APPLICATION AND ASSESSMENT GUIDE

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1. How does Vumelana work?

Vumelana provides funding to advisors who help communities and investors to establish commercial partnerships for the development of land that falls under South Africa’s land reform programme.

Applications for funding are invited from advisors, communities, government departments or agencies or investors who know of communities want to develop their property.

Applications are reviewed on a competitive basis to identify those with the best mix of need, potential commercial viability and capacity to honour their commitments.

A cooperation agreement is signed with the community setting out the basis of the relationship between the community and Vumelana.

A transaction advisory team is contracted by Vumelana to identify an investor and structure an agreement in terms of which the community makes the land available and the investor undertakes to finance and manage operations on the land.

Once an investor is found and a development agreement signed, the investor reimburses Vumelana for the costs incurred by the transaction advisory team in putting the deal together.

The reimbursed funds are used by Vumelana to finance the provision of administrative services to the community property institution for a period of two years.

The process is shown below:
2. Guiding principles for project selection

The following principles are used to guide the project selection process.

2.1. Mutual benefit

Vumelana aims to support the development of agreements that are mutually beneficial for communities and investors.

2.2. Community control

The Vumelana process supports the development of agreements between communal property institutions (CPIs) and investors; the CPIs are the principals who will accept or reject the terms of a proposed agreement. While acknowledging the “asymmetry of power” in these relationships and providing direct support to the community, care must be exercised not to usurp the community’s decision-making authority.

2.3. Commercial sustainability

While accepting that a range of initiatives will be required to support communities in the land reform programme, Vumelana’s particular contribution is to support those initiatives that have the potential for commercial sustainability. The ultimate assessment of commercial sustainability will be made by the investors who risk their resources in the development.

2.4. Risk management

Commercial ventures require those involved to risk resources in pursuit of a reward. The development of a commercial partnership thus requires the acceptance of risk. It is important that the risks involved are clear to the parties involved and that wherever possible risks are allocated to parties that are able to accept them. The most successful Community Private Partnerships have been based on mechanisms where the community partner is able to enter the partnership with the private partner carrying the commercial risk with the right to acquire an increasing stake in the operations as they move to profitability.

Acknowledging the inherent risk in commercial ventures, Vumelana aims to lower the risk for the parties involved in structuring Community Private Partnerships. By covering the advisory costs up to the point of deal structuring, risks are reduced:

• for **communities** (communities acquire the support of independent advisors at no cost to the community);
• for **advisors** (advisors are paid for work done against agreed deliverables);
• for **investors** (investors are enabled to engage in negotiations with communities for up to a year and repay the advisory cost only if an agreement is successfully concluded); and
• for **government** (risks are reduced for government by drawing private investors into funding projects that would otherwise rely on government funding alone).

2.5. Independent advice

One of Vumelana’s primary roles is to fund the provision of independent advice to the parties involved in structuring an agreement for the development of land under the
control of a communal property institution. It is important that the advisors should be independent of the community, the investor and Vumelana.

2.6. Fair and firm agreements
The outcome of the deal structuring process should be an agreement that is fair to both parties and legally secure.

3. Assessment process
The assessment process is shown below:

4. Eligibility criteria
In order to be eligible for support, the CPI should be registered, its members should be poor and needy people, and it should have sufficient rights to the land to be able to develop it.

The land to be developed should fall within South Africa’s Land Reform Programme and the advisors who will help the community form a partnership with an investor should be independent to ensure that the advice is impartial and fair to both parties (i.e. they should not be associated with the investor nor a member of the community).
The key eligibility criteria are described below. If applicants fail to meet these criteria but believe there is a reason why that should be condoned they should provide reasons.

<table>
<thead>
<tr>
<th>Communal Property Institution criteria</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the CPI registered?</td>
<td>Registration certificate</td>
</tr>
<tr>
<td>Are the members poor and needy people?</td>
<td>Statistics on economic conditions in the area in which the CPI is located or on the economic conditions of the CPI members</td>
</tr>
<tr>
<td>Does the community have rights to the land?</td>
<td>Title deed, Deed of transfer, Permission to Occupy or other.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Land eligibility criteria</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the land under communal ownership?</td>
<td>Is the land part of former homelands</td>
</tr>
<tr>
<td>Is the land part of the restitution programme?</td>
<td>Has a restitution award been made</td>
</tr>
<tr>
<td>Is the land part of the redistribution programme?</td>
<td>Has the land been acquired by previously disadvantaged South Africans with government support (like an LRAD grant)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advisor criteria</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the advisors independent</td>
<td>Advisor undertaking</td>
</tr>
</tbody>
</table>

5. **Impact assessment criteria**

Vumelana aims to support those projects that have the greatest potential impact on the communities involved and on land reform in South Africa. Proposals are assessed on a competitive basis. Those which Vumelana judges to be the most likely to succeed are supported.

In making that assessment, Vumelana considers the likely socio-economic impact of the project, the commercial viability of the proposed development, the stability of the communal property institution, the need for government support, the potential for concluding a deal and the quality of the proposal and the advisory team.

The manner in which these matters are assessed is described in general terms below.

5.1. **Socio-economic impact**

The competitive assessment will favour those projects with the highest potential socio-economic impact measured in terms of jobs, income and other benefits for the community.

It is understood that at the point of application full detail on proposals will not be available as these will depend on the securing of an investment proposal from an investor which is what Vumelana funding will be used to do. However, the more information provided at the point of application, the greater the chance of success for the applicant. It is accepted that the information to be provided here will be based on
estimates. Wherever possible a justification for the estimates should also be provided.

The table below sets out the four key criteria used to assess socio-economic impact.

<table>
<thead>
<tr>
<th>Socio-economic Impact</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential jobs to be created</td>
<td>How many full time jobs will be created as a result of the proposed investment?</td>
</tr>
<tr>
<td>CPI revenue potential</td>
<td>How much income will be generated for the CPI from the proposed investment by way of lease fees, concession fees, dividends or other means</td>
</tr>
<tr>
<td>Revenue/beneficiaries ratio</td>
<td>What will be the notional level of income per beneficiary?</td>
</tr>
<tr>
<td>Ancillary benefits</td>
<td>What benefits other than permanent jobs and income will accrue to the CPI or its members such as opportunities for SMME development, skills development, local procurement, seasonal employment?</td>
</tr>
</tbody>
</table>

### 5.2. Commercial viability

Vumelana is concerned to determine whether there is good potential for the development of a commercially viable project. It is accepted that the real test of commercial viability will arise once the advisors have been able to procure a proposal from an investor. At the point of application for Vumelana support we need a general indication that there is a prospect of developing a commercially viable project. Those projects that show the best prospect for commercial viability will have the best chance of securing Vumelana support.

The table below shows the criteria Vumelana uses in its assessment of commercial viability. In particular, it should be noted that it is understood that many of the proposals made to Vumelana will be concerned with the identification of an investor. Thus the investor may not be known at the point of application. If however applicants are already in discussion with potential investors, it will be taken into account when making assessments of the potential commercial viability of the project. The table below sets out the parameters used to assess commercial viability.

<table>
<thead>
<tr>
<th>Commercial Viability</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of land</td>
<td>What is the size of the land that will be put to productive use by the proposed project</td>
</tr>
<tr>
<td>Demand potential</td>
<td>What evidence is there of a demand for what the project will produce.</td>
</tr>
<tr>
<td>Investment value</td>
<td>What value of investment will be required to develop the land for the purpose proposed</td>
</tr>
<tr>
<td>Concept feasibility</td>
<td>Is the proposal for the development of the land commercially feasible considering the size of the land, nature of development, locality and investment value</td>
</tr>
<tr>
<td>Investment attraction potential</td>
<td>Who might invest in this type of development, have any investors been identified and if so what strengths could they bring to the development.</td>
</tr>
</tbody>
</table>

### 5.3. Communal Property Institution stability and motivation

A key component to be assessed in determining which projects to support will be the level of stability of the communal property institution that proposes to enter into an agreement with an investor. We would like to know that the CPI is committed to finding a commercial partner for the development of its land and that there is sufficient cohesion and administrative capacity to enter into an agreement with an investor.
It is understood that many communal property institutions are not entirely cohesive and it is also accepted that many have relatively low administrative capacity. Part of our purpose is to support the development of these communal property institutions if a partnership agreement can be reached. It is important for Vumelana to understand the extent of CPI stability and motivation. The criteria shown below are used to assess this accepting that few CPIs will meet all the criteria.

<table>
<thead>
<tr>
<th>CPI Stability and Motivation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI commitment to partnership with investor</td>
<td>Is the CPI committed to finding a commercial partner for the development of the land? (e.g. signed letters of commitment from the CPI leadership or general CPI members resolution to enter into partnerships.)</td>
</tr>
<tr>
<td>Extent of community cohesion</td>
<td>Does the CPI demonstrate a common cause and willingness to work together to ensure project success? (Is there a community resolution to develop the land on a commercial basis, is there evidence of the ability of the CPI leadership to manage conflict within its membership?)</td>
</tr>
<tr>
<td>CPI administrative capacity</td>
<td>What is the CPI’s track record in administering its affairs e.g. Does it hold AGMs, are there minutes of meetings, financial statements, beneficiaries register etc.</td>
</tr>
</tbody>
</table>

5.4. Need for government support

In some cases, projects need government support to succeed. This might be the need for government funding, regulatory approvals or contract approvals in cases where the government must be a party to the agreement (such as on communal land or in a national park).

It is important that Vumelana understands the level of government support that is required. Vumelana has been involved in the support of a number of Community Public Private Partnerships and is available to provide such support in the future. It is however important that there should be a clear indication of what support is required and at what level. The criteria used to guide this assessment are shown below.

<table>
<thead>
<tr>
<th>Need for Government Support</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for government funding</td>
<td>Does the project depend on government funding and if so, what is the likelihood of the funding being secured.</td>
</tr>
<tr>
<td>Need for government regulatory approvals</td>
<td>Are there government regulatory approvals (such as EIA's, zoning, water rights) required before the project can be implemented? Have steps been taken to secure the approvals?</td>
</tr>
<tr>
<td>Need for government contractual approvals</td>
<td>Is the government required to be a party to any development agreement? (such as in the case of a development in a national park or on communal land)</td>
</tr>
</tbody>
</table>

5.5. Deal closure prospect

A fifth area of assessment to be made by Vumelana is whether a deal is likely to be closed between a community and a prospective investor within the 12 month time span allowed by Vumelana. An assessment will also be made of level of fees in relation to the level of investment that is likely to be secured and whether there is a

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1 Vumelana runs a CPI support programme for those CPIs that enter into agreements with investors. CPI’s are eligible for support after agreements have been concluded.
good prospect of recovering fees from the investors. The table below sets out the questions to be answered.

<table>
<thead>
<tr>
<th>Deal Closure and Fees Repayment Prospects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal closure time span</td>
</tr>
<tr>
<td>Vumelana fee recovery</td>
</tr>
<tr>
<td>Value for money (fees to investment ratio)</td>
</tr>
</tbody>
</table>

5.6. Quality of proposal and experience of advisory team

In making an assessment as to which projects to support, the quality of proposals received and the experience of the advisory team will be taken into account. The table below describes the indicators Vumelana uses to assess the quality of the proposal, the coverage of the team and its experience.

<table>
<thead>
<tr>
<th>Quality of Proposal &amp; Advisor Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of proposal</td>
</tr>
<tr>
<td>Coverage of team</td>
</tr>
<tr>
<td>Experience</td>
</tr>
</tbody>
</table>

6. Frequently Asked Questions

6.1. What is a Communal Property Institution?

A communal Property Institution (CPI) is a Trust, Communal Property Association (CPA), Co-operative or some other land controlling body.

6.2. What is a Community Private Partnership?

A Community Private Partnership (CPP) is an agreement between a CPI and a private party for the development of land to which the CPI has a right. Where a government body is also part of the agreement these are referred to as Community Public Private Partnerships (CPPP).

6.3. Where can I find out more about these commercial partnerships?

The documents described below provide information on the development of CPPs.

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Vumelana recovers the cost of providing advisory services from the investor once an agreement has been reached between the investor and the community. The fees recovered are then reapplied to build the organisation, governance and administrative capacity of the Communal Property Institution.
• “An orientation guide for the implementation of commercial partnerships” provides information on types of partnership models, the deal structuring process, the CPP model, the legal framework, critical issues affecting the partnership process and how to facilitate these projects. Click here to download an orientation guide.

• “Opportunities for investment in pro-poor growth” provides information for investors who may be interested in these partnerships. Click here to download the opportunities for investment guide.

• “A guide for community leaders” provides guidance for communities on getting involved in commercial partnerships. Click here for the guide in English. The guide is also available in Xitsonga and Sepedi.

6.4. Which communities qualify for support?
Poor and needy communities that are organised in some form of communal property institution with rights to develop land qualify for support. The land should fall under South Africa’s Land Reform Programme, i.e. it should be land under communal ownership or part of a restitution programme or part of a redistribution programme.

What kind of support is provided?

Vumelana will contract transaction advisors who will help the community and an investor to establish an agreement for the development of the land under the control of the community.

6.5. Who are the advisors?
Advisors are typically independent consultants who work in teams that bring together financial transaction advisory skills, community facilitation skill and legal skills. Advisors need to provide independent advice and therefore should not be a member of the communal property institution to whom the advice is given, nor should they be associated with the investor.

6.6. Who might be the investors?
Investors may be a nearby farmer in the case of an agricultural development or a commercial lodge developer in the case of a tourism development. In the case of timber or energy projects or other sectors, investors may be operators in those sectors who are looking for opportunities to develop land under the control of communities who have benefited from the land reform programme. Investors typically take an active interest in the development and are able to bring knowledge, skills and market access as well as finance.

6.7. What kinds of project and developments are supported?
Vumelana is open to receive proposals in any sector provided the proposal will have a positive socio-economic impact and will be commercially viable. Currently Vumelana is supporting developments in agriculture, tourism, forestry and energy.

6.8. How does Vumelana decide who to fund?
Vumelana tries to support those projects that have a potential for significant socio-economic impact and are commercially viable. The criteria that Vumelana uses to determine which projects are eligible and which projects to fund are described in this
document. Vumelana uses a competitive process to try to ensure that it supports the projects with the best chance of success.

6.9. **Will the support provided by Vumelana cost me anything?**
Vumelana aims to lower the risks for the parties involved in developing land that falls under South Africa’s land reform programme. In order to do that, it seeks to reduce risk for communities, advisors, investors or the government departments involved. There are no direct costs for the community resulting from the support provided by Vumelana. Advisors are paid for work done against agreed deliverables. The investor is not at risk of any cost until an agreement is signed. At that point the investor is required to reimburse Vumelana the fees that have been paid. Risks are reduced for government by drawing private investors into land reform projects.

6.10. **Why does Vumelana ask investors to repay advisory fees?**
Vumelana asks investors to repay advisory fees in order to help cover the cost of providing organisation, governance and management support to the CPI. Vumelana believes that the advisory services it funds provide value for investors in securing an agreement with communities. Investors also benefit from improvements in the organisation, governance and management of their community partners as a result of the work Vumelana funds to build the capacity of the CPI.

6.11. **How can I apply for funding?**
Vumelana has an online application process. Funding windows are opened by announcements in the press and funding applications can then be made online at www.vumelana.org.za. See guidelines on how to complete the application form [here](#).

6.12. **What information is required from applicants?**
The application form consists of 6 pages, covering the following information:

- **Interested parties:** This page requests information on the Communal Property Institution, the Investor, Government officials involved and other relevant parties.

- **Transaction Advisory Team:** This page requests information on the Transaction Advisor, Community Facilitator, Legal Advisor and CPI Administrator.

- **Community Information:** This page requests information specific to the community, the land claim, land ownership, beneficiaries and the Communal Property Institution.

- **Planned Development:** This page requests information on the proposed project including information on the locality of the project, a project description, the development concept and the proposed investment value.

- **Risk Management and Finances:** This page requests information on the risks associated with the project and the proposed mitigation measures. It also asks for a proposed budget for the provision of advisory services.

- **Supporting documents:** Supporting documents required typically include the following:
6.13. What can I expect if my application is approved?
If applications are approved Vumelana will enter into a memorandum of understanding with the communal property institution which sets out the basis on which it is agreed to cooperate to support the development of the land under the control of the community. Those agreements typically last for one year and are based on an understanding that Vumelana will contract specialist service providers that are acceptable to the community to structure an agreement between the community and investor.

As far as the advisors are concerned, a service agreement will be entered into in terms of which the advisors will be paid against deliverables delivered. This is done so that the advisors are not at risk for having to do work that is not remunerated. An example of the requirements of a deliverable schedule that will be included in a service agreement can be downloaded here.

6.14. How can I get more information or help if I am not able to complete the Vumelana online application form?
If you are a community or investor or government department or advisor who would like to work with Vumelana but are not able to complete the application form, please contact applications@vumelana.org.za or call (011) 612 2000.