them to manage an expanding business properly.* The best way is for them to receive training on the farm where management principles that relate to their daily business can be taught.

## LESSONS LEARNT

The interviewees identified a number of lessons learnt that may be of help to other communities involved in land reform:



- *Be realistic in expectations and be willing to put in a lot of personal sweat and commitment to make things work.* A project has little chance of success unless a community is willing to work their own land. One cannot approach land just as a shareholder – one must see it as part of one's life, one's dream.
- *It is very useful to acquire land in the context of a small family where people are committed to one another, where they understand one another and where the respective roles can be easily worked out.* Although it is good to employ as many people as possible, the management component must be small and focused otherwise it is difficult to make decisions.
- *Assistance from government must continue after transfer of the land since lack of such assistance could leave the new landowners feeling abandoned.* For at least a few years after handover government should assist in a hands-on way. With regard to financial support, two needs are equally important: first, government must be willing to give an interest-free period to enable new landowners to settle; and second, government must move quickly to consider new grants so as not to delay commercial decisions for too long.
- *Establish networks with neighbouring farmers as they can offer help, transfer skills and give general advice when needed.* New landowners must become part of the local farming community, discussion groups and cooperatives as soon as possible to enable them to draw on local skills and knowledge.
- *Special consideration must be given to linking new landowners with existing companies who are seeking BEE partners.* Such an initiative could bring much needed capital, training, skills, experience, career options and markets to the new landowners.



## Recommendations to New Landowners: Common Denominators

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ALTHOUGH EACH LAND REFORM PROJECT IS UNIQUE, THE PEOPLE WE INTERVIEWED IDENTIFIED SOME COMMON ‘lessons’ that they believe may assist new landowners in the process of acquiring land and managing their affairs after settlement. We do not attempt to provide an exhaustive list of all the potential lessons that can be learnt from the respective case studies and we realise the inherent danger of generalising the experiences of a few cases; however, there are potentially valuable lessons that can be taken away.

The following common denominators can be identified from the responses provided by the respective interviewees and we trust these will be of assistance to other communities involved in land reform:

- The business plan must be realistic as to what can be achieved, the timeframe in which it can be achieved and the resources required to achieve it. Drafters of the business plan must exert caution not to inflate expectations or set goals unrealistically high just to impress funding bodies. The business plan must ideally set out a ‘low’ road and a ‘high’ road to enable beneficiaries and others to obtain a realistic perspective of the opportunities and constraints a project faces.
- Ensure that the duration between lodging a claim or proposal to acquire land and the final settlement is as short as possible and that disruption to normal farming operations is minimal. Encourage the existing landowner to continue operations for as long as possible to prevent the land and operations from becoming neglected and degraded. If possible make arrangements with existing landowners to commence training staff for the eventual takeover. In most of the cases it took between two to four years to settle transfer, during which time valuable training and handover arrangements could have been implemented to assist the new landowners.
- Emphasise to new landowners that it may take some time before a project returns actual profits. The main direct benefits of a land reform project may for many years be limited to employment and training rather than returning a profit. It is therefore important that as many beneficiaries as possible are employed on the land or involved in secondary businesses and services associated with the land. If beneficiaries see themselves as mere ‘shareholders’ in the land, they may become disappointed at the returns; but if they approach the land as ‘owners’ they may be heartened by such benefits as employment, residency rights, and secondary businesses that provide services to the main operations.
- It is ideal for a small community bound by family ties, shared history or shared values to acquire land. Larger communities are more complex to manage and their interests may be diverse. If large communities receive land it is advisable for them to assist smaller family groupings within the community to pursue business activities that provide services to the main farming activities. It is generally easier for smaller family units to take ownership of a project and to retain focus than is the case with larger groups.

- Approach land as a multiplier of economic activity; the land should therefore not be seen with a singular object in mind. Where possible, other businesses should be established to provide products, goods and services of relevance to the land and the main activities thereon. Where possible outsourcing must occur to smaller businesses to give more people a stake in the operations. If outsourcing occurs to non-community businesses, arrangements must be put in place for such businesses to appoint beneficiaries as workers or subcontractors.
- Settle principles for the distribution of benefits and employment of beneficiaries as soon as possible to prevent conflict from arising at a later stage. The larger the group of beneficiaries the less likely it is that substantial cash payments will be made to each beneficiary. Reinvestment and the creation of supportive businesses and enterprises may be more sustainable to the community in the long term.
- Do not underestimate the time it takes and the complexity involved in adjusting from being a 'worker' to becoming the 'owner' and 'manager' of land. The multifaceted relationship between worker, owner, trustee, manager and strategic partner is very complex and requires ongoing monitoring and management. Management in particular can find the complex interrelationship between the respective roles debilitating as it takes a lot of time to keep everybody satisfied, with managers often feeling like the 'meat in the sandwich'.
- When a community acquires land through the LRAD and the Land Bank, they must be cautious that, first, the number of beneficiaries is not artificially inflated for the sole purpose of qualifying for more funds, and second, that beneficiaries who are not employed in the project and who do not live on or close to the land do not become a destabilising factor.
- If possible, appoint a mentor or strategic partner even if for a limited period only. Such a person must be available on hand, daily if possible, to assist in training, guidance, supervision and general management issues. This should ideally be a person with experience in the industry and with a background in empowering disadvantaged communities. A 'clinical', profit-orientated manager may not be able to adjust to the demands of community-owned land management.
- Ensure that the manager(s) of the operation receive community and professional support as it is very challenging to manage land that is held by a community. Managers must be trained to deal with commercial and community challenges. Managers must also be trained in management skills as all the projects employ in excess of 50 workers, which in turn requires a wide range of management skills.
- Give regular and detailed updates to beneficiaries – do not hide the reality if problems are experienced. Beneficiaries must realise from the outset that landownership is risky, that it brings with it much responsibility and that profit margins may not always be as impressive as anticipated.
- Establish discussion forums with other farmers in the area and become involved in farmers' cooperatives to exchange ideas and learn from them. Inter-farmer partnerships and assistance are essential for new landowners to find their feet and make a success. Government may even consider awarding tax or other benefits to existing farmers who assist new landowners to settle.
- Make expert advice available on matters such as drafting the business plan, adjustments thereto, developing an operational plan, setting objectives and benchmarks, financial planning and opportunities for expansion and diversification. Such advice must come free of charge to the new landowners and should be available on a regular basis. If new landowners are required to pay for such services, they are more likely to scale down on it when budget pressures are encountered.



- Government departments, particularly the national and provincial departments of agriculture, must coordinate their funding cycle with the business cycle of a new venture. There are ample examples where delayed funding has caused land to be unprepared for the planting of crops, crops not being harvested in time, crops being planted with insufficient preparation of the soil and orchards not being maintained to their optimum.
- An interest-free window period of two to four years should follow each Land Bank-supported acquisition to enable new owners to find their feet, set objectives, gain experience and commence with investments on the land. During the interest-free period the amount that would be repayable to the Land Bank can be directed towards new investments, improvement of infrastructure or acquisition of equipment. The cost of failure when a land reform project fails would ultimately be far higher than the cost of keeping operations going during the transitional interest-free phase.
- Appoint or retain a person to specialise in ‘grant chasing’ at a national and international level. Identifying and accessing grants require time, skills and networking. Few trustees or managers have the knowledge or time to pursue grants on a full-time basis. One or more land reform projects can jointly retain a person to apply for grants on their behalf.
- Sound and effective intergovernmental cooperation between national, provincial and local government in the lead-up to the transfer and the process thereafter is essential. Care must be taken that the provincial authorities are involved throughout the process leading to handover and that they continue working with the beneficiaries after handover. Where necessary the local authority must also be part of the process so that the necessary support can be given to the new landowners at a local level.



## Restitution Grants: Summary

### **1. Grants available**

- 1.1 Settlement Planning Grant
- 1.2 Restitution Discretionary Grant
- 1.3 Section 42C Development Grant for claims with a developmental aspect (henceforth Section 42C grant)

### **2. Summary of intended purpose/use of each of the grants**

#### *2.1 Settlement Planning Grant*

- 2.1.1 The Settlement Planning Grant is a grant awarded to restitution claimants in order to assist claimants to plan for the acquisition, settlement on use and development of land; and
- 2.1.2 For the mobilisation of the necessary resources to do this.
- 2.1.3 The grant is not an individual grant but is awarded for planning in terms of a project.
- 2.1.4 It is a grant for planning purposes of relevant nature, including legal and financial planning, land use planning, infrastructure planning, and assistance with land purchase negotiations including the formation of a legal entity.
- 2.1.5 There are two principle planning phases where the settlement planning grant can be used:
  - 2.1.5.1 *Feasibility study:* Preliminary settlement, land use and/or business planning, contributing to the preparation of a settlement, or the use of a Restitution Discretionary (or relevant as per amended policy) grant.
  - 2.1.5.2 *Detailed design:* Detailed settlement, land use and/or business planning after land transfer.
- 2.1.6 If a province or municipality or legal entity performs an agency service, an administration fee of 2% of the project implementation costs or such other amount agreed upon, may be paid from the planning grant.
- 2.1.7 In view of the nature of the grant, it is possible to release the grant early on in the process of settling a restitution claim. (Refer also to White Paper, p 75).

#### *2.2 Restitution Discretionary Grant*

- 2.2.1 The Restitution Discretionary Grant is awarded to claimants who are restored to the land they were dispossessed of or alternative land.
- 2.2.2 The purpose of the grant is to assist beneficiaries to immediately manage and secure their restored land, e.g. for relocation (which could include transport and settlement).
- 2.2.3 Relevant uses for relocation and control purposes would include use for farm equipment, workers' wages, electricity, lodge development, basic infrastructure, fencing or immediate maintenance of going concerns.

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We greatly appreciate the assistance provided by Rinaldi Rester and Ria de Vos from the Department of Land Affairs in compiling this summary.

- 2.2.4 The grant may be paid to qualifying individuals or to a qualifying group.
- 2.2.5 If a group applies for the grant, it must be disposed of according to collective decision-making (the pooling of the grant does not necessarily preclude catering to differences among applicants).

### 2.3 *Section 42C Grant*

- 2.3.1 The grant could be awarded to beneficiaries of cases which seek to promote sustainable land use development.
- 2.3.2 Approval for the grants would be in terms of a specific project. This project shall be based on a business plan (indicating phases of release and implementation, costs and time frames).
- 2.3.3 The nature of the funding should be for leveraging support from other stakeholders.
- 2.3.4 The main purpose of the grant is for:
  - 2.3.4.1 improvement or development of restored land incorporating maintenance and management of infrastructure;
  - 2.3.4.2 facilitation of institutional development and capacity building;
  - 2.3.4.3 contributing towards integrated partnerships with municipalities and other spheres of government; and
  - 2.3.4.4 contributing to strategic partnering in commercial/business operations linked to restored land and related matters.



## Summary of Grants Under the Redistribution Programme

### FOR AGRICULTURAL PURPOSES

- *LRAD Grant:* This grant, consisting of a sliding scale of matching grants, falls under a new sub-programme of Land Redistribution and Agricultural Development (LRAD). The LRAD grant allows for black South African citizens to access land specifically for agricultural purposes. This grant can be accessed, on an individual basis, per sliding scale from a minimum of R20,000 to a maximum of R100,000, depending on the participants' own contribution. The grant would be used to cover expenses such as land acquisition, land improvements, agricultural infrastructure investments, capital assets, short-term agricultural inputs and lease options.
- *LRAD Planning Grant:* This grant provides financial assistance for project planning to applicants that apply for grant financing under the LRAD.
- *Grant for the Acquisition and Development of Land for Municipal Commonage:* This grant is to enable primary municipalities to acquire land in order to extend or create commonage and provide infrastructure on land to be acquired or on existing commonage for the use of qualifying persons.

### FOR SETTLEMENT PURPOSES

- *Settlement/Land Acquisition Grant (SLAG):* This grant is currently set at a maximum of R16,000 per qualifying household, to be used for land acquisition, enhancement of tenure rights, and investments in infrastructure and home improvements.
- *Settlement Planning Grant:* This grant is to be used to enlist the services of planners and other professionals who will assist applicants in preparing grant applications and post-transfer support. The level of the grant is 9% of the SLAG.



## Questions for Analysing Land Reform Successes

### 1. Case studies

#### 2. Basic description of the land:

- a. Where is it situated?
- b. When was it acquired?
- c. What was its previous use?
- d. Who holds the property?
- e. What is the size?
- f. What is its primary use?
- g. What are secondary uses?
- h. Basic description of the title holding, management structures and beneficiaries.
- i. Map of location.
- j. Other relevant information.

#### 3. How was it acquired?

- a. Through which programme was it acquired?
- b. How long ago?
- c. Was there a business plan before it was acquired – get a copy?
  - i. How important is it to have a business plan beforehand?
  - ii. Was the business plan discussed with the beneficiaries?
  - iii. Who drafted the business plan?
  - iv. Do you still use the business plan or have you replaced it?
- d. Why was this property chosen?
  - i. Commercial, cultural, social, economic, historic, combination of reasons?
- e. Who assisted the group in acquiring it?
- f. Was there a handover process from the previous owner to you?
  - i. If not, why not?
  - ii. If so, how did it take place?
  - iii. Did you receive any assistance from the previous landowner?

#### 4. Why was the land chosen?

- a. What is the group's relationship with the land (if any)?
- b. Who put forward the proposal to buy it?
- c. In whose name is it registered?
- d. Who is responsible to manage it?
- e. Are parts of it leased out, and if so to whom?
- f. What happens to income if it is leased out?
- g. What are the land holding, management, operational and other structures?

- h. Were you 'prepared' for taking responsibility for the land – in hindsight did you know what to expect?
- i. How do you deal with conflicts that may arise?

### 5. Type of business

- a. Why was this type of business chosen?
- b. What happened previously on the land?
- c. Did any of the current owners work on the land before – partnership, training?
- d. Did you take over the equipment and stock that were used before?
- e. How would you describe the state of your –
  - i. Equipment?
  - ii. Fencing?
  - iii. Stock?
  - iv. Dams, boreholes?
  - v. Tools?
  - vi. Vehicles?
  - vii. Training?
  - viii. Other?
- f. Was there a business plan prior to the land being acquired?
  - i. Who drafted it?
  - ii. Has it been followed?
  - iii. Has it been adjusted?
  - iv. Why/why not?
  - v. What are the greatest differences between the business plan and what is happening today?
  - vi. Do you have a business plan for the next 3-5 years?
  - vii. Do you have a year-on-year operational plan?
- g. If you could do it all over, what would you do differently now?
- h. Would you like to see more or less government involvement and assistance?

### 6. Objectives

- a. What are the main objectives of the land – expand/explain?
- b. Where are the objectives spelt out?
- c. Who drafted the objectives?
- d. Was the community involved?
- e. Are there practical targets regarding achievement of objectives?
- f. How do you determine if objectives are met – what type of assessment occurs?
- g. If problems arise who is responsible for addressing them?

### 7. Assistance/training programmes

- a. What experience existed before the land was acquired?
  - i. Needs analysis
  - ii. Training
  - iii. Work experience
  - iv. NGO assistance
  - v. Volunteers
- b. Who provided training?
- c. Is there ongoing training – explain?
  - i. How many people have been trained?
  - ii. What type of courses?
  - iii. Who funds the training?



- d. Discuss partnerships with:
  - i. State agencies
  - ii. Private sector
  - iii. NGOs
  - iv. Foreign donors
  - v. Neighbours
  - vi. Previous owner
  - vii. Industry groups
  - viii. Others
- e. How often do you meet partners?
- f. Do you see government officials regularly?
- g. Are you part of organised agriculture/tourism/corporation, etc?

#### **8. Social and other services**

- a. How many beneficiaries live on/off the land?
- b. What other services are provided to beneficiaries – e.g. schools, clinic?
- c. Are services close/removed?
- d. Were similar services provided in the past to the land owner?
- e. Other.

#### **9. Benefits**

- a. What were the main benefits envisaged?
- b. What type of commercial activities are being undertaken? For example:
  - i. Commercial, independent business
  - ii. Subsidised commercial
  - iii. Subsidised, non-commercial income earning
  - iv. Non-subsidised, non-commercial income earning
  - v. Passive ownership
  - vi. Agricultural
  - vii. Private
  - viii. Communal
- c. What benefits have materialised?
- d. Who are the beneficiaries?
  - i. How are they defined?
  - ii. Do they have to live on or close to the land?
  - iii. How are benefits distributed/shared?
  - iv. What is the value of the benefits?
  - v. What is the employment rate of beneficiaries – compare to general employment rate of the area?
  - vi. How many people are –
    - 1. employed?
    - 2. involved in arts and crafts?
    - 3. deliver services or have established businesses?
    - 4. live on the land?
- e. Is it possible to calculate the gross income that is generated off the land?

#### **10. Funding**

- a. What was your main source of funding in acquiring the land?
- b. What is the main source of funding in managing the land?
- c. What is the total budget of the operation?

- d. Are you operating at a profit/loss?
- e. Would you be able to continue without subsidies?

**11. Where do you want to be in 10 years' time?**

**12. Analysis:**

- a. What are the main problems you have experienced and how would you deal with it if you had the power to change things?
- b. Are there discrepancies between what you hoped would happen and what has eventuated?
  - i. If so, what are the main reasons why your ideals have not been fulfilled?
- c. What would you see as the direct and indirect benefits of the land being acquired?
- d. Do you think the land is being used to its full potential?
  - i. If not, why not and what are the reasons?
  - ii. What can be done to better use the land?
- e. Would you care to be part of ongoing monitoring, assessment and evaluation about the experiences of new landowners?
- f. Are you willing to be a role model for other new landowners?
- g. How do you deal with conflict between members of the community, for example, landowner-manager, competing families, beneficiaries-manager, etc?