

ASPIRE PERFORMANCE REPORT FOR THE 6-MONTHS ENDED DECEMBER 2014

[Amathole Economic Development Agency (SOC) Ltd, T/A ASPIRE]
[January 2015]

PURPOSE

In terms of the section 88 (1) of the MFMA the accounting officer of the municipal entity must by 20 January of each year assess the performance of the entity during the first half of the financial year, taking into account:

- management accounts for the first half of the financial year
- targets set in the service delivery, business plan
- other agreements with the entity's parent municipality
- the entity's annual report

and submit a report on such assessment to:

- the board of directors of the entity; and
- the parent municipality of the entity.

The purpose of this report is to present ASPIRE's mid-year performance report for the period July 2014 to December 2014.

LEGAL/STATUTORY REQUIREMENTS

- The Constitution of the Republic of the South Africa Act 108 of 1996
- The Local Government Municipal Structures Act 117 of 1998
- The Municipal Finance Management Act 56 of 2003

STRATEGIC DOCUMENTS

- Amathole Regional Economic Development Strategy 2007-2027
- ASPIRE Strategy 2013-2018
- ASPIRE Performance Management System
- ADM IDP 2012-2017

BACKGROUND

ASPIRE has commenced implementing the new 5-year strategic plan for the period 2013-2018 which was approved by the Board of Directors during the previous financial year. The new strategic plan is aimed at stimulating the rural economy through, namely agriculture, heritage & tourism and small town regeneration. These three pillars form the core business of ASPIRE, and it is initiatives in these three areas that are implemented in the various corridors within the Amathole region. The focus of the strategy is on empowerment of women, youth and people with disabilities to ensure that they play a role in the economy of the region.

Whilst work continued on the various ASPIRE projects during the first 6 months of the 2014/2015 financial year, the challenges facing the agency have resulted in the agency achieving only 54% of it's quarterly targets. These challenges include the integration of new staff into the ASPIRE culture during the first six months (9 new staff members commenced employment during the first six months in the Operations Department), unlocking of funding for projects, and delayed start to certain projects due to capacity constraints. With the bulk of staff now appointed to the Operations Department, it is expected that the targets can receive much more focus, as the work load can be more effectively distributed.

Highlights of achievements over the past 6 months are provided in line with ASPIRE's strategic goals, namely:

1. Good and Effective Service Orientated Organisation
2. Economically Thriving Small Town and Rural Communities

3. Rural Community Clusters
4. The Preferred Investment and Development Partner

1. GOOD AND EFFECTIVE SERVICE ORIENTATED ORGANISATION

Objective

Implement risk management systems to reduce risks to acceptable levels (9 and below) by 2017

ASPIRE has 2 organisational targets that speak to this objective, namely :

Target 1.1 : To reduce the number of high risks

Target 1.2 : To lower the overall risk score

A risk register was developed and approved by the Board of Directors at the start of the financial year. By the end of December 2014, ASPIRE had a total of 6 out of 18 high risks, which equates to 33.3%, which is above the targeted percentage of 25%. The overall risk score was 13.29 which was also above the targeted score of 11. More focus will be placed on risk management during the balance of the financial year to ensure that the number of high risks is reduced.

Objective

Achieve and maintain economic, social and environmental sustainability of the organisation by 2017 and beyond

ASPIRE has 5 organisational targets that speak to this objective, namely :

Target 1.3 : To increase income from other sources

Target 1.4 : To raise funding for projects

Target 1.5 : To ensure the organisation is staffed to achieve its mandate

Target 1.6 : To ensure training interventions are implemented in line with the training needs

Target 1.7 : To implement green initiatives to reduce the ASPIRE carbon footprint

By the end of quarter 2, income from other sources was 9.9%, as a result of the finalization of funding agreements with DEA for the NRM projects and waste management. As a result, R23.4 million has been raised for projects which is above the targeted amount of R20 million.

A total of 60% of training interventions were concluded by the close of quarter 2, with Health and Safety training for all staff being next on the agenda. In an effort to reduce the ASPIRE carbon footprint, a reduced percentage of paper and utilities was utilized by ASPIRE during the first six months of the year, when compared to the first six months of last year.

Objective

Continuously implement effective performance management systems to ensure delivery of our mandate

ASPIRE has 5 organisational targets that speak to this objective, namely :

Target 1.8 : To achieve the company targets set

Target 1.9 : To manage the agency in line with prescripts in order to achieve a clean audit

Target 1.10 : To develop and implement a growth strategy for ASPIRE

Target 1.11 : 100% of policies reviewed

Target 1.12 : 100% compliance with relevant prescripts and legislation

During the first 6 months, 7 policies have been reviewed and approved by the Board of Directors. A number of policies submitted to the December Board meeting will only be reviewed at the February board meeting due to time constraints. This will enable ASPIRE to work towards achieving the 75% of policies reviewed at the end of quarter 3.

The Auditor General was present during the second quarter, and the unqualified audit results, has once again provided the agency with a strong base on which to move forward.

The development of a growth strategy for ASPIRE has been delayed until the strategy

review process which took place in November and December 2014 is finalised. The reviewed strategy document will be submitted to the Board of Directors in January 2015.

2. ECONOMICALLY THRIVING SMALL TOWNS AND RURAL COMMUNITIES

Agriculture Objective

Lead the establishment and support of community owned and operated agricultural enterprises in seven LM's by 2017

ASPIRE has 4 organisational targets that speak to this objective, namely :

Target 2.1 : To implement projects to ensure food security

ASPIRE continued to support the Ndakana Nursery, the Nxuba Aloe project, the Shixini food security project, the Xaba Jiyane food security project and the Mahlezana food security project.

Target 2.2 : To implement commercial agricultural projects

Despite funding for the blueberry projects still locked in the Department of Rural Development, ASPIRE assisted by assigning the PPECB to assess the berry sites in an attempt for each project to receive their own export license. This would assist the commercial agricultural projects by cutting out the middle man, and increasing their revenue from sales. At the Ngangegwili Livestock project construction of the handling facilities will resume in quarter 3.

Target 2.3 : To implement projects to assist in the rehabilitation of natural resources

The Willowvale NRM project got underway with the training of 317 beneficiaries in Health and Safety issues before being despatched into the field to remove black wattle. Approval is still awaited for two other projects (Adopt a Spot and Waste Management).

Target 2.4 : To implement marine projects

Electricity has been connected by Eskom at the Hamburg Project, and training of the co-operatives on governance was completed in December 2014. ASPIRE is currently awaiting the business plan for the Cob Fish project, but in the interim is continuing with the Oyster Farm production project.

Tourism and Heritage Objective

Partner with relevant stakeholders to address constraints to tourism in order to increase occupancy of facilities by 10% by 2017

ASPIRE has 1 organisational targets that speak to this objective, namely :

Target 2.5 : To develop a tourism strategy and to partner with stakeholders to increase tourism in the district.

A draft tourism and heritage strategy document has been developed and will be circulated by the end of February 2015 once the tourism baseline data has been finalised. Partnership agreements are also being finalised with the National Heritage Council, Lotto and ADM. Stakeholder engagement sessions on the draft document were held with local municipalities and DSRAC.

Economic Infrastructure Objective

Facilitate the provision of infrastructure development in 3 localities by 2017 to unlock economic development opportunities

ASPIRE has 1 organisational targets that speak to this objective, namely :

Target 2.6 : To implement infrastructure projects to unlock economic development opportunities.

After prolonged negotiations with ECDC regarding the upgrade of certain access road in the district, they have advised that the Infrastructure Fund Committee within the ECDC has not yet met to consider new applications. The possibility exists that it will

not meet before the end of quarter 3, which puts this target in question. Until funding is sourced, the project cannot be initiated.

Small Town Regeneration Objective

Facilitate planned public infrastructure upgrades in 5 small towns by 2017

ASPIRE has 1 organisational targets that speak to this objective, namely :

Target 2.7 : To facilitate infrastructure upgrades of small towns

The Alice bridge and CBD upgrade was supported during the period. However, challenges relating to the Kei Mouth upgrade have been experienced with disagreement between the residents and the municipality as to the type of assistance that is required. As such, the budget has been allocated to the Willowvale project, where TOR's have been finalised for a professional team to undertake the upgrade of the CBD. The Cathcart CBD upgrade is in the final stages of procurement and should be initiated during quarter 3.

3. RURAL COMMUNITY CLUSTERS

Objective

To create sustainable rural communities in order to reduce migration to urban areas

ASPIRE has 1 organisational targets that speak to this objective, namely :

Target 3.1: Partner with investors to establish 3 agroprocessing enterprises by 2017

ASPIRE has partnered with Department of Environmental Affairs to assist the community of Tyhefu with the processing of aloe. A site visit to Ngqushwa was conducted in December with the Department and the Tyhefu Traditional Authority. Funding is still awaited from the Department of Rural Development in order to implement the Blueberries project.

4. THE PREFERRED INVESTMENT AND DEVELOPMENT PARTNER

Objective

Attract and retain investments of R150 million for sustainable economic, development opportunities by 2017

ASPIRE has 3 organisational targets that speak to this objective, namely :

Target 4.1: To increase visibility of the ASPIRE brand in the market by 2017

Target 4.2 : To facilitate investment into Amathole by 2017

Target 4.3 : To market the Amathole brand to promote Amathole products and services by 2017

Signage and branding was erected at the Hamburg CBD upgrade during the first quarter. Budget constraints for this target will require considerations around any possible savings on other line items. A marketing event was originally planned for December 2014, to launch the Authentic Amathole product brand, but this was postponed to quarter 3. Collaboration with ADM will be initiated to ensure that this event does take place.

MOU's were signed with Agricultural Research Council, the National Heritage Council and AgriSeta, ensuring that ASPIRE was able to achieve the target of 3 strategic partnerships being finalised.

As the Authentic Amathole marketing event did not take place as planned, the promotion and registration of products utilizing the brand could not be initiated.

CONCLUSION

ASPIRE has 22 approved quarterly targets for the current financial year that were approved by the Board. To date, the agency has achieved 54% of these targets, as at

the end of December 2014. The appointment of staff to the Operations Department, together with the appointment of the leadership to the Department, will enable ASPIRE to make inroads to achieving the required 80% by the end of quarter 3.



OTHER PARTIES CONSULTED

ASPIRE Staff and Management

ASPIRE Board of Directors

RECOMMENDATION

It is recommended that the Board notes the report.

Mr SA Mpambani

Acting Chief Executive Officer

QUARTER 2: OPERATIONS REPORT - Progress on projects

1. INTRODUCTION

A Quarter 2 Performance Report of the Operations Unit of ASPIRE is herein presented. The report covers the period from October to 30 December 2014. The report is structured according to the Annual Performance Plan of ASPIRE; with details given on the deliverables envisaged for the Financial Year 2014/15.

The report is structured in the following manner:

- Progress against the Annual Performance Plan (APP);
- Status of Projects against the Annual Performance Plan (Narrative);
- Projects implemented in each Local Municipality;
- Progress and the process of closure of existing projects;
- Key Highlights for Quarter 2;
- Generic challenges currently being experienced by the Operations Unit;
- Conclusion

Each deliverable is reported on under the strategic targets, namely:

- Agriculture and Rural Development;
- Heritage and Tourism; and
- Economic Infrastructure
- Small Town Regeneration;
- Rehabilitation of Natural Resources.

2. HIGHLIGHTS FOR QUARTER 1

The following are the most notable highlights for ASPIRE Operations for Quarter

2:

- During the 2nd Quarter of the financial year ASPIRE received a total of R3 425 453 for the implementation of the following projects under the Special Projects Unit (Natural Resource Management, Adopt a Spot and the Waste Management Project;
- Secured funding from the GIZ to the value of R331 000.00 for the implementation of the ISO 9001 Quality Management System within ASPIRE;
- Secured funding (value to be determined after the finalization of the TORs) for the development of an Investment Promotion Strategy of the ADM. ASPIRE is currently finalizing TORs with the GIZ and then arrange a meeting with the ADM to present the TORs;
- Successfully concluded an analysis of the Gxulu Berries site in order to assist them to secure their own export license for the Blueberries they are producing.

3. CURRENT STATUS OF PROJECTS

Below is a narrative of the Operations Report for Quarter 2 of 2014/15.

3.1 Agriculture and Rural Development

The following projects were identified and approved by the Board for implementation in the Annual Performance Plan during Financial Year 2014/15:

3.1.1 Implement 5 Food Security Projects

Project 1: Ndakana Agro-Ecological Project

The purpose of the project is to establish a household agro-ecological support

co-operative. The first phase of the project has been implemented wherein the household gardens were established, the co-operative registration was registered and the nursery established. One hundred households were identified as participants of the initiative. The nursery is meant to supply seedlings to the food gardens. All the allocated funds for the project were exhausted.

The following activities were completed in Quarter 2:

- Submitted the new names of the members of the co-operatives to CIPRO and awaiting new Registration Documentation, with the correct members;
- Procurement of the material to fix the Nursery has been completed, construction of the damage to the Nursery to resume shortly;
- Planting of seedlings will resume after the process of fixing the nursery has been completed.
- Draft contract between the co-operative and ASPIRE has been drafted to regulate the flow of funds between ASPIRE and the co-operative. However this can only be done once the Governance issues have been addressed.

Project 2: Nxuba Food Security Project

The purpose of the project is to establish and support household food gardens in identified communities. Mobilization of participants was done by the municipality together with ASPIRE. Procurement processes were done but sustainability issues have been identified as missing. A meeting with the municipality was held on the 30/09/2014 to discuss the possibilities of managing the intervention processes better. It was agreed that a list of projects will be updated so that prioritization is done on the current list of projects. The municipality was given a deadline of the 20/10/2014 to submit

relevant information to ASPIRE.

At the end of Quarter 2, the Municipality had failed to honour its promises of meeting with ASPIRE and agreeing on priority projects. Management has taken a decision to move the funds to the Willowvale CBD Upgrade Project.

Project 3: Mahlezana Food Security Project

The objective of the project is to improve economic status of the co-operative members through vegetable production by fencing and ploughing of 2 hectares of land. Fencing material has been procured and delivered to the project at Mahlezana Location. Training of beneficiaries by the Department of Rural Development and Agrarian Reform in erecting fence is underway. ASPIRE is concluding procurement of irrigation equipment.

As at Quarter 2, the co-operative agreed with ASPIRE that they will fence the land on their own and thereafter ASPIRE will ensure that the irrigation system is in place. ASPIRE will monitor the progress and ensure that all that is required to secure the land is completed and thereafter vegetable production can resume.

Project 4: Shixini Food Security Project

The purpose of the project is to empower Kulo-Jingqi farmers by establishing viable vegetable in all households for economic development of the area. Vegetable seedlings were delivered and planted. ASPIRE is assisting the co-operative to solicit funding for improving water access (irrigation scheme).

As at Quarter 2, ASPIRE spent time assisting the members of the co-operative to collate documentation towards applying to the dti incentive scheme. This application will be for an irrigation scheme. ASPIRE will await the outcome of the application process.

Project 5: Xabajiyane Food Security Project

The purpose of the project is to improve livelihoods of the families in Xabajiyane community through production of vegetable and crops in order to sell the surplus in the community for income generation.

As at Quarter 2, maize was planted and ASPIRE is working with the Department of Agriculture to monitor the maize. Planting of Beans will resume in February 2015.

3.1.2 Implement 2 Commercial Farming Projects

Project 1: Keiskammahoek Berries Out-growers

The purpose of the project is to promote production of berries in identified areas for commercial market. Three sites in Gxulu, Sinqumeni and Iqunube have been identified as out-growers of Blueberries.

Gxulu Berries progressing well with funding from ECDC in August 2014. Sinqumeni Berries are standing still due to lack of funds. People who were employed have since stopped working in August due to not being paid for more than seven months. There are berries growing under minimal supervision and management. Iqunube Berries is waiting for funding to start operating.

During the month of August 2014, ASPIRE managed to resuscitate meetings between the dti and Department of Rural Development and Land Reform (DRDLR) for the release of R14million that has been approved by Employment Creation Fund (DTi) to be transferred to the DRDLR. A revised MOA between the two parties has finally been drawn up and is awaiting signature before the release of the funds.

As at the end of Quarter 2, the following activities had taken place:

- The MOA between the Department of Rural Development and the dti has still not been signed. Unfortunately, the signing of this MOA has a bearing on the agreement to be signed between the Department of Rural Development and ASPIRE;
- ASPIRE conducted site visits to the Blueberries sites in December 2014. Findings are that the Gxulu Berries site is fully operational, the Sinqumeni Berries site is partially functioning with major challenges and the Iqunube Berries site is not operational at all;
- Perishable Products Export Control Board (PPECB) has conducted a Site Verification Exercise on the Gxulu Berries site in order to assist them with securing an Export Certificate. The results were positive; the members of the site need to fully document their processes in order to secure an Export Certificate.
- The Gxulu site is producing Berries which are sold through a middlemen to the main retail stores like Woolworths, Pick n Pay and even the Export market;
- ASPIRE will relook the relationship that Gxulu Berries has with the Middlemen

Project 2: Livestock Improvement Project

The purpose of the project is to Construct Livestock Handling Facility in order to empower livestock farmers so that they farm commercially. The idea is to prepare their livestock to fetch good prices in the market. Farmers from 5 villages affiliated to Ngangegqili Trust will benefit from this project.

As at the end of Quarter 2: the following activities had taken place:

- ASPIRE has procured the material to construct the Livestock Handling Facilities through NAMAC;

- The Construction of the Livestock Handling Facilities resumed late in December 2015;
- NAMC is managing the project on behalf of ASPIRE.

3.1.3 Implement 1 Fish Farming Project

The purpose of the project is to promote aquaculture and small scale fish farming in identified coastal and inland areas for commercial market. Hamburg aquaculture and small scale fish farming intervention is at an advanced stage of development. Fish farming infrastructure with equipment was erected by Department of Agriculture Forestry and Fisheries (DAFF). Payment of electricity has been made but it is not yet connected by Eskom. DAFF has allocated R 3 615 000.00 for sorting all outstanding issues to ensure that the project is operational.

As at the end of Quarter 2, the following activities were completed:

- A Bilateral Discussion with the Department of Fisheries and Forestry, who are the current funders, was successfully held to discuss the future funding of the project;
- ASPIRE secured the Business Plan for the Fish Farming Project;
- Electricity reconnection and replacement of stolen cables was completed in December 2014 and the electricity is now connected;
- Governance Training for members of the co-operative that will takeover the site was successfully completed in December 2014;
- ASPIRE is currently awaiting the Production Plan and the future budget of the project so that Fundraising may resume.

3.2 Culture, Heritage and Tourism

The following project was identified and approved by the Board for

implementation in the Annual Performance Plan during Financial Year 2014/15:

Project 1: Develop a Culture, Heritage and Tourism Strategy

This activity was meant to have been outsourced to an external service provider. The Office of the COO opted to insource this service because ASPIRE employed a competent Programme Manager who is experienced in issues of Culture, Heritage and Tourism.

As at the end of Quarter 2, the following was completed:

- The following two documents were thoroughly reviewed (ADM Heritage Resource Management Strategy and ADM Tourism Masterplan);
- ASPIRE is drafting its own Culture, Heritage and Tourism Approach based on the sentiments articulated in the two documents above;
- The following stakeholders have been consulted: All LMs in a Workshop, ECPTA, National Heritage Council, ADM, DSRAC Amathole Region and DEDEAT.

3.3 Economic Infrastructure

The following projects are critical not only at activating the economic potential of the Amathole District Municipality but also to integrate the rural communities into the landscape of the economy. The opportunity to access the rich heritage, culture, tourism and agricultural activities of the rural communities of Amathole is hamstrung by the inability to access the very rural communities due to bad access roads. ASPIRE has identified this as a major is of concern and it requires urgent attention. A total of 4 access roads were identified and numerous discussions were held with the ECDC to finance the roads.

As at the end of Quarter 2, it appears from discussions with the ECDC that there is no more funding that will be allocated for infrastructure in the province for this financial year. ASPIRE will then start the process of engaging other sources of funding going forward like the Department of Transport and the Department of Public Works, etc.

3.4 Small Towns Regeneration

The following projects were identified for implementation in the Annual Performance Plan during financial year 2014/15:

Project 1: Carthcart CBD Upgrade:

A draft concept of what will be done in the Carthcart CBD Upgrade has been developed and agreed upon with the Amahlathi Local Municipality. An initial scope verification meeting convened with the Amahlathi Local Municipality officials.

As at the end of Quarter 2, the following had been completed:

- Terms of Reference for the appointment of Professionals had been completed;
- ASPIRE and the Amahlathi Municipality have finally agreed on the scope of work to be undertaken using the available budget;
- September 2014. The drafting of the Terms of Reference appointing Principal Agents is currently underway;
- To speed up the procurement process, ASPIRE will participate through a section 32 of the Supply Chain Management Policy, to an existing contract within Amahlathi and start procuring for Professionals.

Project 2: Kei Mouth Flea, Craft and Agri Market and Play park.

During the month of September 2014, a meeting with the Great Kei Municipality was convened and a site visit conducted to inspect the identified site for the Fleamarket and Craft Market. The Municipality expressed an interest of constructing a lot more than just the Fleamarket and Craft Centre. Maybe consider a mini conferencing facility, a play park for children, and so on. ASPIRE committed to exploring such possibilities when a Concept Plan is being developed.

As at the end of Quarter 2, the following was completed:

- After discussions with both the Residents Association and the Great Kei Municipality, it appears that there is no agreement on which project to implement. As such, funding available will have to be moved to the Willowvale CBD Upgrade Project and planning for Great Kei will be done next year.

Project 3: Willowvale Taxi Rank and Town Regeneration

A meeting with the Amathole District Municipality Project Manager responsible for the Willowvale Taxi Rank set on the 16th of October 2014. The purpose of the meeting is to verify and finalise the scope of works. The current allocated budget by ADM and MIG for the Taxi Rank is only R5 million. The proposed Taxi Rank designs as they currently stand are limited in scope, as they lack facilities such as offices, ablutions, boardroom and a kiosk.

As at the end of Quarter 2, the following was completed:

- Precinct Plan has been completed to incorporate the CBD Upgrade to the existing Taxi Rank that Amathole is currently constructing;
- Procurement will be through a section 32 of the Supply Chain Management Policy on the existing Willowvale Taxi Rank that Amathole

is constructing;

3.5 Special Projects Report

ASPIRE has managed to secure and sign a number of Memoranda of Agreement with the Department of Environmental Affairs to be an implementer of its Natural Resources Management and Waste Management Projects. Listed below are the 4 signed projects:

As at the end of Quarter 2, the following activities were concluded:

- Business Plans for the two NRM Projects have been approved by the Department of Environmental Affairs;
- A total of R2,2m was disbursed to ASPIRE to start with the implementation of the Wattle Removal Projects in Willowvale, Ngqamakhwe, Diya and Shixini;
- A total of R764 370 was disbursed to ASPIRE to kick-start the process of implementing the Waste Management Project in BCM;
- A total of R450 000 was disbursed to ASPIRE to kick-start the process of implementing the Waste Management Project in BCM
- Signed the Wattle Removal Project with DEA for Keiskamahoe, Hogsbag, Kubusi, Rooikrans;
- A total of 317 beneficiaries were trained in Health and Safety before they resume their duties of Wattle Removal;

4. CHALLENGES CURRENTLY EXPERIENCED: OPERATIONS

The Operations unit within ASPIRE is faced with a myriad of challenges ranging from dealing with legacy projects and also moving ahead with the new ASPIRE Strategy. Listed below is a synopsis of the most notable challenges experienced

during Q1:

- The inability to take decisions and provide leadership to deal with the issues of the section 21 companies that were illegally established by ASIPRE long time ago is putting more strain on day to day operations of ASPIRE. These are Emthonjeni Arts, Sikhulisa i Carthcart and Abenzi Wodehouse;
- The inability by Municipalities to take ownership of buildings constructed by ASPIRE, despite the fact that signed Agreements dictate as such;
- Unavailability of Contract Management expertise and Document Management System has made it difficult for current Management of ASPIRE to find project documents;
- Funding constraints in implementing the Alice CBD upgrade;
- Lack of timeous disbursements of funds from the Department of Environmental Affairs has also hampered the early execution of the NRM Projects;

5. STATUS OF LEGACY PROJECTS

ASPIRE has been implementing a range of other legacy projects, most of them in the handover stage and some of them without budget. Below is a full account of the status of such projects as at the end of Quarter 2:

5.1 Emthonjeni Artist Retreat

The Emthonjeni Artist Retreat has been established as a part of the Hamburg Regeneration Programme and therefore as a mechanism to promote the integrated and sustainable economic development of the Hamburg area. The Retreat would also facilitate the promotion of tourism in the area. The Retreat

includes a Residency consisting of 22 bedrooms in single or double units, a Craft, Dance and Digital Studio, a small lecture/performance theatre and a gallery, as well as a range of flexible spaces suitable for all art forms.

ASPIRE established a Section 21 company which was registered on the 18th April 2011, under the name "Hamburg Artists Retreat". The company is referred to as Emthonjeni Arts (EA). The company currently has three directors as per the CIPC company report. A legal opinion was obtained from Counsel in 2013 which indicated that ASPIRE, as a municipal entity, should not have established or participated in the establishment of a company or any other corporate body.

The Boards of ASPIRE and EA met and agreed on 9 May 2014 that the Emthonjeni Arts should be transferred to the Amathole District Municipality as soon as possible, in such a way that the operations of EA, including the employment of staff, is not effected, with an understanding that ADM will take over ownership of EA. The EA employees have already been affected because EA Board abandoned the operations and the employees have been paid. The employees of Emthonjeni received letters of termination of their employment by the EA board on the 29th of August 2014 and their August salaries were not paid.

During Quarter 2, a formal submission was prepared by ASPIRE and submitted to the ADM for funding to both Operate and Manage the Emthonjeni Artist Retreat. The AMD Council approved the ASPIRE submission on the 12 December 2015. The approval was as follows:

- Council rescinded the previous submission of R2.6m that was presented on the 31 October 2014 on the basis that the figures submitted were incorrect;
- Council granted ASPIRE the mandate to Operate and Manage the

Emthonjeni Artist Retreat for a period of 01 December 2014 to June 2015;

- The total budget now approved is R1 749 830.69

5.2 Alice CBD Upgrade and Alice Bridge

The Alice Bridge Project is going ahead and the completion date is anticipated to be end of October 2014. There doesn't seem to be any problems with this project and the Principal Agent has assured ASPIRE that the project will be completed and handed over to Ngqushwa by end of October 2014.

With regards to the Alice CBD Upgrade, funding for this project was retained at National Treasury and ASPIRE has received correspondence from National Treasury that the funds will be gazetted after the adjustment Budget in October 2014 and will be disbursed in February 2014. During Quarter 1, ASPIRE has been making follow ups with National Treasury and also submitted cashflow projections for the funding, at the request of National Treasury. ASPIRE will monitor developments around gazetting of such funds so as to ensure that these funds reach ASPIRE before February 2015. The approved budget has now been reduced to R11.8 million and this means the scope of work will have to be scaled down to accommodate the available budget.

During Quarter 2, whilst the Bridge Project was being constructed there was a technical fault with the steel and the bridge collapsed. Fortunately, there were no fatalities because the bridge was not in use. ASPIRE met with the Principal Agent and a process of investigation was commissioned with the results for remedial action to be heard during Quarter 3.

5.3 Blueberries Outgrowers

The Employment Creation Fund (ECF) of the DTi approved R35.19m for establishing 18ha amongst 3 Outgrowers in 3 years (originally between Dec 2010 and Dec 2013). The 3 Outgrowers would be established in Sinqubeni, Gxulu and Keiskamahoe. About R20.8m of approved funding was received by ASPIRE between Dec 2010 and Nov 2011 and only 2 of the 3 Outgrowers were established. Since Dec 2013 ASPIRE has been providing funds to cover critical costs (water, electricity, fertilizer, insurance and diesel) to maintain the orchards with all other costs not paid, including workers & management. There were major delays experienced in transferring the balance of the approved funds as requested by ASPIRE from ECF, causing serious cash flow problem and ensuring Outgrowers unable to operate effectively or efficiently.

It has been 24 months since request for further funds - the original problem was lack of agreement between the DTi (ECF) and DRDLR preventing the former from transferring approved funds to DRDLR, who then transfer it to ASPIRE. The 2 year delay caused all existing agreements to be outdated.

During Quarter 2, taking from the activities from Quarter 1 of resuscitating discussions between Rural Development and the dti, ASPIRE was awaiting feedback from Rural Development.

6. CONCLUSION

Management is putting in place measures to ensure that ASPIRE delivers on its targets for the year. The staffing of the core business with competent staff has started to yield positive results. The challenges highlighted in the report will be handled with diligence.

FINANCE REPORT TO SUPPORT THE ASPIRE MID YEAR REPORT JAN 2014

1.1. Revenue by Source

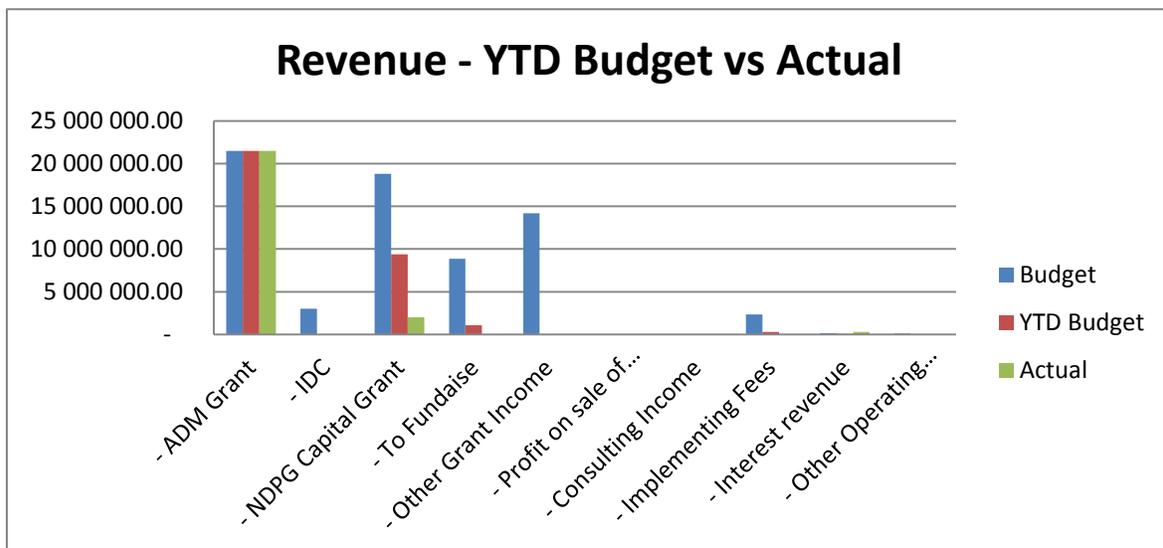
The total income received and realized by Agency as at end of t 31 December 2014 was R23.8 million which is lower than the YTD budget of R23.9 million.

An amount of R2.2 million and R765 000 for Natural Resource Management programme and Waste Management respectively were received during the month of October. A service provider for health and safety has been appointed; local contractors to remove the wattle have been engaged through the Headman structures. Currently these funds are recorded under unspent conditional grants in the ‘Statement of Financial Position’.

Funding from IDC is not yet received. The audit of the IDC grant first trench received in May 2014 was conducted in December 2014; the second trench will be received on finalization of the audit, which is expected to be in the third quarter.

The graph below depicts a comparison of Budgeted revenue, budget YTD (end December 2014) as well as actual revenue received or realized by funder / source.

BUDGET vs ACTUAL

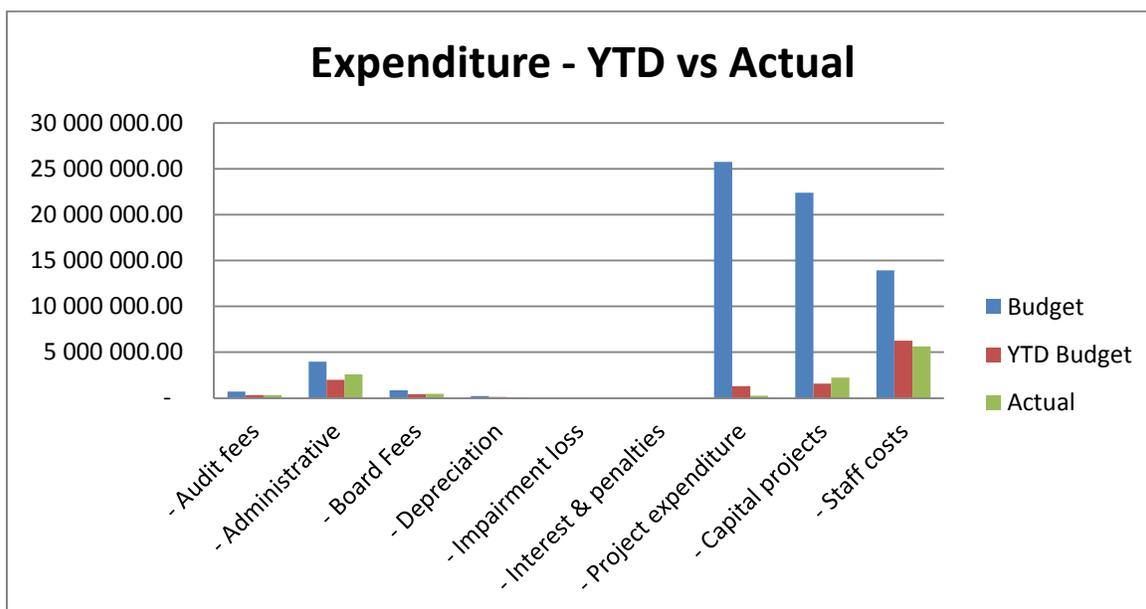


Expenditure

The total expenditure as at end of December 2014 was R11.6 million representing 98% of the YTD budget. The variance is mainly attributed to Direct Programmes as most of new projects are expected to start showing expenditure towards at the beginning of the third quarter.

The graph below depicts a comparison of overall budget, budget YTD and actual expenditure as at end of December 2014.

BUDGET vs ACTUAL



1.1.1. Personnel costs

There was a variance of R644 095.07 between the YTD budget for Staff costs and the Actual expenditure as at end of December 2014. This was mainly due to the fact that the position of a COO was filled in August while three positions for some programme managers and one Project Administrator were filled in September while the HR Manager position was filled in October 2014 and the programme manager: special projects was filled in December 2014

The following documents / Schedules have been attached for ease of reference:

- Statement of Financial Performance - December 2014
- Financial Position - December 2014
- Cash Flow Statement - December 2014
- Liquidity Ratios - December 2014
- Investment Portfolio - December 2014