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OVER A DECADE OF INNOVATION AND PARTNERSHIP



Ushintsho Olugqakazile

Jobs Fund Webinar

Partnerships for Growth: Showcasing the Meaningful Impact of Partnerships between Government, Private Sector and Financial Institutions in the Citrus Industry

19 November 2024

The event will start at 14h00



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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Opening Address

Najwah Allie-Edries

Deputy Director-General: Employment Facilitation
(Head of the Jobs Fund)

Background to the Jobs Fund

Facilitator: **Lionel Kunene** (Jobs Fund)

- The Jobs Fund is a programme of the National Treasury.
- The Jobs Fund was established to inspire innovation and to co-fund programmes that address specific barriers to job creation.
- The Jobs Fund operates on Challenge Fund principles to:



Test innovative approaches to job creation – intervene on both supply and demand side of the labour market



Encourage wider market adoption of challenge fund funding instrument over the medium to long term



Share risk - catalyse social return



Encourage adoption of successful Job creation Models by organisations

- The Fund is not a mass employment programme but complements other government programmes by encouraging innovation and sustainable job creation.
- The Fund works with intermediaries, leveraging their networks and expertise to access and provide support to targeted beneficiaries.
- The Jobs Fund was established with knowledge sharing as one of its foundational pillars and has a rigorous monitoring, evaluation, reporting, and learning framework.
- To this end, the Jobs Fund regularly hosts and participates in knowledge exchange sessions, together with its partners and the public.



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Partnerships for Growth: Showcasing the Meaningful Impact of Partnerships between Government, Private Sector and Financial Institutions in the Citrus Industry

PROJECT OBJECTIVE

OUTCOME STATEMENT

Transformation of Black Citrus Growers Programme can improve the black citrus grower's business case through access to affordable blended financing, receiving the relevant technical, business support and skills development.

1

Improved opportunity for black citrus farmers to access agricultural finance

2

Black citrus farmers know where to access production and market information

3

Improved evidence-based decision making

4

Agribusinesses established and operational

5

Increased citrus farm productivity, production and market participation (local & international) resulting from the project

PROJECT TIMEFRAME

COVID

2018

JF 8th call
application
(Nov 2018)

2019

Business Case
study approved
May 2019

Pending partners
contracted
-CGA/GDC
-DAFF/DALRRD
-Land Bank
-Agri SETA

Implementation
partners
contracted
-Lima

2020

Project
commenced

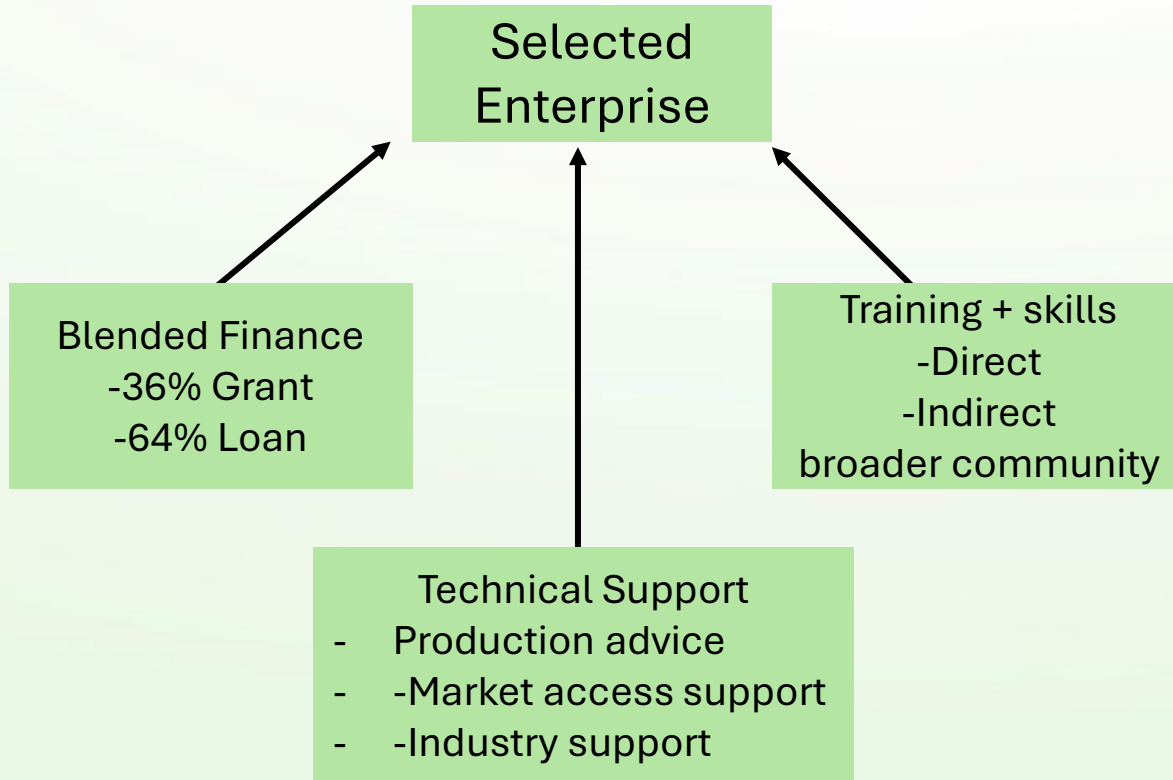
2021-

Implementation

2025+

Monitoring
+
Evaluation
for 5 years

PROGRAMME MODEL



PROGRAMME SUPPORT TEAM

- **CGA** - Financial management
- **Lima** - Stakeholder collaboration
 - JF relations
- **Citrus Academy** - Training and skills development
- **GDC** - Technical support

Enterprise Selection

Enterprise viability – enterprises that are currently involved in citrus production and that have reasonable reliable management in place that can be enhanced with skills development

Employment impact– enterprises that will create the most jobs for the capital requirement

Economic impact– enterprises that are most likely to increase their exports as a result of funding

Return on investment – enterprises with the greatest growth potential for the capital requirement

Transformation impact– enterprises that will increase black-owned exports and hectares the most for the capital requirement

IMPACT – CITRUS INDUSTRY

Enabled significant progress to be made in reaching target of 50 million cartons from black growers by 2032

The repayment of the loan portion of the Jobs Fund contribution will be used to leverage future funding

Project was positively received. Increased the involvement of larger commercial growers in transformation initiatives

Led to a change in thinking on the funding models that can meaningfully assist emerging growers.

LEARNINGS TO TAKE FORWARD

Proof that the blended financing model can work. This is significant.

Banks, government departments and provincial administrations are very open to this type of blended financing model.

Joint venture projects were the most successful in achieving the goals of the programme.

Identified other black / emerging farms that need assistance and what they need to develop and progress.

PARTNERSHIPS FOR GROWTH: SHOWCASING THE MEANINGFUL IMPACT OF PARTNERSHIPS IN THE CITRUS INDUSTRY



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Presentation Outline

- The Partnership
- Why the Partnership?
- Blended Finance Scheme



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The Jobs Fund, CGA and DALRRD Partnership

- In April 2021, the Department of Agriculture, Land Reform and Rural Development entered into an agreement with the Citrus Growers Association of South Africa to co-fund the Economic Transformation of Black Citrus Growers Project whose application was made to the Jobs Fund for Funding.
- The DALRRD made available R34,841 million in grant funding, contributing to the project as this partnership was another blended finance instrument being introduced.

MAIN PURPOSE OF THE PARTNERSHIP:

- To accelerate the development and commercialization of black citrus growers.
- To increase access to affordable finance by black citrus growers,
- To create sustainable employment in the citrus industry,
- To improve the skill, knowledge and capacity of citrus growers, and
- To move the needle towards an increase in production output by black citrus growers



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Why the Partnership?



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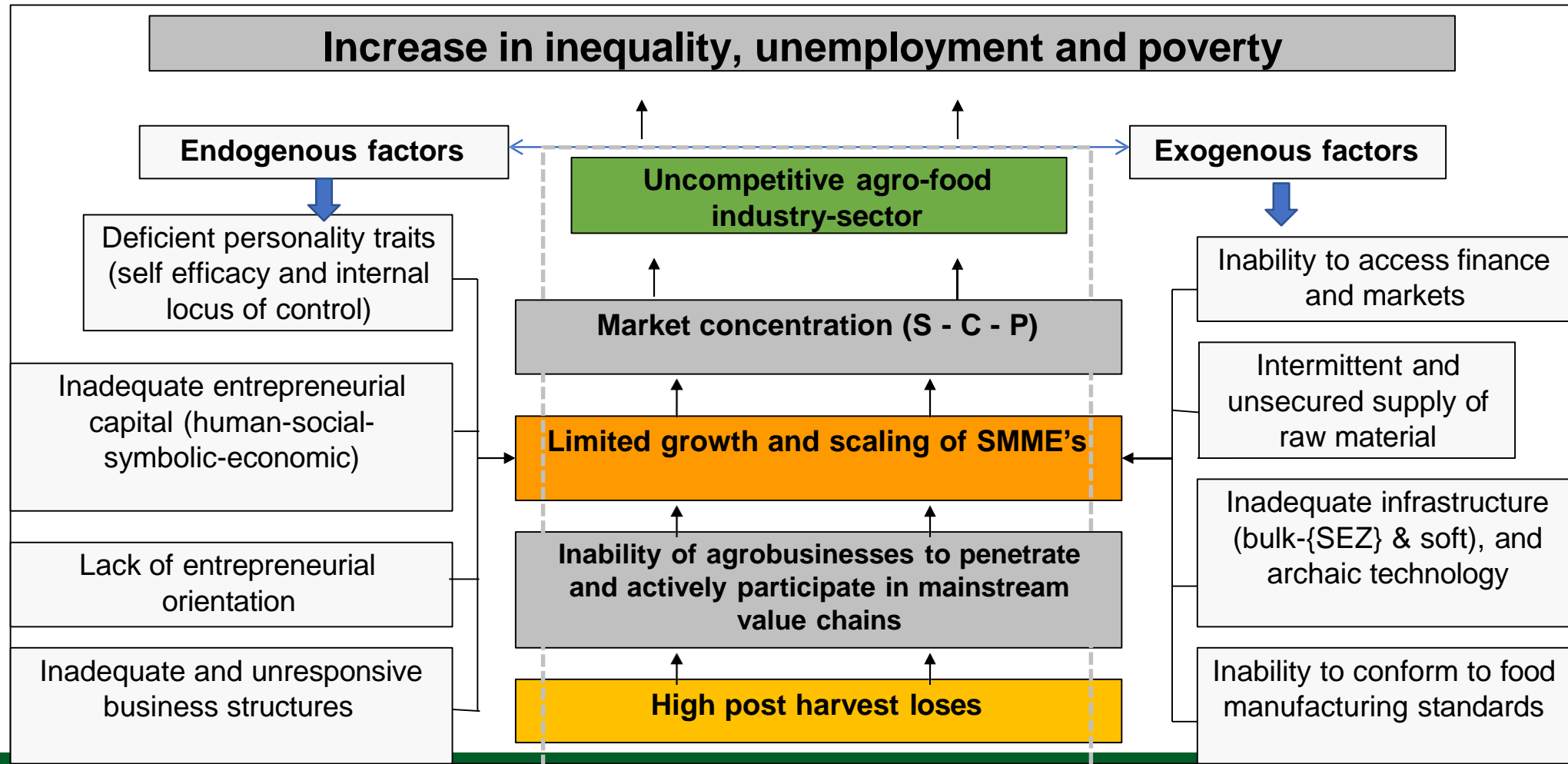


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Problem statement



Sector Consultation and Mandate

- The Department of Agriculture, Land Reform and Rural Development “Dalrrd” embarked on a 5 week Operation Phakisa on Agriculture, Land Reform and Rural Development with key stakeholders in the sector in 2017 and among the 27 initiatives that were developed was **Re-engineering of Agricultural Finance**.
- This initiative advocated for the development of blended instruments where the state would provide a grant and leverage private funding in order to increase access to affordable finance for black producers.
- **The blended funding would:**
 - unlock and enhance agricultural production of targeted producers through deliberate and well-defined interventions;
 - drive the **commercialization of black producers**, increasing employment and exports and replacing imports; resulting in increase in GDP and economic growth.



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AAMP INTERVENTION PILLARS

PILLARS	 PILLAR 1	 PILLAR 2	 PILLAR 3	 PILLAR 4	 PILLAR 5	 PILLAR 6
	Resolving policy ambiguities and creating investment friendly climate	Creating enabling infrastructure	Providing comprehensive farmer support, development finance, R&D and extension services	Ensuring food security, expanded production and employment creation, decency and inclusivity	Enabling markets expansion, improving market access and trade facilitation	Developing localized food, import replacement and expanded agro-processing exports
KEY INTERVENTIONS	Land <ul style="list-style-type: none"> - Willing buyer & seller - Slow pace, speed and quantum of land reform - Low rate of high potential agric land Water <ul style="list-style-type: none"> - Water authorization delays Transformation <ul style="list-style-type: none"> - Pace, speed and quantum slow 	Logistics <ul style="list-style-type: none"> - Increase efficiencies and capacity in the ports systems - Invest in rail and road - Increase investment in off farm infrastructure Biosecurity <ul style="list-style-type: none"> - Fast track LITS and LIMS - Implement project rebirth recommendations at NFPM 	Access to finance <ul style="list-style-type: none"> - PESI - MAFISA - CASP and LDS - AgriBEE fund - Blended finance - APSS Extension services <ul style="list-style-type: none"> - Assistant Agric Practitioners (AAP) Enterprise and supplier development program <ul style="list-style-type: none"> - Access to markets - Access to finance - Capacity building 	Value chain development <ul style="list-style-type: none"> - Backward and forward linkages Expand production <ul style="list-style-type: none"> - Increase production targeting competitive value chain 	Domestic markets <ul style="list-style-type: none"> - Institutional markets - Increase ESD procurement by supermarkets and large agro-processors Regional markets <ul style="list-style-type: none"> - Promote and exploit AFTCA Deep sea markets <ul style="list-style-type: none"> - Source novel markets - Create trade promotion fund 	Localization <ul style="list-style-type: none"> - Localize competitive value chains - Identify feasible import replacement opportunities in agro-processing Regional harmonisation of standards <ul style="list-style-type: none"> - commitment to develop regional food suppliers

Source: AAMP, 2022



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The DALRRD Blended Finance Scheme



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Blended Finance Scheme

- This is a blended instrument where the state would provide a grant and leverage private funding in order to increase access to affordable finance for black producers.
- The grant will not be eligible to fund any project/transaction on a stand-alone basis, **BUT** will always be utilised to blend with loan to achieve said objectives;
- The grant contribution by DALRRD with no financial returns expected shall be treated as equity contribution on behalf of black producers; **BUT** shall be bound by the **Terms and Conditions** for the grant which will be endorsed by DALRRD and the partnering financial Institution.
- **The goal of the scheme is to:**
 - Support sustainable commercialization of black producer's farming enterprises in meeting food security and wealth creation.
 - Support enhancement of production and agro-processing by Black Producers through deliberate, targeted and well defined interventions.
 - Accelerate land redistribution and make land reform successful.
 - Grow the economy, create sustainable employment and eradicate poverty.
 - Transform the sector



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Scope of Funding

The Blended Fund facility will be used by the parties to provide loan and grant funding to black producers or majority black owned enterprises for:

- ✓ The acquisition of primary agricultural land parcels and/or commercially viable agricultural sector value chain operating entities (agri-businesses).
- ✓ Support existing operations for expansion in production on privately owned or land reform farms (Brownfields and Greenfields operations);
- ✓ The purchasing of capital equipment and infrastructure (“CAPEX”).
- ✓ Working capital and/or production loan (“Production Facility”).;
- ✓ Insurance pool provision for subsidisation of insurance cover for the applicable farmers (capped at 6% (six percent) of each total Grant Funding Facility amount).

The lease agreements are accepted as security of tenure to provide blended funding; which should be equal to or longer than the term of the loan!



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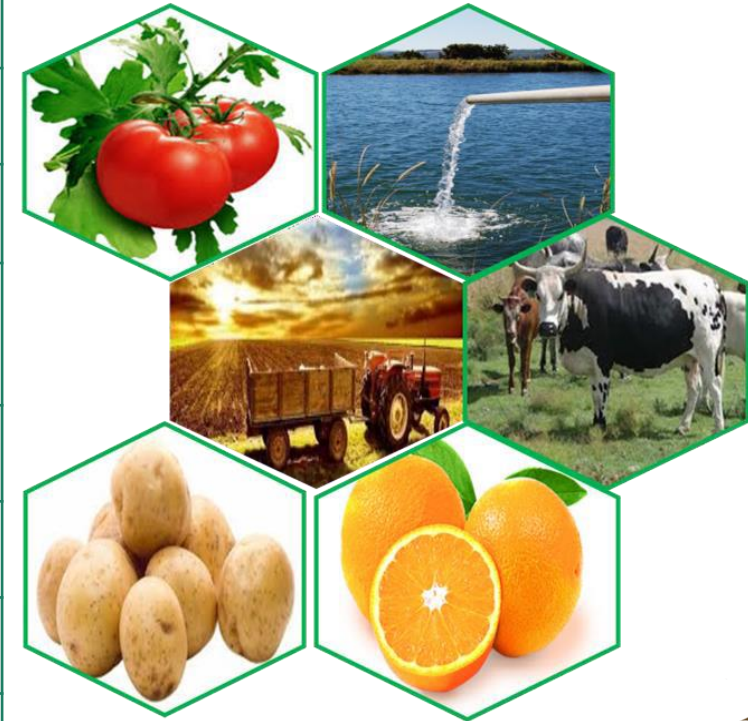
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Targeted Commodities to be supported in line with the Agriculture and Agro-processing Master Plan

Poultry	Vegetable
Red Meat	Citrus
Piggery	Deciduous fruit
Grains and Oil seeds	Subtropical fruit
Sugarcane	Viticulture
Cotton	Nuts
Dairy	Forestry
Wool and Mohair	Hemp and Cannabis



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Who qualify ?

- South African citizens with a valid identity document
- Black owned and managed farming enterprises that are commercially viable in commodities prioritised in the AAMP, Aquaculture and Forestry.
- In the case of Joint Ventures, the non-black partner should have 40% but not less than 26% ownership in the enterprise;
- Enterprises with 10% Farm worker profit sharing;
- Youth, women, People with Disability and military veterans
- Qualifying applicants 60 years and above but demonstrate evidence of a successor.

Who does not qualify?

- Politicians and Special advisors in public office (12 months cooling period)
- Employees of government & SOEs (24 months cooling period)
- Fund administrators,
- Foreign nationals, dual citizenship and illegal immigrants
- Part time producers
- Politically Exposed Persons posing a reputational risk as identified through the credit provider's lending policies, including but not limited to Anti-Money laundering risk management and compliance policies.
- Distressed producers where the grant is required to settle the debt of distressed producers.
- Joint Ventures with farm workers;
- Joint ventures where targeted producers exercise less than 60% ownership and voting rights.
- Applicants with no provision for farm worker profit sharing.



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Current Partnering Financial Institutions Providing Blended Finance

- Industrial Development Cooperation (IDC)
 - Land Bank
 - ABSA
-
- **DEVELOPMENT PARTNERS (Pre & Post Funding Support)**
 - PFI identify and Dalrrd approves



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END, thank you



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CGA / FNB / JB webinar

November 2024



WesBank





Transformation Challenges



Regulatory

- Commercial bank are regulated by the Reserve Bank
- Commercial mandates & not developmental mandates
- Qualifying projects must therefore meet commercial finance requirements



Financial barriers to entry

- Access to capital and competitive interest rates
- Equity contribution
- Collateral availability
- Governance



Industry barriers to entry

- Access to markets / off-take
- Access to equipment, machinery , transport
- Technical expertise / mentorship
- Cyclical nature of the industry



Commercial farmer Challenges



Regulatory

- Commercial bank are regulated by the Reserve Bank
- Commercial mandates & not developmental mandates
- Qualifying projects must therefore meet commercial finance requirements



Expansion constraints

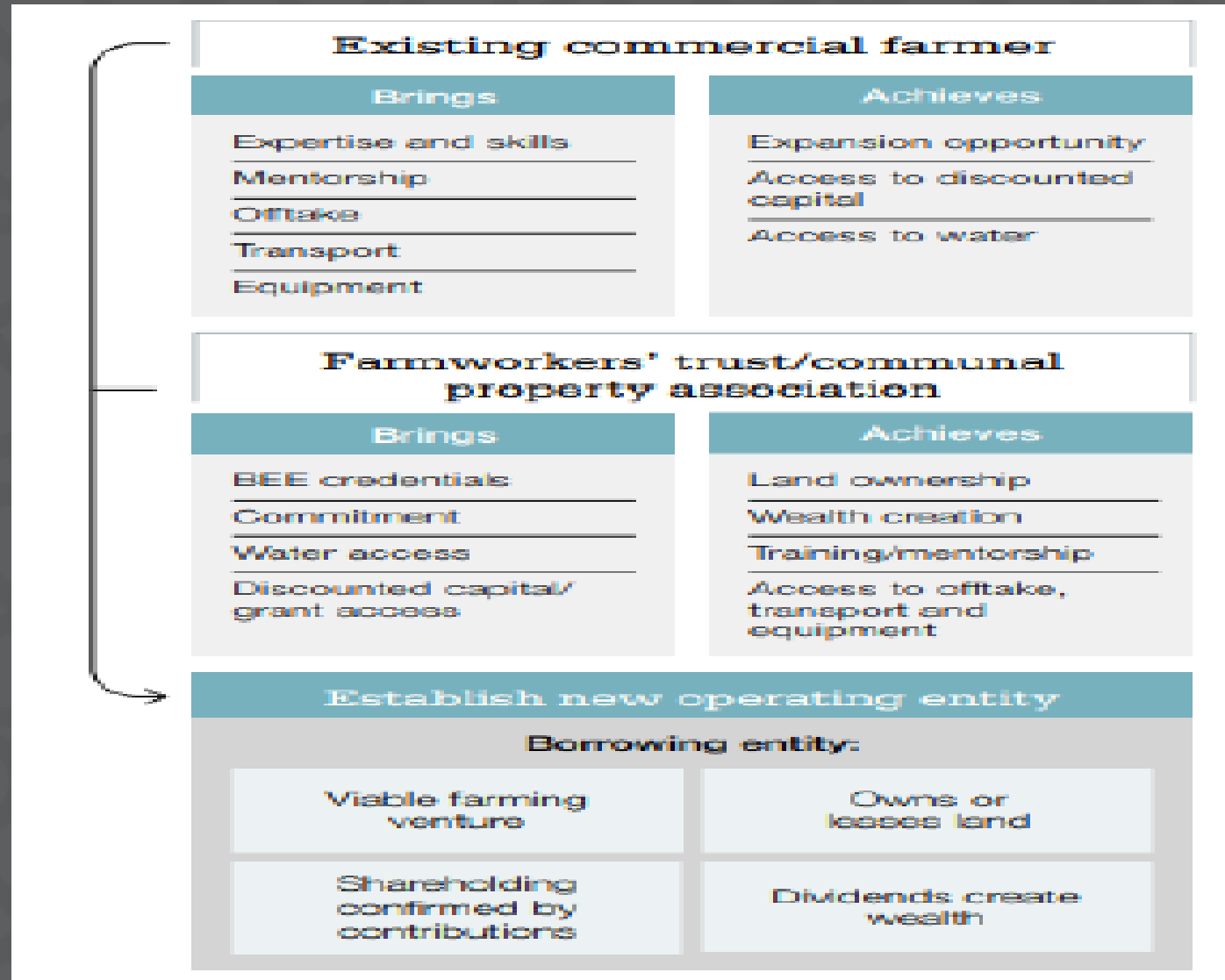
- Access to water
- Throughput through packhouse
- Availability / access to land



Other barriers to entry

- BEE credentials
- Access to discounted capital
- Local economy empowerment

Combination of the two spheres to overcome challenges



Programme like minded partners & roles

Jobs Fund

- Grant provider (enabler)
- Participant in Project Steering Committee (PSC)



DALRRD

- Grant provider(enabler)
- Participant in Project Steering Committee (PSC)



CGA / GDC

- Identifying qualifying projects
- Technical support to Growers
- Training programme
- Industry information / benchmarking
- Grant provider (enabler)
- Participant in project Steering Committee (PSC)



FNB

- Bank account opening
- Commercial funder (enabler)
- Final credit approval and cash flow feasibility assessment
- Structuring
- Disbursement of grants and blended loans to clients
- Financial reporting
- Participant in Project Steering Committee (PSC)



LIMA

- Project manager
- Administrative processes
- Jobs & Impact Reporting
- Participant in project Steering Committee (PSC)



CGA / JF programme – a mechanism to overcome challenges

Programme Structure

- Like-minded partners / scale / risk share
- BEE compliant
- Commercially viable projects (JV stricture)
- Funding flow
 - ✓ 36% pure grant
 - ✓ 64% blended finance
 - ✓ 66% commercial funding
 - ✓ 34% grant

Programme Benefits

- Participation by emerging farmers / communities
- Scale
- Provides access to capital
- Joint Venture structure provides access to mentorship / skills / markets / machinery / equipment / water / governance
- Training / education programmes by CGA
- 36% pure grant acts as equity contribution (reduce debt levels)
- 64% blended finance reduce interest rates (part grant)
- Growth / expansion opportunities
- Structuring capabilities from FNB

Recipe to replicate ?

- JF / CGA programme – innovative structure & balanced
- Grant allocation in two ways – pure grant (equity contribution) & grant as contribution to the blended loan (reduce interest rates)
- Important to understand long term view due to commodity type
- Multiple partners that are all like-minded and who share risk
- Creates scale & impact
- Strong project management & reporting skills

Learnings for the future

- Essential to take longer term view for impact reporting – job creation is bigger with long term crops
- Scale programme more
- Pipeline management is key

Kopano Citrus – case study introduction

- Partnership enabling participation by disabled community
- Total project allocation R14m
 - R9m blended finance loan – reduces interest rate
 - R5m Jobs Fund grant - equity contribution / reduce debt reliance
- 3 year deployment structure
- Structure as a working capital facility (interest only) for 3 years. Then convert to 7 year term loan with 2 year capital moratorium Therefore, 10 year funding profile - allowing the project to generate income from expansion activities to service the capital payments.
- Additional equity contribution by commercial partners – mitigate against industry barriers to entry
- Key elements funded during year 1 – replacing pivot with new micro irrigation system to enhance water efficiencies / 7,5 ha expansion / 28,9 ha maintenance & production costs

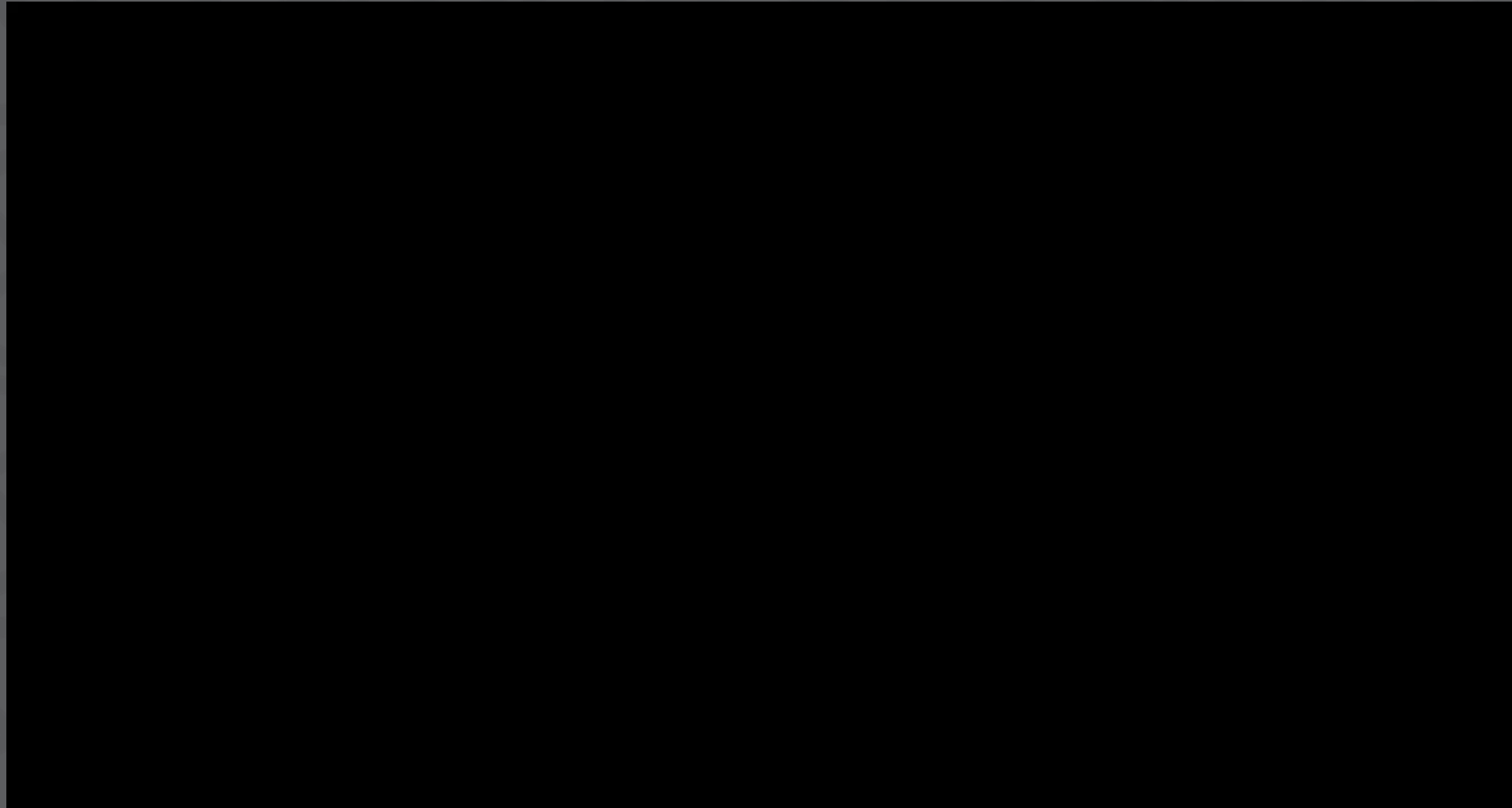
Description	Total
Irrigation system	R 3,906,077.02
Lemon trees and planting	R 998,910.00
Weed sprayer	R 48,300.00
Orchard/Picking trailers	R 100,910.20
Electric fence	R 373,760.00
Slasher	R 85,248.35
Orchard tractor	R 1,357,000.00
Mulcher	R 131,855.55
Picking bins	R 171,925.00
Shed 18mx6mx4m	R 292,544.64
Citrus sprayer	R 641,700.00
Total	R 8,108,230.76

8 Perm jobs

33 seasonal

28,9ha

Kopano Citrus – case study video





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JOBS FUND WEBINAR

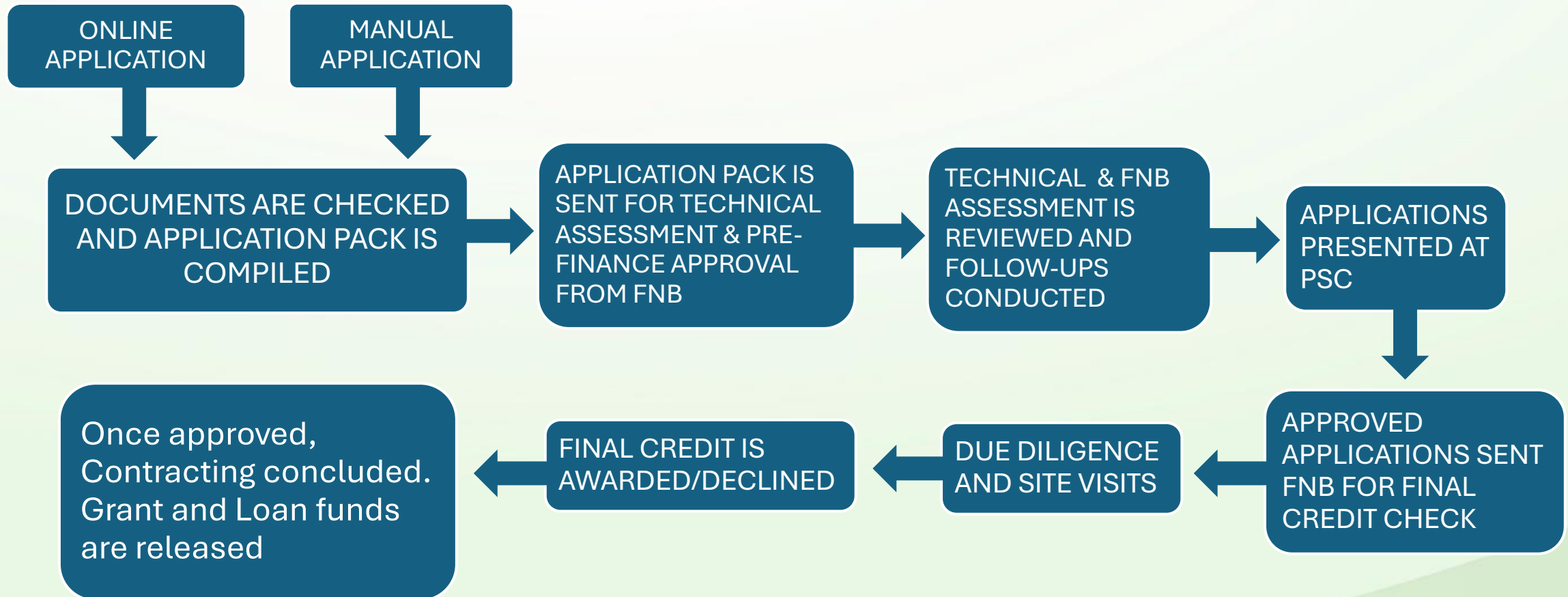
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THE TARGET

- Job creation: 340 permanent, 1,397 seasonal positions
- Orchard establishment: 1,034ha
- Growers: minimum 30
- Skills development: 2,017 engagement



THE PROCESS



THE FUNDING

Funding Source	Amount	
Jobs Fund	R118 682 491	50% Grant 50% loans
CGA	R24 488 862	
DALRAD	R34 840 811	
FNB	R116 913 411	
AgriSeta	R12 988 58	
TOTAL	R307 914 160	

Total Direct loans/grants	Loan	Grant
R274 000 000	R176 000 000	R98 000 000
	64% (R117m FNB & R59m JF)	36%

THE OUTCOME

Financial	Budget	Spend to date
Operational costs	R20 914 000	94%
Direct costs (loans & Grants)	R274 000 000	90%
Training	R13 000 000	91%

KPI's	Target	Achieved	Expected
Jobs- permanent	329	93	100
Jobs – Seasonal	1397	1034	300
Ha's planted	1034	331	50

IMPLEMENTATION CHALLENGES

1. Time frames & achieving outcomes

- **Citrus- a Long Term Crop** – jobs are only realised when in production
- **Seasonality and finalising of deals** – Alignment with farmers plans for expansion. Financial implications of expansion beyond funding received
- **Seasonality and implementation** – planting seasons

Real impact and KPI achievements only realised in the long term

SOLUTIONS

- Flexible timelines to implement – long term view on development
- Flexible funding boundaries – accommodate for change
- Flexible KPI's to align with applications

FACTORING IN RISKS AND EARLY DETECTION

1. Risks encountered

Insufficient applications

Double dipping

Seasonal delays (planting/harvest)

2. Risk detection

Continuous communication around progress with all parties

3. Accommodating change

Industry dynamics: the rise in input costs for expansion, the challenges facing South Africa's ports and the enforcement of specific phytosanitary standards.

Weather conditions: Drought and floods affecting the orchards and planned expansion

Social: Community protests affecting farming infrastructure and theft.

Load shedding

COVID

LEARNINGS FOR FUTURE PROJECTS

- Allow sufficient time for scoping targeted beneficiaries
 - Financial Due diligence
- Public-Private-Partnership has its benefits
 - Diverse expertise
 - Reduces risk
 - Responsible funding
 - Long term sustainability
 - Innovation
 - Flexibility can open doors for innovation and problem solving





Pause for Questions



Closing Address

Najwah Allie-Edries

Deputy Director-General: Employment Facilitation
(Head of the Jobs Fund)



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Thank you



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