



Presentation to the portfolio committee on public enterprise

Date : 7 August 2012

PRESENTATION LAYOUT



Agenda items

	Items	Presenter
1	Introductions	Ms Ndumi Medupe (NED & Chairperson of the Audit and Risk Committee)
2	Progress on SAFCOL Land Claims	Leslie Mudimeli – SAFCOL
3	Socio Economic development and Enterprise Development Programmes	Parmas Chetty – SAFCOL
4	Updates on action taken from the Portfolio Committee's recommendations following oversight visit	Leslie Mudimeli- SAFCOL
5	Future role of SAFCOL – Updates by the Department	Department

PURPOSE AND SCOPE OF THE REPORT



The purpose of the report is to provide members of the committee on the following :

- *Progress made in resolving land claims on SAFCOL land.*
- *Report of socio-economic development and enterprise development initiatives of the SAFCOL Group.*
- *Updates on actions plans takes after the oversight visit by the portfolio committee to SAFCOL Operations in Mpumalanga.*

The report exclude:

- *Progress on SED, ED and Land claims on already privatised entities which SAFCOL holds minority shares (i.e. MTO, Amathole, Siyaqubeka and Singisi). Only progress relating to the main SA operating subsidiary of SAFCOL “Komatiland Forests” are included in this report.*
- *The future role of SAFCOL which will be provided by the department.*



PROGRESS ON LAND CLAIMS AFFECTING SAFCOL

BACKGROUND

- SAFCOL's Main operating entity, KLF has land claims in all three provinces (Mpumalanga, Limpopo and KZN).
- Our statistic reflects that about 61 percent of the land which we are managing is under claims.
- Unresolved land claims remains one of the strategic risk of the organisation.
- There are about 29 land claims recorded which affects SAFCOL operations, and some of these areas have more than one community grouping who lodged a claim on it.
- These claims are in different stages of the land claims process.

RESTITUTION PROCESSES

Investigation – Mapping, Loco inspection, Oral research, Archival search, Documentary search & Drafting acceptance report.

Gazetting – Register project for gazetting, Serve gazette notices

Negotiation & Stakeholder facilitation – Valuation, Verification, Negotiation of price, offer to purchase

Formation of Legal Entity – Workshops, Elections, Signing of constitution, Apply to State Attorney for registration

Settlement – Prepare Sec 42D, Vesting of land rights, Land Transfer

Summary of SAFCOL claims per Restitution Stage



	Limpopo	Mpumalanga	KwaZulu -Natal	Totals
Research	1	12	0	13
Gazetted	13	4	1	18
Settled	3	1	0	3
Transferred	0	1	0	1
Total no. Of claims	14	14	1	31

DETAILS OF CLAIMS PER PROVINCE



Province	Claimed Plantation	Total plantation area	Estimated claimed area (ha)	No. of Claims per Plantation	Land-claims status
Mpumalanga	Belfast	6 245.45	unknown	1	Research
	Berlin	13 583.35	10 205.26	2	Gazetted
	Jessievale	18 721.61	17 689.85	5	Gazetted, portion of Redhill under research
	Nelshoogte	11 704.34	9 717.00	1	Gazetted
	Witklip	9 883.68	2 311.22	1	Gazetted
	Roburnia	15 207.71	900.52	1	Research
	Bergvliet	13 248.90	8 944.00	1	Research, a portion of Frankfort under research
	Blyde	6 780.69	6 600.08	1	
	Morgenzon	6 142.85	5 356.67	1	Research
	Twefontein	18 967.77	4 186.71	1	Gazetted, a portion of Geelhoutboom under research
	Wilgeboom	9 339.16	7 187.38	1	Research
Limpopo	Woodbush	5 550.28	unknown	1	Research
	Entabeni	16 997.80	15 508.00	13	13 Gazetted, 3 Settled
KwaZulu-Natal	Ngome	3 700.51	837.67	1	1 Gazetted
Totals		156 074.10	64 219.36	31	

(Land claims on State-owned land operated by KLF)

DETAILS OF CLAIMS PER PROVINCE



Province	Plantation	Total Area	Estimated claimed area (ha)	No. of Claims per Plantation	Land-claims status
KwaZulu-Natal	Abacus (Part of Ngome)	2 312.58	328.67	2	Labour-tenant claim does not follow gazetting route
Mpumalanga	Shannon	12 504.00	12 504.00	1	Transferred
Total		14 816.58	12 832.67	3	

(Land claims on properties owned by SAFCOL)

OUR KEY OBJECTIVES

- To become a partner of choice to successful land claimants.
- To ensure that forestry is the preferred land use options, with clear benefits to the new land owners.
- To educate claimant and make them aware of the nature of the forestry sector and empower them to participate in the sector.

SAFCOL'S INVOLVEMENT



The following actions have been taken following the instruction from our shareholders representative that SAFCOL/KLF must be actively involved in the settlement of land claims:

- Participation in the Inter-departmental task team meetings facilitated by DPE and attended by DAFF, DRDLR and DPW, to discuss i.e. settlement model and the SAFCOL lease.
- Establishment of a Land Claims Division which focuses on the resolution of current land claims affecting SAFCOL operations
- Facilitation of a high level meeting between SAFCOL executive led by the CEO and Chief Land Claims Commissioner.
- Initiation of operational specific meetings with the Land Claim Regional offices to discuss individual claims which led to the provision of resources to the RLCC's in order to speed up the land claim process, i.e. Mapping.
- Inclusion of Claimants on the JCF meeting, the hence benefits through development projects (SED and ED).

INTER- DEPARTMENTAL TASK TEAM MEETINGS



Task team was revived in 2011, it is facilitated by DPE and attended by DAFF, DRDLR, DPW and SAFCOL. Although led by DPE, they are not the custodian of the restitution Act.

Issues discussed include the following:

- Warehousing of shares (SAFCOL privatised entities)
- Finalisation of SAFCOL lease affecting KLF operations with DAFF
- Finalisation of a suitable model for the settlement of KLF claims.
- Initiation of a communication plan regarding the status of claims to communities.

OPERATIONAL MEETINGS WITH RLCC'S



SAFCOL initiated operational specific meetings with Regional Land Claim offices (RLCC's) to zoom into specific land claim.

Achievements of such meetings are as follows:

- Provision of mapping support to the Commission, and the provision of land use information necessary during research, i.e. records of existing areas of special interest.
- Establishment of claim specific bottlenecks and development of action plan per claim.
- Established close working relationship
- Involvement of relevant stakeholders, e.g. Claimants, DAFF etc.
- Regular updates on claims
- Formulation of settlement principles which will underpin the proposed settlement model relevant to KLF

DEVELOPMENT OF A SETTLEMENT MODEL



- Forestry South Africa developed a *generic commercial forestry model* which was approved by the then Minister of Land Affairs in 2008. The model which SAFCOL adopted in principle.
- In 2009, DPE facilitated a task team aimed at coming up with proposals to be considered for the development of the forestry model suitable for SAFCOL.
- The task team was instructed to consider the settlement of Richtersfeld claim as a case that SAFCOL can learn from. The task team also considered the proposed generic model for the settlement of commercial forestry land.
- The decision on the future role of SAFCOL and the privatisation or not privatisation of KLF will inform the type of the model to be adopted.

DEVELOPMENT OF A SETTLEMENT MODEL



- The task team recommended guiding principles which were deemed suitable for KLF, taking into consideration all factors relevant to forestry, community structures and requirements from Department of Rural Development and Land Reform (DRDLR) at the time.
- In 2011 DRDLR announced that they would like forestry to align their model with the new thinking of the minister of Rural Development and Land Reform.
- At the end there was no decision taken regarding the adoption of a model as this was interlinked to the future of SAFCOL and KLF.

Considerations to be taken into account when developing a model suitable for SAFCOL



- Whether SAFCOL will consider any form of partnership e.g. **joint ventures?**
- Whether **shares** will be issued to claimants, how and at what value?
- A need exist for SAFCOL to attain the **rights from the landlord to negotiate settlement** directly with claimants. As SAFCOL is leasing the land, lessee does not have the right to negotiate land claims settlement as settlement is between landlord, Commission and the claimants

CHALLENGES

- Slow restitution process leading to : illegal occupation of KLF land, threats from claimants i.e. fires, reduction on productive areas.
- Community disputes, e.g. Boundaries, and overlapping rights.
- The lack of an agreed settlement model for settling claims on KLF operated land.
- SAFCOL does not have the delegated mandate on the resolution of claims as the land is leased from DAFF. This is because SAFCOL does not hold title deeds of the land it operates on, instead all KLF land is leased from DAFF on basis of delegation letter.

WAY FORWARD



- The new ***Green Paper on land reform*** has not been finalised. There is lots of anticipation on the policy direction that the Green Paper will provide, especially with respect to state land.
- SAFCOL continues to ***proactively engage the relevant role-players***, in an attempt to expedite the resolution of claims where its operations are based.
- Continue with community engagement through SED and ED projects by ***implementing the Social Compacts***. To ensure that we position SAFCOL as the preferred partner of choice successful claimants.
- SAFCOL continues to ***engage with land claimants*** to clarify issues relating to land claims on SAFCOL-managed land.
- Working with the key stakeholders, SAFCOL will pioneer the ***development of a settlement model*** and we continue to engage the relevant parties in an attempt to expedite the resolution of claims.



SAFCOL'S SOCIO-ECONOMIC DEVELOPMENT PROGRAMMES AND ENTERPRISE DEVELOPMENT INITIATIVES.

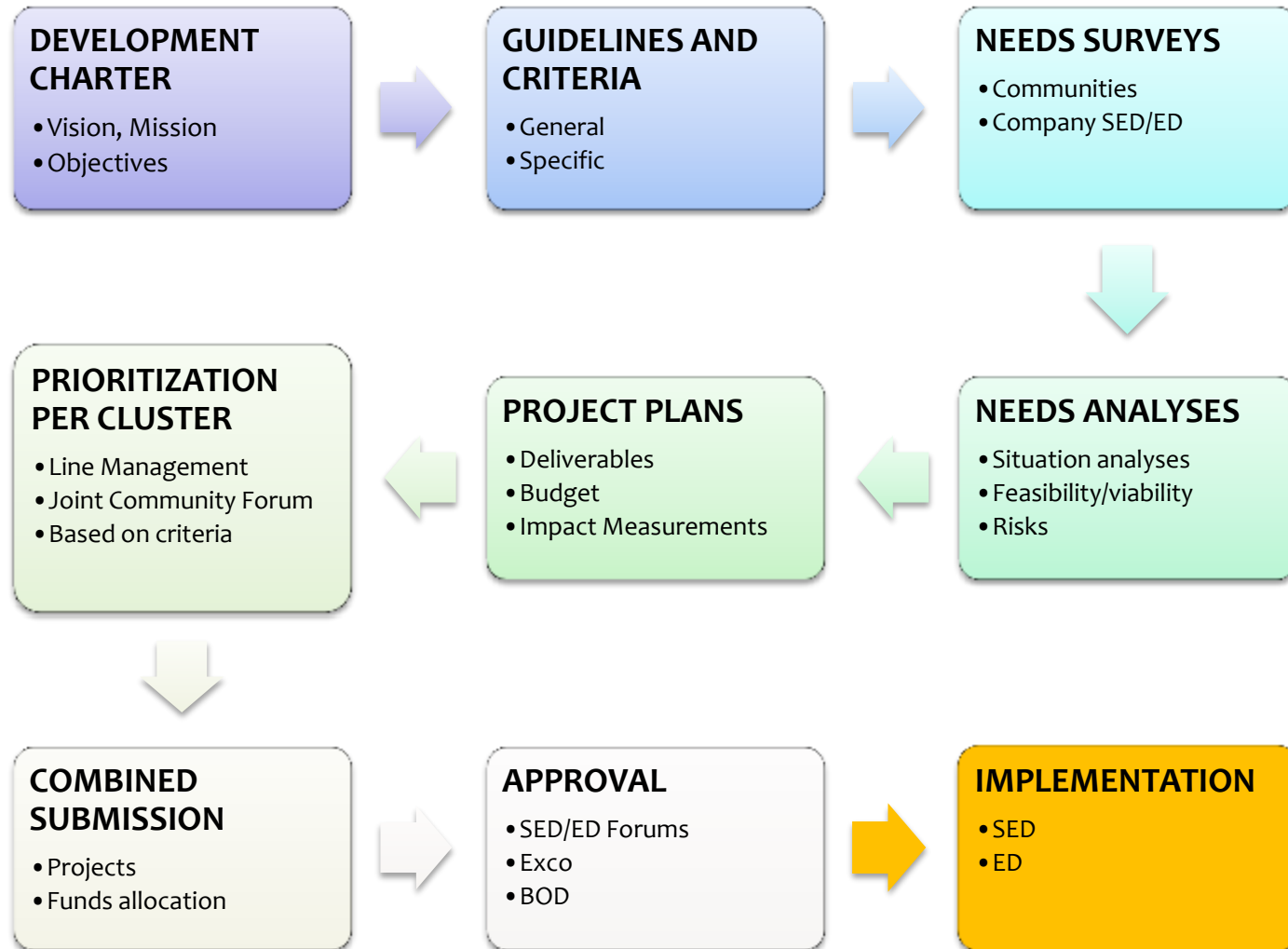
SOCIAL ECONOMIC DEVELOPMENT PROGRAMMES

SOCIAL COMPACT

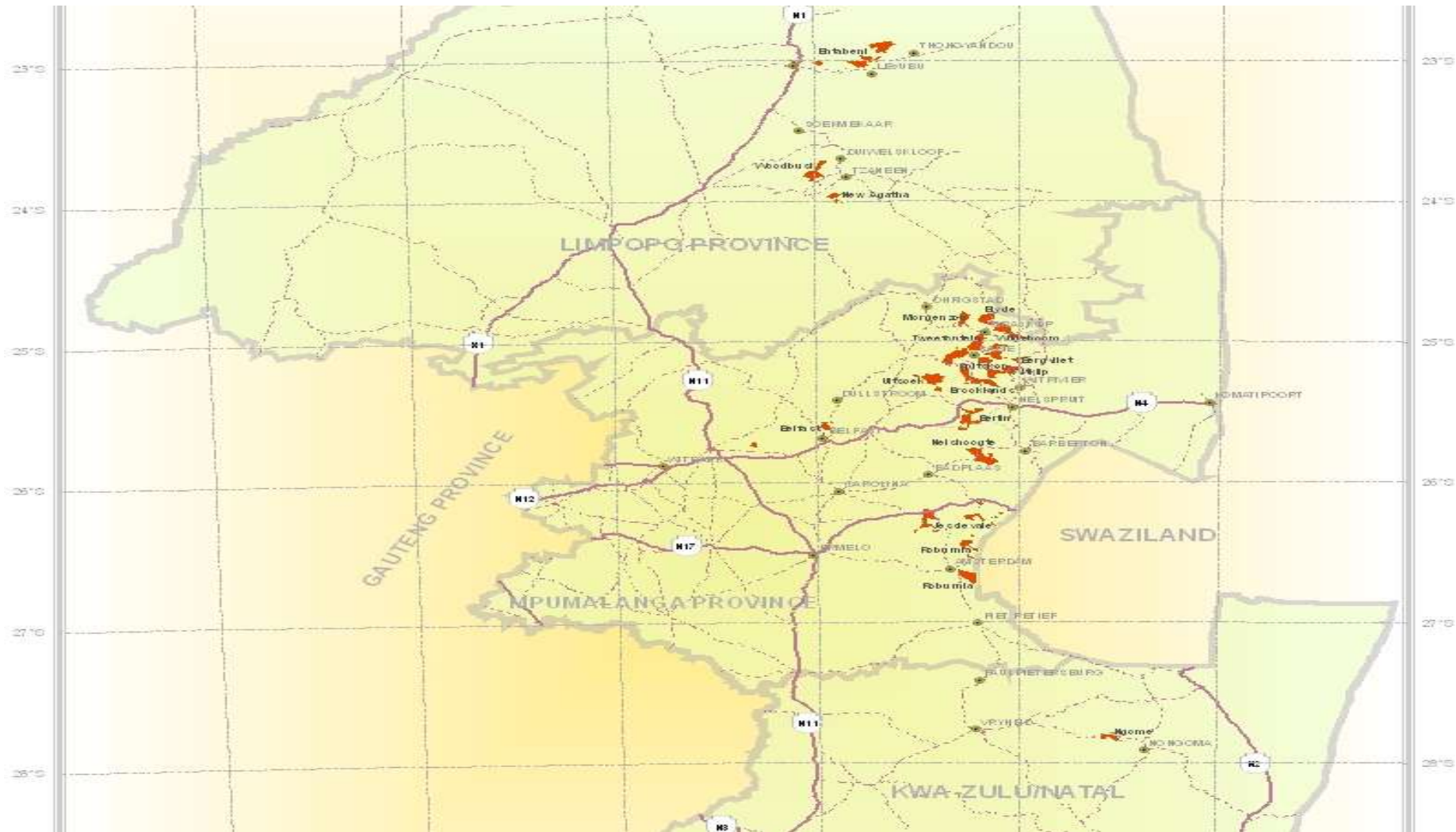
ACCORD OR MEMORANDUM OF UNDERSTANDING BETWEEN THE PARTIES FOCUSING ON ESTABLISHMENT OF MUTUAL BENEFICIAL FORMALISED RELATIONSHIPS AND PARTNERSHIPS. PROVIDES FOR STRUCTURES (JOINT COMMUNITY FORUMS) AND MECHANISMS FOR FACILITATION, PLANNING, IMPLEMENTATION AND MONITORING OF PROGRAMS, INTERVENTIONS AND/OR PROJECTS IN TERMS OF SEPARATE BINDING AGREEMENTS (SPECIAL SOCIAL COMPACT VEHICLE) AS WELL AS ADDRESS AND RESOLVE ISSUES OF MUTUAL INTEREST.

“SETS OUT THE BOND BETWEEN PARTIES – RULES, ROLES, STRUCTURES, COMMITMENT, RESPONSIBILITIES AND DURATION AS WELL AS CREATE CAPACITY TO DRIVE DEVELOPMENT”

PROCESS – SED PROJECTS



KLF OPERATIONS



SOCIAL COMPACTS ALREADY ESTABLISHED

Eleven Compacts established

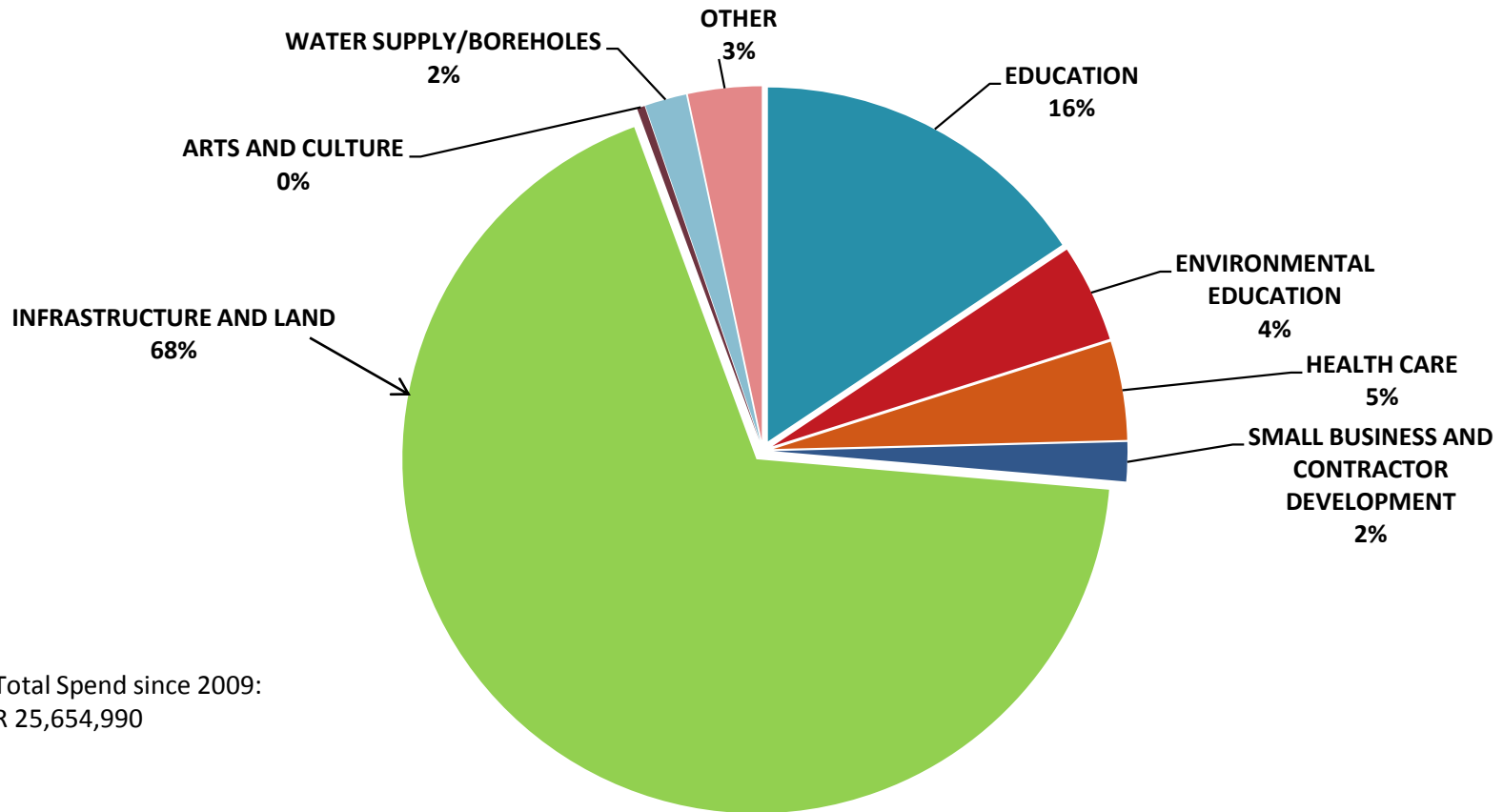
1. Redhill
2. Blairmore
3. Roburnia
4. Tshivhase
5. Mphephu entabeni
6. Mantjolo
7. Ngome
8. Mapulana
9. Hebron
10. Berlin
11. Palm ridge

MILESTONES AND OBJECTIVES

- ❖ Representative functional Joint Community Forums
- ❖ Needs driven, sustainable, integrated projects – SED, ED and FED
- ❖ Strategic partnerships
- ❖ Improved relationships entrenched
- ❖ Improved Socio-Economic Development in terms of selected criteria – measurable impact.

SPEND – 2006 TO 2011

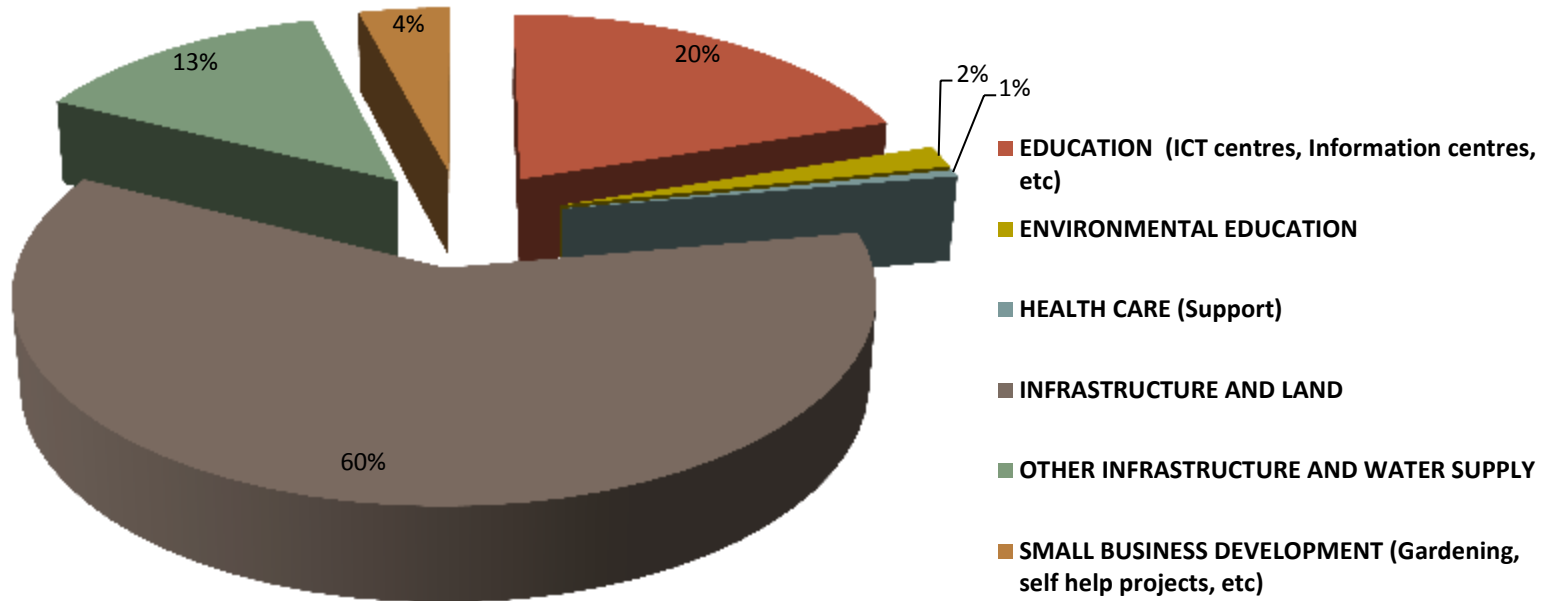
SOCIO -ECONOMIC DEVELOPMENT INVESTMENT 2006/7 – 2010/11



Infrastructure expenditure represents building the infrastructure needed to address the needs identified by communities e.g. building of schools, ECD centers, Libraries, health care centers, community halls, etc.

SED SPEND 2010/11

**TOTAL EXPENDITURE :
R6 255 774**



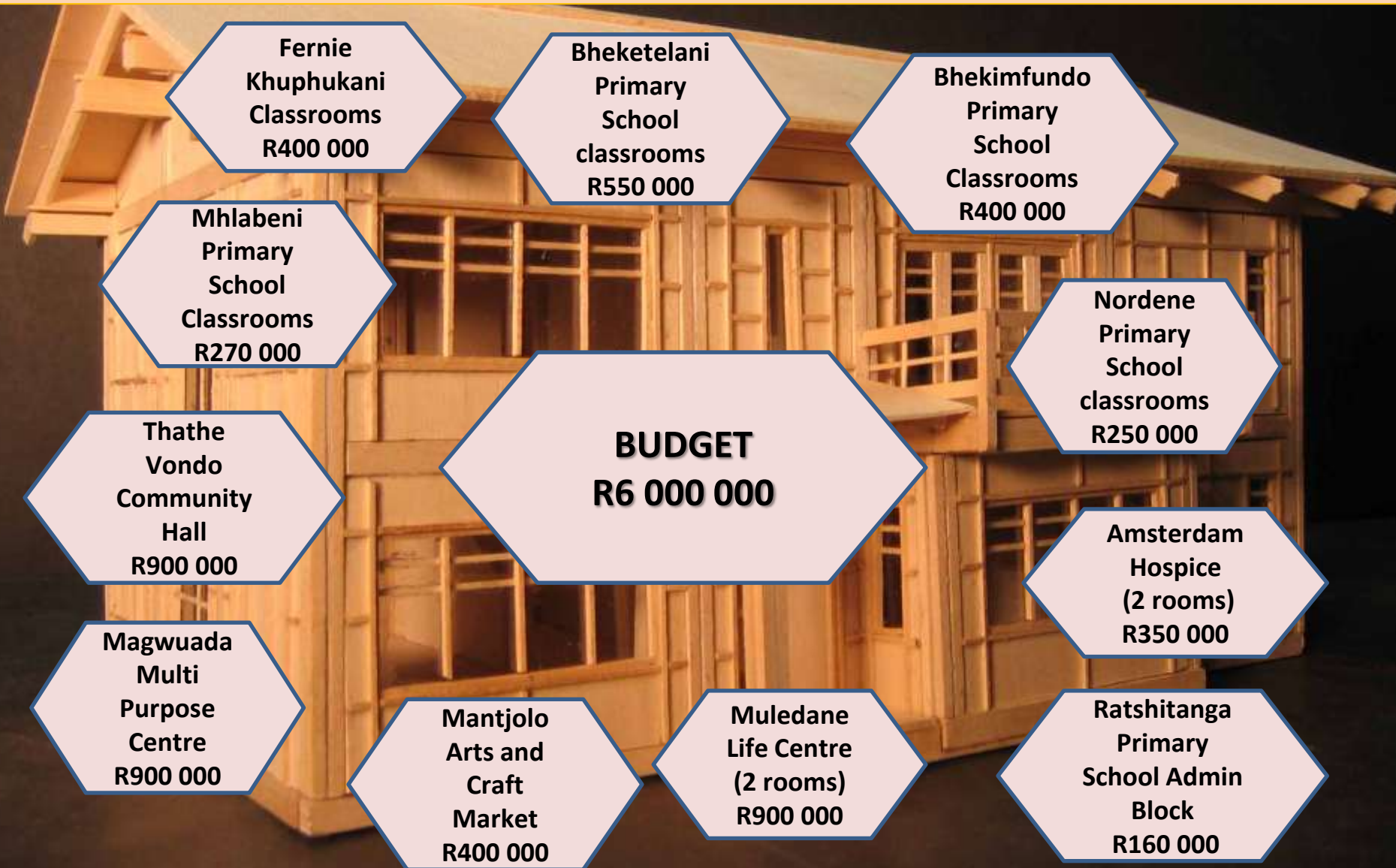
SED SPEND 2011/12

CLUSTER	EXPENDITURE PER CLUSTER (Financial Year - 2010/11)	EXPENDITURE PER CLUSTER (Financial year - 2011/12)
MPHEPHU/ENTABENI	R 1 570 201.00	R 1 410 000.00
REDHILL	R 1 254 414.00	R 400 000.00
BLAIRMORE	R 147 913.00	R 1 170 000.00
TSHIVHASE	R 262 872.00	R 1 310 000.00
NGOME	R 1 162 990.00	R 590 000.00
HEBRON	R 0.00	R 466 300.00
MAPULANA	R 64 554.00	R 469 180.00
ROBURNIA	R 308 363.00	R 380 000.00
PALM RIDGE	R 0.00	R 200 000.00
MANTJOLO	R 561 164.00	R 400 000.00
BERLIN	R 0.00	R 400 000.00
ALL CLUSTERS	R 687 733.00	R 780 000.00
NON CLUSTER	R 235 570.00	R 140 000.00
TOTAL EXPENDITURE	R 6 255 774.00	R 8 115 480
	8 clusters plus all cluster expenditure as well as non-cluster expenditures	11 clusters plus all cluster and non-cluster commitments

SED SPEND PER CATEGORY – 2011/12

PROJECT / DESCRIPTION	ACTUAL EXPENDITURE AS AT 31 MARCH 2011	ACTUAL EXPENDITURE AS AT 28 MARCH 2012
Education	R 1 211 977.00	R 824 963.00
Environmental Education	R 113 050.00	R 217 762.00
Health Care	R 35 113.00	R 866.00
Small Business and Contractor Development	R 361 880.00	R 362 009.00
Infrastructure and Land	R 3 992 513.00	R 6 101 064.00
Water Supply / Boreholes	R 257 349.00	R 252 882.00
Arts and Culture	R 0.00	R 42 100.00
Other (Social compact, handing overs, etc.)	R 283 892.00	R 179 499.00
Skills Development	R 0.00	R 134 338.00
TOTAL	R 6 255 744.00	R 8 115 483

TIMBER STRUCTURES IN COMMUNITIES



PARTNERS FOR ESTABLISHMENT OF SED AND ED PROJECTS

Various partnerships have been established or explored with the following organisations:

- Various Government Depts. and Municipalities.
- Penreach, Ecolink, etc.
- Dell Foundation,
- Massmart group,
- Cashbuild
- DBSA
- FIETA
- Eskom Foundation
- Eskom Foundation
- Vodacom Foundation
- MTN Foundation
- Mango
- MECER South Africa
- Metropolitan Foundation
- P G Bison
- Dion Wired
- Sugar Cane Growers

Additional income to the value of R 450,000 was raised by the SED Team for the SAFCOL Group. This was done through a social facilitation process that was undertaken on behalf of the DBSA in the Giyani area.

PROJECTS – TIMBER FRAME STRUCTURES

- Beketelani Primary School



PROJECTS – TIMBER FRAME STRUCTURES

Ratshitanga Admin Office



Leroro disable Shelter



Muledani Life Care Centre



PROJECTS – SKILLS DEVELOPMENT



Skills Development



PROJECTS – MARKETS



PROJECTS - ICT CENTRES



Well utilized and integration with other SED programs

OTHER PROJECTS



OTHER PROJECTS

Victim care
centres –
operational and
well utilized



ENTERPRISE DEVELOPMENT PROJECTS

LARGE SCALE ENTERPRISE DEVELOPMENT

- Large scale enterprise development aims to develop high potential businesses that fall out of the normal scope of a forestry business or has the ability to extract additional value from the forestry value chain,
- Thereby providing significant and sustained employment opportunities, offer apprenticeship facilities, provide youth development initiatives and have a potential to create reasonable returns on investment. Examples of large scale current ED projects include:

- **Charcoal Project**
- **Beekeeping**
- **Green Energy**
- **Timber Frame Structures**

CHARCOAL PROJECT

- A charcoal project is in the process of being established at our Blairemore Plantation – EIA has been approved and Air quality assessment in progress.
- Will benefit approximately 33 previously disadvantaged individuals from neighbouring communities.
- A proposal has been submitted to Silicon Smelters (SS) which provides for SS to manufacture the kilns, supply a briquette making machine and to take up all charcoal to be produced.
- SS has agreed in principle and we are currently awaiting the drafting of the agreement by their legal department.

BEEKEEPING

- The SAFCOL Beekeeping Project in Vhembe District in Limpopo was initiated in partnership with the DBSA to develop specialist beekeeping skills within a community, to establish a pilot beekeeping site and to produce and sell honey in a sustainable manner.
- SAFCOL was responsible for the procurement of all beekeeping related infrastructure while the DBSA focused on skills training and mentoring.
- Today we have two cooperatives established with six beekeepers each which make use of our plantations and the provision of pollination services to farmers to produce honey.
- Phase 2 of the project will see it rolled out to other provinces.



GREEN ENERGY

- This project is aimed at determining the most effective way to apply forestry and related waste streams (biomass) to convert to renewable energy.
- Key objective is to contribute towards the establishment of alternative energy generation techniques which not only has the advantage of addressing issues around energy shortages, but also adding considerable value to the local and national economy.
- A Full Feasibility has just been completed and Eskom has been approached as a potential for the purchase or torrefied coal to be co-fired in their current coal fired power stations.
- Eskom has been brought on board as a technical and strategic partner.

TIMBER FRAME STRUCTURES

- Initiative aimed at promoting timber frame structures as an affordable and quality alternative to conventional brick-and-mortar construction. It is easy to assemble and dismantle, do not detract in appearance or value when compared to conventional homes and pose no greater risk of fire than any other form of construction.
- The great advantage of timber frame construction is the speed with which the building process takes place - quick and efficient. This is further enhanced with pre-fabricated building systems with high insulation values. It currently constitutes for over 90% of all new dwellings in Australia, Canada, New Zealand, Japan and Scandinavia.
- Timber frame housing as a cost-effective alternative could meet the ever-increasing demand for housing in South Africa.
- The company has also established a Timber Framed Construction Company under the co-operative model, which is fully black-owned.



FORESTRY ENTERPRISE DEVELOPMENT

- Forestry Enterprise Development aims to develop opportunities within the core related products with community involvement. They are usually smaller in nature and labour intensive rather than asset intensive businesses.
- **Approximately R32 000 000** was spent on enterprise development since 2009.
- All FED functions strive for strong community involvement in the set up phases and for eventual full or partial ownership of the created entity by beneficiaries.
- Included here are contractor development, road and fire break maintenance programmes, forest waste collection, concessions for forestry by-products etc.
- FED opportunities are closely aligned to the KLF operation, and in many cases affect the optimal operation of the plantations, these projects are mostly progressed by the KLF plantation management.
- Examples includes: **Falcon View Harvesting Primary Cooperative, Siyangempulelelu Primary Cooperative, Roses Co-operative and BYS Harvesters Primary Cooperative.**

EXAMPLES OF FED PROJECTS

Falcon View Harvesting Primary Cooperative: is an FED contractor undertaking High Lead Harvesting under contract on KLF Plantations in the Sabie area.

- This co-op has completed its first full financial year in February 2011 with very positive results and dividends have been paid to 26 members.
- The productivity level of this co-op is 150% above target illustrating the success of the model used by KLF.
- This co-op also secured a contract with York timbers for the next financial year which will increase their profitability markedly.



FED PROJECTS

FED CONTRACTORS	TYPE OF SERVICES	NUMBER OF EMPLOYEES AS OF JUNE 2012	PROVINCE
Joe & Sons Construction and Project	Silviculture	44	Limpopo
Tomunindwa Trading Services and supplies	Silviculture	76	Limpopo
Leparong Construction CC	Harvesting	95	Mpumulanga
Falcon View Harvesting Primary Co-op	Cable thinnings	24	Mpumulanga
Siyangempumelelo Primary Co-op	Silviculture	22	KZN -Ngome
BYS Harvesting Primary Co-op	Cable thinnings	16	Limpopo
Mandilazile Trading	Conservation	38	Mpumulanga
Mandilazile Trading	Conservation	80	Mpumulanga
Siyangqoba Garden Services	Garden Services	5	Mpumulanga
Roses Co-op	Gardening	10	Mpumulanga
FMPH Timberframe Homes	Construction	6	Limpopo/Mpumulanga/KZN
		416	

EXAMPLES OF FED PROJECTS

Siyangempulelelu Primary Cooperative: is an FED Contractor undertaking silviculture operations on KLF Plantations in the Ngome area in Kwazulu-Natal.

- This co-op commenced operations in November 2010 and has reached productivity levels of 138% after an initial slow start.
- Should the current trend continue it is expected that acceptable dividends will be paid to 27 members in the next financial year.

Examples of FED Projects

BYS Harvesters Primary Cooperative: This is a new FED contractor which are doing high lead harvesting and thinnings operations on the Morgenzon, Blyde and Wilgeboom plantations in Mpumalanga.

- Sixteen community members from neighbouring communities was trained on various aspects of forestry operations, including safety as well as business management.
- They have been set up with a loan facilitated through Enterprise Development which was used to acquire all major equipment and tools. This loan is repayable under favourable terms while the business will be provided with contracts from KLF for a five year period.
- They have just completed their first nine months of operation with very acceptable levels of production.

CONCLUSION

- SAFCOL commits itself to supporting the creation of an environment conducive to social and economic empowerment and development.
- The Company therefore subscribes fully to the Government's Socio-Economic Developmental programmes which includes Broad-based Black Economic Empowerment, Job Creation, Housing, Environmental Awareness, Health Care, Social Security and Education.
- As a SOE it envisages itself playing a catalytic role in the State's rural development and transformation goals, actively pursuing transformation as prescribed by the Forestry Sector Charter and BBBEE.

Updates On Progress Made Regarding Recommendations Of The Portfolio Committee After Their Oversight Visit

COMMITTEE'S RECOMMENDATIONS

- ❖ The committee raised serious concerns regarding the lack of certainty regarding the future role of SAFCOL, and recommended that the department resolve this urgently.
- ❖ The committee acknowledged the developmental projects of the entity, but urged SAFCOL to engage more on developmental programmes in order to improve the lives of the immediate communities and its workers.
- ❖ The committee proposed that there was a need for a peaceful co-existence with the community.
- ❖ SAFCOL should provide sanitary facilities for women working in the plantation nurseries and ensure their physiological health due to the nature of their work.
- ❖ The committee resolved to convene a meeting with the Provincial and Local Government of Mpumalanga in order to resolve the conflict that existed in the communities and the illegal occupation of state land.
- ❖ SAFCOL should renovate the houses of workers and ensure that the sanitary facilities were in working order. SAFCOL should construct recreation facilities for the children who stayed in SAFCOL villages.

PROGRESS REPORT

Recommendations	Progress
The committee raised serious concerns regarding the lack of certainty regarding the future role of SAFCOL, and recommended that the department resolve this urgently	<p>The Department's strategy for SAFCOL is still underway and has not been finalised.</p> <p>The Department anticipates concluding its strategy on the future role of SAFCOL during this current financial year.</p> <p>However, DPE is also mindful that the outcome of the Presidential State Owned Entities' Review Commission (PRC) will also need to be taken into account.</p>
The committee resolved to convene a meeting with the Provincial and Local Government of Mpumalanga in order to resolve the conflict that existed in the communities and the illegal occupation of state land.	Updates to be provided by the Department

PROGRESS REPORT

Recommendations	Progress
The committee urged SAFCOL to engage more on developmental programmes in order to improve the lives of the immediate communities and its workers.	SAFCOL's Engagement on community development is Highlighted as part of the SED and ED presentation.
The committee proposed that there was a need for a peaceful co-existence with the community.	Signing of Social compacts as per SED presentation, more needs to be done in the finalisation of land claims.

PROGRESS REPORT

Recommendations	Progress
SAFCOL should provide sanitary facilities for women working in the plantation nurseries and ensure their physiological health due to the nature of their work.	Various options were investigated. After investigations on the most suitable option, a decision was taken to pilot a mobile sanitation facilities in all 3 districts for a period of 12 months. Implementation is anticipated in the current financial year. The plan will be to rollout to all 18 plantations in the next financial year.
SAFCOL should renovate the houses of workers and ensure that the sanitary facilities were in working order. SAFCOL should construct recreation facilities for the children who stayed in SAFCOL villages.	An overall assessment of employees villages was conducted by the SAFCOL Transformation team after the parliamentary visit. From the investigation done, it was found that some plantations already have recreational facilities and some do not have children. Village improvement and maintenance plan is being implemented. Children play structures was constructed at Jessievale and this will be rolled out in other areas.

THANK YOU



Growth Through Partnership