

STRENGTHENING RELATIVE RIGHTS OF PEOPLE WORKING THE LAND POLICY FRAMEWORK [SRR or 50:50]

**PRESENTATION TO PORTFOLIO COMMITTEE ON RURAL
DEVELOPMENT AND LAND REFORM.**

G26 GROUND FLOOR NEW WING NATIONAL ASSEMBLY

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PRESENTATION OUTLINE

- 1) Background**
- 2) Core Purpose and Mode of SRR Policy;**
- 3) Guiding Framework Policies**
- 4) Guiding SRR Policy Framework**
- 5) Pilot Implementation of SRR Policy**
- 6) Social Facilitation**
- 7) Delivery**
- 8) Hectares and Budgets**
- 9) Lessons Learned**
- 10) Impact**
- 11) Conclusion**

BACKGROUND

STRENGTHENING RELATIVE RIGHTS OF PEOPLE WORKING THE LAND FRAMEWORK POLICY:

This presentation will summarise the SRR policy imperatives, the lessons learned and the expected outcomes. It will further highlight the status update, delivery of hectares, budgets spent, status update and anticipated impact.

BACKGROUND

Cont`d

1. The Strengthening Relative Rights of People Working the Land (50/50) Framework Policy was first announced in 2014;
2. SRR is a programme initiative aimed at ensuring that farm workers benefit from owning shares in the agricultural enterprises on farms on which they work as well as providing them with security of tenure.
3. It is also in pursuance of the objectives of the Land Tenure Security for Commercial Farming Areas (signed in 2013); the Extension of Security of Tenure Act (62), 1997 and its 2015 Amendment Bill currently in Parliament, as well as various international agreements government has assented to.

THE CORE PURPOSE AND MODEL OF THE SRR POLICY

Core Purpose of the SRR Policy Framework :

Introduce measures to address land hunger, extreme land concentration, associated poverty and inequity by fostering asset and enterprise equity that introduce fundamental changes to land relations and factors of production.

To this end the SRR/50:50 Programme aims to empower farm workers while at the same time recognising their contributions to the development of farms on which they work and the agricultural sector;

Provides for government to acquire a stake in the farming enterprise on behalf of the workers and to purchase the land in order to provide tenure security for the farmworkers;

Improve socio-economic conditions of people living and working on farms.

GUIDING FRAMEWORK POLICIES

The SRR Policy Framework is premised on the following foundational documents of our democracy:

- i. The Freedom Charter
- ii. The Constitution Sections 25, 26, 27 and 36
- iii. The Reconstruction and Development Programme
- iv. National Development Plan (Chapter 6)



THE SRR POLICY FRAMEWORK [50:50]

Adopted in June 2016:

1. Offers an analytical framework and guidance on strategic thrust which has guided the pilot implementation;
2. It seeks to move from a single owner system to a collective ownership one;
3. Introduces a fundamental change to relations to factors of production in its transformation process.

MEANS OF PRODUCTION: land, labour, capital and business

(i) LAND

- Land will be owned by Government, either fully or partially, that is either fully or partially nationalised;
- Where land is owned by Government the title deed is registered to the State;
- Where the title deed is shared between Government and the previous sole owner, a new dynamic emerges – a new form of title deed should be created?

SRR POLICY FRAMEWORK [50:50]

- Where Government owns land (even a portion) farm workers will be given a Land Use Rights Certificate which they will use to enter into the new business arrangements with the previous farm owner,
- This business arrangement gives birth to a new company (NewCo.) jointly owned by all parties plus NEF (5%),

ii) LABOUR

- Material facts of each investment case should first be established before taking any critical step;
- It is a known fact that in an unfettered capitalistic market system (like RSA) workers are generally exploited;
- What remains unknown are the severities (i.e. the form and extent of exploitation);
- Therefore before a decision of whether farm workers will continue to provide labour to the NewCo. will determined by the prevailing conditions of each case;

THE GUIDING SRR POLICY FRAMEWORK [50:50]

iii) CAPITAL

- The 50/50 model is a joint venture capital sponsored by Government on behalf of the farm workers with the previous farm owner;
- The previous farm owner brings in the business entrepreneurial know how and the market, and the farm workers bring their labour, raw skill and the Land Use Right Certificate,
- Therefore most of the resources accrued from the business should go into training and development of farm workers in terms of directorship, management and operations;
- It is also evident that the first five years of the NewCo. will be extremely testing;

THE GUIDING SRR POLICY FRAMEWORK [50:50]

iv) BUSINESS

- The state of the current company has to be critically analysed, so that facts on threats, risks and opportunities are well understood before ushering the business into the new era;
- Each business is unique and should be treated as such, therefore a one size fits all approached will not suffice;
- The NewCo. should not be overburdened in its formative stage – it has to succeed;
- The state of these productive factors should be established per enterprise;
- Therefore in the business planning of the NewCo. the investment required to repair and/or replace some of the equipment should be budgeted for from the outset,

V) FACTORS OF PRODUCTION

Tools, equipment, factories, machines, etc. The question before us is: WHAT IS THE STATE OF THESE PRODUCTIVE FACTORS? We must establish the facts here as well, so that we know what needs to be replaced or repaired; at what cost, from the outset.

- What we know in each case, is the price and state of the land because we have valuated it. Therefore, it is possible to set the rental price. We have set this price at 2% of the price of the land.
- What we do not know in each case, is the net annual profit of the land, given the fact that workers, who had been surviving on exploitative wages and living conditions, are now going to be co-owners of the business; and, might opt for corrective measures in this regard. The government cannot charge the Newco a rent based on net profits that are unknown.
- Therefore, only 2% rental shall be charged based on the price and state of the land, as reflected in the valuation outcome.

INTENDED POLICY OUTCOMES

The intended SRR Policy outcomes are to:

- i. Secure the land rights and residential tenure of the farm-dweller/worker;
- ii. Empower people working the land to acquire majority equity-holdings in farming enterprises and bring about economic transformation of the agricultural sector;
- iii. Enable beneficiaries to sell labour-power across the fence, without fear of eviction;
- iv. Strengthen farmworkers' bargaining power in advancing worker rights and improving his/her conditions of living; and,
- v. Address socio-economic livelihood challenges faced by farm dwellers and labour tenants.

THE PILOT IMPLEMENTATION OF THE SRR (50/50) PROGRAMME PROGRESS TO DATE

(Programme Delivery, Lessons Learned, Status update on Ha
& Budget Spent to Date)



DELIVERY OF SRR PROGRAMME (summary)

In 2015 the Policy was announced at the State of the Nation Address by the State President who called for a pilot of 50 projects by 2019, from which to learn.

Progress to date:

- The Department signed a Memorandum of Understanding with the National Empowerment Fund to become the implementing agent for the programme;
- To date:
 - 91 project proposals have been received,
 - 5 were declined / withdrawn;
 - 86 proposals are at different stages of implementation; and
 - 20 projects have been approved of which 15 have been implemented and transferred;
- Of the 15 farms transferred, 4 farms were transferred in the year ending March 2016 to the state and these are in:
 - i) Eastern Cape (Birbury farm),
 - ii) Free State (Oatlands, Diamond and Kalkput farms) amounting to just over 2 600 hectares at the cost of **R36 million**.

DELIVERY OF SRR PROGRAMME (summary of projects delivered to date)

Progress to date:

- In the financial year 2016/2017, 10 of the 15 commercial farms have been transferred to:
 - i) Eastern Cape (Klein Monden Rivier);
 - ii) KwaZulu Natal {Westcliff (Paard Fontein and Hoghton), Limpopo (Dabchick);
 - iii) North West {Stars Away (Tweefontein 58, Willowpark 41, Olivenbult 61 and Stinkhoutboom 43)} ; and
 - iv) Western Cape (Solms Delta and 803 Worcester) amounting to over 8 252 Hectares at the value of R 56 million.
 - v) Gauteng: In the financial year 2017/2018 , one farm transferred in (Marolien) amounting to R 31 million benefiting 105 beneficiaries at 65 hectares .
- **There are 606 farm workers that have benefited from these acquisitions on 11 303 hectares at a cost of R 325 million.**

DELIVERY OF SRR PROGRAMME (ha delivered & budget spent to date)

Province	Project name	Hectares	Participating Farm workers	Amount Approved/Disbursed	Approved/Transferred	Transferred/Approved date
EC	Sun Orange	800	35	R 38 067 000	Approved	18 February 2016
FS	Gannahoek	4 500	253	R 52 444 000	Approved	
LP	Mabaleng	435	35	R 40 292 431	Approved	12 May 2016
LP	Jurgens Boerdery Beperk	1 085	42	R 34 388 000	Approved	02 March 2016
WC	Saamstaan	4 000	200	R 154 951 980	Approved	02 March 2016
Approved = 5 Farms		<u>10 820</u>	<u>565</u>	<u>R 165 191 431</u>		
EC	Klein Monden Rivier	560	4	R 29 500 000	Transferred	16 September 2016
EC	Birbury	632	29	R 12 826 000	Transferred	02 February 2016
FS	Oatland	1 544	21	R 15 800 000	Transferred	04 June 2015
FS	Diamand	197	23	R 2 900 000	Transferred	02 June 2015
FS	Kalkput / Klippan	259	35	R 8 900 000	Transferred	04 June 2015
GP	Marolien	65	105	R 30 948 000	Transferred	04 May 2017
KZN	Westcliff – Paard Fontein	405	61	R 33 000 000	Transferred	02 September 2016
KZN	Westcliff - Hoghton	61			Transferred	02 September 2016
LP	Dabchick Conservancy	1 660	13	R 21 000 000	Transferred	29 July 2016
NW	Stars Away Farms Tweefontein 58	3 188	5	R 30 000 000	Transferred	17 March 2017
NW	Willowpark 41	437			Transferred	17 March 2017
NW	Olivenbult 61	1 331			Transferred	17 March 2017
NW	Stinkhoutboom 43	513			Transferred	17 March 2017
WC	Solms Delta	51	292	R 65 000 000	Transferred	01 July 2016
WC	Hoogland - 803 Worcester	400	18	R 75 100 000	Transferred	10 March 2017
Transferred = 15 Farms		<u>11 303</u>	<u>606</u>	<u>R 324 974 000</u>		
Approved and Transferred = 20 Farms		<u>22 123</u>	<u>1 171</u>	<u>R 490 165 431</u>		

PROGRESS ON SOCIAL FACILITATION (APPROVED PROJECTS)

Transaction Name	HH Profiling	Awareness Creation	Trust Registered	Corporate Governance	Directors Workshop	AGM Held	Social Plan	Market Linkages
Solms Delta	REID	✓	✓	✓	✓	X	X	X
Ekhamanzi	REID	✓	✓	✓	✓	X	X	X
Dabchick	NEF	✓	✓	X	X	X	X	X
Klein Mondriviers	X	X	X	X	X	X	X	X
Sun Orange	IDC	✓	✓	X	X	X	X	✓
Hoogland	X	X	X	X	X	X	X	X
Saamstaan	NEF	✓	X	X	X	✓	X	X
Marolien	X	✓	✓	X	X	X	X	✓
Jurgens Boerdery	X	X	X	X	X	X	X	X
Stars Away	X	X	X	X	X	X	X	X
Birbury	X	✓	✓	X	X	X	X	X
Gannahoek	NEF	X	X	X	X	X	X	X
Zuurfontein	X	X	X	X	X	X	X	X



IMPACT (KEY PROCESSES, KPAs and KPIs)

STRENGTHENING OF RELATIVE RIGHTS FRAMEWORK

No	Project Description DRDLR - MTTT					Valuation (OVG)	Due Diligence (NEF)	Deal Structuring (NEF)			Transaction Agreement (NEF, LRD and REID)							Socio- Economic Facilitation (NEF, LTA, REID and DEEDS)			Decisions, Approval and Actions Status												
	Name	Province	Extent of land (ha)	No of Beneficiaries	Nature of business	Proposal Received, screened and prioritized	Valuation Commissioned	Valuation Completed	Due Diligence commissioned	Due Diligence Outcome	Deal S. Asking Price Made	Deal S. Asking Price	Deal Structuring Price Settlement Reached	Deal Structuring Agreement signed	Equity Structure	Final Price (incl land, business & capitalisation)	Offer to Purchase Signed	Board formed	Workers Trust Formed	Company Formed	Shareholder Compact	Lease Contract Signed	Conveyancing commissioned	Farm Management formed	Conveyancing completed	Socio Economic and HH Profiling	Land Rights enquiry & Allocation, LURC	Training & Capacity Building	MTTT Recommendation	MCM Approval	LRD		
							Land & Buildings		Financial Statement, Movable Assets, Off-Take Agreements, Goodwill, Entrepreneurial Capital																								

▪ 5 Key Performance Areas (KPAs)

▪ 19 Key Performance Indicators (KPIs)

THE LESSONS LEARNED FROM THE PILOT

- Issues of power relations between the farm workers and the farmer hence social facilitation should be prioritised at the due diligence stage of the project cycle to manage these relations,
- The Department solicited institutional support to undertake due diligence, land and property valuations as well as facilitating the mergers and acquisitions of the SRR transactions;
- Need to conduct the due diligence and cost benefit analysis of all SRR projects for the State to derive maximum value out of these investments,
- Awareness creation – detailed explanation to the different stakeholders should be done at initial stages of the project to manage stakeholder expectations from the SRR projects,

THE LESSONS LEARNED FROM THE PILOT

- Additional capacity is required in the approval committees for these projects – i.e. agric economics, legal experts, farmers etc.;
- Capacitation of the workers Trust to participate in the board of the NewCo
- The Farm Workers Trust need guidance on when, how much and when to draw dividends from the business enterprise. A dividend policy for the NewCo to be developed as part of the Standard Operational Procedures for all the SRR projects.



CONCLUSION

- The acquisition of equity by farm-workers, must be seen to be a fundamental game-changer in the agricultural sector;
- It introduces co-management of the farm based on relative equity-holdings and the capacity of each participant in production and management of the agricultural enterprise;
- This programme initiative contributes towards governments efforts at revitalisation and transformation of the rural economy through the social and economic empowerment of farm workers and communities;
- As a consequence of this programme, farm workers and dwellers will no longer have reason to fear the sceptre of evictions because land tenure will have been secured;

THANK YOU !!!!

