

September 2022  
Issue

About the Jobs  
Fund

The National Treasury established the Jobs Fund in June 2011 to support innovative initiatives and approaches to job creation. The R9 billion fund operates on challenge fund principles, and all funding allocations are made on a competitive basis in a transparent and open manner.

Once-off grants are awarded to projects that demonstrate sustainable job creation potential, and project partners are required to match the grant fund allocations on a 1:1 ratio or higher.

The Jobs Fund is not a mass employment programme, nor is it intended to tackle long-term, structural causes of low growth and unemployment but complements these efforts with a targeted programme of support for effective labour market interventions that result in sustainable employment creation.

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About  
siyasebenza

Siyasebenza is the Jobs Fund's quarterly newsletter. *Siyasebenza* is an isiZulu word meaning "we are working."



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## A Note from Najwah

**G**iven the multitude of economic, political and social challenges in our country, it may seem that creating jobs at scale is mission impossible. The contraction of the economy in the second quarter of 2022 does not bode well for a swift recovery. The latest PWC Economic Outlook Report (August 2022) notes that SA is behind the average global growth rate and mentions that if economic growth was a car, South Africa would be driving at 60 km/h while the global average is at 100 km/h. With a long-term growth outlook of 1.9% per annum and an unemployment rate of 33.9%, South Africa must not only focus on its short term needs but must also lay the proper foundations for long term inclusive economic growth that will increase the demand for new jobs in our economy.

The question that binds us is our consideration of how to support growth and job creation in a highly constrained environment. It is clear that a singular focus on quick wins is folly, we have to invest more in laying the groundwork so that we can build strong foundations that will translate to sustainable long-term success. Despite the challenges the country faces, there are opportunities, many of which have been borne out of the social and economic disruption of the Covid-19 pandemic. The resultant shifts have undeniably forced all of us to reflect on new opportunities in an alternate landscape.

The Jobs Fund, together with its implementation partners, have identified a few such opportunities, this includes (1) responding to labour supply constraints in the digital economy - predominantly in Business Process Outsourcing (BPO), Global Business Services (GBS) and Information &

Communications Technology (ICT); (2) creating demand for labour through the support of small and micro businesses in the informal economy; and (3) rolling out enabling infrastructure, particularly with respect to infrastructure that reduces the digital and spatial divide, and addresses both labour demand and supply side constraints in the market.

Although these sectors show promise, well-informed intervention design and efficient management are key to success. One of the prerequisites of developing solid foundations is deep collaboration between the public and NPO/private sectors. This approach promotes the alignment between government and business imperatives, encourages further investment from the private sector, leverages technical expertise to augment government capacity, and establishes a supportive ecosystem with significant reach across the economy. At the Jobs Fund we recognise that building partnerships and systems of support takes time and effort from all parties, that it takes courage and commitment to build for the future when the present is fraught with seemingly insurmountable challenges.

*Najwah*

**Najwah Allie-Edries**

Head of the Jobs Fund



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# Opportunities for Development Finance post-Covid

The performance of the Jobs Fund's (JF) portfolio of projects has been negatively impacted by both local and global economic factors following the Covid-19 (C19) pandemic. The investment and business climate in South Africa remains unfavourable for large-scale investment and business expansion, with the RMB/BER business confidence index falling to 39 in the third quarter of 2022 (Bureau for Economic Research, Sep 2022)<sup>1</sup>. This low-growth environment has presented our partners with challenges where they have struggled with securing matched funding investment for their projects, sourcing a pipeline of investible projects, or obtaining commitments from employers for job placement.

In particular, the JF's on-lending portfolio had a difficult 2021/22. During this particular budget year, there were 15 on-lending projects in the portfolio with a total grant disbursement target of R400 million. The on-lending model provides funders with differing risk appetite, the ability to provide suitably structured blended finance products to small and medium-sized enterprises (SMEs), thereby promoting growth and expansion in these supported SMEs. On-lending interventions in the Jobs Fund are more than just suitably structured finance products; they also include technical support and market access opportunities for the participant entrepreneurs – offering a well-rounded support package for SME growth. The structure of projects under the on-lending model also lends itself to establishing evergreen funds that provide development finance to niche sectors that traditionally would have been unable to secure finance for growth.

The success of on-lending relies on the finance intermediary's ability to raise alternative sources of funding; their ability to build a pipeline of funding ready SMEs; and their ability to achieve a balance between risk and return while operating in a segment of the market

where traditional financiers perceive the risks of lending to be too high. The current economic conditions, together with the national C19 lockdowns, resulted in less funding being available to the SME segment of the market in South Africa, slower project pipeline development, lower debt appetite amongst SMEs and lower demand for goods and services. Despite these challenges, the Jobs Fund and its partners have been proactive in identifying new funding sources and strategising on better ways to build project pipelines we are now seeing good signs of recovery.

A review of our portfolio of projects has revealed that opportunities exist in the informal sector through enabling infrastructure investment and micro-business development, and in the digital economy – predominantly in Business Process Outsourcing (BPO), Global Business Services (GBS) and Information & Communications Technology (ICT).

The informal economy in South Africa has been growing at a rate below its employment-creating potential relative to comparator economies. Support programmes in this area hold the potential to create sustainable livelihoods for vulnerable communities, stimulate local economies, improve service provision, and reduce the social support burden on the state.

The Jobs Fund has intervened in the informal economy since its first funding round in 2012, and an analysis of 15 non-agriculture informal economy JF projects shows that a grant investment of R483 million (as at 30 June 2022) has resulted in:

- the support of 46,340 micro businesses,
- the creation of 36,837 jobs, 78% of which are filled by women (supporting the livelihoods of the most vulnerable),
- a grant cost per job of R13,128,

- an additional R475 million in matched funding leveraged from primarily the private sector for informal sector micro-business support, and
- the building of local wealth: goods and services are available within the community and the money generated from these sales largely remains within the community.

The grant cost per job of R13k shows a significant social return for government, at an incredibly low subsidy, if implemented efficiently. The Jobs Fund's success in the informal economy is because of, amongst others, its partner intermediary networks and support structures that can reach and assist beneficiaries in the informal economy (even within deep rural areas).

Another opportunity is in BPO and GBS. These areas particularly show good prospects, both in terms of SA's competitiveness with global markets and the quantum and speed of youth labour absorption. The Jobs Fund has 12 projects which include a focus on ICT and/or BPO. Three of these projects focus on creating employment opportunities in BPO, and grant funding of R244 million invested in these projects to date (June 2022) has catalysed the following:

- R201 million leveraged in matched funding for job creation.
- 14,057 jobs created at a grant cost per job of R17,342.
- 89% of the jobs are filled by youth.
- 66% of the jobs are filled by women.

BPO and GBS have been cited by the President as priority sectors (Presidency, 2021)<sup>2</sup> and are integral to South Africa's post-Covid recovery. The Jobs Fund's interventions in this segment of the economy have demonstrated that the barriers to entry are relatively low compared to other industries and sectors and the job creation potential for largely unskilled youth is significant.



<sup>1</sup><https://www.ber.ac.za/BER%20Documents/BER-press-release/?doctypeid=1068#16809>

<sup>2</sup><https://www.gov.za/blog/desk-president-62>

# PARTNER NEWS

## Zoutpansberg Hospital Extension Bringing Quality Healthcare to the Community

*Jobs Fund Partner, 27four Investment Managers, has partnered with black-owned and managed Summit Africa to invest in the tertiary healthcare sector in Limpopo*

27four Investment Managers is an independent South African-based provider of pooled multi-manager and customised fiduciary management solutions, and a Jobs Fund Partner since 2019. Through the Black Business Growth Fund II (BBGF II), 27four has invested in *Summit Africa*, a black-owned and managed specialist Alternatives Investment Manager, delivering bespoke investment solutions through its Private Equity Fund an unlisted Social Infrastructure Fund.

As part of its vision of creating significant social and economic transformation, *Summit Africa* has invested in the healthcare sector. Its overarching social return objective in healthcare is to “increase access to affordable quality healthcare and specialist healthcare services in rural and peri-urban areas”.

*Summit’s* investment in the Zoutpansberg Private Hospital will bring more extensive services to the area, such as an Intensive Care Unit and specialised doctors, and will eliminate the need for residents to drive nearly 200km for tertiary healthcare.

The expansion will create construction jobs, additional staffing jobs for the facility, and serve the community’s tertiary healthcare needs.

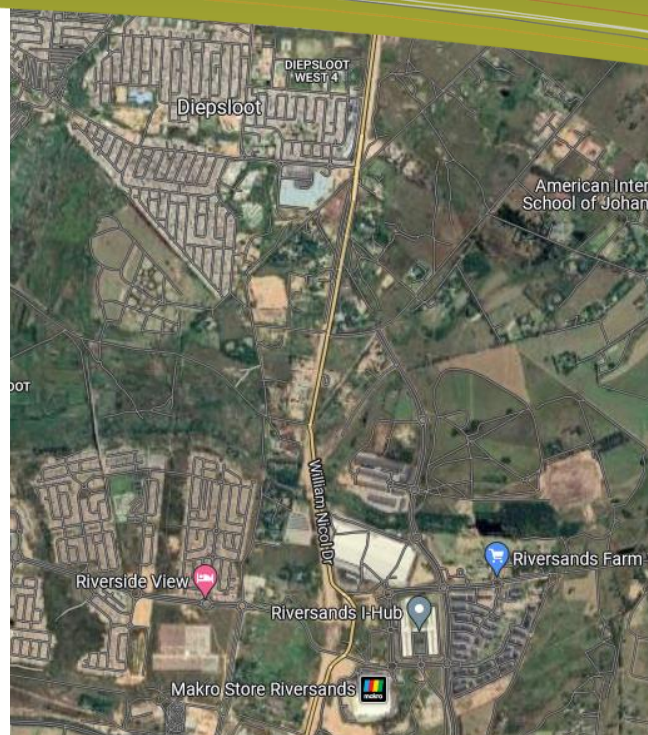
This [video](#) contains further information.





# Public-Private Partnerships for Better Social Outcomes

*Spatial development continues to be a vexing challenge in post-apartheid South Africa; there are too many communities that do not benefit from amenities and facilities that would contribute to a better quality of life. While industrial development zones have the potential to support structural transformation and industrialization, particularly for developing and middle-income countries, the investment decisions into these zones are made at firm-level. Thus, to what extent can governments influence these decisions in support of inclusive social outcomes?*



There remain significant disparities between different communities in South Africa, in respect of their access to opportunities, facilities and amenities that promote socio-economic development. These include employment, housing, health care, amongst others.

Since the advent of democracy in South Africa, government has striven to encourage a more equitable model of spatial development, especially within the country's cities. The National Development Plan (NDP) also highlights the need to ensure that spatial inequality is addressed, particularly with regards to the effective management of rapid urbanization. Given the uneven distribution of public services, economic activity and state capacity, South Africa has seen a steady increase in urbanisation trends. In the ten years between 2011 and 2021 alone, urbanisation in South Africa has grown by about 5.1%<sup>3</sup>.

Diepsloot is a marginalised community that was originally designed for temporary accommodation. It has now developed into a sprawling settlement but remains underserved and with limited access to economic opportunities.

The Diepsloot Industrial Development Zone (DIDZ) project is a multi-faceted industrial park development, located within the Diepsloot Business Precinct in Johannesburg. The community has the opportunity to benefit not only from the establishment of the industrial zone within the greater Diepsloot area, but also from the Steyn City, Waterfall and the Gauteng government's planned 12,000-unit housing development projects.

Speaking at an international conference themed, "Industrial Parks for Inclusive and Sustainable Industrial Development," held in Lima, Peru, in June 2019, the Director General of the United Nation's Industrial Development Organisation (UNIDO), Mr. Li Yong said, "*Industrial Parks are invaluable to achieving structural transformation and industrialisation in developing and middle-income countries. They enhance innovation and competitiveness, create employment, promote investment, economic growth, environmental protection, and social inclusion.*"

Decisions, however, on whether to invest in projects such as the DIDZ are at firm-level. The extent to which government can directly influence these decisions are therefore limited. However, government could play a

useful role in indirectly influencing the structure of the firm's decision through infrastructure provision, reduction of transportation costs and the enhancement of education levels<sup>4</sup>.

The Riversands Incubation Hub project, which is a partnership between the Jobs Fund and Century Property Development formed in 2012, was borne out of the belief that indeed private sector investment decisions can be leveraged to sustainably benefit marginalised communities through integrating emerging SMMEs with large-scale industry and the provision of long-term employment opportunities.

The project comprised of building and running a large business incubation facility (16,996 sqm) that can house up to 172 SMMEs, right in the middle of the DIDZ precinct. The incubator was set up as a separate Special Purpose Vehicle to Century Property Development. The model of the incubator was premised on the incubated SMMEs (drawn from Diepsloot and surrounding communities) accessing business opportunities with the firms operating within the DIDZ precinct and over time graduate from the incubator and its support infrastructure to become independent suppliers. The incubator would pursue sustainability through

<sup>3</sup><https://www.statista.com/statistics/455931/urbanization-in-south-africa/>

<sup>4</sup><http://www.tips.org.za/files/401.pdf>

SMME rental revenue, letting its conferencing facilities as well as revenues from the DIDZ operations.

Recently the Jobs Fund commissioned an independent evaluation on this initiative. The evaluation findings relate to the initiative's relevance to government's spatial development objectives, its effectiveness in realising set objectives and the efficiency with which it leveraged public funds for social impact.



#### **Project relevance –**

The evaluation confirmed that the project design is suitable for enhancing SMME growth by supporting SMME access to corporate and public sector procurement opportunities, and appropriate enabling infrastructure. This is aligned with current government policy<sup>5</sup>. In addition, the evaluation found that SMME access to appropriate infrastructure such as safe office and factory space, including ICT services has assisted in their establishment and growth.



#### **Project effectiveness –**

**Job creation:** As at June 2022, the project had created 3,489 jobs<sup>6</sup> against a target of 2,521. The jobs created were not limited to Diepsloot residents but extended to Cosmo City, Soshanguve, Roodepoort, Alexandra, Tembisa, Ebony Park, and Katlehong, creating further impact beyond the target area.

**SMME support:** A total of 251 SMMEs have been supported by the project thus far. Eighty percent (80%) of SMMEs surveyed, as part of the evaluation, reported that subsidised rental and training support received from the incubation hub were critical to their business's success.

**SMME access to markets:** The evaluation found that fewer offtake agreements have been entered into between large companies and the participant SMMEs than anticipated. The William Nicol Drive roadwork delays have affected the uptake of space in the precinct by large companies the result has been fewer

opportunities for the SMMEs to participate in new supply chains. William Nicol is the main tributary road into the precinct. Because of these delays, other alternative supplier opportunities for incubated SMMEs have been identified and are being pursued.



#### **Project efficiency –**

The Jobs Fund's funding contribution to the project has contributed to the realisation of billions of Rands of additional developments as part of the broader mixed-use node adjacent to the Diepsloot community. If the Jobs Fund had not provided catalytic funding to this project, the construction would not have been at the scale that has been achieved, and the pace of the development would have been far slower than the actual outcome.

The evaluation confirms that government investment in private sector funded industrial development zones can pivot these initiatives toward significantly improved social impacts. The collaboration between government, the private sector and the community in the planning process was a principal element of the initiative. On-going liaison with the communities surrounding the development through Community Liaison Officers played a prominent role in facilitating transparent communication. Not only did this

minimise community conflicts and political interference, but it also minimised project disruptions.

The evaluation concludes that: The social and economic impacts are driven by the prioritisation of SMMEs from marginalised communities, who otherwise would not have had the level of structured access to these industrial zones and their attendant opportunities. The combination of quality infrastructure provision and business support services for SMMEs catalysed the realisation of inclusive job creation and enterprise development. Further job creation benefits of infrastructure projects lie in the secondary development multipliers that these projects can help to unlock, such as through additional urban property development investments. The timeline for the realisation of SMME jobs (being between 3 to 5 years) as well as secondary multiplier benefits, underscore the need for patient capital, typically offered by governments, to ensure success of such initiatives. It is important for government to synchronise the provision of critical infrastructure such as the William Nicol Drive upgrades, in this instance, to avoid investment and revenue losses. Parallel public-sector infrastructure investment is oftentimes a requirement for the success of private sector led spatial development, highlighting the importance of public-private sector planning and partnerships.



## IMPORTANT DATES

### 11 OCTOBER 2022

Jobs Fund Partner Quarterly Report submission deadline.

### 11 NOVEMBER 2022 - 14H00

Jobs Fund - GTAC Webinar – *Opportunities for Building the Capacity of the South African Primary Healthcare Sector through Social Franchising*. Join [here](#).

### 15 NOVEMBER 2022 - 10H00

Jobs Fund Webinar – *The Benefits of the Challenge Fund Instrument in Addressing the Country's Current Socio-economic Challenges*. Register [here](#).

<sup>5</sup>Including: 1. The National Urban Development Framework; 2. The Integrated Urban Development Framework (IUDF) (2016); 3. The City of Johannesburg's (CoJ) spatial planning guideline document of

2010/11 Regional Spatial Development Framework; 4. The Gauteng Township Economic Renewal Strategy (GTERS) (approved in 2014); 5. The CoJ's Spatial Development Framework 2040 (SDF)

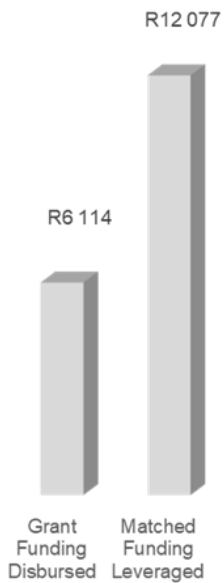
(approved by Council in July 2016); 6. The Gauteng Spatial Development Framework 2030 (GSDF) (gazetted in May 2017).  
<sup>6</sup>Includes permanent jobs and placements, short term jobs and internships.

# Jobs Fund Portfolio Progress

## As at June 2022

### Funding

Total Funding for Job Creation (R millions)



#### Overview

**R18.2 billion**  
total portfolio funding leveraged

**R6.1 billion**  
grant funding disbursed

**R12.1 billion**  
Matched funding leveraged from partners

**1: 1.98**  
matched funding ratio

**R42 million**  
average grant disbursed per project

#### Cost per Job

**R23 176**  
grant cost per job

(includes the grant disbursed to the 146 projects and the operating costs of the Jobs Fund)

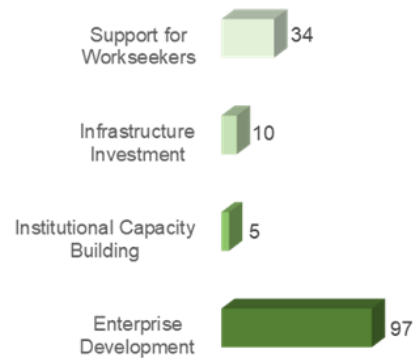
### Jobs Fund Partners

#### Overview

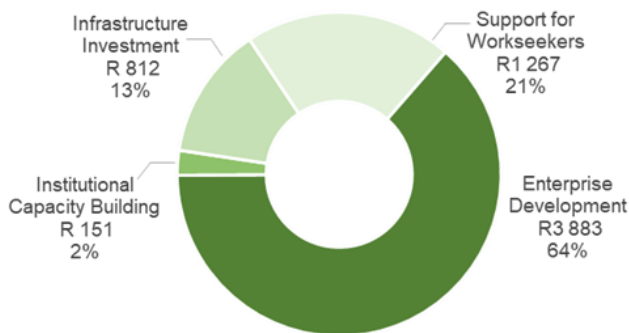
**146**  
contracted projects

**68%**  
operate in more than one province (10% operate nationally)

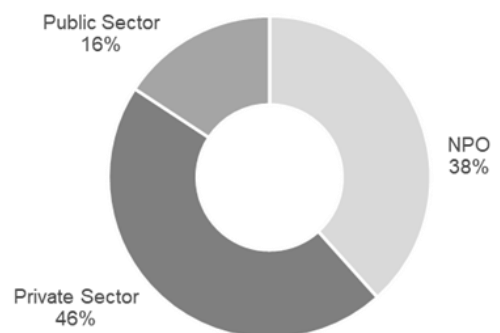
#### Projects by Funding Window



#### Grant Disbursed by Funding Window (R millions)



#### Projects by Implementer Type



### Job Creation

#### Total Jobs, Placements & Internships Facilitated

