



**Helping communities in the land reform programme
to develop commercially viable partnerships**

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- How do we support partnerships?
- Brief information on our projects and current project portfolio
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CONTEXT



- South Africa continues to be plagued by the historic injustice of inequitable land ownership, which leads to the exclusion of a majority of the population from economic participation.
- Various laws, policies and programmes have been promulgated to redress the skewed nature of access to land since 1996.
- The attempts has been to address equity and economic development objectives.
- The efforts have largely had limited success:
 - the pace of acquiring land has been slow
 - where land transfer has happened it has not resulted into productive use thus risking food security in a long run

WHO WE ARE...



Vumelana is a non profit organisation, with diverse Board and MOA with DRDLR



It was established by the Business Trust (a partnership between business and Government)



Based on a pilot project known as “Mabedi” undertaken in Maruleng and Bushbuckridge between 2005 and 2007



The pilot project developed a Community Private Partnership model to structure fair and equitable partnerships between communities and investors

SUPPORTING COMMUNITY PRIVATE PARTNERSHIPS



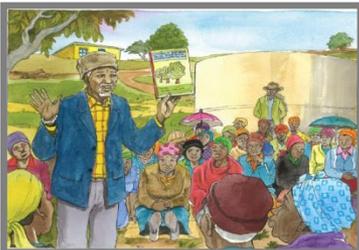
Vumelana finances advisory services



To structure commercially viable partnerships



Between community land owners and investors



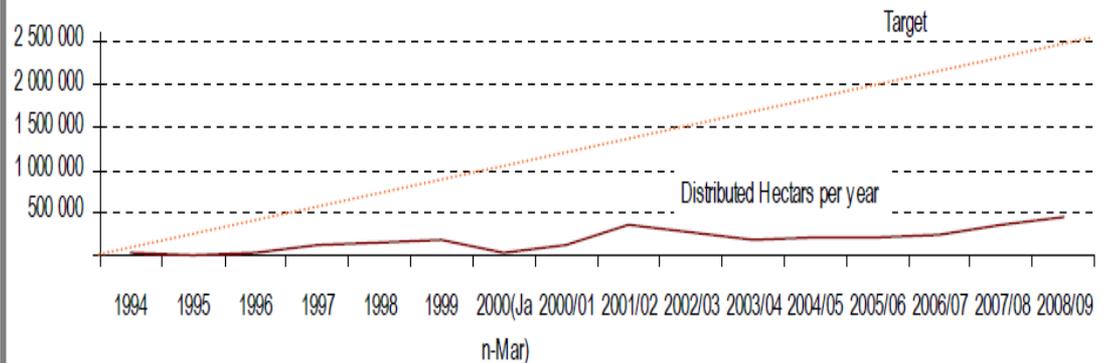
In order to create jobs, income and skills

SOUTH AFRICA HAS A DILEMMA

The transfer of land is proceeding too slowly

Actual transfer lags the targets by a significant margin

LAND REDISTRIBUTION-HECTARES DELIVERED



Land transferred is unproductive

It was estimated in 2010 that 90% of the 5,9m* Ha transferred was no longer economically active

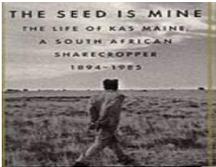
5,9mHa is 1.5 times the size of Switzerland

- Increased to 6.7m Ha in 2012
- estimated failure rate reduced from 90% to 70% in later statements



123	Latvia	64,589
124	Svalbard	62,045
125	Togo	56,785
126	Croatia	56,594
127	British Indian Ocean Territory	54,400
128	Bosnia and Herzegovina	51,197
129	Costa Rica	51,100
130	Slovakia	49,035
131	Dominican Republic	48,670
132	Estonia	45,228
133	Denmark	43,094
134	Netherlands	41,543
135	Switzerland	41,277
136	Bhutan	38,394

RESPONSE



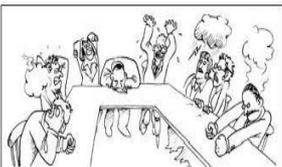
Through the processes of colonialism and apartheid communities lost - not only their land – but access to capital, skills, markets, networks, entrepreneurship...



The restoration of land without access to capital and skills leaves communities with what the Peruvian Economist Hernando de Soto would call “dead capital” (it is separated from the institutional architecture required to put it to productive use)

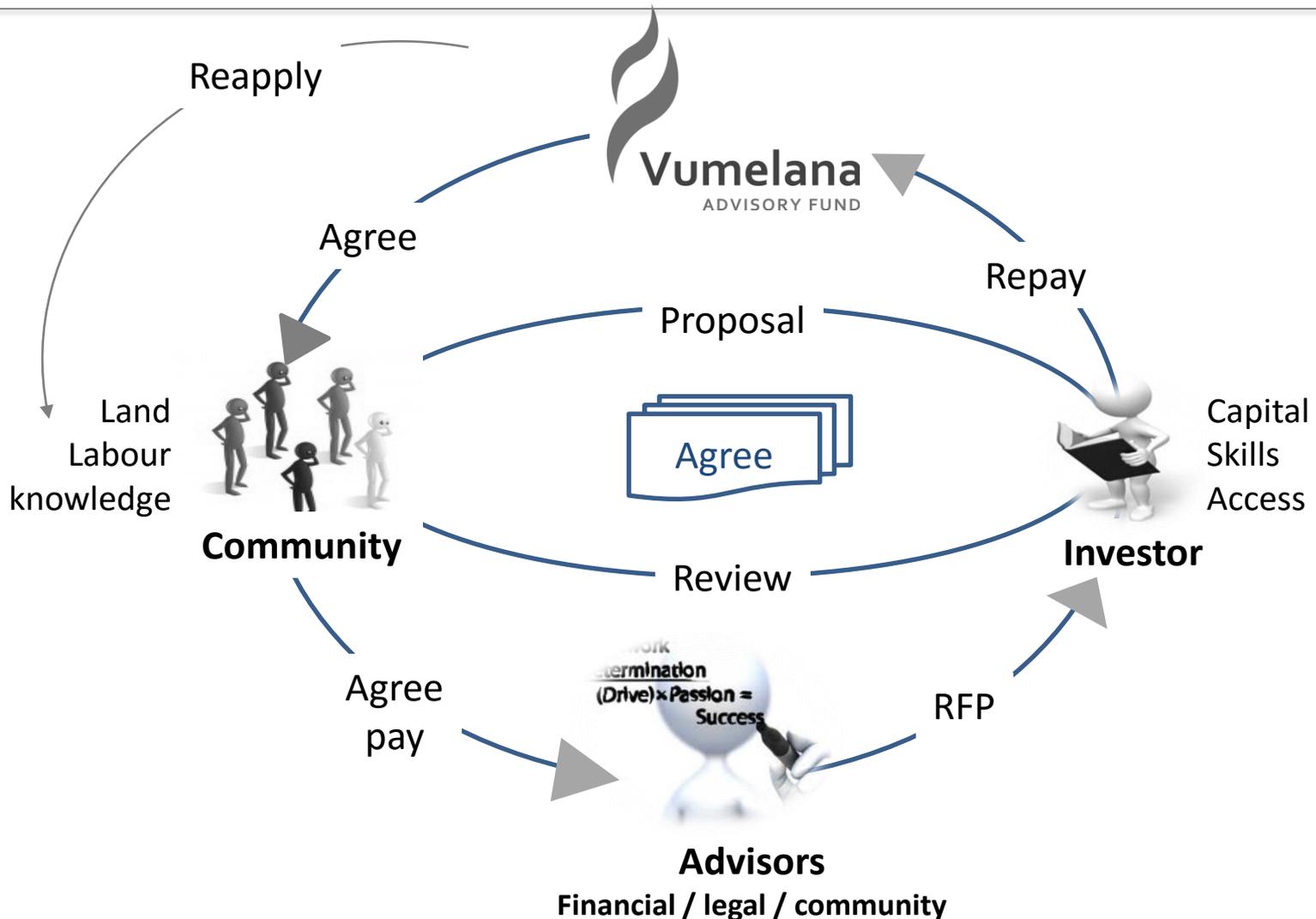


Forging partnerships with 3rd parties who have those resources is the most immediate way of addressing that challenge



These partnerships must respond to the asymmetry of power relations and the differing ability of the partners to carry risk and absorb cost

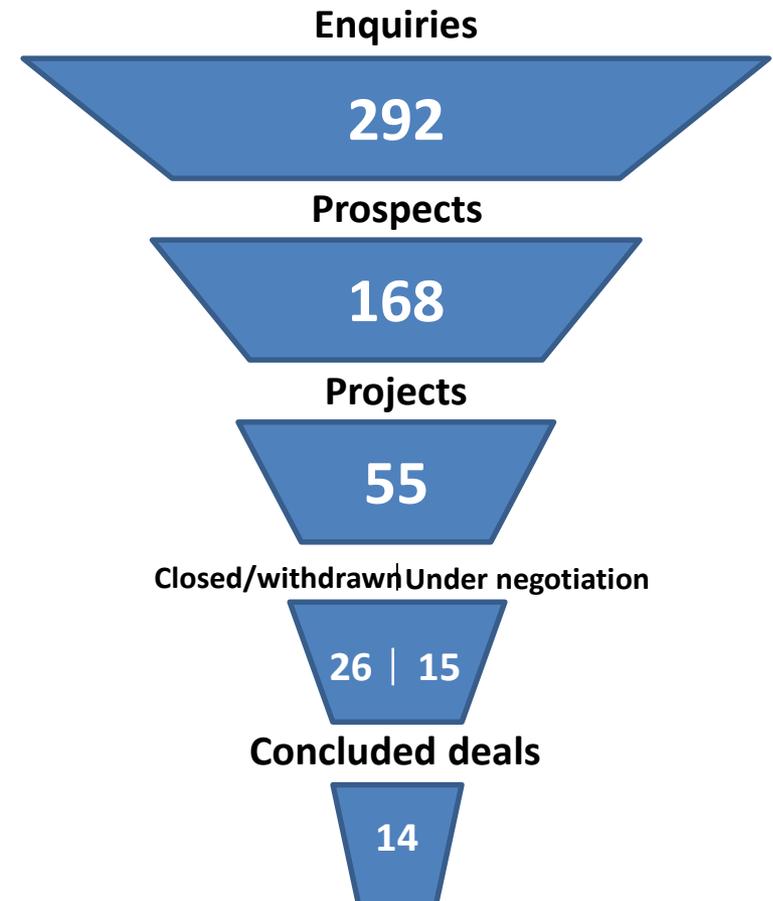
VUMELANA HELPS TO FORGE COMMERCIALLY SUSTAINABLE AND SOCIALY IMPACTFUL PARTNERSHIPS



DEVELOPING GOOD PROJECTS

For Vumelana's purposes, good projects are those with:

- high social impact
>100 employed
- sound commercial potential
>R10m
- a good chance of deal closure
<12months
- a useful demonstration effect



CURRENT PROJECT PORTFOLIO

		INVESTMENT	JOBS	HOUSEHOLDS
AGRICULTURE		R482m	2,185	9,139
TOURISM		R1,055m	1,254	9,014
FORESTRY		R115m	1,431	4,665
		R1,652m	4,870	22,818

VALUE PROPOSITION: VUMELANA REDUCED THE RISK OF POST SETTLEMENT PROJECT DEVELOPMENT



Communities

Vumelana provides advisory services and administrative support to communities to structure and maintain partnerships with investors at no risk to the community.



Investors

Vumelana provides advisory services to structure partnerships with land owning communities at no risk to the investor if there is no agreement. Payment for services is required only if an agreement is reached.



Advisors

Vumelana funds the advisory cost of structuring partnerships between land owning communities and investors. All work completed is paid for even if no agreement is reached.



Government

Vumelana mobilises private capital for the implementation of sustainable post settlement partnerships thus reducing the burden on the state to capitalise or recapitalise projects.



Partners

Vumelana offers a vehicle for supporting local economic development (including rural and agricultural development) while addressing the land reform challenge.

LESSONS



PARTNERSHIPS

- Partnerships provide a bridge to the future for disadvantaged communities
- Asymmetry in power must be managed.
- Independent advice is key .
- Partnerships must to be based on commercially sustainable activities
- Risks need careful allocation
- Benefits need to be defined
- Agreements need to be legally secure
- Oversight needs to be decisive

COMMUNITIES

- The nature of “the community” needs to be understood
- Conflict needs to be managed
- Governance needs to be effective
- Facilitation and support may be required through the process
 - Pre transaction
 - Transaction
 - Post transaction

AUTHORITIES

- DRDLR with primary land reform responsibility can help or hinder
 - Clarity of policy
 - Speed of decisions
 - Level of priority
- Provincial, Local, Parks and other authorities can help or hinder
 - Level of commitment
 - how land reform is balanced with their primary priorities

INVESTORS AND PRIVATE PARTNERS

- Investors and other private partners can help or hinder depending on:
 - The level of social commitment
 - The extent of experience
 - The attractiveness of returns
 - The patience to go with the process

ADVISORS

- Advisors can help or hinder depending on:
 - The extent of experience
 - The level of support they get

CHALLENGES: ACCESSING AGRICULTURAL INVESTMENTS IN AFRICA



- Investment in Agriculture key to economic growth and job creation BUT constraints remain.
- With shifting consumption patterns, growing world population and erosion of natural resources, future strain on agriculture enormous.
- Investments required to increase and stabilise supply of affordable food, generate jobs and stimulate the growth of secondary and tertiary sectors of the economy.
- A strong correlation between agricultural assets & “pedigree” of investor- good assets attract good investment whilst marginal assets (in the majority) attract marginal or no investment.

FACTORS INHIBITING AGRICULTURAL INVESTMENTS IN AFRICA



- Secure tenure - considered an integral part of achieving inclusive rural transformation and fosters increased investment, productivity, diversification, commercialisation and environmental sustainability.
- Lack of access to affordable financing has consistently been raised as a hindrance.
- Limited infrastructure including stable electricity, transport infrastructure and roads, irrigation and availability of usable water.
- Lack of supportive & enabling policy environment including bureaucracy, especially with respect to efficiently dealing with administrative and regulatory formalities.
- Cross sector collaboration public/private sector collaboration required to deal with constraints and market systems.
- Skills shortage and ability to access labour with appropriate skills is also becoming an issue.

FACTORS INHIBITING AGRICULTURAL INVESTMENTS IN AFRICA - contnd



- Secured tenure and access to finance seems to stand out from the above.
- Economically tenure secure farmers are likely to be incentivised to invest more knowing that investments are safe and they will get their returns over time.
- Secure tenure expected to incentivise rental and sale (working markets) of underutilised land thus increasing efficiencies & widen land access opportunities.
- Social benefits are expected in the form of reduced contestations and conflicts over land.
- Also, a correlation between secure tenure and soil conservation measures.
- On the other hand, innovative financing and review and addressing constraints around access to affordable finance need urgent attention.

IS AGRICULTURE A GOOD INVESTMENTS OPTION IN AFRICA?



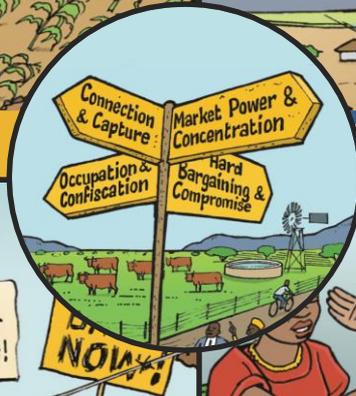
- Despite the challenges, according to several studies and estimates the world's agricultural production must increase substantially to meet demands for food, feed, fuel and fibre thus significant opportunity.
- Agribusiness value chain is complex and represents significant development opportunity for the sector and financial institutions.
- New technologies, product platform and innovative business models in agriculture technology and food systems are constantly required and will drive shift to environmentally sustainable food production and distribution systems.
- There is no detailed data on extent, nature and impact of agricultural investments in developing countries.
- What is certain though is that developments are indeed taking place - also not too much detail is divulged by investors themselves due to sensitivities around investments and confidentiality issues.
- Weakness -availability of information points to the importance of doing country studies of the extent and impact of inward investments.

ENCOURAGING AN ENABLING ENVIRONMENT LAND REFORM FUTURES SCENARIOS



SCENARIO 1: CONNECTION AND CAPTURE
"A story of land as power"

MARKET POWER AND CONCENTRATION
"A story of land as a productive asset"



SCENARIO 3: OCCUPATION AND CONFISCATION
"A story about taking back the land"



SCENARIO 4: HARD BARGAINING AND COMPROMISE
"A story about sharing the land"