



South Africa Siyasebenza

Learning Series

OCTOBER 2018

Leasehold Models for Job Creation in Agriculture: Lessons from the Tongaat Hulett Sugarcane Development Initiative



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The Jobs Fund is a R9 billion fund established by the South African Government in 2011. It was established to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. The Fund aims to catalyze innovation in job creation through structured partnerships with the private and public sectors as well as NPOs by awarding once-off grants to organisations through a competitive process. The Jobs Fund operates on challenge fund principles and aims to incentivise innovation and investment in new business approaches that directly contribute to long term sustainable employment creation.



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Implemented by:

The Government Technical Advisory Centre, National Treasury



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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ABSTRACT

This paper presents lessons from the implementation of the leasehold model by Tongaat Hulett to encourage communities and individuals to either lease their land or use it for sugar cane farming. Those not interested in farming could rent out their land to earn an income. The model is highly replicable but its implementation requires a strong financial base. The Jobs Fund (JF) partnered with Tongaat Hulett to test this model in KZN. Tongaat Hulett brought in a total of R264 million as co-matched funding on a JF grant of R150 million as at June 2018. The project has created 3,075 new permanent jobs and trained 1,292 beneficiaries. The results and lessons are discussed here.

1. INTRODUCTION

The Tongaat Hulett Sugarcane Development Initiative, undertaken in partnership with the Jobs Fund, is a four-year rural development intervention that used a leasehold model to develop 12,000 hectares of sugarcane on unutilized or underutilized communal land in KwaZulu-Natal. In this leasehold model, land is leased from land-owning beneficiaries, and a commercial partner manages all farming activities on their behalf. Tongaat Hulett leased inactive land from potential beneficiaries, some of whom did not want to get involved in farming. Those who did not want to farm could lease their land to others and earn rental income. They were recorded as inactive beneficiaries. Those who were interested in farming also provided their labour to the JF Partner, Tongaat Hulett, and were paid for both their labour and their land. These were recorded as Active Beneficiaries. Active beneficiaries had the opportunity to progress up the farming career ladder, from farm

workers to supervisors, to farm managers or contractors, or progress into other non-farming occupations with the JF Partner. Where the project's labour needs exceeded the number of Active Beneficiaries (those interested in offering their labour), the additional job opportunities were filled by unemployed persons who were selected and recruited from the community against the specifications and requirements of such jobs.

The Tongaat Hulett Sugarcane project is essentially a planting intervention which aimed to create more than 2,800 new permanent jobs for unemployed people from local communities. This would in turn stimulate the local economy through the generation of more than R50 million per annum in the form of salaries via these new jobs and rental income on the leased land.

The increase in sugarcane production was also aimed at increasing the viability and feasibility of the sugar mill, which is at the centre of local economic development for the area. The initiative was estimated to cost R300 million in direct sugarcane establishment costs, with R150 million funded by the JF and R264 million contributed by Tongaat Hulett as co-matched funding. This included in-kind contributions to cover other implementation costs including socio-economic development initiatives, community consultative work and project management. The project aimed to make a meaningful difference in the lives of the communities in the regions identified for implementation as well as surrounding areas overseen by 13 traditional councils.

This paper presents the evaluation results and lessons learnt from the implementation of the Tongaat Hulett Sugarcane Development Initiative as a successful smallholder farmer support intervention in the context of the constraints presented by South Africa's land reform programme.

2. METHOD AND APPROACH

In-depth, semi-structured interviews were conducted with the JFP Programme Manager and the main Service Provider. A beneficiary Focus Group Discussion (FGD) for farmers in the Eshowe area was also held. Other methods of data collection included a review of project documents, literature reviews, and on-site observations to triangulate the findings.

3. RESULTS

In addition to the planting interventions, local community members were trained and up-skilled to enable them to work in a range of jobs on these projects at multiple managerial and skill levels. These typically ranged from farm managers, assistant managers and supervisors to drivers, weeders, planters, and harvesters. Specific findings in terms of model highlights and possibilities for replication are discussed below.

3.1 Job Creation

- The project created employment in deep rural areas where previously no opportunities existed. The project defined a sustainable job as one that lasts longer than the JF period of 4 to 5 years. Most of the jobs created were for a period of up to ten years.
- Recruitment and contracting of local labour by Tongaat Hulett to work on the project was done from the immediate local communities, thus ensuring buy-in and goodwill of local stakeholders.
- The project created formal jobs in the communities by providing contracts for every position.

3.2 Skills Development

- Substantially more training was provided by the Tongaat Hulett project than was

originally anticipated (this included a wide range of short skills training interventions for various production components).

- The project opened up the potential for skills development and experience amongst those participants who were interested in farming as a future occupation.

3.3 Social Facilitation

- A key highlight of the model is its community consultation and social facilitation component, through which community buy-in, participation and support for the project was obtained.
- Through extensive social facilitation and trust building, traditional authorities and communities were positively disposed to participate and partner with Tongaat Hulett in land-leasing agreements as the basis for rental income streams for the landholders.
- The project played an important role in resolving conflicts involving land ownership and rentals through comprehensive land verification and surveys to accurately establish occupational rights and exact size and location as the basis for lease agreements.
- Succession planning was factored into the model by ensuring that registered beneficiaries nominated a successor should anything happen to them.

3.4 Local Economic Development

- Through increased production/tonnage of sugar cane, the project helped to optimize the local mills and, consequently, the economic development of the mills' feeder areas.
- The sugar mills and the feeder areas around them were greatly enhanced economically as a result of the project.

- The communities' perception and understanding of the commercial value of land and the opportunity cost of not utilising available land was greatly enhanced by the project.
- The Tongaat Hulett project provided transport for harvested sugar cane from the beneficiaries' farms. This resulted in the socio-economic development of rural communities located in remote areas which otherwise would not have access to markets.
- The roads that the project built for their transport services have resulted in new business opportunities in the feeder communities. They also have strong post-implementation support via various social development projects (i.e. bursaries for high school children and sanitary towels for school girls at two schools).

3.5 Secure Income for the Community

- The project created income for people who had communal rights to land but were not interested in farming, by renting the land from them.
- The Tongaat Hulett project managed the establishment and registration of cooperatives comprising landholders, who were interested in making their land available for leasing. These cooperatives served as the administrative bodies acting for and on behalf of landholder members in leasing the land to Tongaat Hulett.
- Another key highlight of the model is that rental streams were calculated against the cooperative's harvested cane. Individual e-wallet bank accounts were opened for each beneficiary (every member of the cooperative) into which their proportionate rental incomes (percentage based on the GPS mapped and registered details of their

respective landholdings within the cooperative) are paid directly. These unique e-wallet accounts offer safe and secure payment transfers and safekeeping of money and can only be accessed by beneficiaries.

3.6 Challenges

- Compared to other models, limited focus was given to training and development beyond production skills. Over the long term one would expect to see the capacitation of participants/beneficiaries to become independent and successful farmers who can operate independently after the project.
- A potential hidden cost to the model is that farmer development costs could be higher than normal because the JFPs are expected to recruit and employ beneficiaries from local communities and clans (even if they are not best suited for the job). This would then require a more intensive training programme to ensure acceptable productivity.

4. CONCLUSIONS

This project is an example of effective collaboration between community leaders, the private sector and government, which is essential to achieving real transformation within rural communities. The Service Provider found this support model to be very effective and efficient within the above stated project context and current phase of the project.

As a result, the model and its farmer support interventions rated very well in almost all aspects of the study. Overall the support model is highly recommended and many of the interventions could serve as best practices for replication in other smallholder farmer support models.



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