

Cata Forestry Development

Forestry development with a big impact

Background



Cata is a village 120km from East London. It takes its name 'add a little bit', from the many small river tributaries nearby. In the 1960s the residents were forced out of the area as part of the then government's 'betterment planning' scheme. The people involved lost their farms and were forced to live in demarcated residential zones. In 1998 a claim was made for the restitution of the land under the democratic government's land reform programme. A Settlement Agreement signed in October 2000 provided some R32 000 for each of the 364 beneficiary families and some R5m was placed in a development fund for the economic development of the wider Cata Community.

The Cata Communal Property Association (Cata CPA) was formed in 2004. It administers the development fund. The Border Rural Committee (BRC), a local NGO, helped the CPA to develop and implement a plan to improve infrastructure (community hall; school classrooms; library; roads), agriculture (irrigation scheme; gardens), forestry (wattle and pine; holding nursery) and tourism (museum; chalets) facilities.

Vumelana support

The Cata CPA formed the Sithe Forestry Company (SFC) and in 2012 approached Vumelana for support to negotiate the raising of capital and securing of off-take agreements to extend the plantations it had under management by some 500 hectares. Vumelana agreed to fund the Border Rural Committee to help the Cata CPA to negotiate funding and off-take agreements.

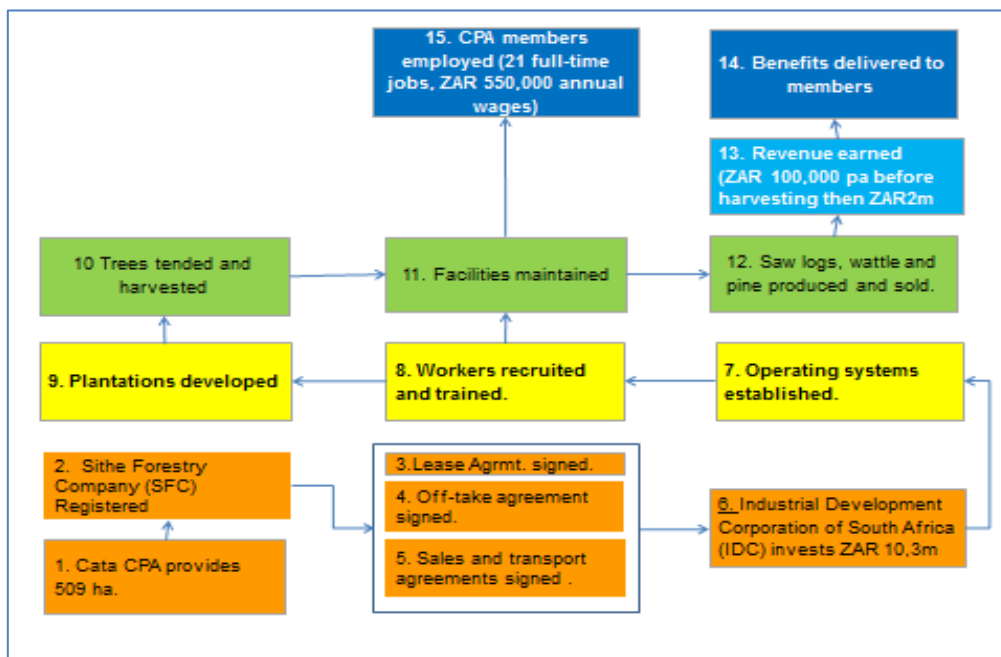
Project partners

The Industrial Development Corporation (IDC) was approached for R10.3 million to finance the expanded forestry operation through the issue of preference shares by the Sithe Forestry Company (SFC). BRC agreed to provide financial, business, and administrative support to the company and Fractal Forestry (a community forestry support company) agreed to provide technical assistance and managerial support.

Project Partners	Contribution
CCPA	509ha (CCPA may in future invest further from its own resources into SFC)
BRC	Approximately R50 000 for services in 2012, but BRC has been involved in the affairs of Cata village since before the Restitution Settlement Agreement – BRC assisted in lodging the land claim, and currently manage various projects on behalf of CCPA
Fractal Forestry	R150 000 for the development of sales agreements; however FF came to Cata to provide technical assistance for an existing plantation, and has been providing on-going support since then
VAF	R150 000 for the conclusion of outstanding agreements with the IDC and potential off-take partners
IDC	R10.3million capital loan

All of the agreements required for the development have been concluded. The IDC is expected to take up the preference shares as soon as they have completed the necessary administrative work.

Results chain A draft results chain for the Cata forestry project is shown below

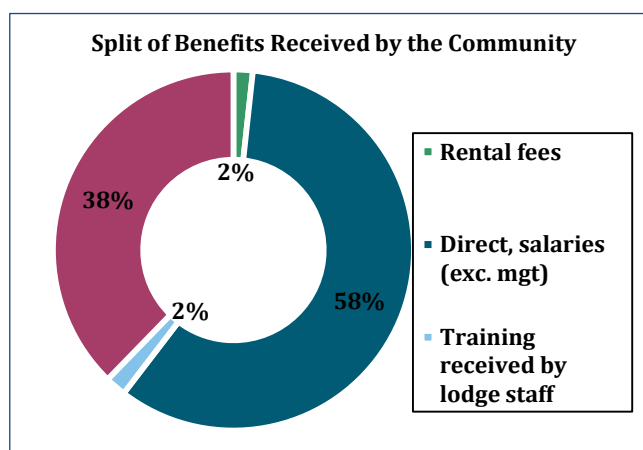


Impact

The preliminary cost benefit analysis estimates the net present value¹ of the project – to the Cata community over the next 20 years – to be approximately R5.9 million. The benefits of the project to the community are primarily through direct salaries (excluding management salaries) and the value of the standing trees. The community will also receive annual rental fees and training.

The value of the plantations is expected to increase from R1.9 million presently to R15million in 2031. Over 20 years, the project will also create 21 permanent jobs of which 20 are expected to be local. Based on a minimum wage, approximately R500 000 will be paid in wages each year.

The analysis does not include benefits from dividends as this information was not available at the time the independent assessors conducted the assessment.



¹ The difference between the present value of cash inflows and the present value of cash outflows over an agreed period. In the projects described here typically 20 years at a discount rate of 10% and tax rate of 28%