

ARAC UPDATE

18 June 2010

Dear Farmer

We have asked Charles Taffs, the CFU Vice-President to give an outline for those of you who have not seen the presentation to explain in greater detail the fundamentals of the current agricultural recovery proposal.

We shall endeavour to respond to any queries or suggestions that arise from this *work in progress*.

INTRODUCTION TO THE AGRICULTURAL RECOVERY PROPOSAL

We at the CFU some 8 months ago were tasked with creating a compensation/restitution package for our community. It became very clear to us early on in our deliberations with both the local and international community that:-

- a) The government were not in any position to pay and;
- b) The donor community were not going to come up with a blank cheque to cover our damages.

We were therefore left with a dilemma of how we do this. The obvious way to do this is by reestablishing values not only on the land itself but on all assets within our country to create new flows of money, thus enabling the fiscus to be able to compensate the farmers on a cost recovery basis.

Over the last 10 years of hyperinflation we have witnessed a number of scenarios develop:-

Firstly the local asset based debt; (mortgages etc) were effectively wiped out leaving most assets debt free with 100% positive equity.

Secondly with the demise of our currency we saw the fall of our productive base which now leaves us with huge potential in the form of a) being able to create lines of credit against our country's free asset value and b) to grow a productive base from a very low starting point. If this were to happen the impact on the economy would be massive with both international and regional companies transferring wealth to within our borders to be part of both the asset and production gain.

We must also remember that traditionally the relationship between direct investment in agriculture and both supply and downstream industries was always about a 3 to 1 ratio, meaning that for every dollar directly invested into agriculture 3 will be invested into industry. We are therefore with the right policies proposing a country solution rather than just an agricultural solution. This together with our vast mineral wealth and agricultural potential, if we get it right, Zimbabwe will be a world investor's destination of choice.

This is a prerequisite for a Zimbabwe recovery, The constitution has been amended so many times over the last 30 years that a new all inclusive and protective constitution is required to allow for real empowerment and equal opportunity for all.

4) **LAND COMMISSION**

The land commission would have to be appointed by government to monitor and implement policy going forward on the land issue as well as the appointment of an agricultural asset audit to allow for a complete understanding of the land/ownership occupation and value of all land in Zimbabwe.

5) **AGRICULTURE ASSET AUDIT**

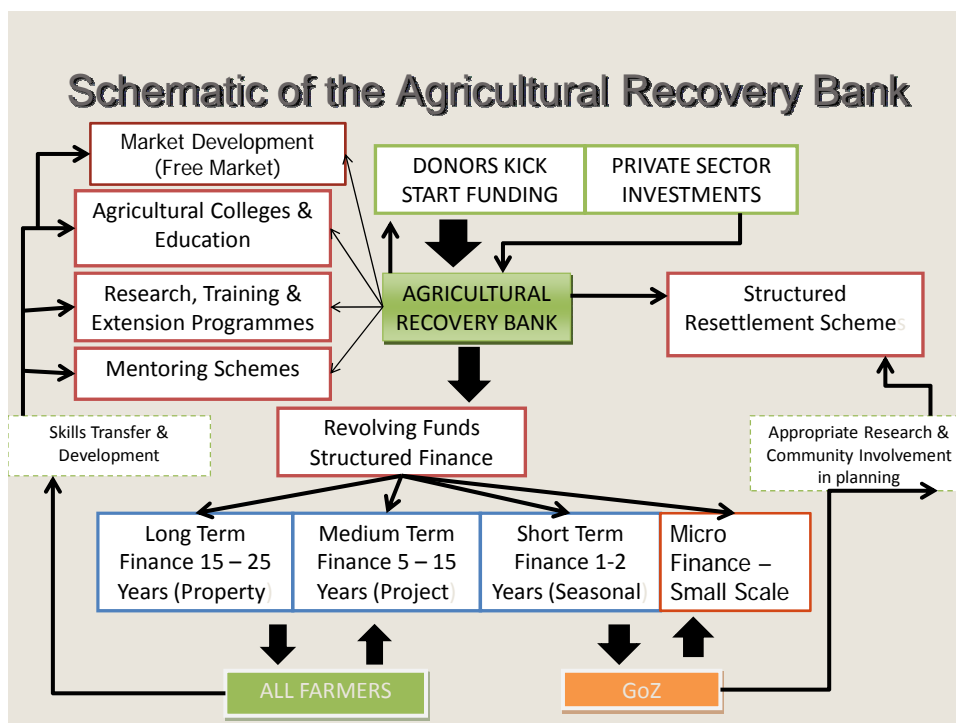
This would be instituted by the land commission to:-

- a) Get a full comprehensive register on all agric land in Zimbabwe
- b) To create a full comprehensive register of owners/occupiers on all types of tenure on all land in Zimbabwe.

6) **AGRICULTURE RECOVERY BANK**

This body is vital to the whole process of agricultural recovery through the reestablishment of land values in the country by funding an active land market. This would be achieved by

- a) Providing structured finance to all those wishing to farm including Government as per the AR Bank schematic.
- b) To fund structured resettlement schemes throughout the country. This will enable A1 beneficiaries to be moved into structured environments with schools, water, clinics, supply networks, transport networks etc. freeing up farm land into the land market.
- c) To engage displaced and or retired professional farmers in a process of skill transfers through mentoring schemes. It is envisaged that any one participating in the land bank funding will be mentored until their debt is fully paid for 2 main reasons:-
 - 1) To protect the revolving fund
 - 2) To empower new owners through promotion of skill and excellence within the agricultural field.
- d) To re-establish and capacitate research stations, colleges and extension services. In the main most of these centres are structurally sound they just need to be recapacitated to their previous levels.
- e) To develop a free market system which can be competitive on the world stage. Zimbabwe farmers need access to all markets at all times to enable them to strategise and plan their businesses. The AR Bank would have to be managed and monitored by external institutions such as the world bank until the investment is fully paid to the original title holders



7) THE LAND

What has happened as a result of the fast track land reform programme is that the land value has been destroyed and whilst our land values have been destroyed our regional neighbours land has increased.

Through good policy and funding through the AR Bank (6) we can create an active competitive land market, open to all players. The net effect of this will be a regional and international transfer of value back into Zimbabwe with the ultimate result of the land itself being re-valued. By re-creating the land values this will go a long way to meeting the cost of compensation on a cost recover basis.

8) THE ACKNOWLEDGED VALUE BY GOVERNMENT

This is the centre of the entire scheme. The value in this block has been established by professionals as in the Valuation Consortium, which is made up of 8 firms of land valuers with local expertise, using the latest technology available. The value has been established on the premise of equivalence, in other words no better or not worse off than when the farmer was evicted. The parameters used to establish this value are the principles outlined in the UN/FAO document and confirmed in principal by ICSID on compulsory land acquisition. These principles are outlined in the compensation proposal. Once this value has been established, it needs to be underwritten by institutions and or donors, such as the World Bank, so that it has real bankable and tradable value. Values are then apportioned against title deeds, which in effect become interest bearing bonds of a specific value until they are fully redeemed.

Effectively what this means is that the title deed now has a bankable tradable value which then allows the owner to:-

- a) Sell his title within the investor block to other investors
- b) To borrow against the value of that title to invest in other businesses
- c) To leave his title in place and earn interest as an investment until fully redeemed.

It is envisaged that once real tradable value has been established against title, international lines of credit will be opened up through local banking structures to on-lend to the title holders. The interest charged must be equivalent to the interest received through the investment block. This in essence means that the title holders would be able to achieve the value of their title before actually being compensated. Once funds are available through the cost recovery of the land market/donor/government to pay for the title, any loans outstanding will then be serviced and any payable interest will be cancelled. If this proposal were to be adopted as government policy, money through normal credit lines would begin flowing and there would be natural asset inflation. So it is important that anyone wanting to benefit from this inflationary gain must have access to funds against his title from day one.

I must make it absolutely clear that the title holder will remain the legal owner until his /or her value is fully redeemed.

9) **MONTHLY INTEREST**

This is an amount paid to owners against their apportioned title value within their investment block. This figure would have to be negotiated, but must we feel, be equal to any charged interest a title owner would have to pay in the event he was to borrow against his title.

10) **AFFECTED FARMERS**

These are obviously the evicted title deed holders.

11) **FUNDING FOR ALL FARMERS WANTING TO FARM**

This is structured funding to be made available through the AR Bank (6) to all farmers wanting to farm.

12) **MENTORING SCHEMES**

These are the schemes set up by the AR bank to:-

- a) Provide employment to farmers who want to participate in a Zimbabwe recovery but do not want to actually farm themselves.
- b) To transfer skills onto new and aspiring farmers to ensure success.

The AR bank would also set up funding for research and extension programmes as well as recapacitating agricultural learning centres.

13) **COMMERCIAL BANKS**

These are crucial in accessing new lines of credit created against the secure investment block enabling on-lending to farmers who may want to borrow against the value of their title. We also see local banks participating in the funding of farming ventures, parallel to the AR Bank. We would actively encourage free market participation in the funding of both land and farming ventures.

14) **LINES OF CREDIT**

These are the lines of credit we see being established between international banks and those of our country on the back of sound economic policies.

15) **INTERNATIONAL BANKS**

These are the institutions which would wholesale fund local banks based on sound economic policy. It is through these lines that the Zimbabwe economic recovery process can begin.

16) **FARMER ARBITRATION**

This is an independent panel which will be set up with the specific task of dealing with farmers who are not happy with the value accorded to their properties within the investment block. We envisage that the arbitrator's decision will be final.

17) **BUSINESS INVESTOR COMMUNITY**

This is a sector of society we see participating in the whole recovery process by becoming active investors in both the purchase of titles for farming purposes as well as the purchase of title for investment purposes. Either way this sector is essential in recreating real values.

Till next week

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