

Workflow: Institutional Effectiveness

Toolkit 10.2

Community Property Associations and Cooperatives

target audience

Farm owners in the form of community property associations (CPAs) and cooperative structures (co-ops).

what it is

The Communal Property Associations Act 28 of 1996 works to enable communities to form juristic persons, to be known as communal property associations, in order to acquire, hold and manage property on a basis agreed to by members of a community in terms of a written constitution; and to provide for matters connected therewith.

In many cases of land restitution, land is leased or sold to members of the community that have formed a CPA. The characteristics of a CPA are such that, often, a large group of beneficiaries acquire land or the right to use land (as a lease), and this legal structure, by its very nature, requires good governance and management practices to be successful.

Although cooperatives are technically different from CPAs, the principles determining successful management are similar. However, cooperatives are often established for different reasons, e.g., a group of small farmers deciding to work in a formally cooperative structure for mutual benefit. Cooperatives are becoming less popular as an institutional vehicle for effective business because they have inherent limitations and do not provide for security against funding. Nonetheless, this toolkit includes the key success factors in relation to cooperative structures.

why it is important

The intention of CPAs is admirable, as an institutional form that is inclusive and facilitates community ownership and/or management through lease of land, particularly given the history of South Africa. However, its inclusivity is also a weakness, that can only be overcome by good leadership, governance, management, and communication. Sadly, these attributes are often absent to a larger or lesser degree, resulting in poor decision-making, unprofessionalism and, at worst, serious disputes.

Not only does the CPA have to manage its internal affairs well, but it must ensure that it can successfully interact with strategic partners or professionally employed managers, with other stakeholders such as traditional leaders, and other people of influence in the community.

Especially in the context of “permission to occupy” (PTO), stakeholder management is especially important because it can make or break the business.

Therefore, it is important that CPAs, and similarly cooperative structures, establish and comply with the key factors that will enable the CPA to succeed.

success factors

➤ **A Properly Constituted and Structured CPA includes:**

- Proper establishment of the CPA – A comprehensive community trust deed that has been legally reviewed and adopted at a recent annual general meeting (AGM).
- Updated beneficiary list – An accurate current beneficiary list and clear beneficiary replacement, entry and exit provisions.
- CPA trustees - Trustees have been formally and legally elected and adopted at a properly constituted AGM.
- The governance and management structure - Detailed role clarification of the parties, i.e. trustees, management, and beneficiaries.
- Employment policy and plans - Clearly defined current and future employment expectations if members of the CPA are to participate as employees. These provisions need to stipulate employment policy, selection criteria, the nature of employment, etc. It is very important that extra effort and care is taken in this regard, because unrealistic expectations often exist, and resentment can arise if there isn't a clear understanding and acceptance of who is to be employed and in what capacity, and that they are to be fairly compensated for their contribution. It is not acceptable when “passive” beneficiaries lay claim to rewards and benefits like those awarded to people who are actively adding value through their employment.
- Formally documented land and water ownership/rights.
- Contracting external expertise where required, which could include outsourced accounting services, legal services, and in some case operational and production expertise (in an advisory capacity other than, and independent of, a strategic partner).

➤ **A Clearly Articulated Vision, Mission, and Strategy for Developing a Sustainable Farming Business includes:**

- A formally defined business and development plan - A very clear definition of where the business is (assets, liabilities, loans, cash, forecasted earnings, etc.), where it aims to be, and how it intends to get there.
- Clear strategy and plan regarding the engagement of a strategic partner. Refer to [Toolkit 10.1 - Strategic Partnerships](#).

➤ **Stakeholder and Community Management**

- Successful CPAs depend significantly on the relationship, trust, and good will of the community within which they exist.
- In “permission to occupy” contexts, it is vital that the CPA maintains effective and professional relationships with traditional leaders and other people of influence. The CPA's own professionalism is a good starting point in setting expectations and the “tone”. Then,

communication and the necessary sensitivity and finesse needs to be constantly assessed and improved. The resultant trust is a very precious commodity, and it is exceedingly difficult to recover once you go down a path of conflict.

- Actively (proactively) communicate with all the beneficiaries and the community at large. Use community forums such as clubs, church groups, women’s associations, etc. to promote your good standing and to build trust and support.

The above principles and success factors also apply to cooperative structures.

execution steps

See success factors above.

assessment questions

Please Note: There is no minimum / maximum amount of questions you can add

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| 1. | Is the CPA properly constituted? |
| 2. | Are the CPA trustees and the management structure of your CPA formally constituted? |
| 3. | Do you have an accurate and current list of beneficiaries? |
| 4. | Do you have a clear policy on employment practices, including beneficiaries and others? |
| 5. | Does the CPA contract external expertise and receive the necessary specialist advice? |
| 6. | Does the CPA have good relationships with other stakeholders, such as traditional leaders and the community? |