



Department of Land Affairs
Departement van Grondsaak
Kgoro ya tša Naga
UMnyango wezovhlaba



PRESS RELEASE

PUBLICATION OF A GUIDE TO THE CREATION OF SUSTAINABLE JOINT VENTURE PARTNERSHIPS IN LAND REFORM

“Issues & Options in the Development of Legal Entities for Equity- Share Partnerships”

The Land Reform Credit Facility (LRCF) this week announces the publication of a Manual, for use by rural development and land reform practitioners, in the creation of land reform joint venture partnerships. These are commercial partnerships between landowners and worker households or local communities which have been historically excluded from land ownership and development opportunities.

The Need for a Manual

Over the past few years, ‘equity-share’ schemes and other joint venture partnerships have become an effective and increasingly popular land reform vehicle in the high value sectors of the rural economy. They enable poor people to acquire part-ownership of high value land assets (and the income streams that derive from them), as well as access to training and management opportunities that never existed before. Commercial farmers harness quality, productivity and profitability improvements from such joint ventures, which enables them to compete more effectively in national and international markets.

The realisation of these benefits, however, depends crucially on the establishment of fair, functional and robust institutional arrangements that govern the operation and management of these partnerships. Moreover, these arrangements must be understood and owned by all the parties to the deal. This is a major challenge in view of the substantial inequality – in information, experience, confidence etc. – that typically characterises the different parties in land reform joint ventures.

There is therefore a major need for clear information and advice on the different institutional and legal arrangements available to such ventures. Information which highlights the different options that are available, and their implications for the different parties involved.

The Purpose of the Manual

This Manual is intended to assist persons facilitating and involved in commercial land reform projects to design appropriate institutions and legal arrangements that will strengthen the viability of the new entity (ies), and will serve the needs of all participants in land reform.

The Manual draws directly from a large body of experience – good and bad – generated to date through the land reform programme. It seeks to present practical guidelines and advice, in an accessible format. It is aimed primarily at assisting facilitators of land reform projects, although it is hoped that as many of the partners to such deals are able to consult the document directly.

The Manual was commissioned by the Land Reform Credit Facility, a project of the Department of Land Affairs, which is co-financed by the European Union.

The manual is available free, on request from the Land Reform Credit Facility (Attn. Nomsa Maseko), c/o Khula Enterprise Finance Ltd., PO Box 4197, Rivonia, 2128, Tel: (011) 807-8464 X120; Fax: (011) 807-8471, or e-mail: nomsam@khula.org.za.

We would be grateful for your assistance in publicising the manual, and in drawing attention to its purpose and availability.

Paul Zille
Land Reform Credit Facility
20TH November 2000

Background to the Land Reform Credit Facility

The Land Reform Credit Facility is a deferred repayment loan fund established in 1999 to finance high value, joint venture partnerships between commercial landowners / and historically excluded South Africans. It has been capitalised initially at R63 million, using funding from the Department of Land Affairs and the European Union. The Facility is being administered by Khula Enterprise Finance Ltd.

The key feature of the LRCF is that it offers loans with deferred repayments to banks or investors who wish to finance, on similar terms, land-based enterprises or the acquisition of shares in these enterprises by previously disadvantaged workers or neighbouring households. Depending on the portion of the equity that will be acquired by the new partners, the LRCF will charge an interest rate of between 2 – 3 per cent below the three-month Bankers' Acceptance (BA) rate. Moreover, recipients of LRCF loans automatically qualify for a grant to finance the organisational development and capacity building of the new partners in the enterprise.

Since the LRCF's launch in May 1999, it has approved loans of R30 million to nine share-equity schemes in the agri-business and eco-tourism sectors.

