



# NKOMAZI SPECIAL ECONOMIC ZONE



## PROGRESS REPORT

10 October 2022





# CONTENT

- ✓ Nkomazi Special Economic Zone (SEZ)
- ✓ SEZ implementation process: *progress achieved to date*
- ✓ SEZ Interim Phase : *Key Activities on Critical Path*
- ✓ Investment Pipeline
- ✓ Risk & Mitigation
- ✓ 2022/23 Priorities
- ✓ Recommendations





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TREASURE OF OPPORTUNITIES

# Introduction to Nkomazi Special Economic Zone





# SEZ strategic intent



Transforming natural endowment to abundance



**Nkomazi  
SEZ**

SEZ GDP	R97.6 billion	Construction jobs	8275
SEZ Export	\$ 3.5 billion	Industrial jobs	9505
Primary agriculture	R5.3 billion	Agricultural jobs	81 765

Agro-processing

Nutraceuticals

Bulk & Industrial



**Social  
Impact**

New township with 10 000  
houses, schools, technicons  
Green infrastructure town &  
industrial development

Agro-processing COE's linked  
to primary R&D centres  
Advanced exponential  
technology capability



# Nkomazi SEZ Establishment Phases



Phase	Description	Key Activities
Phase 1	Designation Phase	<ul style="list-style-type: none"> <li>Pre-feasibility</li> <li>Feasibility</li> <li>Designation</li> </ul>
Phase 2	Interim Phase	<ul style="list-style-type: none"> <li>Setup of SEZ Entity (&amp; operationalization of the entity)</li> <li>Satisfy all statutory requirements</li> <li>Finalise all civil engineering detailed designs</li> </ul>
Phase 3	Development Phase	<ul style="list-style-type: none"> <li>Physical development of the Nkomazi SEZ</li> </ul>







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# Nkomazi SEZ site



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# SEZ Implementation Process:

*Progress Achieved to date*





# SEZ ENTITY AND GOVERNANCE

- ❖ Nkomazi Special Economic Zone **designation** gazetted on the 22<sup>nd</sup> of March 2019;
- ❖ Nkomazi **SEZ Entity** registered as State Owned Company in Jan 2021 and a stand-alone Entity;
- ❖ MEC appointed a six member **Interim SEZ Board** in March 2021, *(3x Dtic; DEDT; Nkomazi and Ehlanzeni municipalities with One (1) member each);*
- ❖ **PMU** of three members appointed immediately after designation and **Acting CEO and CFO seconded** to the Entity in July 2021 to strengthen the PMU;
- ❖ **Institutional Arrangements** have been put in place to assist in the implementation of the SEZ programme *(i.e. Political Oversight; Steering Committee and Rapid Intervention Task Team);*
- ❖ **Nkomazi SEZ Five-Year Strategy** already in place.



# TOWNSHIP ESTABLISHMENT AND LAND PREPARATION

- ❖ A fifty-year (50) **Land Lease Agreement** between SEZ Entity & Nkomazi municipality already in place;
- ❖ **Change of Land Use** in support of the SEZ approved by DAFF;
- ❖ **Environmental Authorisation** for the identified site already in place (*i.e. 673 ha, Portion 58, Komatipoort Townlands 182 JU*), however with **Conditions of Establishment**;
- ❖ **Site Layout Plan for Township Establishment** approved by municipality and at final stage of registration with the office of the Surveyor General;
- ❖ **Preliminary designs of internal infrastructure** already done and commencement of detailed designs underway;
- ❖ Nkomazi SEZ part of municipal **Spatial Development Framework** and **Komatipoort Precinct Plan**.







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# SEZ INTERIM PHASE:

*Key Activities on Critical Path*



# Corporate Governance issues

Key Focus Area	Current Status	Recommendation
<b>SEZ Entity registration</b>	SEZ Entity registered with CIPC as SOC ( <i>as contemplated in section 1 of the PFMA</i> ) and a stand-alone Entity in Jan 2021	SEZ Entity to be registered with CIPC as SOC ( <i>as contemplated in section 1 of the PFMA</i> ) and subsidiary of MEGA
<b>SEZ Entity ownership</b>	DEDT MEC is the licensee/shareholder ( <i>as per the SEZ Act</i> )	DEDT MEC remains the licensee/shareholder of the SEZ Entity
<b>Appointment of Board members</b>	DEDT MEC appoints the SEZ Board ( <i>as per the SEZ Act</i> )	DEDT MEC, <i>as the licensee</i> , to proceed to appoint the SEZ Board as per SEZ Act, however, ensures all Parties are represented in the Board
<b>SEZ Corporate Governance Model</b>	SEZ Interim Board in place. Acting CEO and Acting CFO seconded to SEZ to strengthen the existing PMU	Quadripartite Governance Model to be pursued – new approach to drive the implementation of the national SEZ Strategic Framework
<b>SEZ Entity listing with national Treasury</b>	Not listed as schedule 3-D company with National Treasury as yet due to National Treasury not supporting addition of more new schedule 3-D SEZs	Nkomazi SEZ to be registered as a subsidiary of MEGA since MEGA is already a schedule 3-D Entity. This will shorten the listing process with National Treasury



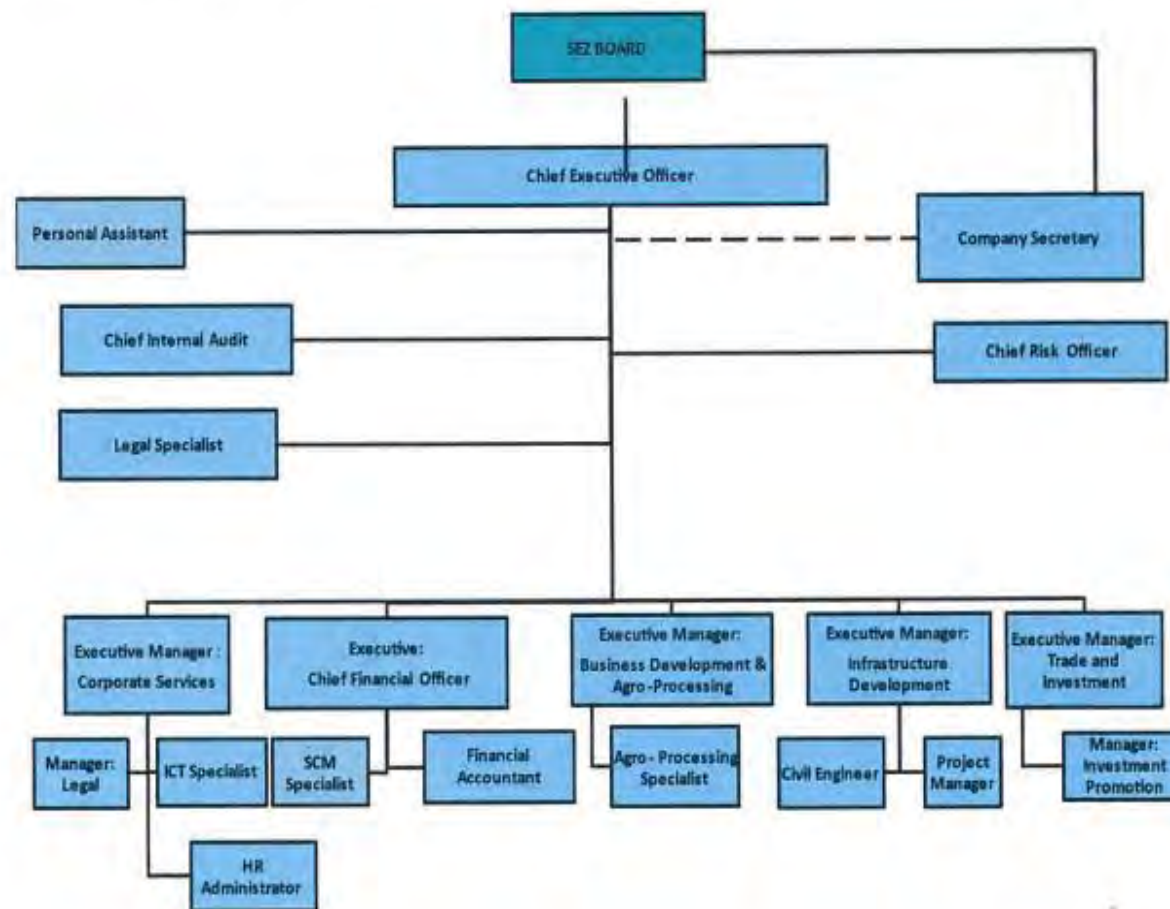




# The approved Organisational Structure

- ❖ **Organisational Structure** for the SEZ Entity completed and ready for implementation;
- ❖ **Job profiles** and **Job grading** for 20 posts completed;
- ❖ Recruitment Plan activated

Table 7: Nkomazi SEZ Entity Organisational Structure



# Township Establishment

CONDITION	PROGRESS TO DATE
To have Township establishment registered prior commencement of development	Township Establishment at final stage of approval, however, opening of Township Register and proclaiming Nkomazi Township could only happen once the Right of Way Servitude has been obtained from the new private owner



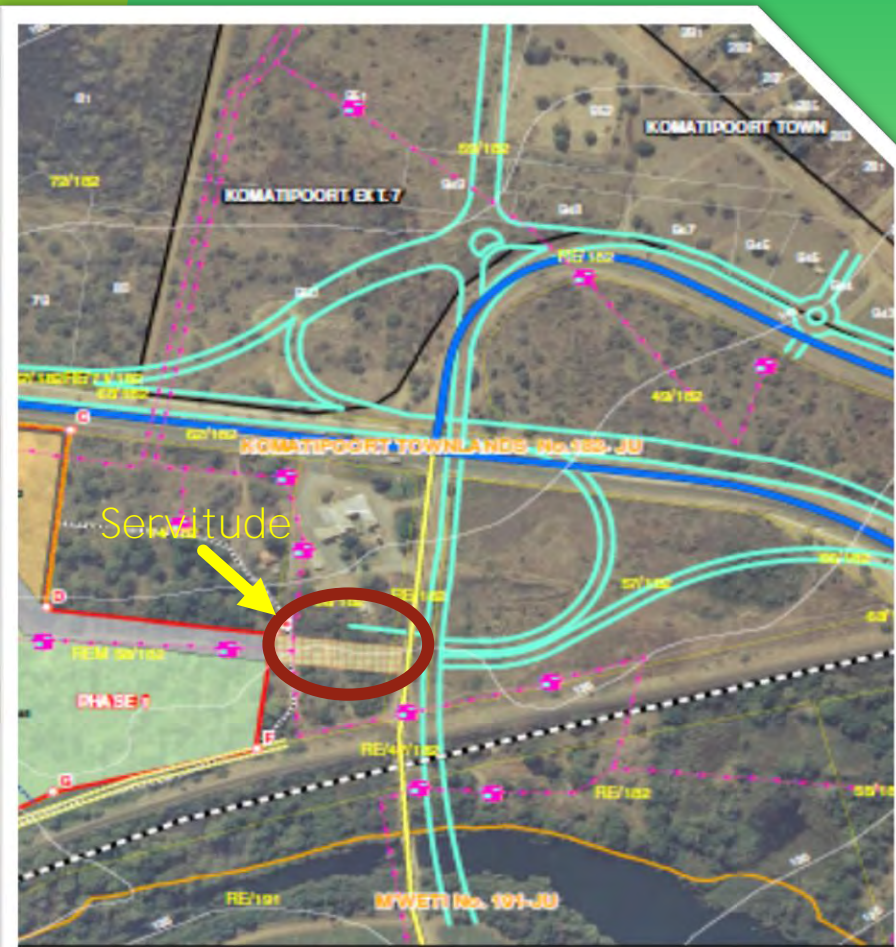


# Nkomazi SEZ site





# Right of Way Servitude



## CONDITION:

Secure Right of Way Servitude from SASOL to access the SEZ site

## PROGRESS TO DATE

- SASOL has alienated the land to private owner. Engagement with the new owner and Sasol on the Servitude matter underway.





# Water Use Licence Application

## CONDITION:

A Water Use License must be obtained prior to any development taking place. (WULA Application)

## PROGRESS TO DATE

Service Provider already appointed to conduct detailed engineering designs - a requirement for the application of the Water Use Licence. **Work expected to be completed within 3 months (December 2022)** and thereafter the application will be lodged with the Department of Water and Sanitation for approval. The Komati Water Basin Authority is also participating in this to ensure compliance with requirements

# Detailed Engineering Designs

## CONDITION:

The township owner shall, at its costs and to the satisfaction of the Municipality, design, provide and construct all engineering services.

## PROGRESS TO DATE

- Preliminary designs of internal infrastructure done and procurement of professionals to conduct detailed civil engineering designs already underway (i.e. detailed designs of water infrastructure; storm water drainage; sewer infrastructure; sewer treatment facility and access roads to the site)





# Physical Barrier fence/wall

## CONDITION:

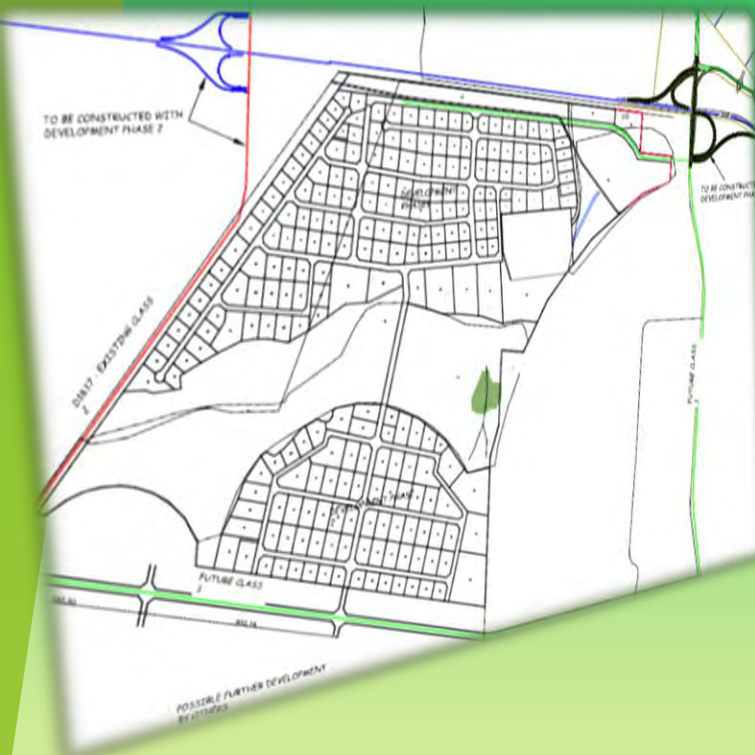
Physical barrier made out of CLEARVU fence or similar must be erected to the satisfaction of SANRAL and TRAC

## PROGRESS TO DATE:

- The National PMU assisted to rework the required Specifications and procurement process of a service provider already underway (Currently at Evaluation Stage of Bid) and erection of fence to commence in Q3 of the current financial year



# Upgrading N4 Interchange



## CONDITION:

Any access regarding the ingress and egress to the proposed township is only permitted from the link of the upgraded N4 interchange

## PROGRESS TO DATE

- An additional Detailed Traffic Impact study has already been completed and;
- The report of the study will be used to engage SANRAL and TRAC, requesting both parties to grant permission to the SEZ Entity to access its site and proceed with site establishment activities.







# Action Plan



NKOMAZI SEZ

MEASURE OF OPPORTUNITIES

No.	Delivery milestones	Jul 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Progress to date
	<b>Corporate Governance</b>										
1.	Approval of Nkomazi SEZ as subsidiary of MEGA (MEC, EXCO, MEGA and SEZ Board)										Honourable MEC approved amendment, however discussions to be finalized on with Dtic on specific roles of the shareholder, MEGA and SEZ Entity
2.	Registration of Nkomazi SEZ with CIPC as subsidiary of MEGA										
3.	Listing of SEZ Entity with National Treasury (as schedule 3D company)										
4.	Appointment of SEZ Board in terms of the SEZ Act (from advertisement to appointment)										
	<b>Township Establishment</b>										
5.	Right of Way Servitude on SASOL land resolved										SASOL has already alienated the land to a private owner and engagement have already commenced with the new owner.
6.	Opening of Township Register and proclaiming Nkomazi SEZ as Township										
	<b>Water Use Licence Application</b>										
7.	Appointment of Service Provider for detailed engineering designs of Water Use infrastructure										ECA Consulting appointed and work has commenced.
8.	Conduct detailed engineering designs on water and Water Treatment Plant										
9.	Lodging of Water Use Licence Application with the Department of Water Affairs and the processing thereof (i.e. processing and issuing of the Water Use Licence)										





# Action Plan



**NKOMAZI SEZ**  
TREASURE OF OPPORTUNITIES

		Jul 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Progress to date
	<b>Barrier Fence/wall</b>										
10.	Appointment of Service Provider for the construction of the barrier fence										Procurement process on course and appointment will be effected by October 2022
11.	Construction of the barrier fence										
	<b>Land Preparation for development</b>										
12.	Transfer Land Lease Agreement between MEGA and Nkomazi Municipality to Nkomazi SEZ Entity as per clause 27 (1) of the Agreement										Required transfer documentation already submitted for approval by MEGA Board.
13.	Appointment of Service Provider for detailed engineering designs of internal infrastructure services ( <i>water, storm water drainage; sewer; sewer treatment facility and access roads to the site</i> )										Agreement reached with DBSA to utilize their Panel for implementation of contract. Required documentation being exchanged for effecting appointment by October 2022
14.	Conduct detailed engineering designs on internal infrastructure services										
	<b>Access road to SEZ site</b>										
15.	Conduct additional Traffic Impact Assessment study										Additional Traffic Impact Assessment study has been completed
16.	Engaging SANRAL and TRAC on permission to access the SEZ site in the short-term to medium term										Negotiations with SANRAL has already commenced to allow site establishment.
17.	Development of a programme for the construction of the N4 interchange road										







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# Investment Pipeline

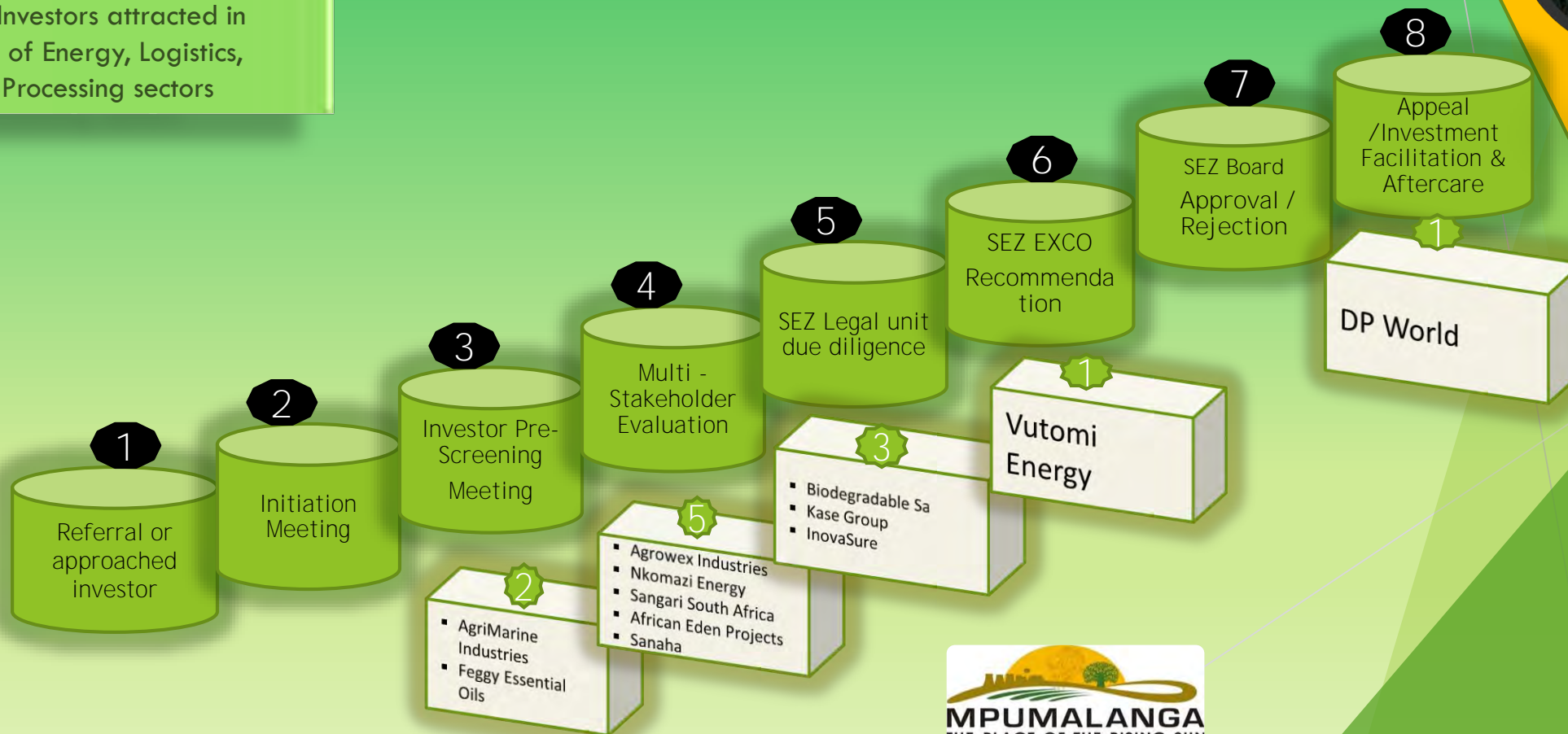




# Investment Pipeline: Eight (8) stages

## No. of investors to date:

12 x Investors attracted in  
areas of Energy, Logistics,  
Agro-Processing sectors





# List of Potential Investors

No:	Investor	Area of Investment	Est. Value of Investment (R)	Estimated No. of Jobs	Stages
1	DP World	Logistics	R363 m	1000	stage 7
2	Biodegradable SA	Agro-processing	R650 m	10 000	stage 5
3	Kase Group	Agro-processing	R130 m	60	stage 5
4	Vutomi Energy	Green Energy	R8 b	500	stage 6
5	InovaSure	Green Energy	R29 b	5000	stage 5
6	Agrowex Industries	Agro-processing	R100 m	180	stage 4
7	Nkomazi Energy	Green Energy	R220 m	50	stage 4
8	Sangari South Africa	Green Energy	R280 m	600	stage 4
9	African Eden Projects	Agro-processing	R1 b	15 000	stage 4
10	Sanaha	Agro-processing	R8 b	10 000	stage 4
11	AgriMarine Industries	Agro-processing	R250 m	1500	stage 3
12	Feggy Essential Oils	Agro-processing	R100 m	120	stage 3
<b>TOTAL</b>			<b>R 48. 533 b</b>	<b>43 410</b>	





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# Projects approved by SEZ Board





# DP World Dry Port Project

SUPPORT REQUIRED	PROGRESS TO DATE
<p><b>Objective:</b>  <i>Establishment of inland port to handle cargo containers and bulk materials transport through transshipment of road cargo to rail (intermodal logistical Hub to handle export and import of commodities from Komatipoort to Maputo Harbour):</i></p> <p><b>Required assistance:</b></p> <ul style="list-style-type: none"> <li>Facilitation of Land Availability Agreement between DP World and Nkomazi SEZ Entity;</li> <li>Rezoning of selected site for the project;</li> <li>Obtaining of Environmental Authorisation;</li> <li>Facilitation of negotiation between DP World and Transnet regarding the construction of the Rail Siding</li> </ul>	<ul style="list-style-type: none"> <li>Land Availability Agreement being finalised with the assistance of the National PMU;</li> <li>Required Environmental Authorization processes already commenced</li> <li>Procurement process of Town Planner completed. Work to commence in October 2022</li> <li>Negotiations between Transnet and DP World about the proposed rail siding already facilitated by national PMU</li> </ul>











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# Risks and Mitigation



# Risk and Mitigation

DEVELOPMENT PHASE	KEY RISK	MITIGATION ACTIVITIES
Physical Development of the Nkomazi SEZ	SEZ Entity not fully capacitated and affecting SEZ implementation plan.	Appointment of full time Board and functional SEZ structure in place (vacant positions filled)
	Slow pace of implementing the bulk infrastructure development programme to accommodate potential investors	Access to adequate funding and securing the requisite engineering capacity.
	Ability to support SMME's to participate in SEZ agro processing value chain on a commercial basis	Develop a well resourced and integrated support plan for SMME's and small holder farmers.
	Lack of water for irrigation expansion to support mass agricultural production.	Construction of Mountain View Dam and roll out of efficient irrigation systems.
	Non alignment of trade policies with neighbouring countries (e.g. Eswatini and Mozambique) hampers free flow of agricultural produce across borders.	Engage Dtic and DALRRD to review and align existing trade policies.







# Stakeholder Engagements



Economic Cluster	Stakeholder	Roles and responsibility
Agro-processing	Organized Agriculture	Participate in and liaise with the SEZ Entity around agro-processing opportunities within the zone
	Commodity groups and associations	Participate in and liaise with the SEZ Entity around socio- economic development matters within the zone
	Dept of Agric, DRDLR, Rural Develop, DFI, Dept of Education, Research Institutions, SARS, Customs	Policy direction, implementation of programmes and attraction of foreign investments Support and provide an enabling economic environment
	Tribal Authorities	Access and allocation of available land
	Nkomazi Community/Nkomazi Local Municipality and District Municipality	Participate in and liaise with the SEZ Entity around socio- economic development matters
Infrastructure	Public and private Funding Institutions, SANRAL, Transnet, TRAC, Dept of Public works, Eskom, Dept of Water and Sanitation	Co-fund the infrastructure requirements of the Nkomazi SEZ Assist in the planning, design, and construction of specific infrastructure elements (e.g., N4 interchange, railway siding inside the SEZ)
Logistics	TRAC, Transnet, Dry Port, KMIA, Dept of Transport, Dept Home Affairs,	Assist the SEZ Entity in realising its infrastructure and operational aspirations





# 2022/23 Priorities





# 2022/23 Annual Targets

- ✓ Nkomazi SEZ Entity with sound organisational governance; positive organisational culture and institutionalised business processes established;
- ✓ Value of R 6 billion from the indicative investment pipeline converted into successful investment;
- ✓ SEZ Marketing Plan and compelling agro-brand developed and adopted;
- ✓ Agricultural produce supply chains to the SEZ of established businesses developed and intensified;
- ✓ **Comprehensive support of the SMME's and Black Industrialists in the agro-processing value chain provided;**
- ✓ SEZ Infrastructure Development Programme developed



# FUNDING REQUIREMENTS:

	Phase 0	Phase 0	Phase 1	Phase 2	Phase 3	Sum Total
Perimeter Fencing and Entrance Gate		40 000 000	6 480 000		4 720 000	11 200 000
6MI Water Treatment Works	2MI WTW	20 000 000	53 275 850	31 585 850		84 861 700
Raw Water Pump station			2 500 000			2 500 000
20MI Bulk Storage reservoir	5MI Storage	10 000 000	32 501 011			32 501 011
5MI Wastewater Treatment Works	1.5MI WWTW	18 000 000	59 604 380	39 428 550		99 032 930
Water Reticulation Network		3 543 163	5 905 271	669 340	890 796	7 465 407
Sewer Reticulation Network		3 271 494	5 452 490	3 162 195	3 496 445	12 111 130
Sewer Pump stations		0	0	5 116 000	5 116 000	10 232 000
Stormwater Infrastructure		7 100 741	11 834 569	5 161 875	12 229 891	29 226 335
Access Roads		32 416 330	54 027 216	22 435 544	40 879 896	117 342 656
New N4 Fly-over Interchange		45 215 460	45 215 460			45 215 460
Ngweti River Bridge Crossing					22 500 000	22 500 000
Electricity Infrastructure		18 000 000	30 000 000	70 000 000		100 000 000
<b>SUB-TOTAL</b>		<b>197 547 188</b>	<b>306 796 247</b>	<b>177 559 354</b>	<b>89 833 028</b>	<b>574 188 629</b>
Allow for 10% Contingencies		19 754 719				
<b>SUB-TOTAL</b>		<b>R217 301 906</b>				
Professional & Specialist Fees @ 14%		R30 422 267				
<b>SUB-TOTAL</b>		<b>R247 724 173</b>				
VAT @ 15%		R37 158 626				
<b>TOTAL INCLUDING VAT</b>		<b>R284 882 799</b>				
<b>TOTAL COST OF PHASES</b>		<b>R 1 433 260 057</b>				
2022/23 Budget						
Goods and Services		23 000 000				
Transfers		12 000 000				
Capital Payments		29 949 000				
<b>TOTAL</b>		<b>R 64 449 000</b>				





# Recommendations

It is recommended that the Portfolio Committee note the progress report on the Nkomazi SEZ



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THANK YOU

