



WITZENBERG PALS (NPC)

(2015/164704/08)



**An initiative for successful land reform, economic growth,
job creation and social cohesion.**

PARTNERS IN AGRI LAND SOLUTIONS

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INDEX

<i>PARAGRAPH</i>	<i>PAGE</i>
1. INTRODUCTION	1
2. DESCRIPTION OF THE INITIATIVE.....	2
2.1 Corporate Governance.....	2
2.2 Implementation since 2015.....	2
2.3 Addressing the requirements for success.....	3
2.4 PALS: Essential characteristics for sustainable land reform.....	6
3. LOCATION.....	7
4. EXTENT	7
5. INITIATIVE LIFECYCLE / STAGE OF DEVELOPMENT	7
6. FEASIBILITY AND AGRO-POTENTIAL.....	8
7. POTENTIAL POSITIVE IMPACT.....	8
7.1 Job Creation.....	8
7.2 Economic.....	8
7.3 Food Security.....	9
7.4 Production Potential.....	9
8. POTENTIAL NEGATIVE IMPACT.....	9
9. PARTNERS AND MECHANISMS.....	9
10. CONCLUSION	10

1. Introduction

- 1.1 The Witzenberg PALS initiative is a private land reform initiative that was established by the commercial farmers in the Witzenberg district, in partnership with local communities and all three spheres of Government. The key objective is to help create an enabling environment to implement innovative land reform and economic empowerment that is in line with Chapter 6 of the National Development Plan (NDP).

The Partners in Agri Land Solutions (PALS Framework) enables the transfer of agricultural land or portions of farms for sustainable farming and land reform without prejudicing food security. The framework creates sustainable land reform businesses as the experienced commercial farmer remains involved as minority partner and mentor during the initial period. The PALS Framework ensures that enterprises are implemented in such a way that an annual report and audited financial statements are available for access by Government departments. The monitoring of land reform then becomes a manageable exercise and assist the Department of Agriculture Western Cape, the Deciduous Fruit Industry and other role players to keep track of the status of all black enterprise developments. The PALS Framework is in line with the key issues as set out in Government's policy documents and the principles as set out in the Constitution and National Development Plan.

- 1.2 Having decided that land reform had to be expedited in the area, an innovative land reform framework, the PALS framework was devised and developed with economic growth, job creation and social harmony as its central pillars. The stated goals of the initiative, which still endure, include the **establishment of successful black farmers** (as owners of the land), to **involve the whole community in an inclusive process**, to extend the initiative to other areas and agricultural related industries, to establish the **Witzenberg Centre as “one-stop-shop”** (local land desk) and to **focus on mentorship and training programmes**. The PALS initiative has rightfully been described as “*a radical departure from past land reform in South Africa*”¹.
- 1.3 Witzenberg PALS has more than 100 black development enterprises listed that consist of Land Reform, value chain, housing and training. To date 20% of the listed PALS Land Reform enterprises were implemented successfully. This was achieved without government funding. The support of the Deciduous Fruit Industry (Hortgro as well as the Western Cape Department of Agriculture) were important factors in the implementation of the new land reform farms.

¹ Prof Nick Vink; Witzenberg Partnership December 2014;

2. DESCRIPTION OF THE INITIATIVE

2.1 Corporate Governance

Witzenberg PALS (NPC) (Registration number: 2015/164704/08) is a registered non profit company with a Board of Directors and central office in Ceres.

VISION

Vibrant, prosperous, reformed, sustainable, agricultural industry, rural economy and harmony.

MISSION

To initiate, facilitate, coordinate and promote reform of agri land ownership, economic growth, job creation and social harmony based on the *Partners in Agri Land Solutions (PALS)* framework.

VALUES

We uphold the following values:

- Integrity
- Honesty
- Respect
- Trust
- Transparency
- Commitment
- Accountability

2.2 Implementation since 2015

2.2.1 The Witzenberg PALS centre listed Land Reform enterprises which involves more than 30 000 hectares of high value farmland. PALS implemented 17 new enterprises on 8 200 hectares in the last 3 years. The ongoing restructuring and improvement of equity schemes (with larger employee groups as shareholders) covers a further 23 000 hectares. The remainder of listed PALS Land Reform enterprises, that need certain Government enablers before implementation, will add substantially to the 30 000 hectares mentioned above. Some PALS members who are agri-producers have donated land for housing and other Land Reform enterprises, but implementation is delayed as approvals for subdivision of these pieces of land were delayed as a result of policy uncertainty or uncertainty about legislation.

2.2.2 Several proposed Housing enterprises on land that had been made available by private land owners also form part of the PALS initiative and these tenure reform enterprises can be implemented in conjunction with the various levels of government.

2.3 Addressing the requirements for success.

2.3.1 The PALS initiative invested substantial human and intellectual capital in refining the PALS framework to avoid the mistakes of previous land reform models. In this regard the PALS initiative:

2.3.1.1 corresponds with the provisions of the NDP pertaining to Land Reform and supports the goals of economic and employment growth, measurable and tangible economic transformation, coupled with black empowerment and ownership

2.3.1.2 differs from other land reform models with regards to the contractual options available to the black owner to become majority shareholder or sole proprietor, compulsory mentorship, monitoring and progress analysis by the PALS Centre and benefits to both the black farmer as well as the farmworkers as group, the latter through a process of profit share;

2.3.1.3 provides black farmers immediate access to the best available resources, intellectual capital, networks and markets through the PALS partnership and the involvement of experienced successful commercial farmers.

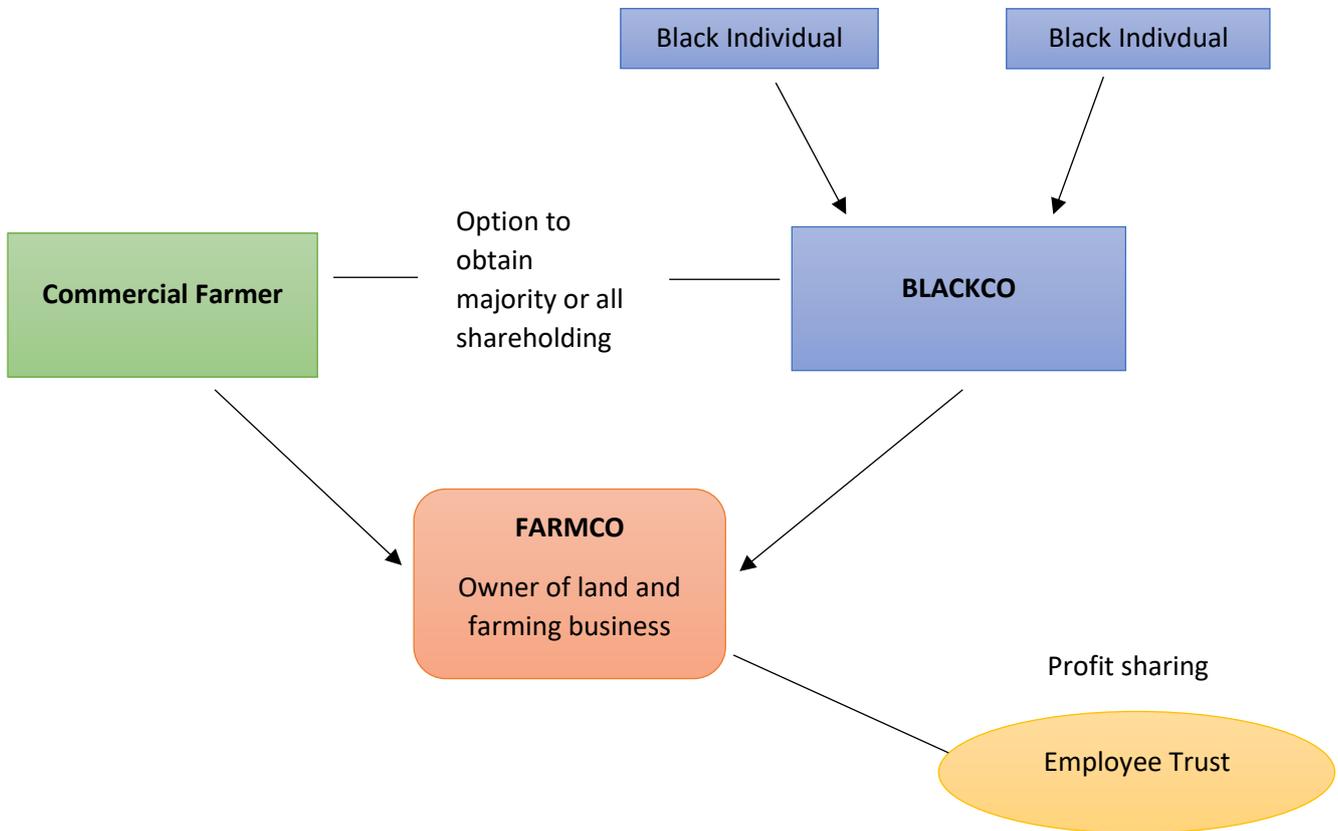
2.3.2 The requirements for successful land reform is based on several studies; are the following:

- Access to land, skills, property rights or long term lease, markets for inputs and outputs, working capital for operating costs, an exit strategy and a supporting environment.

2.3.3 The PALS Framework is initially a joint shareholding between the black farmer and experienced commercial farmer in a new company. The black farmer has an option to acquire all the shares after a specific period of induction. The business plan is underwritten by the experienced commercial farmer who also supplies security for the financial obligations of the company. The people who work the land is benefitted through minimum profit sharing. The necessary exit strategy and rights of first refusal to protect the land for black ownership and for land reform purposes are contained in the shareholders agreement and Memorandum of Incorporation. Access to the best planting material and the value chain is guaranteed through the involvement of the commercial farmer.

PALS FRAMEWORK: DIAGRAM AND AGREEMENTS

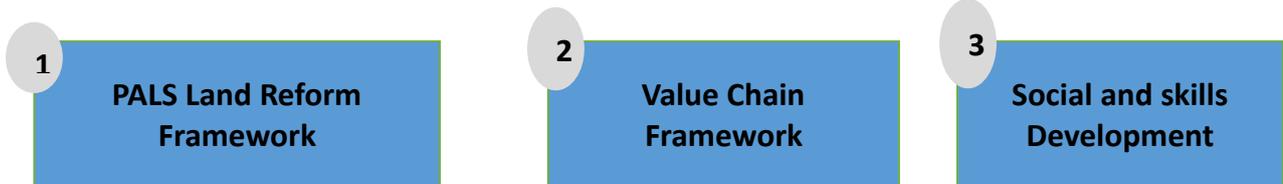
1. Company
2. Shareholders
3. Option
4. Compulsory Mentorship
5. Profit Sharing for larger employee group
6. Exit Strategy
7. PALS Centre coordinate and monitor
8. Right of First Refusal
9. Business Plan



Shareholders Agreements & MOI
 Mentorship & Management Agreement
 Option Agreement
 Marketing Agreement
 Trust Deed

2.3.4 The PALS development framework actively addresses the land reform, value chain, transformation, social and skills development, job creation, social harmony and economic growth

PALS development framework – 3 areas of development



4 types of Land development:

1. **Green Fields developments** refers to an enterprise that entails a new piece of land that will be cultivated and planted with new orchards and vegetables.
2. **Development Enterprise that includes an existing farm or economic unit with established orchards and vegetables.** In this case the land may be subdivided and is transferred to a new PALS company.
3. **Land of Traditional Leaders or LRAD initiatives.** In agreement with leaders and community a portion of the land can be farmed in partnership.
4. **Existing Black Farmers.** These enterprises entails black owned farms that have indicated they welcome support from commercial farmers.

The Value Chain enterprises includes:

1. Factories manufacturing implements and inputs
2. Marketing companies
3. Distribution companies
4. Service providers
5. Chemical and Fertilizer companies.

Social and skills development addresses the following enterprises:

1. Infrastructure (Water, Subdivision, Electricity, Tax and Finance)
2. Housing
3. Funding for Training, Educational
4. Governance Management, skills and requirements
5. Strive for best practices in housing, labour relations and working environment

These development areas are supported by the Deciduous Fruit Industry's initiatives such as the new Hortfin Fund. It is also supported by Department of Agriculture (WC) through various action such as approvals for subdivisions, CASP Funding and other partnership initiatives regarding information sharing and drought relief.

2.4 PALS: Essential characteristics for sustainable land reform

2.4.1 The following essential characteristics of the PALS framework was refined in consultation with stakeholders and Government and address issues of transparency, mistrust and ensure that there can be no hidden agenda or fronting in PALS Land Reform enterprises:

2.4.1.1 The PALS Company affords protection and veto rights in terms of the Companies Act to the Black Beneficiaries.

2.4.1.2 On the first day of implementation of the land reform enterprise a signed option is given to the Black Beneficiaries who do not hold all the shares in the company, to become majority or sole shareholders.

2.4.1.3 A compulsory mentorship agreement is implemented to the satisfaction of the rights holders. "Human Development is a key to all land reform enterprises."

2.4.1.4 The shareholders agreement contains a right of first refusal and other terms and conditions that protect and preserve the property and business for Land Reform purposes and to ensure that these remain in the hands of black people.

2.4.1.5 Minimum profit sharing for the larger employee group through an employee's trust. This has the effect that a PALS land reform enterprise benefits people who work the land as well as creating individual black commercial farmers.

2.4.1.6 Black beneficiaries are also protected or indemnified from debts incurred by the PALS Company until such time as they become the sole shareholder

2.4.1.7 Access to markets are also provided by marketing agreements which are facilitated by the participating commercial farmers.

2.4.1.8 Beneficiaries are selected by using transparent objective criteria agreed to by the participating farm workers and the strategic partner.²

2.4.1.9 The newly established Hortfin Fund speaks to the frustration of new black farms to access financial loans to develop new orchards.

2.4.2 The Witzenberg Mediation and Arbitration Centre was established to assist the PALS centre in its "watchdog role" and providing a platform for black beneficiaries to freely express any concerns regarding unequal relationships or problems with the strategic partner, implementation of the land reform enterprise or interpretation of the legal agreements.

2.4.3 The PALS framework is based in a sound legal and structural background to ensure sustainable black agricultural businesses.

² www.wpals.co.za: Frequently asked questions (FAQ)

3 LOCATION

The PALS Centre is located in Ceres, Witzenberg Municipality, Western Cape. The initiative extends to other areas and successful black enterprise developments were implemented in the Northern and Southern Cape, with the Eastern Cape, Free State and Limpopo as current development areas.

4 EXTENT

4.1 The estimated area of listed PALS enterprises covers approximately 90 000 hectares which will be adjusted as new development enterprises are added or de-listed.

4.2 The development enterprises are divided into:

4.2.1 New PALS Land Development: 14 implemented and 56 planned farmland enterprises;

4.2.2 LRAD: 12 implemented and sustainable broad based shareholder farming enterprises;

4.2.3 Land of Existing Black Farmers and Traditional Leaders: 6 to 15

4.2.4 Value Chain: 19 Black Enterprise developments listed;

4.2.5 Housing Developments: 6 listed with three implemented or partially implemented;

4.2.6 Training: PALS facilitates training in 4 modules and is planning a training/conference centre. See Attachment "C" annexed hereto.

5 INITIATIVE LIFECYCLE / STAGE OF DEVELOPMENT

The PALS initiative was launched on 19 August 2014 and consulted with all spheres of government and other roleplayers in the implementation of the initiative and the different development enterprises.

In the four years since the formal registration of the company, farms of more than 8200 hectares of high value agricultural land were transferred with a further 30 000 hectares represented by farms in which larger employee groups are shareholders.

The *PALS in Pictures* document attached hereto summarises the progress with implementation. See Attachment "A" annexed hereto.

Four years is a relative short period in agricultural development and in the land reform context, but despite lack of acceptable service delivery by government departments, PALS was able to successfully implement about 20% of the listed new land reform enterprises in a sustainable manner.

The stages of development of listed enterprises are:

- 20% implemented and successful in terms of business plan, governance, administration, record keeping and best farming practices;
- 30% in motivation phase awaiting enablers such as water permits, subdivision, finance or recognition;
- 50% in planning phase and subject to roleplayers being motivated by government policy or incentives as provided for in the National Development Plan ("NDP").

6 FEASIBILITY AND AGRO-POTENTIAL

All PALS enterprises requires a business plan approved by experienced commercial partner as mentor and coordinated and mentored by the PALS centre as "watchdog".

The three phases of planning, motivation and implementation and the different action steps in the phases are set out in Attachment "B" annexed hereto.

7 POTENTIAL POSITIVE IMPACT

7.1 Job creation

4 000 hectare of irrigated new orchards will create 12 000 direct new jobs which will further increase to more than 30 000 new jobs with upstream and downstream job creation.

The implemented PALS projects (development enterprises) already created approximately 1 300 new jobs.

7.2 Economic

The investor confidence created by PALS in the Witzenberg area already contributed to economic growth of approximately 7% compared to national growth of 0%.

The total investment required to implement all listed enterprises amounts to approximately R1,2 billion with a further estimated R3 billion in social

infrastructure like schools, housing, roads and supporting value chain developments.

7.3 **Food Security**

The development of new farms with fruit, vegetables, grain, sheep, cattle, citrus, table grapes, super fruit and other commodities makes an important contribution to food security.

7.4 **Production Potential**

The initiative assists black farmers to increase yields and green field projects use new land with potential to produce high value commodities. The local knowledge of experienced commercial farmers ensure that the land and other sources are suitable for development.

8 **POTENTIAL NEGATIVE IMPACT**

The biggest negative factor is the fact that as the initiative is implemented in the different areas, the supporting infrastructure regarding municipal services, housing, roads, etc. come under pressure. This is as a result of the fact that people migrate to areas where jobs and opportunities are created which may lead to overcrowding and other social problems.

PALS should therefore urgently be implemented in all areas of South Africa to create jobs and limit migration from distressed areas to districts where PALS is active.

9 **PARTNERS AND MECHANISMS**

- All roleplayers involved in Agriculture and Land Reform.
- Hortgro and Western Cape Department of Agriculture – constant engagement.
- Industry organisations, Municipality, Provincial and National Government as well as other roleplayers were engaged.
- Consultation with all roleplayers is an ongoing exercise.

National Government should be convinced that the principles of the NDP should be elevated and implemented and Government must be motivated to implement the following mechanisms:

- 9.1 Institution of a **Land Reform and Agriculture Coordination Committee**: This committee should consist of the relevant Director Generals and independent experts from the private sector to report directly to the Deputy President and

Department of Planning Monitoring and Evaluation. This will provide a hotline for land reform initiatives and to ensure coordination amongst the service delivery of state departments and evaluation of the state of land reform on a continual basis.

- 9.2 **Incentivise** commercial farmers to implement and support Land Reform enterprises by granting the **recognition** as envisaged in the NDP. Improved BEE status is one possibility.
- 9.3 A **Land Reform Fund** into which all members of the public can donate in support of the cause. Tax exemptions in terms of *section 18A* of the Income Tax Act³ may be considered as an incentive for such donations. This fund can be managed jointly by Treasury and the commercial banks.
- 9.4 Rewarding local areas for achieving **Land Reform targets** and make such targets part of the Auditor General's audit of municipalities.
- 9.5 Consideration of the **PALS framework** and concept of **local land committees** to ensure collaboration between different spheres of Government and the private sector to expedite rural land reform.
- 9.6 Utilisation of grants and subsidies to leverage cheaper finance of prime less 6% for land reform enterprises.
- 9.7 Invitation of the **private sector** as **co-creators** and **partners** with regard to the consideration and implementation of policy pertaining to Land Reform.

10 **Conclusion**

We as PALS consider the promotion of a society, based on democratic values, social justice and fundamental human rights as one of those duties and responsibilities of our citizenship, referred to in **section 3(2)(b)** of the Constitution. We believe that Land Reform, in the manner discussed herein, is indispensable for the creation of such a society. A society that recognises and heals the injustices of the past, that respects and promotes human dignity, equality and the human rights and freedoms of all its citizens.

We submit that the effective implementation of the PALS Framework on a large scale would foster conditions that would enable citizens to gain access to land on an equitable basis. In particular, it would enable black people, previously deprived thereof, to become land owners, to gain access to the agricultural value chain, to acquire wealth and prosperity and to create a generational dividend for the future of South Africa's children.

³ Income Tax Act 58 of 1962

ANNEXURES

A: *PALS in Pictures*

B: *PALS steps*

C: *Training*

D: *PALS Centre*

E: *Youtube videos links: Witzenberg Partnership*

<https://www.youtube.com/channel/UCkzYznDWw8DWa1C6BumwL4A>

PALS 2019 <https://youtu.be/DgSw1iD8p4E>



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