

Mondi
From land claims to business development



SOUTH AFRICA

Mondi is restoring land to community ownership in South Africa. The company has developed a highly successful model for engaging and settling with land claimant communities, and assists them to develop sustainable forestry enterprises. This means communities derive an income from their land, while Mondi retains its wood supply.

HECTARES OF MONDI LAND UNDER FORESTRY THAT HAS BEEN TRANSFERRED TO COMMUNITIES



Background

Almost half of the land Mondi owns in South Africa – some 125,061 hectares – is claimed by local communities. These land claims stem from a complex legacy of state-led afforestation and forced removals of indigenous peoples, initiated back in 1913. In 1994, the South African government passed the Restitution of Land Act, which gives people the right to claim back their land. Restitution takes the form of restoration of land, alternative land where it is not feasible to restore land and financial compensation, or a combination of the three.

As a major landowner, Mondi has faced 82 such claims. The company is committed to playing a positive role in meeting land reform targets for the country and the forestry industry. At the same time, it aims to minimize land-use change – Mondi's target is to maintain forestry on around 85 per cent of restored land. To date, 19 claims have been settled, and some 36,000 hectares of Mondi land under forestry has been transferred to communities. Communities living on ancestral land used to have only occupation rights, but the restitution process empowers them through full land ownership.

When a claim is settled, land is transferred into a community trust, with the Regional Land Claims Commissioner (RLCC) responsible for ensuring that the price is fair and communities are satisfied. Mondi pays an annual rent and a “stumpage fee” for the timber it harvests.

Under the agreement, Mondi leases and manages the forestry operations for a 20-year period, but commits to assist communities to become progressively more involved in forestry operations. Forestry handovers may begin from year 11, if community trusts are ready. Mondi provides funding for training and mentoring and assists the communities in gaining access to start-up capital for businesses, including vehicles and equipment.



Mondi assists communities to become progressively more involved in forestry operations.

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“Our forestry contracting business is growing and currently employs some 34 people drawn from both land claimants and the larger community. Our Siyathokoza trust has an obligation to provide socio-economic programmes to beneficiaries. This is a model which has the potential to benefit people on a wide scale.”

Patrick Ntuli, Siyathokoza trustee and director of Ikhasi Pty Ltd, a forestry contracting business

The project

Mondi achieved its first land settlement in 2009 with the AmaHlongwa and AmaBomvu communities in the Kranskop area. Trusts – named Siyathokoza and Eyethu respectively – were set up to administer and manage the land. Mondi worked with the trusts and the government Department of Rural Development and Land Reform to identify community needs and aspirations, and to develop programmes and plans to fulfil them.

The settlement model encourages land claimants to directly participate in forestry businesses. Mondi created contracting opportunities for both trusts in Kranskop, beginning with small businesses employing 12 workers each to do manual weeding. Today these businesses employ more than 200 workers, who perform a range of forestry tasks.

The trusts also formed a catering company, Iphini, which acquired a 25 per cent profit-sharing stake in the catering contractor Compass's deal with Mondi to deliver the Food 4 Forests programme, which provides hot meals to around 8,000 forestry contractor workers every day. The Iphini directors are being mentored to gradually take over the programme, and four community members are undergoing training in catering services.

In the last three years, Mondi has provided R1.5 million (€130,000) for training and capacity building for the Siyathokoza and Eyethu community trusts and related businesses in areas such as governance, finance, strategic planning, technical skills and business management. The Forest Industries Education and Training Authority (FIETA), the government training agency for the sector, has contributed a further R2.8 million.

In addition, Mondi set aside R800,000 for development initiatives for both communities, of which R350,000 was spent on setting up a community-based organization, AmaHlongwa. This provides a soup kitchen and home-based services to community members in need, including orphans, the elderly and the sick.

Benefits

Mondi's pioneering settlement model goes well beyond simply restoring land rights, and has turned a potential conflict into a source of mutual benefit. The company has developed sound relationships with claimant communities and both Mondi and the Kranskop communities are working hard to be successful partners in business.

One of the aims of the New Generation Plantations project is to make sure plantations are compatible with both nature and human needs, safeguarding biodiversity as well as rights and livelihoods. Through this restoration process Mondi is establishing wealth-creating ventures that give communities the opportunity to develop profitable, sustainable livelihoods. Communities have gained new skills and capabilities.

In the past three years, 12 bursaries of some R1.2 million have been granted to claimant beneficiaries. The first two students graduated in 2012, one obtaining a diploma in business and financial management and the other, a bachelor's degree in accounting. A further four will be graduating in 2013.

Next steps

Mondi has signed an agreement with the government stating that all claims on Mondi land will be settled before the end of the 2014 financial year. Under the agreement, Mondi will work as a strategic partner with its claimant beneficiaries. The government will fund post-settlement activities, with Mondi contributing technical and management capacity.

The company has submitted four business plans to the government's Recapitalisation and Development Programme, which was established for farms fallen into disrepair as a consequence of the land restitution process. Mondi will continue to pursue mutually beneficial settlements that give communities the opportunity to profit from a prosperous forest industry.

12 STUDENTS

FROM CLAIMANT COMMUNITIES
HAVE RECEIVED BURSARIES

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