

Private-Sector  
Community Forestry  
Partnerships in the  
Eastern Cape  
Overview Report

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and H. Timmermans



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Forestry Partnerships  
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**2000**

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**About this report:** This report is one of a series prepared as part of a collaborative research project on instruments for sustainable private sector forestry in South Africa. The reports in this series are listed below.

### ***Instruments for sustainable private sector forestry, South Africa – report series***

#### **Overview and synthesis**

- Mayers, J., Evans, J. and Foy, T. 2001. *Raising the stakes: impacts of privatisation, certification and partnerships in South African forestry*. This report draws on all the studies below and widespread consultation in South Africa. It analyses the impacts to date of privatisation, certification, outgrower schemes and company-community partnerships and presents conclusions and a set of options and next steps for all the main stakeholder groups.

#### **Redistribution of opportunities and assets in forestry**

- Khosa, M. 2000. *Forestry contracting in South Africa*. This study of trends in outsourcing and contracting in the South African forest industry seeks to deepen understanding of the national context within which contracting is an increasing practice, and examines possible options for outsourcing.
- Heyl, L., von Maltitz, G., Evans, J. and Segole, R. 2000. *Issues and opportunities for small-scale sawmilling in South Africa: an Eastern Cape case study*. This report describes the scale, structure and market niche of the small sawmilling subsector, with a focus on the Eastern Cape Province.
- Horn, J. 2000. *The role of small-scale sawmilling in household and community livelihoods: case studies in the Eastern Cape*. This study focuses on the livelihoods of small-scale sawmillers in the Eastern Cape, using a case study approach.
- Bethlehem, L. 2001. *Bringing democracy to the forests: developments in South Africa's forestry policy and legislation*. This paper describes the policy and legislative changes in the forest sector, and sets recent initiatives in the context of a drive towards sustainable and equitable forest management.

#### **Forest certification in South Africa**

- Frost, B., Mayers, J. and Roberts, S. 2002. *Growing credibility: impact of certification on forests and people in South Africa*. This is an overview of all the certification studies with additional supply chain analysis.
- Scott, D. 2000. *Environmental aspects of the forest management certification process*. This report by a member of FSC certification audit teams examines the audit inspection instrument and provides commentary on how it is used.
- Clarke, J. 2000. *Social and environmental aspects of the forest management certification process: a discussion of social assessment components in South Africa*. This report, drawing on audit experience, tackles the ability of FSC certification and the certification process to improve the wellbeing of workers and communities dependent on plantations.
- Hamman, J. 2000. *Forestry certification: social aspects*. Also by a member of FSC inspection teams, this report analyses the composition and focus of the audit teams and highlights issues which can compromise the positive impact of certification.
- Dunne, N 2000. *The Impact of Environmental Certification on the South African Forest Products Supply Chain*. This study traces the route of FSC certified timber from mill to market, seeking to understand the impact of certification on traders and retailers in South Africa and the UK.

- von Maltitz, G. 2000. *The impacts of the ISO 14000 management system on sustainable forest management in South Africa*. This is a study focussing on one company's decision to adopt ISO accreditation, comparing the impacts of the ISO system with those of FSC certification.
- Crawford Cousins, C. 2000. *The impacts of stakeholder consultation in the FSC certification process on sustainable forest management in South Africa*. Focussing on the Stakeholder consultation process within FSC certification, this report highlights key assumptions about the efficacy of consultation.

#### **Outgrower schemes and community-company partnerships**

- Zingel, J. 2000. *Between the woods and the water: tree outgrower schemes in KwaZulu-Natal - the policy and legislative environment for outgrowing at the regional level*. This report discusses the environment surrounding trends in outgrower development, both past and future.
- Cairns, R. 2000. *Outgrower timber schemes in KwaZulu-Natal: do they build sustainable rural livelihoods and what interventions should be made?* Focussing on case studies of outgrower households, this examines the role played by schemes in rural livehoods.
- Ojwang, A. 2000. *Community-company Partnerships in forestry in South Africa: an examination of trends*. This is a broad overview of types of partnerships in Southern Africa, with comparisons between forestry and other sectors.
- Andrew, M., Fabricius, C. and Timmermans, H. 2000. *An overview of private sector community partnerships in forestry and other natural resources in Eastern Cape*. Focussing at a provincial level, this report captures partnership trends in the Eastern Cape, drawing on five case studies.
- Sisitka, L. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Lambazi case study*. This case study examines the relationships between stakeholders and actors in a corporate-initiated scheme
- Cocks, M., Matsiliza, B. and Fabricius, C. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Longweni woodlot case study*. This report examines community preferences and options for the use of a woodlot in the context of opportunities provided in the forest restructuring process.
- Sisitka, L. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Umzimkulu case study*. This is a study of a corporate-community joint venture project in a part of the province that has good afforestation potential.
- Cocks, M., Matsiliza, B. and Fabricius, C. 2000. *Private sector community forestry partnerships in the Eastern Cape: the Manubi woodlot case study*. This study examines issues around partnerships and joint forest management around a state-conserved indigenous forest
- Ham, C. 2000. *The importance of woodlots to local communities, small scale entrepreneurs and indigenous forest conservation*. Comparing issues and opportunities arising around two woodlots, this study highlights the relative importance of government-planted woodlots to different community interest groups.

#### **Copies of the CD containing the above reports can be obtained from:**

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## INTRODUCTION

This investigation into private sector-community forestry partnerships in the Eastern Cape is one component a broader investigation into community – private sector forestry partnerships in South Africa. It contributes to one of the three major research themes of a wider national research project referred to as ‘Instruments for Sustainable Private Sector Forestry in South Africa.’ This national investigation is co-ordinated by the CSIR, in collaboration with DFID and IIED. It’s aim is to understand how the private sector is involved in forestry in South Africa, how it is changing and how it can help to achieve sustainable forest management in the future. The three themes include: redistribution of forest assets, impacts of certification, and company-community forestry partnerships.

Forestry partnerships between communities, government and companies have existed in South Africa in various forms, the most visible of which to date have been the commercially-focused outgrower schemes operating in KwaZulu-Natal, followed more recently by state-sponsored efforts towards building joint forest management relationships around managing state forest resources in the Eastern Cape and elsewhere. Private companies have recently started to explore new forms of partnerships in collaboration with communities. The State is also exploring a new brokerage role in facilitating partnerships between communities and other actors in developing small-scale enterprises. Thinking around different types of partnerships has been recently spurred to some extent by potential opportunities afforded through the state forest restructuring process. The broad objectives of new individual partnerships may vary. The objectives of the various participant actors are also likely to differ and these differences need to be understood and accommodated in order to ensure success.

### *Focus of the Research*

The objective of this research into partnerships in the Eastern Cape is to understand key issues in the evolution of new forms of partnership between private companies and communities in forest management, their operation in the context of empowerment and redistribution processes, and the lessons that can be learned for forestry from other related sectors in South Africa. The research was divided into two major components, a provincial overview, which also draws on lessons from other sectors, and four forestry case studies. The case studies are:

1. The Mondi/Umzimkulu projects
2. The Sappi/Lambazi project.
3. The Manubi Woodlot, Centani District
4. The Longweni Woodlot, Bizana District

The first two case studies are examples of initiatives made by large forestry companies to develop aforestation partnerships with communities. These studies investigate the development of these projects and the problems encountered. The two woodlot case studies investigate the potential for the development of such partnerships around woodlots. In the Eastern Cape there are about 90 woodlots totalling some 12 000 ha and employing some 1300 labourers. As part of the process of restructuring state forests, DWAF is planning to transfer most of these woodlots to the neighbouring communities. Those which are linked to primary conservation forests, will remain under DWAF jurisdiction but some kind of joint management will be investigated. DWAF sees the restructuring process as an

opportunity to promote rural development and create forestry partnerships between communities and the private sector.

Structure of report(s).

This overview report begins by providing a general overview of the opportunities for private sector-community partnerships in all sectors of the eastern Cape economy. This is followed by a description of the different types of partnerships being developed with references to the various case studies which investigated during the research process. Details of the 19 partnership ventures in the Eastern Cape are appended to the report. The report then moves on to discuss some of the key issues arising out of these partnership initiatives. This includes the facilitating mechanisms, the barriers and bridges for partnerships, how macroeconomics, politics and land legislation influence them, as well as the potential socio-economic and environmental impacts. Finally some recommendations on how to improve the current situation will be made. The source material for the discussion of key issues is drawn from the four in-depth case studies of partnerships in the forestry sector, interviews with key informants involved in other initiatives, and available published and unpublished literature.

## **POTENTIAL OPPORTUNITIES FOR PARTNERSHIPS IN THE EASTERN CAPE**

There are a number of initiatives on the go in various sectors of the provincial economy which are or could potentially provide opportunities for partnerships between the private sector and communities, and also with government.

### **2.1 Forestry Sector**

In the forestry sector, opportunities for partnerships between communities and the private sector have been created as a result of two separate processes. Firstly there are partnerships which arise directly as a consequence of the restructuring of State forests and new state forestry policies aimed at promoting rural development and facilitating the social and economic empowerment of rural communities. Secondly, there are partnerships initiated by private sector companies and aimed at promoting afforestation and securing access to new sources of fibre or timber. These two different types of initiatives are described separately below, beginning with State Forests.

#### *2.1.1 State Forests*

Since 1994 the DWAF has undergone major policy and structural changes. Community forestry has become an important component of its activities and has been completely redefined. Prior to the political transition in South Africa government forestry policy in black rural areas focused on the protection of indigenous forests and the alleviation of fuel wood shortages through the growing of exotic trees. DWAF's new community forestry policy focuses on using forestry as 'a vehicle for economic upliftment and improvement of livelihoods in impoverished areas'. These new forestry policies have consequently introduced significant shifts in how forest resources are to be managed and in the relationship between the State and local communities (CSIR in press). The State is in the process of withdrawing from the ownership and management of forest plantations and has redefined its role. It has taken on the role of creating an enabling environment that encourages private investment, and begun to act as a broker facilitating partnerships between



communities and the private sector that promote rural development. Another central component of the state's role is regulating the forestry sector.

#### **Role of the State as defined by the White Paper (1997)**

The White Paper (1997) identifies a number of specific roles for the State in relation to rural development and the forestry industry. The most pertinent ones with respect to forestry partnerships include:

1. To promote equitable access to the opportunities and benefits of the sector
2. To promote the equitable, efficient and sustainable allocation of afforestation permits
3. To promote an industrial policy which will continually improve value-addition to forest products
4. To facilitate the entry of small farmers and entrepreneurs into the industry
5. To establish the need and desirability of further afforestation and identify suitable areas
6. To negotiate with financial institutions to broaden access to commercial forestry opportunities
7. Facilitate the redistribution of large forestry plantations to new and small farmers where large forest owners are considering divesting
8. Provide training and advice to small farmers, contractors and entrepreneurs in skills such as those needed to negotiate and manage contracts
9. Regulate small-scale afforestation to mitigate social and environmental costs and minimise impacts on water resources

In the Eastern Cape Province there are three types of state plantation forests, defined according to size and commercial potential. Different processes and objectives of the restructuring process are envisaged for each category of forests. These three types are listed below:

- Lease of State (DWAF & SAFCOL) category A forests for commercial exploitation and development by large companies. Communities to receive portion of rental and possibly also 10% of profits.
- Lease of State category B forests – for small scale entrepreneurs &/or communities
- Devolution of Woodlots (particularly the commercially viable ones) to communities. Communities can then enter into partnerships with small entrepreneurs to harvest and/or process wood.

Consequently, in the discussion that follows, the restructuring process for each type of forests is discussed separately.

#### *Category A State Forests*

These are the large commercially viable state plantations. In line with the policy of withdrawing from ownership and management of commercial assets and productive resources, DWAF has decided to lease these forests to commercial companies on a long-term basis. The decision to lease rather than sell stems from concerns that these are national assets and that some of the forests in the former homelands may be subject to land claims. Leases also provide an important source of long-term revenue for the State. It is envisaged that in cases where the land is eventually

returned to the communities, as a result of the land claims process, the leases will be transferred to the legal entities representing the communities.

There are two major groups of category A forests in the Eastern Cape that have been made available for lease to commercial companies. These are the Northern and the Southern areas, roughly divided into the former Transkei and Ciskei areas and their respective adjacent former RSA forests administered by SAFCOL. In selecting the preferred bidder for each of these groups of forests, DWAF requires that a minimum of 10% of investors are from Black Economic Empowerment groups. These provisions provide important opportunities for private sector/community forestry partnerships and have effectively ensured that companies bidding for such leases enter into partnerships with other 'black empowerment groups'. Although this does not specifically require companies to enter into partnerships with local communities, the preferred bidders for the northern and southern areas are both consortiums that have or are intending to enter into partnerships with communities neighbouring the State Forests.

No provision has been made in the leasing of category A forests to include small-scale entrepreneurs. This group will apparently be accommodated through the restructuring of category B forests. However, both preferred bidder consortiums for the Category A forests have undertaken to contract out services to small-scale entrepreneurs, particularly local businesses. Brief descriptions of the two separate partnerships that have been (or are being) developed are provided in the appendix to this report.

#### *Category B State Forests*

The process of restructuring category B forests has not yet begun. These are smaller, commercially viable state forests which have been targeted for commercial exploitation by small-scale entrepreneurs. There may also be some opportunities for partnerships between these entrepreneurs and local communities.

#### *Category D State Forests: Woodlots*

The process of restructuring woodlots is expected to provide opportunities for communities to take ownership these resources and develop and manage them for the benefit of local residents. It will also provide opportunities for these communities to enter into partnerships with small-scale entrepreneurs. The woodlots have been divided into the following categories:

- D1 Woodlots with a high commercial potential
- D2 Woodlots with a medium commercial potential
- D3 Woodlots with a low or poor commercial potential

Plans are underway to 'devolve' most of these woodlots to the local communities. This process of devolution has a number of components that are described in the box below.

However, some woodlots are located adjacent to indigenous forests that have been classified as primary conservation areas (PCAs) or conservation areas (CAs). Those woodlots adjacent to primary conservation areas will be incorporated into the PCA and will continue to be owned and managed by DWAF's conservation section.

In such cases, some form of joint management is being investigated. The provisions of the new National Forest Act (No 84, 1998) allow immediate neighbours assess to natural resources for domestic use.

DWAF have identified eleven D1 forests that it has prioritised for devolution to neighbouring communities. Preparations for devolution of these 11 woodlots are underway, but some major obstacles have been encountered. The long-term plan is to devolve the land and assets of all viable woodlots to the local communities. In other words transfer all ownership rights and management responsibilities to local communities. Where and when devolution is not practical, efforts will be made to enter into Community Forestry Agreements (according to the new National Forests Act No. 84, 1998) with local communities. These agreements would not entail transfer of ownership, but would allow local communities to take over the management of these woodlots or enter into joint management agreements with DWAF. Under such agreements communities could then enter into partnerships with small-scale entrepreneur to maintain and exploit the resources.

### **DWAF's Woodlot Devolution Programme**

DWAF has initially targeted 11 woodlots that have relatively good commercial potential, for devolution. These woodlots are Zikhova, Cezu, Nqabara, Mpeko, Ngunduzza, Camama, Qunu, Blyth, Papane, Hoyana and Idutywa. None of these woodlots have yet been devolved, but the process has been started and considerable progress has been made. The process of devolution entails the following steps (which need not be followed sequentially):

- The identification of the neighbouring communities and the primary beneficiaries
- Securing the agreement of the communities
- Undertaking a technical evaluation of the feasibility
- Mobilising the community to become involved in the process
- Developing an assets list.
- Setting up legal entities, such as Communal Property Associations (CPAs) or Trusts for the communities.
- Resolving issues related to DWAF employees working in the Woodlots
- Developing a Business Plan
- Obtaining agreement from all interested and affected parties
- Empowering the local communities
- And finally transferring the land and assets to the communities.

There is still a long way to go before it will be possible to transfer these woodlots. Problems encountered include unstructured and un-inclusive stakeholder consultation, competing claims and conflict between different political structures, and misunderstandings about management options and benefit flows. One of the major obstacles encountered relates to the position of DWAF employees. Labour legislation constrains the government's ability to retrench large numbers of government employees. On the other hand, local communities want to employ people from their own ranks rather than outsiders in their woodlots. It is anticipated that most communities would want to retrench DWAF employees and rehire their own people if devolution was effected. As an interim measure, the DWAF is now considering entering into Joint Management agreements with communities, which would allow them to retain their staff.

### 1.1.2 Private Sector Aforestation Partnerships

Private sector forestry companies have also made use of opportunities to enter into partnerships with communities on afforestation projects. Three such initiatives have been made in the Eastern Cape. These include the following:

1. Mondi/Community partnerships in Umzimkulu
2. SAPPI/Community partnerships in Lambazi/Magwa
3. North East Cape Forests/Community partnerships in Maclear/Elliot/Ugie area (NECF)

A brief description of each of these projects is provided in the appendix to this report.

These partnerships have taken a very different form to those which have developed in the forestry industry in Kwa-Zulu Natal. Rather than entering into contracts with individual farmers, these companies have entered into partnerships with whole communities. These projects have been initiated on communal land (NECF) and in areas where State farms could potentially be redistributed. In the case of state farms, opportunities exist for communities to purchase the land, or to lease the land from the State and then use their entitlements to the DLA's Settlement and Land Acquisition Grants to buy into joint ventures with private sector interests. (More details of these options and the nature of such partnerships are provided later in this report).

## 2.2 Conservation Sector

Opportunities for private sector-community-government partnerships in the conservation sector have been very limited. Since the re-incorporation of the former Ciskei and Transkei into an expanded Eastern Cape Province in 1994, and the amalgamation of three administrations into one, protected conservation areas falling on state land in the Eastern Cape have been managed by the provincial Department of Economic Affairs, Environment and Tourism through its Nature Conservation directorate. To date there has been little opportunity for the private sector or communities to take an active role in the conservation management or development of these protected areas.

Prior to re-incorporation, protected areas in the Ciskei (Mpofu, Tsolwana and Double Drift) were managed by a statutory board known as CONTOUR. Unlike the reserves in Transkei (with the exception of Mkambati) and in the former Cape Province, tourism in the Ciskei was actively promoted. Following re-incorporation CONTOUR, together with the protected areas under its administration, was absorbed into the newly established Eastern Cape Tourism Board (ECTB). The ECTB continues to manage the former Ciskei reserves, with Eastern Cape Nature Conservation (ECNC) managing the remainder of the reserves in the province. An initiative towards creating one unified statutory board to manage all of the provinces nature reserves has been gaining ground but has not yet taken place. The uncertainties surrounding this ' restructuring process' has led to a reluctance on the part of officials to take proactive steps in developing the provinces reserves until the issue of the administrative model to be adopted is finally resolved. This *impasse* is often cited as the biggest hurdle to the development of the Eastern Cape's protected area network.

The extent to which ECTB can be considered a private sector company is arguable. It has a Board of management and a CEO and is run along business lines. However its close relationship with government casts it in the mould of a parastatal. It could perhaps be equated with the state run forestry company B SAFCOL. The ECTB and ECNC do not have active programmes to promote partnerships with the private sector or with communities in carrying out the *conservation* management function. However in at least one instance (Dwesa-Cwebe) where a community has won their claim to the land, this is set to change and in another (Tsolwana), conservation has been taking place on communal land by agreement with a local chief since 1983. Both these cases are outlined in the appendix to this report.

The province is also home to two national parks administered by South African National Parks (SANP) Addo National Park and Mountain Zebra National Park. Plans are underway to considerably extend the size of the Addo National Park into a so-called 'mega-park'. SANP has recently announced its intentions to outsource its tourism operations (accommodation, game drives, retail outlets, restaurants) to private sector tourism operators. This may also open up opportunities for small-scale entrepreneurs and local communities to enter into partnerships with larger companies. SANP does not foresee a role for the private sector in *conservation* management per se. There is an initiative afoot to include park neighbours (communities, commercial farmers) in Park Management Committees. However the exact role and powers of these committees has yet to be determined.

Conservation is not only restricted to protected areas on state land in the Eastern Cape. There is a growing trend in private sector investment in game ranching on former commercial livestock farms. Such 'game farms' are then marketed either as hunting locations or as 'private game reserves' or a combination of the two. Shamwari and Kariega Park are among the better known private 'game reserves' in the Eastern Cape but there are many others. Revenue generated from hunting in 1999 came to R76 million (36% up on the previous year). To date there has been little community participation in these private initiatives as they have mostly taken place on commercial farms. Nevertheless it is likely that this may change given the growth in the industry and the pressure for land reform. Already planning is taking place for a partnership 'biosphere' type project in the central region of the Eastern Cape which is designed to cash in on this increase in hunting interest (see case study in appendix).

From the above overview it is apparent that the Eastern Cape offers little by way of examples of Private Sector Community Partnerships in the conservation sector. Protected Areas in the Eastern Cape are however seen as integral to the development of eco-tourism and the last three years have witnessed intensive planning processes aimed at developing their tourism potentials.

### **2.3 Tourism development**

Tourism planning in the province received a major boost following a state-led initiative to 'unlock the provinces tourism potential'. This programme, the WildCoast SDI, is geared towards unlocking the potential of economically depressed rural areas through state procurement of private sector investment. The concept of partnerships is central to the SDI aim of optimising the benefits of such investment to local communities. The WildCoast SDI is concerned, *inter alia*, with facilitating eco-tourism development in and around the protected areas of the Transkei coast as well as in the Great Fish River Reserve Complex situated close to Grahamstown.

### **Complexities and Delays in the SDI Process**

The SDI follows an intensive planning and research process before identified tourism development opportunities can be put out to tender and operators selected. The following steps form part of this process:

- initial research by consultants to identify the comparative development-sector advantage of a particular locality;
- further scoping research;
- identification of particular nodes and within them sites for tourism developments
- environmental sensitivity research and concept plans for appropriate scale and type developments;
- economic feasibility studies;
- consultation with target communities;
- institution building among target communities (SDI structures);
- steps towards resolution of contentious land tenure issues;
- upgrading of infrastructure;
- formulation of Request for Proposals document;
- investors conference;
- call for expressions of interest from private sector operators/investors;
- research into the ability of interested parties to raise the required capital;
- selection of preferred bidders;
- facilitating contact between preferred bidders and community SDI structures (in some cases only);
- request that preferred bidders develop their concept proposal into fully fledged business proposals with due regard for community participation;
- EIAs;
- bricks and mortar.

Although many of the above steps have been carried out in parallel it has still been lengthy exercise. Initially conceived of as a 'fast-track' development process, deadlines have had to be constantly reviewed and extended due to unanticipated complexities. After being launched in 1996 the WCSDI process is only now at the stage of having recently selected its preferred bidders. It is anticipated that actual physical developments will commence towards the end of 2000.

Although Private Sector Community partnerships are central to the implementation of the SDI it is only recently that the first contact between community SDI structures and preferred bidders has been facilitated. It is therefore too early to evaluate the content of Private Sector Community Partnerships in the context of the SDI.

Apart from projects associated with the SDI the researcher encountered very few other examples of Private Sector Community Partnerships in the tourism and conservation sectors in the Eastern Cape. From the case studies documented in the appendix, it would appear that formal partnerships are most likely to occur in instances where communities are in a position to contribute land to private sector investments or where projects are initiated by a multi-stakeholder 'team' rather than by an individual company. No instances were encountered in which communities

had pooled their Land Acquisition Grants to 'buy into' a partnership with the private sector although this remains a possibility for the future.

## **2.4 Agricultural Sector**

In the agricultural sector the only current examples of partnerships are those between farmers and co-operatives. The researcher was only able to find two examples of these in the province, both of which are on state farms that were formerly managed by the Ciskei Agricultural Corporation, ULIMICOR. KatCo is an orange growers co-operative operating in the Fort Beaufort-Kat River area, while PineCo is a joint venture between Communities in the Peddie district and the Pineapple Growers Association. In the KatCo case, 16 individual black farmers are members of the co-operative. Details of these projects are provided in the appendix to this report.

However, there are historical examples of a kind of partnerships between communities and agricultural parastatals in the former homelands of the Eastern Cape. These were commercial agricultural development projects known as irrigation schemes. Unfortunately, due to the liquidation of the parastatals, none of these schemes are currently operating, although there are some rumours that the state is taking steps to resuscitate some of them. Most of these projects were imposed in a top down manner and did not provide opportunities for communities or farmers to participate in decision making. In many cases the relationship between the farmers and the parastatal was of a contract nature rather than a joint venture. The lack of capacity building and empowerment programmes in these projects contributed to the collapse of these projects when the agricultural corporations were liquidated. The experience of the Tyefu scheme also shows how the historical conflicts and tensions surrounding these projects, a lack of trust, slow progress with tenure reforms and limited government capacity resulted in the failure of a potential citrus partnership project in the mid 90s.

The restructuring of the Magwa Tea project, another former agricultural parastatal on State land, also looks set to provide an opportunity for a partnership between the private sector and the workers organisation. This was possibly the only profitable agricultural parastatal venture and is the only project that is still operational. The restructuring process which began with the liquidation of the parastatal, has been long and difficult, with the State playing a major role in facilitating the take-over by workers and junior management staff and the maintenance of productive activities.

## **2.4 Construction Sector**

In the construction sector the Department of Public Works (DPW), through its tendering process for the construction and maintenance of public roads, is encouraging large construction companies to enter into partnerships with smaller entrepreneurs from previously disadvantaged backgrounds and in doing so providing greater opportunities for small-scale entrepreneurs. One of its Roads Programmes' tendering requirements is that the companies should sub-contract part of the work to suitable small-scale entrepreneurs. It is also envisaged that the role of these small contractors will increase in each subsequent tender awarded to the successful tenderer. The aim of this initiative is to create opportunities for previously disadvantaged small-scale entrepreneurs, and to build their capacity over time. The implementation of this programme is at an early stage and some problems have been encountered. However, lessons have been learnt and adaptations to the

policy are being made to ensure its effectiveness in the long term (pers. com. Harris Majeke, Department of Economic Affairs).

## TYPES OF PARTNERSHIPS

Seven different types of partnerships have been identified during the research process. Some of these are a combination of different partnership types. In the Eastern Cape nineteen different community private sector partnerships were identified and investigated. Some of these have collapsed, some are operational but most are in the process of being developed. These projects have been categorised and are listed in the table below. In the discussion that follows each of the different types of partnerships is described and information provided about the relevant case studies. The details of each of the case studies have been incorporated in the Appendix to this report.

Type of Partnerships	Project Name
1. Joint Ventures/Equity Sharing	Mondi-Umzimkulu Partnerships Sappi-Lambazi Partnership North East Cape Forests/Ugie Partnerships Pine Co Tsolwana Game Reserve Calabash Township Tours
2. Leases (Only)	Dwesa/Cwebe
3. Lease/Equity Sharing Hybrid	Singisi Forests Amatola Forests Tsitsikamma Khoisan Village Fleckpoort Biosphere Reserve Magwa Tea
4. Contracts/Outgrowers	Former Irrigation Schemes Tyefu Citrus Project
5. Sub-Contracting	SANP Outsourcing Dept. Public Works – Road Construction Singisi Forests Amatola Forests Working for Water
6. Joint Management	Dwesa/Cwebe
7. Co-operatives	Kat Co Pine Co

### 3.1 Joint Ventures/Equity Sharing Partnerships

This is the most common type of partnership being developed between the private sector and communities in the Eastern Cape. This is usually a case where both parties set up a company (joint commercial venture) where each party has a share or equity stake in the company commensurate with the value of their contribution. Each party shares in the ownership, proceeds and liabilities of the company. In the Eastern Cape, communities entering into such partnerships usually contribute their land, labour and/or their SLAG grants to the venture. Private Sector companies contribute capital, expertise, physical assets, information, networks, etc and also take most of the risk in terms of purchasing, processing and marketing the produce.



Consequently, the community stake in most of these ventures tends to be relatively small, usually in the region of 10%. These are the types of ventures that are being pursued by large forestry corporations in the province, such as Mondi, Sappi and NECF.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to this report.

Project	Partners	Legal Entities	Land Owners	Community Contribution
Mondi/Umzimkulu	Mondi & Communities	Trusts	State/DLA	SLAG funds
Sappi/Lambazi	Sappi & Communities	None yet	State/DLA	none yet
NECF/Ugie	NECF & Communities	CPAs	Communities	Land & labour
PineCo	Pineapple Growers Association, Communities & Workers	Trust	State/DLA	SLAG Funds & labour
Tsolwana Game Reserve	CONTOUR & Community	Tribal Authority	Community	Land & labour
Calabash Township Tours	Real City Tours, Schools & crafters	Trust	N/A	Labour & goodwill

### 3.2 Leases

In this type of partnership, the owner of the land or a particular resource, would enter into a contract with an investor wanting to develop the land and the investor would pay the owner a lease fee. This may or may not entail the involvement of the owner in the management or running of the development. In the Eastern Cape, the typical examples of such partnerships are where rural communities or the State leases its land to the private sector investor. In the forestry sector, the restructuring of commercially viable state forests is providing opportunities for these types of partnerships. The involvement of communities as land owners in such partnerships has tended to be limited to the Tourism sector – as in the Dwessa/Cwebe case.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to this report.

Project	Partners	Legal Entities	Land Owners	Community Contribution
Dwessa/Cwebe	Investors & Communities	CPAs	Communities	Land & buildings

### 3.3 Lease/Equity Sharing Hybrid Partnerships

The process of restructuring state forests in the Eastern Cape is encouraging the development of a combination of partnerships, particularly the combination of leases and equity sharing ventures. This is because the State has required that companies wanting to lease state forests must have a 10% black economic empowerment stake in their companies. Consequently, the preferred bidders for the category A state forests have made 10% (and sometimes more) of their shares available to legal entities representing communities neighbouring the forests, and also to workers trusts. This type of partnership is also developing in the tourism sector through the SDI process.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to this report.

Project	Partners	Legal Entities	Land Owners	Community Contribution
Singisi Forests	Communities, workers & companies	Trusts & Companies	State	None?
Amatola Forests	Communities, workers & companies	Trusts & Companies	State	SLAG funds
Tsitsikamma Khoisan Village	Community	Trust & Section 21 Company	Community	Land and Buildings
Fleckpoort Biosphere Reserve	Communities, commercial farmers & State	Trust	State/DLA	Unknown
Magwa Tea	Workers & DoAgric & DLA	Company	State	SLAG funds

### 3.4 Contracts/Outgrowers

Contracts between farmers/outgrowers and large private sector companies that have been so prominent in Kwa-Zulu Natal, are not common in the Eastern Cape. This is usually a contract where farmers agree to make available their land and labour for forestry or other types of commercial agricultural production (sugar cane) for a large company with processing capacities. The company provides the farmers with loan advances, technical advice and assistance, and subsidised inputs on condition that the farmer sells his/her produce to the company. This type of partnership does not involve joint decision-making. Rather the large company determines the conditions of the contract.

None of the large-scale forestry companies have yet pursued this route in the Eastern Cape. However, it is possible that these types of partnerships could develop in the future in both the agricultural and forestry sectors as commercial production gets underway and expands in the former homeland areas. If state farms become available for redistribution to emergent farmers this could provide an ideal opportunity for the growth of such partnerships in suitable areas.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to

this report. The major characteristics of the outgrower schemes in Kwa-Zulu Natal are outlined in the box below.

Project	Partners	Legal Entities	Land Owners	Community Contribution
Irrigation Schemes	Agric. Parastatals, Communities & individuals	none	State & sometimes Communities	labour
Tyefu Citrus Proj	Individuals & Citrus Marketing Co.	none	Community	Land

### **Characteristics of individual forestry outgrower schemes in Kwa-Zulu/Natal**

- Forestry outgrower schemes developed gradually and on the basis of exposure to nearby commercial forestry industry (observation and employment)
- Outgrowing in the sugar industry lead the way
- Outgrowers first developed in areas relatively close to major processing centres
- Developed on individual holdings of arable and grazing land with permission from tribal authorities
- Some outgrowing was a response to the threat of forced removals
- Women also using forestry to secure their rights to arable land after death of husband

#### **Benefits to Companies:**

- Previously no need for EIAs or afforestation permits (due to small parcels of land).
- Gives companies access to cheap household labour
- Eliminates need for lengthy and difficult negotiations with community structures
- Avoids the need to provide other non-forestry related services to communities

#### **Benefits to Individuals in Communities**

- Provides individual households with direct financial benefits
- Provides all categories of household classes with opportunities to generate income from fields (wealthy and poor).
- Provides widows with more secure access to land (when not able to use fields for other crops)
- Protection against forced removals
- Opportunities for employment as cutters and harvesters (particularly those without land).
- Eliminates need to lengthy community negotiations to proceed and avoids conflict

#### **Advantages of Individual Outgrower schemes over Community (Group)/Private Sector Partnerships**

- Less political and administrative procedures and red-tape
- No need for land transfers, although this would be better in the long run
- Less need for imported facilitation services

- Direct economic/livelihood benefits to households
- Individual livelihoods resources not diverted to broader community projects with no direct livelihood benefits
- Less costly for companies
- Clear support role for companies
- Support to growers from companies and grower associations

**Disadvantages of Individual Outgrower schemes over Community (Group)/Private Sector Partnerships**

- Farmers have to accept the terms offered by companies
- Farmers dependant on the companies for all inputs, technical expertise and long-haulage
- The development of co-operatives has been limited
- Potential for exploitation of cheap household labour
- Less assistance available to communities for other non-forestry related infrastructure and services

**Problems with applying the individual outgrower model in Eastern Cape**

- Communities and rural residents less familiar with commercial forestry and lack the practical skills
- Negative experiences with forestry and other commercial ventures in the past
- Distance from processing facilities and greater long-haulage costs
- Poor condition of the roads and difficult access
- Lack of extension services and locally based depots
- Lack of clarity about who has legitimate responsibility for land administration in communal areas (tensions between TA's and TRCs.
- Betterment processes reduced the size and number of arable fields held by households in many communal areas

Derived from Cairns 2000

**3.5 Sub-Contracts**

There are opportunities for sub-contracting partnerships in just about every economic sector. Typically, this would involve a large company contracting a smaller entrepreneur or business to undertake a particular job, or a component of the processing operations, or to provide a particular service. Plans by SANPs to outsource many tourism services is an example of such partnerships. The development of affirmative action programmes in South Africa and the State's policies to promote black economic empowerment, have encouraged large private companies and parastatal organisations (such as SANP) to ensure that sub-contracts are given to small-scale entrepreneurs from previously disadvantaged backgrounds. In cases where the capacity to undertake such contracts by disadvantaged groups is low, partnerships between large commercial companies and disadvantaged entrepreneurs have also been considered. The tendering provisions for most government contracts often include such provisions.

The devolution of woodlots to communities may also provide new opportunities for the development of sub-contracting partnerships with small-scale entrepreneurs.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to this report.

Project	Partners	Legal Entities	Land Owners	Community Contribution
SANP outsourcing	SANP & individuals & companies	Companies	SANP	Labour & finances
DPW Road Construction	Contractors and sub-contractors	Companies	DPW	Labour & finances
Singisi Forests	Singisi Consortium & Subcontractors	Companies	DWAF	Labour & finances
Amatola Forests	Amatola Consortium & subcontractors	Companies	DWAF	Labour & finances
Working for Water	DWAF, land owners & subcontractors	companies	State & private	labour

### 3.6 Joint Management

This type of partnership is usually developed between communities and the State. There are no known examples of private sector involvement in such partnerships. They usually arise as a result of overlapping rights and responsibilities related to specific resources such as land or natural resources. For example, where communities have land rights but the state has a responsibility to ensure the conservation and protection of valuable natural resources i.e indigenous forests, marine resources, etc. The joint management of the Dwessa/Cwebe Forest Reserves is an important example of such a partnership.

However, such joint management ventures may also develop in the case of woodlots on communal land in the former homeland areas because the communities do not have the capacity to manage them on their own, and/or the state finds it difficult to withdraw from management of these resources due to legal constraints. In the Eastern Cape, the joint management of woodlots may help to avoid a situation where large numbers of government employees could be retrenched. However, rather than being seen as an end in themselves, joint management may prove to be one stage in the process of gradually devolving all rights and responsibilities over woodlots to the communities.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to this report.

Project	Partners	Legal Entities	Land Owners	Community Contribution
Dwessa/Cwebe	DWAF & Communities	CPAs	Communities	Land
Woodlots	DWAF & Communities	CPAs or Trusts	DWAF &/or communities	labour

### 3.7 Co-operatives

In theory co-operatives are partnerships between a large number of producers to pool their resources and produce, to support one another and ensure they get the best prices and improve their access to markets. There is a long history of co-operatives in the commercial agricultural and forestry sectors in South Africa. In recent decades, the number of black producers linked to such co-operatives has increased and grown particularly rapidly in the forestry sector. This has provided small-scale producers from disadvantaged backgrounds with many benefits and has released many from restrictive contracts with large forestry and pulp/paper producing companies.

If forestry outgrowing develops in the Eastern Cape, then the development of producer co-operatives or the expansion of existing co-operatives into this province would be one way of strengthening the bargaining position of communities/farmers and ensuring equity and fairness in community/private sector partnerships.

Some black emergent farmers in the Eastern Cape are already involved in co-operatives such as the orange farmers in the Kat River valley. There is also an example of a joint venture between communities in the Peddie district and the Commercial Pineapple Growers Association.

The process of devolving woodlots to communities may also provide opportunities for various communities with such forest resources, to co-operate and pool their resources in an effort to maximise their income from forest products. Such co-operatives could then subcontract out particular jobs to small-scale entrepreneurs or enter into partnerships with them to add value to their products and generate more local income generating opportunities.

The case studies which fall into this category of partnership are listed below with some of their main characteristics. Further details are provided in the appendix to this report.

Project	Partners	Legal Entities	Land Owners	Community Contribution
KatCo	KatCo & Individual farmers	none	State/DLA	Labour & resources
PineCo	PineCo & the Pineapple Growers Association	none	State/DLA	Slag funds, labour and resources

## KEY ISSUES

### 4.1 Mechanisms companies have put in place to effectively deal with partnerships

#### **4.1.1 Lease/Equity Sharing Hybrid Partnerships**

In the case of companies hoping to lease Category A state forests, they have used company legislation and trust legislation to set up business consortiums that provide neighbouring communities and workers with a stake in the venture. In terms of facilitation, the Southern consortium (Amatola) used its own staff and expertise to negotiate with communities and workers and bring them on board. Chris Rance, the owner and manager of Rance Timbers, did much of the facilitation himself and can speak Xhosa fluently. In the case of the northern consortium (Hans Merensky), they have contracted private facilitators to engage the communities and set up the appropriate structures. They also employ someone full-time as a community facilitator. The Department of Land Affairs has also been brought on board so that communities can use their Settlement and Land Acquisition Grant (SLAG) funds to purchase their share of the company (Amatola Consortium).

Most of these joint ventures are in the very early stages of development and the leases of the State forests have not yet been finalised. Consequently there is no local experience that can provide clear guidelines as to what mechanisms would be required to facilitate and maintain these partnerships. However, we can anticipate from broader experience elsewhere, that assistance with a variety of resources and services will be needed to secure the future of such partnerships. These include marketing, training, administration, conflict management, and monitoring.

#### **4.1.2 Joint Ventures/Equity Sharing Partnerships**

The NECF Joint Venture projects with three rural communities in the Maclear/Ugie areas of northern Transkei, was the earliest venture of this type. It drew on Mondi's experiences of its Khulanathi outgrower project in KwaZulu Natal. They basically entailed joint ventures between NECF and the three CPAs at the community level. These rural communities were encouraged to grow trees in return for benefits which would included a 20% share in harvest proceeds, and employment in the planting, maintenance, fire control, harvesting processes, etc. In this case, the Communal Property Associations Legislation, legal advice for communities (funded from overseas donor organisations) and a Joint Venture Agreement (form of contract) were mechanisms used to facilitate the partnership.

In the afforestation partnerships initiated by most private sector companies, the mechanisms used to facilitate these partnerships have included the following:

- Sappi have used an NGO (Lima) and donor funding from the Food and Agriculture Organisation (FAO). NECF secured funding for independent legal advice for communities
- Use of DLA Settlement and Land Acquisition Grant (SLAG) funds to enable households in communities to become financial partners in the project, and use these funds as collateral to raise loans from the Land Bank. – Mondi and Amatola Timber Holdings Consortium
- Assigning staff to facilitate development of projects - Mondi, NECF
- Establishment of Community Development Companies as legal entities to coordinate and manage the projects on the communities' behalf - Mondi
- Establishment of Communal Property Associations as legal entities that can enter into joint ventures with the private sector – NECF

- Targeting State Land/farms. This allows communities to obtain additional land or land which they are not currently dependent on for forestry development – Mondi, Sappi

Due to slow progress and other problems, these large pulp companies have now decided that it is costly and risky for commercial companies to take on the facilitation of such partnerships themselves. They have found the progress very time-consuming, demanding and costly, requiring skills that are not necessarily found within their own organisations, and they prefer to delegate this task to consultants or NGOs using outside donor funding to pay for it. Mondi did initially foot the bill for facilitation but is now withdrawing and apparently have asked for these costs to be refunded by the Community Development Companies.

## **4.2 Mechanisms communities have put in place to effectively engage in partnerships**

Unfortunately, most communities have not yet put in place any mechanisms to effectively engage in partnerships. This is because they have had little or no exposure to such opportunities. Those, which have recently been approached by the private sector, have not yet set up such mechanisms. In most cases partnerships have not been initiated by communities, but by outside organisations such as companies, the State or NGOs. In some cases these outside organisations have assisted the communities in the process of setting up Communal Property Associations (CPAs) or Trusts that can facilitate partnerships. This has been the case in the Dwesa/Cwebe areas, the NECF joint ventures, the Mondi/Umzimkulu projects, and the preferred bidders for the leasing of category A state forests.

In the absence of CPAs or Trusts, old and new local government structures and representatives have been approached by the private sector to initiate such partnerships. However, the current state of flux in local government structures in rural areas of the former homelands and the conflicts and competition between these structures, jeopardises the viability of these agreements.

## **4.3 Mechanisms National and Provincial Government have put in place to facilitate partnerships (and what are the effects of these)**

The State has put a number of legislative/legal mechanisms in place that can facilitate partnerships between communities and the private sector. These include

- Communal Property Associations (Act No 28, 1996) which enable transfer of land from the State to a community as a group.
- Trusts which enable communities to enter into legal contracts with the private sector or other organisations
- Company legislation (such as Section 21 Companies which are non-profit orientated) which allow communities to set up their own companies which can then enter into legal contracts and relationships with other companies or organisations.



In addition, the Department of Land Affairs (DLA) has developed legislation and policies which protect the rights of rural communities and assist communities wanting to enter into such partnerships. The Extension of Security of Tenure Act (Act No. 62, 1997) protects the informal rights of long term users and occupiers of land, so that they cannot be alienated from this land. The DLA's land reform policies also allow disadvantaged rural people to access state grants for the purchase and development of land. These funds are being accessed in the Mondi-Umzimkulu projects to lease state land and to contribute to the project development costs,, and in the Amatola Timber Holdings Consortium to allow communities to buy into the company.

The Spatial Development Initiatives (SDI) in the Wild Coast region have also aimed to 'fast-track' development initiatives in this region. This has resulted in considerable financial and human resources being made available to facilitate tourism developments along the coast. Although much of the emphasis has been on development on State reserves (rather than communal land), part of this process has involved consultations with local communities and efforts to set up CPAs and Trusts to enable communities to enter into partnerships with the private sector.

The SDI operates from CIMEC (Centre for Investment Marketing in the Eastern Cape) - a state run company set up to coordinate and procure investment in the Eastern Cape. It is further facilitated by a SDI Task Team comprising senior representatives of relevant line-departments and advisors from the Development Bank of Southern Africa (DBSA). In addition a provincial inter-departmental SDI cluster has been formed as a mechanism to ensure that government's approach to building an environment conducive to investment takes place in a coordinated and integrated manner. The 'cluster' comprises senior representatives from the many provincial departments and district councils whose activities and programmes have a bearing on delivering the necessary service inputs. Furthermore, and reflecting the importance which government attaches to this programme, the SDI Coordinator meets on a regular basis with relevant MECs and Permanent Secretaries. The idea here is that the Coordinator can bypass rigid bureaucratic procedures thereby 'fast-track' development support from provincial departments.

Affirmative action and Black Economic Empowerment policies which have been incorporated into the State's tendering and leasing procedures, have also ensured that private sector must enter into partnerships and joint ventures with previously disadvantaged communities, groups and individuals. This is clearly evident in the selection of preferred bidders for the lease of category A state forests in the Eastern Cape. However, it should be noted that besides applying these affirmative action and empowerment criteria to the awarding of tenders or leases, that State has played almost no active role in trying to facilitate the establishment of these partnerships. However, the efforts being made by the Public Works Department to incorporate small-scale contractors into road building and maintenance contracts and the gradual building of their capacity over time is a noteworthy exception.

The provision of training by the Department of Labour and where appropriate by the Department of Agriculture, perhaps through the extension services, is another important resource that needs to be incorporated into the process of setting up and maintaining partnerships between communities and the private sector. However, given the early stage in the development of most of these partnerships, this resource has not yet been tapped.

#### **4.4 Do actors learn from one another about best practices?**

Although many partnership projects are being developed in isolation and by different role players, the partnership model commonly applied by companies interested in large forestry projects is that of equity sharing coupled with employment of local residents by the company. Other kinds of partnerships such as co-operatives and outgrower schemes are not being pursued at this stage, although in the agricultural sector there are a few examples of partnerships between farmers and co-operatives. This current focus on equity sharing schemes is probably a consequence of the fact that these partnerships have been initiated by companies and the state, rather than by communities and local entrepreneurs, and suit the interests of these role players. Given the lack of experience in applying this partnership model to forestry projects in the Eastern Cape, it is not clear whether this model is the most appropriate or viable model to pursue. Time and experience will tell.

The DWAF has received considerable assistance from the UK Department for International Development (DFID) in the design and implementation of the woodlot devolution process. This has enabled DWAF to apply the lessons that have been learnt from similar initiatives in other parts of the world, in the design of the process. The 11 pilot projects have also given DWAF the opportunity to identify and iron out problems, refine its policy and build its capacity. Irish aid that facilitated research into potential models of community ownership for woodlots, also facilitated the process of designing and initiating the woodlot devolution process.

Partnerships that may develop around woodlots are likely to be very different to the larger commercial afforestation and forestry projects. In this case the State will be facilitating the process of transferring forest assets to local communities and helping them to develop the woodlots in such a way that they contribute to local economic development. In these cases local entrepreneurs will have far less influence over the form that partnerships take and may have to compete with local co-operatives that could develop between communities. In these situations, there will be greater state assistance and much less dependence on private sector funding, resources and expertise. It may also be possible for local residents to engage in commercial forestry themselves if some financial assistance is secured.

Efforts to ensure that large companies sub-contract out part of the work to suitable small-scale entrepreneurs, is a type of partnership that could easily be adopted in the forestry industry, particularly in terms of ensuring that some components of the maintenance, processing and harvesting and processes around category A State forests are contracted out to small entrepreneurs. Although such practices have not been incorporated in the lease agreements for the Category A state forests, the preferred bidders have indicated their intention to contract out such work to small-scale entrepreneurs. DWAF should monitor this situation and encourage such practices.

#### **4.5 The barriers and bridges to effective company-community partnerships, from a company's point of view.**

The large forestry companies that have initiated joint ventures or partnerships with communities have obviously encountered considerable problems. The Mondi project is substantially underway, but neither the NECF nor the Sappi projects have got off the ground yet, and all of these companies have either completely or partially

withdrawn from these projects. At first glance the most obvious assumption would be to ascribe this to difficulties they have encountered with the communities, and to some extent is borne out by the reports and statements issued by the companies themselves. However, a closer examination contradicts this view. Problems are often more closely related to company responses to changing circumstances and markets, than to problems they have encountered with communities. In the NECF case, the shelving of the projects was a result of a company decision not to expand afforestation any further and to shelve plans to set up a pulp mill in the area. In the Mondi-Umzimkulu case, Mondi's acquisition of a large parcel of private land in Natal reduced their economic need to enter into joint ventures with communities in the Transkei in order to secure more fibre. The Sappi-Lambazi project is the only case where the unwillingness of the community to make sufficient land available (4-6000 ha) for afforestation contributed to the undermining of the viability of the project, as conceived by Sappi, but even here it is the economic viability that apparently overrides any social or 'upliftment' objectives.

#### **4.5.1 Barriers**

This is not to say however, that the problems encountered in dealing with communities have not been significant or important. Problems have been encountered and should be recognised. These problems include:

- The high risks and costs of engaging in such partnerships. In the Mondi/Umzimkulu projects, Mondi has incurred R2 million of expenses just to facilitate the establishment of the projects. The process of negotiating with communities or groups is a time consuming and often delicate process, particularly when there are language and cultural barriers, which impede effective communication. Unpleasant experiences with State and private sector organisations in the past also generate feelings of mistrust and suspicion on the part of communities.
- Lack of experience in dealing with rural communities/groups and a lack of language, facilitation and conflict management skills.
- Difficulties in dealing with disunited and conflicting groups, where the objectives and incentives for various groups differ and sometimes conflict. These problems have been encountered by Sappi in the Lambazi area, in the SDI processes and by DWAF in its process of devolving some of the woodlots.
- The slow pace of progress also can undermine the viability of such ventures. Lengthy negotiation processes and long delays in securing funding and government permits all pose a threat to these projects. (Mondi-Umzimkulu projects, Sappi-Lambazi project, SDI process)
- Reduced economic imperative to engage in such partnerships yet. The desire to engage in such partnerships also fluctuates depending on market and other factors. (Mondi-Umzimkulu and NECF-Ugie).
- Need to respond quickly to market changes – market changes can undermine the viability of proposed expansion projects. In the NECF-Ugie case this resulted in the termination of the joint venture with communities.
- Tensions between the objectives of the company and those of the communities. This is clearly evident in the Sappi/Lambazi Project, where the company objectives to acquire 6000 ha of land, conflict with community aspirations to increase security and secure reliable incomes by pursuing a variety of the

development projects which could provide a wide range of livelihood opportunities.

- Tensions and conflicts within communities with regard to development projects also creates problems for companies. Where the company may have one objective, the communities are likely to have many objectives, and these may differ between groups. Failure to address a range of the most significant community objectives could alienate certain groups and jeopardise the future of the project. The complex dynamic of conflict and negotiation within communities can also change community decisions and opinions over time as has been the case in the Sappi-Lambazi project.
- Communal tenure prevents communities from using their land as security to raise loans that could enable them to develop the land.
- Problems and conflicts at local government level which make it difficult to identify who the most appropriate representatives are to deal with, and increase the risks of decisions being overturned by opposing groups. This is particularly evident in the Sappi-Lambazi project but has also disrupted progress with the SDI initiatives.
- The small size of arable fields in many rural communities is an obstacle to the development of individual outgrower schemes. In many areas of the former Ciskei and Transkei, betterment planning resulted in land use changes which reduced the size and number of arable holdings.
- In the case of woodlots and other state forests, a particularly difficult problem is that the DWAF staff employed on these woodlots are usually not from neighbouring villages and can not easily be retrenched. Neighbouring communities are all demanding employment opportunities for locals rather than outsiders.

#### **4.5.2 Bridges**

- Securing state or other donor funding to facilitate the development of such partnerships and enable communities to participate. In the Mondli/Umzimkulu projects the DLA's SLAG funds and Bank loans have been secured to enable community participation. Sappi and Lima are looking for FAO funding to facilitate the development of their project in Lambazi. NECF secured outside funding to obtain independent legal advice for the communities. SLAG funds have also been accessed for many of the proposed projects associated with the SDI processes, the Amatola joint venture, the Tsitsikamma Khoisan Village, the PineCo venture, and the restructuring of Magwa Tea.
- Securing the services of consultants and NGOs to facilitate the development of projects and build local capacity. In the Sappi/Lambazi project, a rural development NGO, LIMA, has been asked to facilitate the negotiations. Such services have also been employed for the NECF and the Singisi projects.
- Financial institutions that can provide loans and capital to rural communities to enable them to embark on afforestation projects and undertake various maintenance, harvesting and transport operations. Here, the DLA's SLAG funds have proved particularly useful. In the Mondli/Umzimkulu projects these funds are being used to secure additional loans from the Land Bank.
- Opportunities to access state forestry assets, which are tied to empowerment provisions, have provided incentives to companies to seek out partnerships with disadvantaged communities. This is the case with the lease of the two major sections of category A state forests in the eastern Cape. In both these cases the

preferred bidders have or are in the process of developing partnerships with communities neighbouring the forests.

- The willingness of private sector companies to take on at least some of the DWAF staff has facilitated the process of leasing out category A State Forests.

## **4.6 The barriers and bridges for effective partnerships, from communities' point of view**

### **4.6.1 Barriers**

Disadvantaged rural communities encounter many barriers to participation in forestry partnership ventures. These are discussed briefly below:

- The communal form of land tenure existing in most rural communities and that fact that the State is the nominal owner of the land is one of the problems that is generally believed to inhibit community participation in business ventures. However, most rural residents see themselves as the owners of the land and have relatively secure tenure. Their informal rights are also now protected by the Extension of Security of Tenure Act (ESTA). However, issues around land administration remains contested terrain.
- The current state of flux in local government structures in rural areas of the former homelands and the conflicts and competition between these structures, jeopardises the viability of these agreements. This situation is particularly problematic in the former Transkei. The Lambazi and the Tsolwana project provide examples of this problem.
- There is also a considerable lack of capacity at State and NGO level to facilitate land and local government reforms in rural areas generally. It is for this reason that the DLA has not maintained its involvement in the Lambazi project. These capacity constraints also contribute to the slow progress which the companies and communities all complain about.
- The conflicts between various political groups and structures in these rural areas, particularly the Transkei, present a serious obstacle to the development of such partnerships. The tensions in Lambazi between the structures set up by the tribal authorities and those set up by the new local government structures provide an example of this problem.
- There are also many different interest groups within communities, with different socio-economic circumstances and livelihood strategies that influence their attitudes towards forestry projects. These different groups will have different objectives and intentions for participating (or not) in such projects. In the two woodlot case studies, there were significant gender differences in objectives, which were not accommodated or articulated by the leadership.
- Language and cultural barriers are major problems for community members, which the Mondi-Umzimkulu and Sappi/Lambazi projects illustrate. Most of the project documents are in English and use legalistic jargon. The majority of the people representing the communities on these projects cannot speak or read English and even those who are fluent in English cannot understand the legalistic language and concepts. In most cases these representatives are given very little time or assistance to read the documents before their response is required. Low levels of education and literacy in these communities also exacerbate communication problems. It affects communication between community representatives and companies but also communication within communities, and

creates opportunities for corruption and nepotism. This highlights the incredible dependence of these communities on the facilitators or company representatives. The lack of independent legal advice and facilitation puts these communities in a very vulnerable position relative to the companies.

- Development is seen by most of these rural communities as something that comes from outside. Outside companies and funders are seen as vehicles of development. The desperate need for employment and income encourages many community leadership structures to acquiesce to almost any proposal in order to maintain the partnership and secure employment and income. This may leave them with a poor deal, or with a project that does not satisfy their needs, or conflicts with other needs in the communities.
- Another problem for communities is their lack of business (and specifically corporate business) experience and skills, and a lack of information about the industry. These communities are not aware of the potential opportunities (and benefits) in this sector. Once again this potentially leaves them dependent on company staff and vulnerable to exploitation. It also makes it difficult for them to understand company objectives and business practices. These problems have been experienced in many of DWAF's Working for Water projects as well as the private sector aforestation initiatives in Umzimkulu and Lambazi. Research into outgrower schemes in KwaZulu Natal also clearly indicate that employment in and proximity to commercial forestry operations played a major role in encouraging rural people to enter into outgrowing schemes. The skills and knowledge acquired through employment in the commercial sector greatly facilitated the spread of community ventures into aforestation (Cairns, 2000).
- The negative past experiences that rural people have had with state forestry and agricultural projects (such as TRACOR), also makes them very suspicious of aforestation projects. Many communities have lost their land to such projects and fear that companies may also be trying to take their land.
- The lack of financial resources, access to credit and inability to use land as collateral means that communities cannot initiate aforestation projects on their own and makes them dependent on large forestry companies to provide the capital to initiate and finance the project until the first crop has been harvested.
- Infrastructural constraints such as poor or inadequate roads, the lack of phones and electricity, and dependence on water from dams, rivers and springs, also inhibit the development of partnerships with the private sector. These constraints make it very difficult for communities or groups to establish and maintain contact with their partners, to obtain access to the required resources and to harvest the forest produce. Considerable distances to timber processing outlets such as sawmills and pulp mills also adds to the costs and reduces the economic viability of such projects.
- Livelihood strategies employed by poor rural residents place limits on the extent to which they would be prepared to invest in aforestation projects. Livelihood strategies of the poor are aimed at diversifying livelihood activities and minimising risks. While this may make such persons willing to enter into aforestation projects as another source of livelihood, it would also prevent them from devoting all their land resources to forestry. This has been evident in the Lambazi project where the communities aspire to develop the land for a variety of agricultural and forestry projects rather than set aside the bulk of the land to forestry. Research into individual outgrower schemes in KwaZulu Natal also confirms that growers continue to invest in other agricultural activities in addition to forestry.

- Partnership projects which result in relatively small financial benefits for large groups or communities (rather than individuals) are likely to be used for community development projects that may not have a direct effect on rural livelihoods. The most significant benefit from these projects for individual community members would be the opportunity of employment. Consequently, there may be some resistance among community members, particularly those who rely heavily on land and natural resources, to support afforestation projects.

#### **Barriers to Community Participation in Tourism Ventures**

The 1996 White Paper on Tourism Development listed what it called a 'myopic private sector' and the limited integration of local communities and previously neglected groups into tourism as two key constraints to sustainable tourism development in South Africa. It went on to list a number of factors which limited the meaningful involvement of local communities in the industry. These included:

- *lack of information and awareness;*
- *lack of know-how and training;*
- *lack of finance;*
- *lack of interest on the part of existing establishments to build partnerships with local communities and suppliers; and*
- *lack of incentives to reward private enterprises that build or develop local capacity and create job opportunities.*

#### **4.6.2 Bridges**

- The willingness of the State to take on the role of broker and facilitator of private sector-community partnerships. The recent Forestry White Paper (1997) and the National Forestry Act (1998) clearly spell out the desire on the part of the State to withdraw from the ownership and management of forests, and to facilitate partnerships between communities and the private sector that can promote rural development.
- Donor funding can be very helpful in facilitating community participation. In the NECF joint ventures donor funds were secured to provide independent legal advice to communities. In the Sappi case, funding from the FAO is being sought to finance the facilitation process, commission the necessary surveys, acquire the afforestation permits, and enable Lima, an NGO to provide these services.
- The availability of independent facilitation services is in the interests of both parties. Communities benefit in terms of being able to get a better or fair deal from companies, resolving tensions and conflicts within communities and in terms of being able to participate more fully and on an informed basis. In KwaZulu Natal support and facilitation services provided by NGOs and representative organisations for outgrowers, has done much to improve the situation for outgrowers and expand their options.
- The availability of the DLA's Settlement and Land Acquisition Grants (SLAG) for households is providing a means by which communities can access state land for afforestation projects and raise funds for agricultural and forestry production initiatives. These funds are also being used in the Amatola Timber Holdings venture to allow communities to buy into the company.
- The incorporation of black empowerment provisions in the terms of leases for state forests (category A) and valuable tourism development sites has also

encouraged companies to seek out partnerships with neighbouring communities and worker groups.

- The opportunity to form CPAs or Trusts has also facilitated the participation of communities in such partnerships. This has been the case in many of the forestry partnership ventures. However, the communities need considerable assistance in setting up such structures, and this is not always available. The capacity of the DLA to provide assistance is very limited and stretched to capacity, and the availability of these services from other sources depends on the availability of implementing agents, donor funding and/or company willingness.

## **4.7 The influence of macroeconomics and national, sub-national and local politics on partnerships**

### **4.7.1 Macro-economics and national Politics/Policy**

#### **Bridges**

- Opportunities for forestry partnerships have also been significantly influenced by the national process of privatising state assets and the downsizing of government. The aim of these processes is to reduce government expenditure by reducing the size of the civil service, reducing costs and subsidies, and generating income. The State Forest Restructuring process is a direct outcome of these processes. It entails the privatisation of the SAFCOL forestry parastatal, the leasing out of state forests, and the devolution of small commercially viable state forests and woodlots. Ultimately, the role of DWAF will be limited to regulatory and conservation functions. State forestry operations will be minimised and new income generating opportunities will be created for the private sector and communities.
- The States emphasis on ensuring that black economic empowerment is promoted through this process of restructuring state forests is also creating new opportunities for partnerships and putting pressure on the private sector to enter into partnerships with formerly disadvantaged population groups.

#### **Barriers**

- Market fluctuations, supply and demand for fibre. Companies prefer to produce most fibre themselves – gives greater control over quality, quantities and prices
- Inadequate co-operation and co-ordination in terms of strategic planning between government departments such as DWAF and DLA results in contradictory policies and capacity problems. DWAF has consulted with the DLA about specific issues and cases but have not taken DLA capacity problems into consideration in the planning process. So, although the DLA staff have been assisting with a few isolated projects, they have not developed a structured plan to assist with the whole restructuring and devolution process and lacks the capacity to provide and expand the scope of the assistance needed.
- Inadequate co-operation between government departments in the planning of programs results in the mismatching and tensions between government programmes. For instance, DWAF has directed all communities who have claims to land incorporated under state forests, to address their claims through the Land Claims commission. In all likelihood it will take many years, if not decades for these claims to be dealt with. In the mean time DWAF is continuing



with restructuring and leasing out forests to commercial enterprises for a period of 70 years. Although this does not alienate the land from the communities and they can take over the leases once their claims are resolved, it does mean that communities are tied into long term leases with commercial companies but have no say in the decision making process.

- Inadequate co-operation in State planning processes, results in different actors simultaneously trying to sell contradictory schemes to communities. In the Lambazi area for example, various organisations are competing for the same land and proposing competing schemes such as forestry, dairy farming, tea cultivation, etc. In the same area, while there is a forestry development project on the table, there is also a Working for Water project on the go that is removing alien trees which the forestry project is proposing to plant.
- The speed at which DWAF is proceeding with the restructuring process is creating conflicts and problems. There has not been enough time and resources set aside to ensure effective community participation and real benefits. In fact DWAF has been relying very heavily on the private sector and other organisations to facilitate the development of partnerships. There has recently been considerable concern expressed in the media about the process of leasing category A state forests in the Eastern Cape (M&G, 5-5-2000).

#### **4.7.2 Sub-National Politics/Policy**

##### **Bridges**

The Spatial Development Initiatives (SDI) set up the Eastern Cape Province, particularly the Wild Coast SDI, aims to promote investment, employment creation and income generation in the tourism, agriculture and forestry sectors. The motive for setting up these initiatives was to fast track development in particular areas where there was a desperate need for development. This process has provided considerable stimulus to tourism developments along the wild coast, but progress has not been very quick. There have been many obstacles to overcome. One of the big problems has been the potential investors have been very slow to come forward with projects. However, in those areas where considerable efforts have been focused, such as the Dwesa/Cwebe area, communities have received significant assistance and recognition, and have now set up CPAs and Trusts, which will enable them to enter into partnerships with potential investors.

##### **Barriers**

While there have been benefits from the SDI process it is important not to overemphasise the benefits of the SDIs. More progress has been made in the tourism sector than any other sectors, such as agriculture and forestry, and the number of communities involved in the SDI programmes is very limited. The point has not been reached where private sector investments have been made and partnerships entered into. Sappi, in relation to the Lambazi/Magwa project, feel strongly that the SDI has failed to fulfil its obligations in regard to the facilitation and 'fast-tracking' of development initiatives. There has been no communication between Sappi and the SDI for several years. Another major criticism that has been levelled at the SDI processes is that the pressure to deliver and fast track development has created considerable problems for effective community participation. Local government and some community structures have been consulted but they have struggled to really participate. Considerable conflicts have

also developed around proposed projects (Article by L. Nsebeze in Daily Dispatch Nov-Dec 1998).

### **4.7.3 Local politics**

#### **Barriers**

- At a local level the conflict between the Tribal Authorities and Local government structures referred to above have a very negative impact on the potential to develop partnerships between communities and the private sector. Historically, the tribal authority structures have played a central role in land administration. However, in recent years the role of the tribal authorities has been systematically eroded and the issue of land administration has become contested.
- Many state forests and woodlots in rural areas were established on the boundaries of a number of different communities or villages. In the case of the Singisi forests this could run into hundreds of communities across a very wide area. This creates tensions and disputes between claimants on how to share the forest and its products. These resources have also been managed in such a way, that outside persons and groups who have no claim to the land, have accessed these resources. This situation makes the process of negotiating the devolution of these assets to local communities a much more difficult and complicated process.
- There is also some opposition to DWAF's plans to devolve smaller forests and woodlots to local communities. There are conflicts within communities and between communities and outsiders. In communities, the woodlot case studies revealed differing objectives and aspirations between groups, particularly along gender lines. Local entrepreneurs earning a living from the harvesting, processing and selling of forest products were also nervous about devolution processes and the removal of state subsidies. They anticipate that devolution will result in increasing prices.
- The large number of employees in the DWAF has created problems for the restructuring process. Labour legislation makes it very difficult for the state to retrench large numbers of forestry staff. Many of the people employed by DWAF to maintain its forests are not local residents. Local residents are bitter about this and see the devolution process more as an opportunity to secure employment opportunities for themselves.

### **4.8 The influence of legislation on land and resource tenure and labour on partnerships**

#### **Bridges**

- The Land Claims process has resulted in a number of cases where communities have been able to regain their rights to land. This has strengthened the position of communities and made it possible for them to enter into partnerships with the private sector. The Dwesa/Cwebe and Tsitsikamma cases are examples of this.
- The existence of the land claims process and the opportunity for communities to claim land to forests, has also forced DWAF and private sector forestry

companies to take community land claims seriously and find ways to accommodate them in forestry developments.

- The introduction of legislation such as the Extension of Security of Tenure Act (ESTA), protects the rights of people living in communal areas or squatting on State or Private land, has also encouraged DWAF and the private sector to respect these rights and find ways to accommodate them in development projects.
- The DLA's land redistribution programme also provides disadvantaged rural residents with access to SLAG grants to purchase and develop land. There are also many examples where these funds have been used to allow communities to buy into commercial ventures.
- The Communal Property Association Act enables communities to acquire group ownership rights over their land. This legislation has been used extensively to facilitate private sector-community partnerships.
- Tenure reform legislation that is in the process of being developed may also assist in increasing tenure security and opening up opportunities for greater individualisation of land holdings in communal areas. Such reforms could facilitate and encourage the development of private sector-community partnerships.

## **Barriers**

- In communal areas, business/community partnerships are delayed by land tenure problems. The state nominally owns the land and the residents have user rights but no ownership rights. While the DLA has developed some legislation such as the CPA Act and ESTA to protect their rights and enable the land to be transferred to such communities, the process of undertaking the transfer is a lengthy and difficult one, requiring considerable effort on the part of DLA or contracted facilitators. The legislation stipulates that the process should be inclusive, democratic and fair. The government does not have the capacity to meet this requirement. DLA efforts to develop new legislation in the form of the Land Rights Bill which would facilitate a much simpler and faster process of transferring ownership rights to communities, were suspended by the new minister of Land and Agricultural Affairs in 1998. The department has only recently begun to continue work on the bill and considerable changes are expected. It is not clear therefore when such legislation will be promulgated and implemented. Until this is effected, the potential for communities to establish CPAs and/or Trusts that can facilitate partnership ventures will be severely restricted.
- Villagisation or betterment planning introduced in the former Ciskei and Transkei during the apartheid era, entailed the reorganisation of rural land use and the concentration of settlement into villages. In many communities this involved the creation of new smaller fields for households. These fields are much smaller than many of the arable lands held by outgrowers in KwaZulu Natal. This brings into question the viability of local residents individually entering into such schemes in replanned areas.
- Labour legislation also makes the process of restructuring state forests a difficult and lengthy process because the rights of state employees are protected and they have to be accommodated in any arrangements or changes that are made.

## **4.9 What are the positive and negative environmental and livelihood impacts of partnerships in forestry?**

### **4.9.1 Socio-Economic Impacts of Forestry Partnerships**

*Potential positive impacts on the social environment*

Impacts on Rural Communities

- Partnerships with the private sector provide communities with new opportunities to access financial and technical resources which they otherwise would not have access to due to poverty, low skills levels and tenure security problems. The availability of such resources brings new development opportunities within reach.
- Where partnerships result in direct cash benefits to households involved in forestry operations, this would contribute to rural livelihoods. As long as this does not have a negative impact on other land uses, it could result in greater household security and less vulnerability.
- Many partnerships are expected to enhance investment in community development projects. Such developments would improve quality of life and access to basic services, markets and income generating opportunities or employment linked to urban economies.
- Partnerships are expected to assist in building local decision making and management capacities, as well as increasing technical skills levels. Empowerment of this kind should have multiplier effects in terms of increasing the capacity of local residents to make more productive and efficient use of their resources and diversify into new livelihood activities. Through the SDI initiatives some initial training of individuals from communities has taken place in areas such as project management, eco-tourism and hospitality. The European Union and the Canadian International Development Research Centre (IDRC) have stepped in to assist with the training of local residents and officials and to identify and support the development of further SMME opportunities based on the eco-tourism industry.
- Aforestation partnerships could result in greater productive use of land in communal areas and greater employment opportunities for local residents
- Devolution of woodlots could result in a redistribution of income from forestry operations, from DWAF and outside entrepreneurs, to local communities. It may also create some job or income earning opportunities for local residents, particularly if the woodlots are developed in ways that increase opportunities for value addition. Devolution would also transfer control and decision making powers over woodlots to local communities and provide an enabling environment for socio-economic empowerment.
- The implementation of the New Forestry Act and joint management strategies is also likely to result in greater access to forest products (including indigenous forests) which local residents are so dependent on for their livelihood.
- Improvements to basic infrastructure and services is another potential benefit from partnerships. In the case of the SDI nodes infrastructure is in the process of being delivered. Various roads have been upgraded through either the Community-Based Public Works Programme or through other budgetary allocations. Following years of neglect, telecommunications have been re-established in some of the more isolated nodes and in some instances bulk water supply has been secured.

### Benefits for Companies

- With increased population growth and economic growth, it is expected that the demand for wood and wood products in South Africa and the globe will increase. This provides opportunities for forestry companies to increase their turnover, profits and markets. However, it is becoming increasingly difficult for forestry companies to access additional land and afforestation permits in the areas where the industry is currently concentrated. Consequently, the long term growth and development of the industry depends on being able to access additional land and forest resources in new areas. The rural areas of the Eastern Cape are some of the few remaining areas suitable for afforestation.
- For these companies partnerships with communities and individual growers offer additional opportunities to access and increase the supply of wood and fibre resources. In addition, research into outgrower schemes in Kwa-Zulu Natal indicate that afforestation partnerships with communities could prove to be cheaper as it reduces the need to purchase land and gives them access to cheap household labour.
- Another benefit from partnerships is that it can reduce the potential for conflict and reduce the risks of forest resources being vandalised and damaged by fire. Such threats are great when productive commercial operations exist alongside poverty stricken rural areas with few development opportunities. Conflicts over land also increase tensions. Partnerships offer the opportunity therefore to convert potential threats into partners and supporters.

### Benefits for Government

There are two potential benefits from forestry partnerships for the State. Firstly, partnerships can assist in promoting sustainable rural development and provide new opportunities for small farmers and entrepreneurs to enter the industry. This in turn will contribute towards redistribution. Consequently, one of the major roles that has been identified for government is to create an enabling environment for such partnerships to develop. This could include land reforms that clarify rights and increase security, regulations that shape partnerships, administrative procedures that facilitate partnerships and development, and the development of physical infrastructure. The government is also expected to act as a broker facilitating the development of partnerships between the private sector and communities.

Secondly, partnerships also provide a means through which the down-sizing of the government bureaucracy can be achieved in a way that promotes rural development. In the process of withdrawing from ownership and management of forests, the State is transferring the rights and benefits of these resources to the private sector and communities. This helps reduce government costs and provides a means through which the large number of government employees can be accommodated.

### *Potential negative impacts on the social environment*

- Afforestation projects in communal areas could remove other valuable livelihood assets from the rural economy. Afforestation could therefore displace other livelihood activities and increase the vulnerability of local residents.

- Partnerships with large numbers of communities or potential beneficiaries, which produce relatively small benefits, may not meet community expectations and lead to disillusionment and discontent. This could make the forests vulnerable to vandalism. (This potential exists in the case of joint ventures linked to the lease of category A state forests).
- The effective leasing of state forests to commercial companies for a period of 70 years effectively denies the land claiming communities their legal rights to these assets for that period, unless the leases can be transferred to these communities.
- The devolution of small state forests and woodlots to local communities could result in less cost for the government but more for the communities, particularly if incomes generated are very limited. Situations like this could result in the over-exploitation and eventual destruction of these forests.
- Where the commercial viability of forests is very limited or low, devolution without state assistance, could result in under utilisation and mismanagement of these forests.
- Attempt to enter into joint management agreements with communities may result in more, not less, work and costs for DWAF.

#### **4.9.2 Environmental Impacts of Forestry Partnerships**

*Potential positive impacts on the natural environment:*

- The conversion of unproductive, degraded communal lands to forestry could generate new livelihoods and at the same time protect the soil from erosion. However, this will depend on the species planted and soil types.

*Potential negative impacts on the natural environment:*

- Aforestation projects in communal areas could result in increased grazing pressure and degradation on the remaining lands.
- Aforestation has been identified as a Stream Flow Reduction Activity (SFRA), particularly if it is not properly controlled and managed. It could lower water tables and stream flow, and reduce biodiversity.
- The mismanagement of devolved forests could also result in the gradual spread of invasive alien vegetation with consequent negative impacts on the downstream availability of water, and the loss of productive land and biodiversity.

### **4.10 The contribution of partnerships to the objectives of empowerment and redistribution**

#### **4.10.1 Empowerment**

Partnerships have and are expected to assist in building local decision making and management capacities, as well as increasing levels of technical skills. As mentioned in the section on benefits above, many of the partnership initiatives have provided training, organisational development and capacity building. The failure of the old irrigation schemes testifies to the critical importance of such processes for the long-term sustainability of partnerships. Real empowerment would also have important multiplier effects. Empowerment increases the capacity of local residents

to make more productive and efficient use of their resources and diversify into new livelihood activities.

#### **4.10.2 Redistribution**

Given that most of these partnerships are still in the early stage of development there is no measurable evidence of redistribution, but the potential still exists. They have certainly given many disadvantaged communities access to the financial and technical resources needed to allow them to enter the industry. They have also resulted in infrastructural developments which improve quality of life and help to integrate rural residents into the wider economy. The extent to which they will contribute to household income is still to be seen, but in Kwa-Zulu Natal such partnerships have provided significant incomes and have encouraged new growers to enter the market.

However, there are some concerns about the extent to which redistribution will be achieved and who will benefit. These are listed below. It is not easy to find win-win solutions. It is more common to have winners and losers. The government will need to devote considerable resources to the restructuring and development process to ensure effective redistribution.

- Given the nature of current deals, the restructuring process of State Forests may not result in significant redistribution impacts. The number of communities that have to share the portion of rental money and the 10% set aside for Black Economic Empowerment (BEE) is huge. Limited benefits and the exclusion of communities from the State's decision making process re: restructuring could create much bitterness and conflict.
- It is also unclear to what extent small and medium sized local entrepreneurs will be subcontracted by the preferred bidders for the Category A State forests. Although these companies have indicated that they will subcontract to small local entrepreneurs, they are not legally required to do so under the lease conditions, and no capacity building programmes appear to have been planned to ensure that small businesses can secure such contracts.
- While devolution of woodlots will undoubtedly create opportunities for partnerships between communities and small scale entrepreneurs, the devolution process may also adversely affect small entrepreneurs. In the short term there will be changes in the market that could negatively affect these entrepreneurs, changes such as price rises and competition from co-operatives between communities. However, if in the long term these woodlots are developed in ways that enhance opportunities for value addition, then the changes would be beneficial for communities and small-scale entrepreneurs.
- The restructuring of Category B State forests have apparently been identified as economic empowerment opportunities for small/medium sized businesses. Once again there may be tensions between entrepreneurs and local residents. However, if the processes of restructuring are carefully facilitated, beneficial partnerships between these two interest groups could develop.
- It is expected that if the devolution process is effectively facilitated by DWAF, and considerable effort is invested in capacity building and developing economically viable development options, then significant economic benefits for communities can be secured. However, if the process is rushed or under-resourced, the process could result in increasing costs, job losses and greater responsibilities for communities.

## GUIDELINES DEVELOPED FROM INTERNATIONAL AND NATIONAL EXPERIENCE

A number of valuable lessons from international and local experience in devolution, participatory management and common property theory might be useful to inform the current debate.

Mayers & Bass (1999) identified a number of desirable processes to achieve good forestry policies. These are outlined below and their relevance to the Eastern Cape situation discussed.

- *An appropriate forum to drive the participation process and initiate partnerships.* Such forums have been encountered in the outgrower schemes, but they display the same problems that crippled communal agriculture during the homeland era: decision making by technical specialists, very little, or no capacity development and weak participation by communities. No forums existed in the woodlot case studies, and in particular the process at Manubi is predicted to suffer greatly from the absence of a forum, and it needs to be established as soon as possible
- *Agreed upon goals for sustainable forest management.* In the cases we studied the actors have neither agreed on goals for sustainable forest management, nor have they communicated their goals to one another. The assumption that communities strive for financial gain only needs to be treated with caution as we found strong evidence that livelihood security and security of access to forest resources might be more important than financial capital, especially to women.
- *Agreement on priorities, and ways of setting them.* In the absence of agreed goals it will be extremely difficult to agree on priorities.
- *Cooperation with actors outside of the forestry sector.* It is important for DWAF to develop joint strategies with other government departments and with local authorities, to upgrade infrastructure, step up law enforcement and train communities in basic managerial and entrepreneurial skills.
- *Good monitoring systems, to allow continuous improvement.* Various academic institutions in Eastern Cape can assist with the development of such systems, and a recent research project initiated by Rhodes University, Fort Cox and Unitra may produce useful participatory monitoring methods for Eastern Cape conditions. The DfID / ODI monitoring indicators project may produce useful results on appropriate indicators for sustainable forestry.
- *Devolution of decision making power to levels where there is capacity to act and monitor, and where trade-offs are well understood.* This implies that devolution to communities who do not understand the trade-offs between long-term sustainability and short-term gain may not be in the best interest of sustainable forestry, and that a partnership between local users and technical experts is important.
- *Openness to, and communication of information to all role players.* Information about DWAF's and DLA's new policies, sustainable forestry, forest management principles, business management and markets needs to be easily accessible to communities. The communities we encountered were in the dark about devolution and land reform.

They also highlighted a number of important steps to ensure that policies are implemented:

- Recognise that there are different perspectives, and that politics will always play a role;
- Get actors to talk to each other, convey their perspectives and negotiate;



- Allow ample room for disagreement and experimentation, i.e. treat joint management as a participatory *learning* process.

Koch & De Beer (2000) identified a number of emerging principles for partnerships in forest management that may be appropriate for the design of forestry partnerships in Eastern Cape:

- Plan for the provision of a mix of short, medium and long-term benefits;
- Provide a mix of low, medium and high risk investments, to attract both cautious and bold partners.
- Ensure that the benefits to communities and private sector partners are comparable, relative to their respective investments. Communities' investment of land that could have been used for other purposes should be included in this calculation.
- Identify additional small enterprises and secondary industries that could accompany tree growing, e.g. medicinal plant and timber nurseries, tourism, small construction businesses to add value to poles harvested, and small-scale saw mills.

Sustainable partnerships are based on sound business principles, not social responsibility.

## **SUMMARY AND RECOMMENDATIONS**

### *Achievements in the development of private sector-community forestry partnerships in the Eastern Cape*

Private-Sector Community forestry partnerships in the Eastern Cape Province are still in the very early stages of development. The process of restructuring state forests is also still in its infancy.

#### Private Sector Aforestation initiatives

A paper presented by Geoff de Beer (DWAF), Tim Foy and Micheal Pitcher (DFID) at a consultative meeting on the principles of forestry development on community owned land (Port Alfred, 1998) indicated that there were no private-sector community forestry partnerships in existence in the Eastern Cape at that time. Since then a considerable amount of resources have been invested in three separate initiatives made by Mondi, Sappi and NECF. These projects are still in the very early stages of development, so no planting and/or managing forests has yet begun. These projects have encountered a number of problems and progress has been very slow. The first partnership project, which was initiated by the NECF company, was shelved even before it got off the ground. The problems are varied and numerous. Prominent amongst these are private sector responses to market changes, lengthy delays in obtaining aforestation permits, government capacity problems, and difficulties in resolving land issues. There are important differences in terms of objectives between the various partners, but these do not appear to have developed into insurmountable obstacles and have not been responsible for the break down of partnerships. However, there are some communication problems between communities and companies that could threaten the long-term viability of these projects.

There is a clear willingness on the part of many community groups to enter into partnerships and this interest is growing as poverty and unemployment increase, and people become more aware of the benefits that partnerships could provide. But

these communities depend on the private sector and the state to initiate and facilitate such projects. There is also considerable interest from the private sector, but the high costs and difficulties of initiating and developing these partnerships with communities has discouraged them. Other problems such as fluctuating market conditions, lengthy delays in obtaining forestry permits and securing Settlement and Land Acquisition Grants and infrastructural problems have added to the difficulties.

#### Restructuring of State Forests

Although the leasing of category A state forests to commercial consortiums has yet to be finalised, the preferred bidders have been selected, and the leases should be signed within the next few months. Neighbouring communities are set to benefit from this restructuring programme through employment opportunities, dividends, rental payments and some capacity building and organisational development. However, serious concerns have been raised about the significance of these benefits and the nature of community participation and involvement.

The process of restructuring category B that could provide business opportunities for small-scale businesses has not yet begun. The third component of the restructuring process, that of devolving woodlots to local communities has the potential to generate considerable benefits for rural communities. Devolution initiatives have been started in 11 of the 90 woodlots but it will take some time for transfer to be effected. Labour regulations for government staff, have proved to be a major stumbling block to the process. Difficulties in sorting out claims and negative community attitudes towards state forests also increase the difficulties. Their attitudes are influenced by bitterness about land, access and employment issues. Historically, forests have been administered in a protectionist fashion that has alienated local residents. While the forests have proved to be a useful resource, particularly for urban residents, they have not alleviated the pressure on indigenous forests. This history of tension and unfulfilled aspirations is an important obstacle to the development of partnerships around these forests.

The significant positive changes that have been introduced to the forestry sector as a result of DWAF's new policies. DWAF is withdrawing from ownership and management of forests and using this opportunity to promote rural development by facilitating the establishment of viable partnerships between communities and the private sector. These policies have the potential to provide important benefits to impoverished rural and urban communities in the Eastern Cape, as well as new opportunities for private sector companies (small and large). However, there is concern that the process of restructuring is being rushed and that DWAF lacks the capacity to effectively ensure that it empowers disadvantaged groups and promotes sustainable development.

#### *The road ahead*

DWAF is moving in the right direction. The restructuring process it has initiated is providing many opportunities for private sector-community forestry partnerships around existing state forests. In order to further boost the development of private sector/community forestry projects in the Eastern Cape, a pro-active co-ordinated strategy is needed to expand the forestry industry in this province. Such efforts should be focused on specific areas that are suitable for afforestation, where forest resources, activities and infrastructure already exists and where state farms are available. Potential sites include:

- the Singisi/Umzimkulu area
- the Katberg mountains and Mpofu district

- and other areas adjacent to large category A state forests. There may also be other suitable areas.

There is a clear need to strengthen the capacity of DWAF and other government departments in order to achieve these goals. In addition, independent support services that can facilitate negotiations between the various parties need to be secured. A co-ordinated and planned effort could facilitate the rapid achievement of these objectives, by channelling the required resources to the right people at the right time, and streamlining bureaucratic processes to speed up the process. The key to success however, lies in the nature of the process. Broad consultation, participation and joint decision making is crucial. The imposition of centrally made plans on local areas will not work, and would be considered by local residents, the private sector and donors as unacceptable. A strong focus on capacity building is also essential.

## **Recommendations**

Generally it is felt that there is an important role for forestry projects and partnerships between communities and the private sector, in promoting (sustainable) development and providing new livelihood opportunities to the residents of communal areas in the former homelands. Outgrower schemes in Kwa Zulu Natal provide a good example of this. However, there are significant barriers to the expansion of the forestry industry in the Eastern Cape, and a number of interventions are required to overcome these. These interventions need to provide incentives for the private sector and at the same time make it more feasible and attractive to rural residents and organisations. The specific recommended interventions are listed and discussed below.

- The process of devolving woodlots to local communities should be pursued, but can only succeed if DWAF is committed to facilitating the process and investing the necessary human and financial resources. Capacity building in the Community Forestry Division is essential. Devolution may therefore prove to be a costly and time consuming process.
- It might also be more appropriate and better in terms of outcomes, if the process of restructuring state forests, particularly commercial forests, was slowed down and the affected local parties were given the opportunity to participate more fully.
- Land reform policy and legislation which could enable a simpler and faster process of transferring land ownership rights from the State to Communities is urgently needed. This should include interventions to speed up the land claims process as well as tenure reforms for communal areas.
- There is potential to expand opportunities for forestry partnerships if a pro-active government programme that is broader than the process of restructuring state forests can be developed. Suitable areas for the initiation of afforestation projects in communal areas and on state farms need to be identified. The requisite support and incentives should then be provided to encourage the development of such partnerships in these areas. The potential for successful joint afforestation projects is greatest in areas close to existing state forests, particularly those category A forests that have been targeted for lease to the commercial sector. It is in these areas that the required forestry support services are most likely to be available. The SA State should be encouraged to support the expansion of the forestry sector in these areas and play a central role in promoting and facilitating afforestation joint ventures between communities and

the private sector. Over time such projects could gradually expand into adjacent areas.

- Efforts to streamline and speed up the provision of aforestation permits by DWAF would also facilitate the expansion of such projects. It currently takes 18 months to secure an aforestation permit. Such efforts should be linked to broader DWAF policy formulation aimed at identifying suitable areas for aforestation in rural communal areas, and developing guidelines and incentives, which encourage forestry companies to engage in partnerships with rural communities and entrepreneurs.
- To make such a program effective, greater co-operation between DWAF, DLA and other relevant departments would be required to ensure that efforts are co-ordinated and the necessary resources are made available at the right time.

There are a number of potential interventions that could be made to remove or reduce some of the barriers that inhibit the participation of communities in forestry partnerships and projects generally. These are mentioned individually below.

- The translation of partnership and project documents into the local language would assist considerably in facilitating better communication between communities and companies. However, one cannot assume that translation will guarantee understanding, particularly given the legalistic nature of many of these documents. Written translations need to be supplemented by legal advice and carefully facilitated workshops that would enable community representatives and the ordinary members to grasp the implications of all aspects of the project and make informed decisions. The long-term benefits of such support for companies would be less conflict and potentially greater community support and involvement. For communities the benefits would be a better deal and the minimisation of negative impacts.
- Mechanisms to enable independent facilitators from the government, NGO's or consultants who can facilitate negotiations between Companies and themselves, would provide benefits for both parties. It would reduce the costs and risks from companies, and reduce the anxiety and get better deals for communities.
- Capacity building programmes aimed at improving communication, conflict management, business skills and practical skills would also improve the ability of communities to enter into and maintain such partnerships. These programmes should also stress the recognition of existing skills and capacities, and build on these. If outside assistance was secured for this activity, it would also enhance the attractiveness of such ventures for companies.
- Partnership deals, which can accommodate a variety of needs within communities, would also make these projects more attractive to communities.
- Forestry projects should also seek to maximise employment and livelihood opportunities for rural residents. One means of doing this is to encourage the development of individual outgrower schemes along side group ventures. There is significant potential for outgrower schemes on state farms in the Katberg (Mpofu) area and in the Umzimkulu areas where large tracts of state farms need to be redistributed to suitable beneficiaries. There may well be other such areas in the province. It should also be possible, with some lateral thinking, to develop group ventures, which enable a considerable degree of individual participation and benefits within them. This would minimise the potential for livelihood assets to be converted into general community benefits, which improve quality of life but do not contribute directly to livelihoods.
- When developing forestry projects, sensitivity to local political conflicts and competition between different structures needs to be recognised and dealt with.

In some cases it may not be possible to get the different parties to co-operate and work together. In such cases, some assessment of the legitimacy of the various structures in the eyes of local residents and government structures needs to be undertaken and a decision made about the most appropriate structure to deal with. Care would then need to be exercised to ensure that the agreements entered into are officially sanctioned.

- Gender dynamics need to be taken into consideration in the design of the projects and the facilitation process associated with the development of such projects. Considerable care need to be taken to ensure that forestry projects fulfil a variety of objectives that address the needs of different and sometimes competing interest groups.
- Infrastructure development programmes, particularly with regard to roads, would also make a significant contribution to the development of forestry projects and partnerships. In order to secure the provision of such infrastructure, partnerships with other government departments need to be developed.

## List of Acronyms

CA	Conservation Area
CIMEC	Centre for Investment marketing in the Eastern Cape
CPA	Communal Property Association
CFA	Community Forestry Agreement
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank of Southern Africa
DLA	Department of Land Affairs
DFID	Department for International Development
DWAF	Department of Water Affairs and Forestry
DPW	Department of Public Works
ECDC	Eastern Cape Development Corporation
ECNC	Eastern Cape Nature Conservation
ECTB	Eastern Cape Tourism Board
ESTA	Extension of Security of Tenure Act
FAO	Food and Agriculture Organisation, United Nations
IDRC	International Development Research Centre
IIED	International Institute for Environment and Development
LACODA	Lambazi Community Development Association
LIMA	LIMA Rural Development Foundation
MONDI	Mondi Ltd
NECF	North East Cape Forests
PCA	Primary Conservation Area
SANP	South African National Parks
SAPPI	SAPPI Ltd
SFRA	Stream Flow Reduction Activities
SLAG	Settlement and Land Acquisition Grant
SDI	Spatial Development Initiative
TA	Tribal Authority
TRC	Transitional Rural Councils
WCSDI	Wild Coast SDI
WfW	Working for Water – DWAF's alien eradication project

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## Appendix 1: Individuals Interviewed

<b>Name</b>	<b>Organisation</b>	<b>Contact Numbers</b>
Berlin, Clyve	Wild Coast Holiday Holdings	0828555377
Birch, Mike	Eastern Cape Tourism Board	043 7451576
Bouwer, Terry & Mr Smal	Umngazi River Bungalows	047-5641115
Boyce, Nicolas	Magwa Tea Corporation	039-2531765
Butt, Dave	NECF	045-933 1042
Du Preez, Nardus	Consultant	082-372 8884
Erasmus, Vince	Singisi Consortium	039-747 4374
Evans, Jeremy	CSIR	012-841 3551
Peter Fearnhead	South African National Parks	012-3431991 or 012-3439770
Filani, Queen	DLA, Forestry Officer	043- 743 4689
Firstenberg, Deon	Agricultural Research Centre	049-8421113
Harrison, Graeme	DWAF	039-727 3620
Hope, Andrew	NECF	045-932 1662
Ian Hunter	Hunter's Country House Plettenberg Bay	044-5327818
Keet, Stephen	Consultant	082-578 7517
Kobokana, Siviwe	Eastern Cape Tourism Board	040 6538010
Le Roux, Yokel	Eastern Cape Game Management Association	041-9227618
Mack, Rory	SAPPI	082-800 4102
Mr Magangana	DWAF	039-727 3620
Majeke, Harris	Dept of Economic Affairs	083-306 7764
Makapela, Zilindile	Eastern Cape Tourism Board	040 – 6352115
Makkink, Willie	Grahamstown Tourism	046-6223241
Matabese,. Nicolas	DLA	043-7434689
Mbelani, Vuyokazi	DLA	043-743 4689
Mdunyelwa, Wellington	ECDC	039-727 1514
Mr Mfundo	Umfundo Lodge & Tours	0827667406
Miedema, Paul	Calabash Township Tours, PE	041-5856162
Mtoba, Ceba	DWAF	043-642 5665
Mzazi, Wandile	Eastern Cape Tourism Board	040 – 6352115
Nixon, Peter	Mondi	082-802 2826
Nodada, Tabisa	Wild Coast SDI, CIMEC	043 7211003
Prinsloo, Julene	Tsitsikamma Forest Village Trust	042-2811450
Rance, Chris	Amatola Consortium	043-683 1202

Russel, Eddie	Director: PondoCrop	0829005291
Sefton, Sarah	Legal Resources Centre	046-6229230
Soyizwapi, Shakespear	DWAF	083-633 4294
Yendel, Bruce	PineCo & Pineapple Growers Association	046-6241085 082-5560318

## **Appendix 2: Case Studies of Partnerships**

### **1 JOINT VENTURES/EQUITY SHARING**

#### **1.1 Mondi-Umzimkulu Partnerships**

The Mondi initiative has targeted communities in communal areas adjacent to a large block of State farms expropriated from white farmers and incorporated into the Transkei. The company approached these communities with a proposal that they (the communities) purchase the farms for afforestation, through the DLA's land distribution programme using their State Land Acquisition Grants of R16 000 per household. Initially three tribal authorities expressed interest in the project and have been working with Mondi and the DLA. Another four communities have recently expressed interest.

In order to purchase the land and access the SLAG funds, the communities have to form Communal Property Associations (CPAs). The CPAs and Trusts then enter into contracts with Mondi to grow and care for the trees, and ultimately sell their timber to Mondi. Mondi would provide extension services, start-up capital, and technical assistance.

Mondi is withdrawing from this project, having burnt its fingers. Slow progress and Mondi's recent acquisition of a large parcel of private land in Natal are the reasons cited. Mondi is currently transferring responsibility to a Managing Agency and has required that the communities repay the cost of about R 2 million it has so far incurred.

#### **1.2 Sappi-Lambazi Partnership**

The Sappi initiative has also been an attempt to acquire access to State Lands that are not formally under the jurisdiction of neighbouring communities but where these communities have historical claims to the land. In the case of Lambazi, this land was administered and controlled by TRACOR, the former Transkei Agricultural Corporation. The communities were prepared to make 2000ha available for afforestation.

There were also some differences between land Sappi preferred and that which the community was willing to make available, causing Sappi to question the viability of the project for pulp production and is now pulling out. They have transferred responsibility to a facilitating NGO (Lima) and are seeking external funding from the Food and Agricultural Organization. This project seem to no longer meet Sappi's original objectives.

### **1.3 North East Cape Forests/Ugie Partnerships**

The NECF joint venture was the earliest initiative of this kind in the Eastern Cape and is the only case where communal lands were targeted for afforestation projects. Three projects were initiated with three separate communities in the former Transkeian areas in the Ugie/Elliot/Maclear region. NECF assisted the communities to set up CPAs, and obtained donor funds to finance independent legal advice for the communities. NECF was initially hoping the communities would make 25 000 ha of land available for afforestation. This land would provide fibre for a pulp mill that NECF was planning to develop in the region. The joint venture was to be very similar to that of Mondi's Khulanathi outgrower projects in KwaZulu Natal, except that the contract would be between the company and each CPA. NECF would provide the funding throughout the rotation period, as well as forestry expertise and management capacity building. The CPA would provide the land and labour. Both parties would be jointly responsible for the protection of the growing trees. Direct benefits to the communities would include employment, proceeds of the harvest, and spin-offs would be infrastructural development and economic development.

Unfortunately, these three joint ventures have now been shelved. This is because NECF decided to consolidate rather than expand and abandoned the pulp mill plans. Insufficient hectares of forest to supply the mill and a drop in the market price for pulp were factors that led to this decision. Problems with communities were not the cause of the termination of these projects.

### **1.4 Pine Co**

Pine Co is a pineapple-farming venture in the lower Peddie district. It is located on state farms that used to be farmed by the Ciskei Agricultural Corporation – ULIMICOR. Somewhere between 2000 and 3000 ha of land are being leased from the State by the company, initially for 3 years. A longer lease is being currently being negotiated.

PineCO is a joint venture involving three parties:

1. The Peddie Peoples Trust represents three communities in the area and has a 40% stake in the company.
2. A Workers' Trust that also has a 40% stake and
3. The Pineapple Association that has a 20% stake in the company.

The Pineapple Association is an association of commercial pineapple farmers that has agreed to provide technical expertise to the project. The project was initiated by community groups who approached the Pineapple Association for assistance in early 1998.

The Department of Land Affairs has agreed to the leasing of the farms and the Department of Public Works has upgraded some of the local roads and assisted with fencing. The government has also agreed to write off some debts accrued by the Pineapple Association to the State when the pineapple market slumped, in exchange

for technical assistance and support for the project. Eskom has also made funding available for training programmes.

The project has only just starting to get off the ground now. A black project manager has been appointed. Planting started recently and the first harvest is expected in two years time. Two factories have guaranteed the company a market for their produce and the Pineapple association will can the produce. PineCo will take full responsibility for all production processes at this stage. Local residents will benefit through employment and profit sharing. It is also hoped that in the future, small-scale outgrowers can be encouraged to link up with the project. The existence of numerous State farms that have been targeted for agricultural production could facilitate such a development in this area.

## **1.5 Tsolwana Game Reserve**

This reserve is situated on communal land in the former Ciskei. It is managed as an integrated game and cattle ranch by the state in terms of an agreement entered into in 1983 by a former director of CONTOUR and Chief Hinana of the Amaqathi people. In terms of the agreement *all* financial benefits accruing from the initiative would be for the general upliftment of the Amaqathi people. 5000ha of land was fenced and stocked at CONTOUR's expense. Provision was made for cattle to graze in winter and in times of drought. Staff were recruited locally. An old farm house was renovated and converted into a tourist lodge. The state covers the salaries of staff.

Up until 1994 the financial benefits were channelled through the Tribal Authority (TA). ECTB (the successor of CONTOUR) took the decision to withhold the revenue as there was little evidence that it was being used for its specified purpose. SANCO, as an umbrella body for democratically elected CBOs, has motivated that *it* should be tasked with distributing the revenue rather than the Tribal Authority. The Tribal Authority subsequently brought about a court action against the state to release the funds. The court ruled in favour of the Tribal Authority. Revenue earmarked for community upliftment purposes is now channelled through the office of the Whittlesea Magistrate to the TA rather than directly to the TA. Members of the TA have to submit clear proposals to the magistrate before any money is released. Efforts by ECTB officials to establish a multi-stakeholder forum and to form partnerships with SANCO affiliated organisations have been frustrated by a directive which obliges them to work only with the TA on the basis of the existing legal and administrative framework and by the conflict between SANCO and the Tribal Authority.

The Tribal Authority does not enjoy popular support and is incapable of getting livestock owners to remove their animals or reduce them in terms of the provisions of the original agreement.

## **1.6 Calabash Township Tours**

Calabash Township Tours is a tour guiding venture with a strong community focus established by the travel company Real City Tours. This PE based company promotes itself as a 'commercial company with a strong social agenda'. It specialises in organising township tours focussing on the social history of Port Elizabeth. It has

informal partnerships with a number of pre- and primary schools and with a group of crafters. The Calabash Trust has recently been formed with three trustees: the director of Real City Tours, a representative from the PE Community Chest, and a volunteer who works with them in the schools that they promote.

As part of the township tours the tour operator brings tourists to township pre- and primary schools, selected on the basis of their disadvantaged status. The schools provide entertainment, cold drinks and toilet facilities to the tourists. Tourists are also given the opportunity to sponsor a pupil's school fees. In 1999 the partnership raised R65 000 for the two participating schools. The company also supports the schools and crafters with business training. As schools become self-sufficient they move on to new schools in need of assistance.

The company avoids working through broader social and political structures such as SANCO preferring to work directly with the targeted beneficiaries.

## **2 LEASES (ONLY)**

### **2.1 Dwesa/Cwebe**

The Dwesa-Cwebe case involves the proposed transfer of land on which a provincial nature reserve and state forest is situated to community ownership in terms of the provisions of the Land Restitution Act. The beneficiaries (claimants) comprise eight communities residing on communal land adjacent to the nature reserve. Through the Land Tenure Reform Programme these eight communities have formed seven Communal Property Associations (CPAs) and are awaiting finalisation of transfer of title. It is proposed that the state land, i.e. the nature reserve, be registered to a land holding Trust and that biodiversity conservation continue as the primary land-use. Greater emphasis is to be placed on the development of tourism infrastructure within the area. It has been accepted in principle that once transfer of land ownership takes place it will be necessary for tourism operators and the state to carry out their activities in terms of a lease. The Trust is envisaged as the institutional interface between the communities, the state and private tourism investors. It is proposed that the Trust have a conservation management committee and a development planning committee. There is a strong commitment to the principles of joint; i.e. between community and state, conservation management and to maximizing the opportunities for local participation in the envisaged tourism developments. The donor community – relative late-comers – have undertaken to support the process by funding socio-economic research and training linked to conservation and tourism.

In 1996 the area was identified as an 'anchor project' or development node in terms of the Wild Coast SDI initiative. The protected area is characterised by a history of land and resource-based conflict and contestation. In the wake of broad inter-governmental support for the land claim, an intense process of multi-stakeholder participatory planning is ensuing in preparation for land transfer and private sector investment. The processes underway at Dwesa/Cwebe represent a multi-stranded, inter-sectoral state response to a specific set of developmental, land access and biodiversity conservation issues (as expressed through a community protest action in 1994). It is broadly recognised that in the case of Dwesa/Cwebe, land reform, conservation reform and economic development issues are

mutually dependent and that their successful integration will be key to unlocking the area's human and economic potential (figure 1). The integration and coordination of these processes has been complicated by bureaucratic procedure, the number of stakeholders involved and by the lack of a clearly defined lead agent. The land claim was referred to the Land Claims Court in 1999 making it possible to appoint mediators to resolve outstanding issues in terms of a court driven process. The announcement of the outcome of the SDI tendering process for tourism infrastructure investment in the reserves is imminent. Recent press reports suggest that the Haven Hotel, situated within the Cwebe Nature Reserve is set to benefit from a R200 million upgrade (Daily Dispatch, July 19, 2000). The Dwesa/Cwebe Trust will hold 31% of the shares and, once the land is transferred, will become the lessor. Subject to certain development conditions being met, the investors will have (the land) for a 30-year concession period, with an extra 60 years added.

At the local level, the development of institutions has been a mix of organic, people-driven initiatives; e.g. land committees, and a response to the needs of outsiders and/or legislation; e.g. conservation committees, SDI committees, CPA committees and the Dwesa-Cwebe Trust.



**Figure 1** Linkages and interdependencies between the various processes at Dwesa/Cwebe

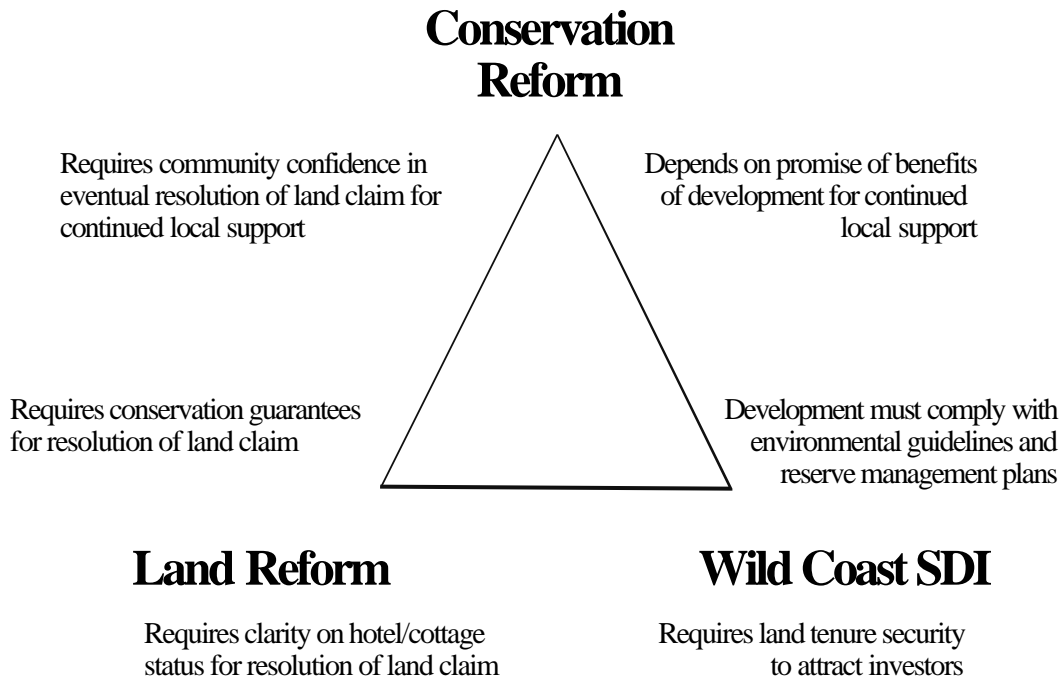


Figure 1 Linkages and interdependencies between the various processes at Dwesa/Cwebe

### **3 LEASES/EQUITY SHARING HYBRID**

#### **3.1 Singisi Forests**

In this case a private sector forestry and saw milling company, the Hans Merensky Corporation, has set up a company (joint commercial venture) involving a consortium of organisations and interest groups (see table below). Each party has a equity stake in the company commensurate with the value of their contribution, and share in the

ownership, proceeds and liabilities of the company. The shares in this consortium are divided as follows:

Hans Merensky Corporation	51%
East Cape Development Corporation	24%
Black Economic Empowerment – E. Cape entrepreneurs	10%
Community Trust	14%
Employees (Hans Merensky & DWAF/SAFCOL)	10%
National Economic Forum	10%

The communities neighbouring the forests are represented and the workers involved in the companies by Trusts. As the main shareholder, the Hans Merensky Corporation contributes capital, expertise, physical assets, information, networks, etc and also take most of the risk in terms of purchasing, processing and marketing the produce. The community and worker stakes in this venture is relatively small.

The workers Trust organisation has been set up, but the communities neighbouring the forests are still in the process of being consulted and organised into representative structures and a Trust.

This consortium has been selected as the preferred bidder for the category A state forests in the Kokstad and Umtata regions, which combined amount to 57 000 ha of forest.

### **3.2 Amatola Forests**

In a case where two private sector forestry and saw milling companies from the Stutterheim region, FamRan Investments and JD Lentz Investments, have set up a company (joint commercial venture) involving a consortium of organisations and interest groups (see table below). Each party has a equity stake in the company commensurate with the value of their contribution, and share in the ownership, proceeds and liabilities of the company. The shares in this consortium are divided as follows:

FamRan Invesments Pty Ltd	48%
Rance Workers Trust	10%
JD Lentz Investment Pty Ltd	22%
Lentz Workers Trust	10%
Amatola Community Trust	10%

The communities neighbouring the forests and the workers involved in the companies are represented by Trusts. As the main shareholders, FamRan Investments and JD Lentz Investments, contribute most of the capital, expertise, physical assets, information, networks, etc and also take most of the risk in terms of purchasing, processing and

marketing the produce. The community and worker stakes in this venture amount to 30%. Workers in the two companies (FamRan and Lentz) were accessing the Dept. of Land Affairs (DLA) State Land Acquisition Grants (SLAGs) to buy into the company. The Trustees representing the communities are the Chairpersons of the Keiskammahoek and Stutterheim TRCs and TLCs. This consortium has indicated that it will sub-contract certain operations to local small-scale entrepreneurs.

This consortium has been selected as the preferred bidder for the category A state forests in the Amatola and Katberg mountains.

### **3.3 Tsitsikamma Khoisan Village**

Tsitsikamma Khoisan Village belongs to the Tsitsikamma Forest Trust and is situated on the eastern bank of the Bloukrans River on the Garden Route. The Trust was established as the legal land holding entity (Section 21 company) once the land was transferred to the Tsitsikamma communities in 1997. The five trustees are all councillors from the participating villages. A number of tourism projects belong to the Trust, e.g. a private sector company leases the rights to base its operation (bungy jumping) on the land, and the Eastern Cape Tourism Board operates a tourist information office from the premises in terms of a lease agreement.

Community leaders of Coldstream, Goesa, Sanddrift, Woodlands and Clarkeson – situated in the Tsitsikamma – began negotiating with DLA in 1995 for land to be used for economic development. Twenty-nine hectares of state land was earmarked for transfer to community ownership, to be developed for tourism purposes. Tourism development would focus *inter alia* on promoting awareness of the local indigenous cultures (Khoi/San). This included a so-called “Khoisan Village” which offered budget accommodation, a working craft production facility, craft outlet, a museum and bungy jumping. The project was set to expand into a new phase but the damage caused by a wild fire has put back operations. Before the fire the trust/project employed about 75 staff members although this has now been reduced to 17. The trust has entered into partnerships with three separate private sector organisations:

1. Bloukrans Bungy
2. Eastern Cape Tourism Board
3. South African National Parks

In addition to the jobs generated directly through the Trust's activities, i.e. accommodation and craft, 19 jobs have also been created by the project's partners.

The Trust is currently preparing to issue tenders for further private sector tourism investment on its land in the form of up-market accommodation and a restaurant. It is also exploring the possibility of inviting private sector investment to locate a service station complex on the premises.

Architects, engineers, cost accountants and attorneys have all contributed their services free of charge. This show of goodwill has largely been a result of the project manager's efforts at building social relationships.

The fact that the trust does not yet have the official title deed for the land does not appear to have dissuaded partners from investing.

### **3.4 Fleckpoort Biosphere Reserve**

This project was initiated by commercial farmers with the assistance of the Eastern Cape Game Management Association. It is directed at developing rehabilitated state land into a game ranching and eco-tourism destination with the aim of stimulating the rural economy in and around the small towns of Hofmeyer, Stanford and Molteno. The land in question was originally expropriated from commercial farmers in the 1940s owing to severe soil erosion. The erosion threatened the irrigation works associated with the Great Fish River. The commercial farmers have over time gained the support of the Hofmeyer community for this initiative. The process is now being driven by a multi-stakeholder steering committee on which the town community is strongly represented (in terms of numbers). If approved by Land Affairs a multi-stakeholder trust is to be established. The proponents originally motivated for land ownership to be transferred to the trust but are subsequently requesting a 99 year lease. A feasibility study and business plan is currently with Land Affairs awaiting a decision.

The project proponents are targeting 18 000ha of state land. Agricultural Engineering, a directorate of the national Department of Land Affairs, conducts soil restoration work on the property. In addition the Provincial Department of Land Affairs and Agriculture has a livestock breeding project on the property.

The project is driven by the Fleckpoort Steering Committee, composed of representatives of Hofmeyer community structures (under the umbrella of SANCO), the TLC, Farmers Associations, ECGMA, and the Stormsberg District Council. According to the trust deed, Trustees will comprise of representatives from ECGMA, the three Farmers Unions, Hofmeyer TLC, Stanford TLC, Stormberg DC and the Directorate Agricultural Engineering. The trust will be known as the Fleckpoort Development Trust.

### **3.5 Magwa Tea**

The Magwa tea estate is located adjacent to the former TRACOR lands in Lambazi area of the former Transkei. It was initiated in the early 1970s by the Magwa Tea Corporation, a parastatal agricultural corporation that was liquidated in 1997 along with all the other provincial agricultural parastatals. At that point the government appointed a restructuring Committee to oversee the liquidation and restructuring process for the parastatals. In the Magwa case, liquidation resulted in the departure of all the senior management staff and a workers Trust was set up to continue the project. The workers also took a large cut in their wages to ensure that the project continued. The trust has now been transformed into a company with the 1605 workers having a 50% share in the company and the 20 management staff members (who were formerly employed by the parastatal corporation)

owning the other 50%. With the assistance of the DLA, the workers were able to access SLAG funds to buy their share of the company. These funds were used to purchase most of the physical assets from the former parastatal corporation. Another R1.7 million was made available by the DLA to enable the company to purchase a drying machine to facilitate the processing of the tea. No other external funding has been used to maintain the project so the project has been maintained from revenue generated from the sale of tea.

The Company is now in the process of considering whether it is appropriate to consider changing the company into a co-operative or not. This was one of the ultimate objectives of the original restructuring process. It is also considering the possibility of entering into a strategic private sector partnership in order to secure additional funding, networks and expertise. Land issues remain unresolved, as the King has made a claim to the land. The idea is that the company will lease the land from the owners, but the ownership issue has not yet been resolved.

## **4 CONTRACTS/OUTGROWERS**

### **4.2 Former Irrigation Schemes**

During the apartheid era the two provincial agricultural parastatals, TRACOR and ULIMICOR, were engaged in a number of irrigation schemes in rural areas. The land on which these schemes were established was former South African Development Trust (SADT) land, or community land expropriated by the state and given to the corporations for irrigation development. A common feature of these schemes was the division of the land into a small number of commercial plots, a larger number of food plots, and a large tract of land run by the parastatal. Most of these schemes were highly capital intensive and orientated towards commercial production for export out of local area, except where allowance was made for small food plots. It appears to have been normal practice for management to make all the decisions about the production and marketing of crops, water supply and use of equipment. Management controlled the finances, and deducted the costs of all inputs from the amount individual farmers received after harvest. Except for those with food plots, most farmers involved in these schemes were essentially contract growers who had to do what they were told. Efforts to organise participants into farmer associations were inadequate and those that were attempted seem to have failed (Rousouw et.al, 1993). These schemes were very capital intensive and introduced many commercial agricultural practices that were unfamiliar to local residents such as commercial dairy and vegetable farming. The provision of extension and training services also appears to have been inadequate.

Despite these inadequacies, farmers and food plot holders did benefit financially, although most participants continued to rely on other sources of income for their livelihood. Better food security and nutrition was perceived by most participants (particularly women) to be the most important benefit to accrue from the scheme (Rossouw et al, 1993). Financial security was another important benefit.

Today, most, if not all of these schemes have been closed down and are not functioning. Their collapse can be attributed to the external management of the projects and the lack of capacity amongst participants. Very little investment was made in skills training, organisational development and capacity building amongst participants. The important lesson to draw from these schemes is that long-term project sustainability depends very heavily on real partnerships, negotiation, joint decision making, capacity building and empowerment.

### **4.3 Tyefu Citrus Project**

In 1996 attempts were made to initiate a Citrus project at Tyefu. A national citrus marketing board wanted to expand citrus production amongst black emergent farmers and was willing to provide extension services, financial assistance and marketing outlets. Although there was some local support for the project, considerable problems were experienced due to proposed changes in land tenure. Due to the long-term nature of citrus investments, ULIMICOR and the Citrus company were advocating the privatisation of suitable land to emergent farmers. This was obviously a contentious issue for local residents and the DLA was concerned that any decision making process be transparent and fair. The DLA had also not yet developed tenure reform legislation that could adequately facilitate such changes. Consequently, progress was very slow and the community lost this opportunity when the sponsors withdrew.

## **5 SUB-CONTRACTING**

### **5.1 SANP Outsourcing**

SANP has taken a strategic decision to outsource its existing and future tourism infrastructure to the private sector. This is to take place in two phases. Phase One will involve the outsourcing of 13 existing lodge sites, Nine in Kruger National Park; two in Addo National Park; one in Golden Gate National Park and one in the Kgalagadi Transfrontier Park. Phase Two will involve the outsourcing of existing restaurants and retail shops. Tourism infrastructure will be commercialised on the basis of 15 year concessions. It is anticipated that this initiative will lead to the creation of an additional 600 beds and 1200 new jobs. Social empowerment provisions (understood as partnership arrangements between private sector operators and neighbouring communities) are to be a tender requirement. 80% of a bid will be on financial criteria and 20% on social criteria

### **5.2 Department of Public Works – Road Construction**

The Department of Public Works in the Eastern Cape is pursuing a new policy of creating opportunities for partnerships between large companies and previously disadvantaged small-scale entrepreneurs. One of its Roads Programmes' tendering requirements is that the companies should sub-contract part of the work to suitable small-scale entrepreneurs. It is also envisaged that the role of these small contractors

will increase in each subsequent tender awarded to the successful tenderer. The aim of this initiative is to create opportunities for previously disadvantaged small-scale entrepreneurs, and to build their capacity over time. The implementation of this programme is at an early stage and some problems have been encountered. However, lessons have been learnt and adaptations to the policy are being made to ensure its effectiveness in the long term (pers. com. Harris Majeke).

### **5.3 Singisi Forests**

**See Section 3.1**

### **5.4 Amatola Forests**

**See Section 3.2**

### **5.5 Working for Water**

The Working for Water (WfW) project in Eastern Cape is a subsidiary of the Department of Water Affairs and Forestry. Its main aim is to eradicate alien plants and provide jobs, but it has multiple objectives: to increase water flow and quality; to promote tourism through increased bio-diversity; to develop of secondary industries related to the alien eradication; to develop local people's capacity for environmental management; boosting local economies; and to improve the functioning of ecosystems. The Project also trains workers in the use of mechanical tools, machinery maintenance, driving, herbicide application and mixing, and tree felling. Select employees are trained in leadership skills and budgeting.

There is great potential for the development of secondary industries around WfW projects, involving former WfW employees. The most frequently encountered were the sale of firewood, the manufacture and sale of charcoal and the production and sale of fencing poles. Other prospects include the manufacture of furniture and garden products, the supply of timber to saw mills, the supply of pulpwood, the production of fire-lighters, smoking chips, poles for building and wood for washing pegs and matches. Ex-*WfW* employees were also hoping to become involved in developing forest trails and guiding tourist, finding employment in forestry or timber industries and tendering for agricultural services such as fencing and alien eradication.

Some scepticism however exists about the future competitiveness of contractors in an open contract system, where they would have to compete for the awarding of tenders. The Working for Water Project could nevertheless make an important contribution to developing the capacity of communities to sustainably and efficiently manage their tree resources.

## **6 JOINT MANAGEMENT**

### **6.1 Dwesa/Cwebe**

**See Section 2.1**

## **7 CO-OPERATIVES**

### **7.1 Kat Co**

KatCo, the Kat River Valley Cooperative provides orange farmers in the Fort Beaufort and Seymour areas of the Eastern Cape with support services such as farming inputs, technical support, physical backup, loans, packing and marketing services. Most of the farmers associated with the cooperative are white commercial farmers, but 16 of the 25 black farmers living on state-owned land are also affiliated to the cooperative. The relationship between the black farmers and KatCo has a long history dating back to when Ulimacor, the Ciskian Agricultural Corporation, took over the farms and then began to engage black farmers with the project. Ulimacor no longer exists but the black farmers have continued to produce oranges and maintain their links with KatCo. Most of the black farmers are on the verge of bankruptcy because of their inability to access loans. KatCo has stepped in and provided some financial assistance to bail them out, but is concerned about jeopardizing its own financial situation by lending to farmers whose operations may be liquidated.

Currently, an attempt is being made to set up a Development Agency to assist the black farmers. This organisation would provide administrative services, try to raise funds and lobby government structures to resolve the land issues and access financial resources. KatCo will provide some assistance and expertise.

### **7.2 Pine Co**

**See Section 1.4**