

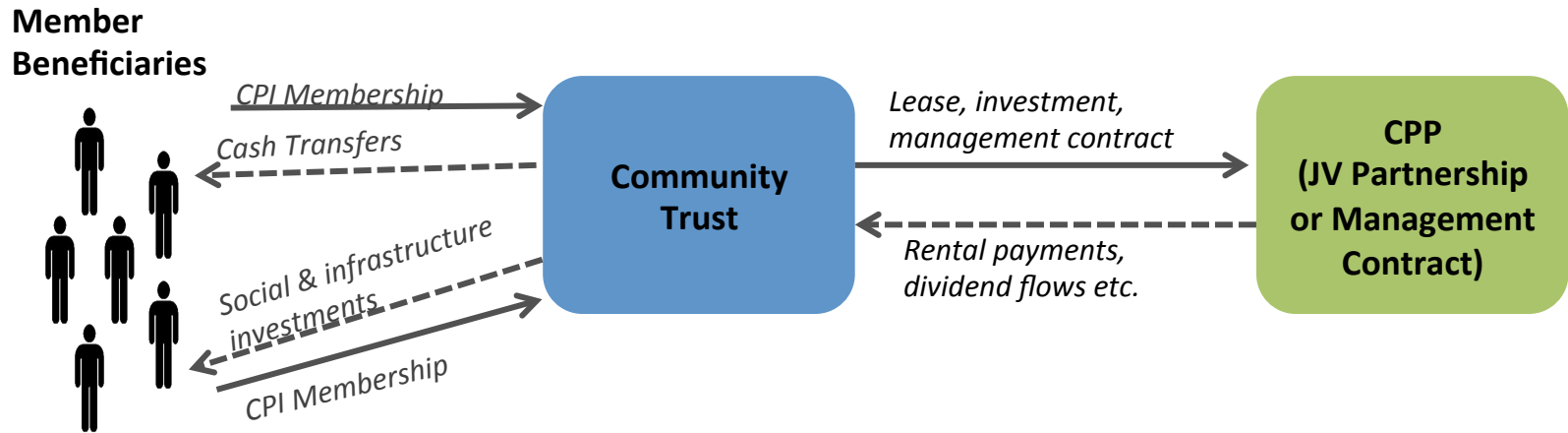
Communal Trusts and development in the REIPPP

Institutional models for sustainability
(as derived from the land reform programme)

Paul Zille

WWF-SA & Green Cape Workshop:
Improving ED & SED development in the
REIPPPP

Conventional CPP Model

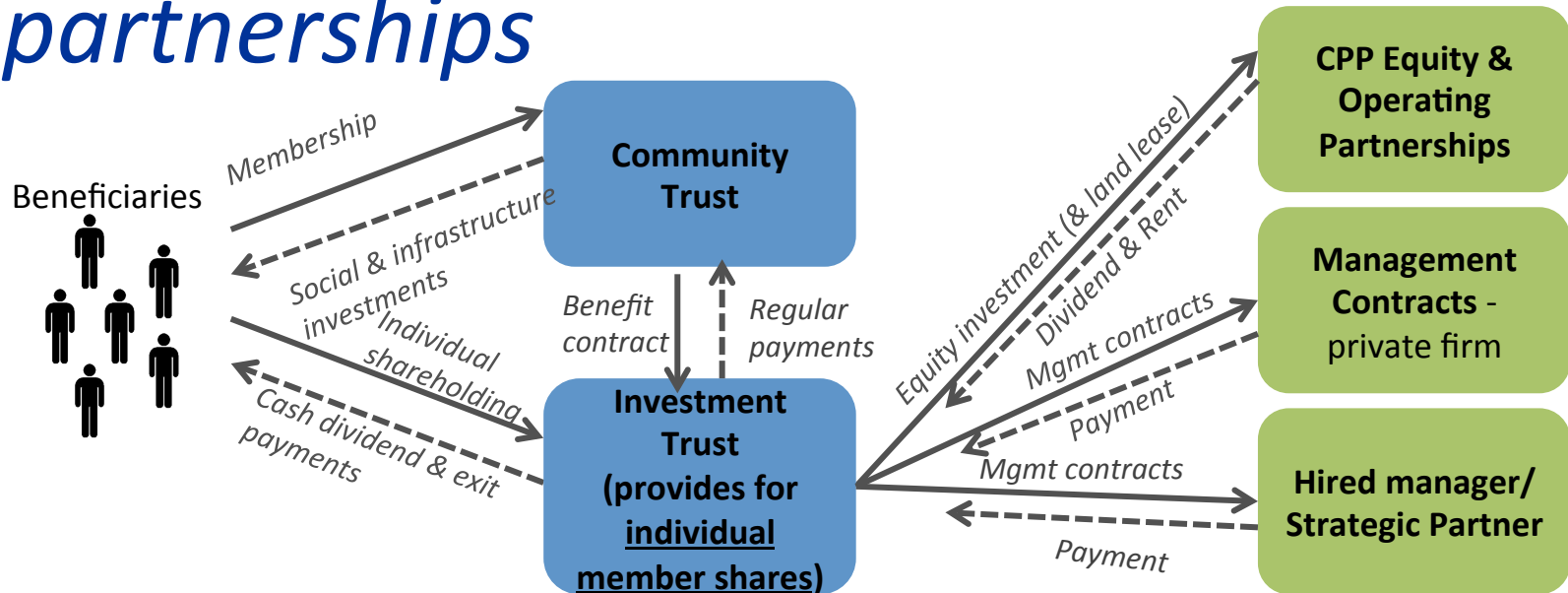


- **Problems**

- Poor accountability of Trust management to members (factionalism, elite capture, inefficiency, corruption)
- Interference by members in the management of the Trust & CPP
- Trust Revenues are not predictably or transparently distributed = conflict
- Trust members cannot realise capital gains from CPP (e.g. on their exit - 'live poor & die empty-handed')
- Results in the dilution of ownership, accountability and benefits over time – and undermines incentives to abide by Trust and CPP rules
- Can't accommodate demographic change in the community, as people exit and newcomers enter – further exacerbates ownership and accountability problems

If member benefit arrangements are inadequate, illiquid or (perceived to be) unfair, Trust/CPP contractual arrangements will falter – no matter how profitable the CPP

Alternative Model – for business partnerships



- Benefits**

- Investment Trust is delinked from the Umbrella Trust = independent company, objectively valued
- Enables fixed improvements & capital gains to be captured, realised & distributed to members
- Members' shareholding in the Investment Trust is measurable, appreciable, tradable – provides an objective basis for distribution of dividend payments to members in a fair and transparent way
- Regular (rental) payments continue to be made to the Umbrella Trust, enabling social and infrastructure investment
- Enables entry and exit by members from the Investment Trust – without losing their basic community entitlement
- Ensures accountability of Investment Trust and CPP management around performance & results

Generates stable partnerships & creates strong incentives for all parties to invest and stay

Thank you

- Discussion -

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