

BENEFIT DISTRIBUTION PLAN FOR THE KUNENE CONSERVANCIES INDIGENOUS NATURAL PRODUCTS TRUST (July 2018)

1. Preamble

The Kunene Conservancies Indigenous Natural Products Trust (KCINP Trust) was founded in 2012 and is registered in Namibia as such with the Master of the High Court. The KCINP Trust has seven Trustees which include representatives from five conservancies and or community forests in the Kunene region namely Puros, Orupembe, Sanitatas, Marienfluss and Okondjombo and an additional two Trustees. The KCINP Trust is the legal owner of the Opuwo Processing Facility and was established to provide a legal framework in order to share benefits of the Opuwo Processing Facility where the extraction of essential oils from raw materials harvested and supplied by conservancies and community forests takes place. The KCINP Trust has three objectives:

1. The upliftment and benefit sharing of the Kunene Conservancies and Community Forests which market their natural resource products for the benefit of the conservancy members
2. To provide an entity to represent the participating conservancies in entering into agreements concerning the supply of natural products for value addition and further marketing
3. To provide an entity in which the participating conservancies and community forests jointly store, process, sell and market any natural products, and to jointly administer the activities of the natural products business of the participating conservancies and community forests

Furthermore the Deed of Trust also makes provision for the distribution of benefits from the Opuwo Processing Facility, namely:

1. The profits will return pro rata to the producer and processor organisations (the conservancies and community forests) based on their material supplied to the Opuwo Processing Facility, and
2. The Trustees shall annually draft a benefit sharing report, reflecting the amount of material contributed and the amount of money paid out and other benefits distributed to the conservancies and community forests

The purpose of this document is therefore to provide guidance with respect to the above requirements as set out in the Deed of Trust.

2. Benefit distribution plan

Benefit distribution is guided by the fact that the Opuwo Processing Facility is a business entity and as such can only distribute benefits if and when funds allow. At the same time however the KCINP Trust is mindful of the need for the conservancies and community forests who are responsible for managing and supplying the resources to also realise tangible benefits from this.

Within this context the following aspects related to the availability of funds for potential distribution are noted:

- **Operational costs**

Income is needed to cover the running costs of the factory and pay salaries of the staff employed.

- **Revolving fund**

A revolving fund has been established to enable the purchase of raw materials from harvesters in the conservancies and community forests. The revolving fund is managed by Integrated Rural Development and Nature Conservation (IRDNC) as it was set up with assistance of donor funds. The revolving fund guarantees that harvesters can be paid directly on delivery of the resource they are supplying thereby also ensuring the biggest impact on their livelihoods.

As a result a percentage of the income from sales needs to be provisioned to replenish this fund. Replenishing the revolving fund is based on quarterly records of sales and the amount is calculated and refunded at the end of each quarter.

- **Contingency funds**

The KCINP Trust also needs to provision sufficient funds to enable it to efficiently manage its cash flow. In this regard the KCINP Trust must be in a position to deal with unforeseen expenses, such as emergency repairs to equipment, should the need arise.

3. Calculation of benefits to be distributed

Based on the above the distribution of any benefits will be assessed and decided upon on an annual basis by the KCINP Trust on presentation of the financial statements and cash flow projections. As is required by law the KCINP Trust has appointed Windhoek Mechanised Accounting Services to prepare its annual financial statements.

The KCINP Trust receives income from two main sources, one, from product sales at the Visitors Centre and two, from the sale of essential oils and raw materials from the factory itself. In addition to the above the KCINP Trust has entered into and might enter into various Access and Benefit Sharing Agreements with potential partners to develop and or market potential products. The benefits derived from such will be stipulated in each Agreement as required by Namibian legislation.

Potential benefits will be calculated from these sources as follows.

3.1 Visitor centre sales

Benefits to be distributed with respect to the income from sales of products from the visitors centre will be calculated on 10% of the turnover of any sales and will be included in any planned benefit distribution.

3.2 Essential oils and other raw materials sales

Notwithstanding the cash flow needed to keep the Opuwo Processing facility functional and to reinvest in the facility any distribution of benefits derived from the income of sales from the factory will be guided by the percentage of the supply of raw materials made by each participating

conservancy and or community forest, this includes those that are not represented on the KCINP Trust.

The calculation of potential benefits will be based on the cumulative total of the value of the raw materials supplied by each conservancy or community forest. This cumulative total will be updated on an annual basis and will be presented together with the financial statements at a meeting of the KCINP Trust where a decision on potential benefit distribution will be made.

3.3 Payment of benefit

The payment of benefits to be made by the KCINP Trust will be paid into the main account of either the conservancy or community forest. It will be left to the discretion of each entity, in line with their own benefit distribution plan, as to how the KCINP Trust benefit is best utilised.