

QUESTION NUMBER: 571 [NW629E]
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571. Mr R W T Chance (DA) to ask the Minister of Finance:

(a)(i) What is the detailed update on progress made at Riversands Incubation Hub near Diepsloot in Johannesburg, which was partly funded by the Jobs Fund and (ii) in each case indicating the total investment to date by (aa) the Jobs Fund and (bb) Century Property Development, (b) how many permanent new jobs have been created, (c), what is the total turnover of the tenants located at the Hub, (d) what further investment will the Jobs Fund make until the contract ends and (e) what criteria will be used to determine whether the Jobs Fund renews its contract for another period?

NW629E

REPLY:

(A)(i) The main objective of the Diepsloot Industrial Park is to provide opportunities for SMMEs to integrate and access equal infrastructure with large scale industry. The Initiative is a multi-faceted undertaking that will have wide reaching benefits. The initiative will provide access to a geographic location, infrastructure, facilities and capital that were previously exclusively only available to large scale industry due to costs associated with the provision of such benefits.

The key elements of the project are outlined below:

The industrial park will have two distinct precincts, a conventional/industrial park and a SMME incubation hub (Phase I). The key to the success of the project is the integration and proximity of these two precincts (under Phase I and II).

The Jobs Fund grant is exclusively to fund the SMME incubation hub and will not be used for the commercial park (Phase II). The SMME incubation hub is a ring-fenced entity thus ensuring that the initiative does not enhance Century's balance sheet.

The initiative is located near Diepsloot, a severely marginalized area with a host of social problems and excessively high unemployment rate. Due to its location it is isolated from job opportunities, those who do have jobs spend between 40% to 50% of their salaries on transport this poses a significant access barrier for this community to the labour market. The reliability of transport is also low thus affecting employees' job retention rate. The SMME incubator targets SMMEs from Diepsloot and surrounding areas. Through various technical training and mentorship programmes, the incubator will graduate these SMMEs into full scale businesses after undergoing a three year mentorship and training programme. On graduating, the SMMEs are expected to relocate into the commercial park.

The project is being developed in two phases. Phase I of the project is completed. This involved the development of 140 business units available to SMMEs, conferencing facilities and a lecture theatre. The Hub has reached 95% occupancy and over 150 SMMEs are housed at the hub.

Phase II of the project will now follow with no further funding from the Jobs Fund. It is anticipated that 15,000 jobs will eventually result from this enabling infrastructure investment. Phase II will involve the construction of mini-factories, an interchange onto William Nicol and a Water Reservoir. All of this construction is scheduled to commence this year. Construction will commence as soon as council finalises the conditions of establishment.

From Inception of the project in 2012 to 31 December 2016¹ the following matched contributions have been recorded for the project:

- Total funding contributed to the project to date by the Jobs Fund: R386,493,679.00 (Three hundred and eighty six million, four hundred and ninety three thousand, six hundred and seventy nine Rand).
- Total funding contributed by Century to date: R410,264,873.00 (Four hundred and ten million, two hundred and sixty four thousand, eight hundred and seventy three Rand).

(A)(ii) (aa) The total funding approved for the project from the Jobs Fund is

R 405,971,000.00

(A)(ii) (bb) Matched Funding contracted with Century is R520,321,000.00

(B) To date the project has created 257 new permanent jobs; 862 new short term jobs; and 2 123 persons received work related training . The performance is in line with the expected project deliverables for phase 1. It is important to note that this is an enabling infrastructure project, hence the majority of jobs will occur once the commercial park is established and fully operational.

(c) As at end of January 2017, the turnover for the 150 SMMEs in the Incubation Hub totalled R113,793,999.00 (One hundred and thirteen million, seven hundred and ninety three thousand, nine hundred and ninety nine rand). This translates to an annual average of R758,000.00 (seven hundred and fifty eight thousand rand) per SMME.

A key part of the project model was that businesses in the commercial park would off-take from the SMMEs in the Incubation Hub thereby ensuring greater access to markets for the incubate businesses. It is anticipated that on completion of Phase II, the SMMEs overall financial position will improve further due to the growth in the available markets and they would be able to employ more people.

¹ Please note that the next financial report to be submitted by the project is only due 7th of April 2017 which will cover performance from 1 January 2017 to 31 March 2017.

(d) The Jobs Fund's contribution to the project is limited to the original grant amount allocated R405 971 000. IRO its operating procedures the Jobs Fund provides a once off grant thus there is no plan to make any additional grant funds available for the project. The balance of the funding will be made as the project delivers on its agreed milestones.

- Total remaining Jobs Fund contribution: R19,477,529.00 (Nineteen million four hundred and seventy seven thousand, five hundred and twenty nine Rand).
- Total remaining funding from Century for phase II development R110,056,127.00 (One hundred and ten million, fifty six thousand, one hundred and twenty seven Rand.)

e) The Jobs Fund allocates a once off grant amount to a project. The Fund then signs a Grant Agreement with the project for that amount. Funds are disbursed to the project as per the agreed project implementation plan which is costed at project inception. The project plan sets out milestones to be achieved on a quarterly basis as well as the anticipated cash flow requirements for the quarter. If the project achieves its milestones for the quarter it can request a further disbursement. This disbursement is made into a project ring fenced bank account and funds are only transferred when the project partner provides evidence that their matched funding has been deposited.

The Jobs Fund grant is a once-off investment aimed at catalysing job creation the grant is used to crowd-in further private investment after the Jobs Fund's exit. In light of this there will not be any additional funding beyond the approved grant amount from Jobs Fund.