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Trade and Industry
REPUBLIC OF SOUTH AFRICA

Black Industrialists Scheme (BIS)

**Strategic Partnerships and
Customer Care
March 2016**

PRESENTATION OUTLINE

- Introduction and Background
- Objectives of the Black Industrialists Scheme (BIS)
- Definition of Black Industrialists
- Targeted Priority Sectors
- Eligibility Criteria
- Incentive Offering
- Economic Benefit Criteria
- Qualifying Costs
- Non-Qualifying Costs
- BIS Process Flow



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INTRODUCTION AND BACKGROUND

- **04 Nov 2015:** Cabinet approved the Black Industrialist Policy which aligns with the National Development Plan and the Industrial Policy Action Plan (IPAP); which underpins development of the Manufacturing Sector, with an aim to raise the impact of interventions to support industrial development;
- **09 Nov 2015:** Launch by the Minister of Trade and Industry, as part of government's broad industrial base and inject new entrepreneurial dynamism in the economy
- The BIP Policy calls for bolder policy interventions on the part of the State to expand the industrial base of the country and grow the economy through dedicated support directly at black manufacturers; as highlighted in the latest IPAP;
- Launch of Black Industrialist Scheme (BIS) – incentive programme of the Black Industrialist Policy, which aims to promote the participation of black industrialists as manufacturers in key sectors as identified in IPAP;
- BIS – Outlines key measures aimed at supporting majority black-owned manufacturing companies such as access to finance, access to markets, skills development, standards, quality and productivity improvement.



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OBJECTIVES OF THE BIS

- Accelerate the quantitative & qualitative increase and participation of Black Industrialists in the national economy, selected industrial sectors & value chains.
- Create multiple & diverse pathways and instruments for Black Industrialists to enter strategic & targeted industrial sectors & value chains in the short to medium term.
- Utilise Black Industrialists for economic growth, economic transformation, employment creation and sustainability.



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DEFINITION OF BLACK INDUSTRIALISTS

A Black industrialist is a **juristic person that includes co-operatives, incorporated in terms of the Companies Act 2008 (as amended) owned by Black South Africans as defined by the B-BBEE Act**, who creates and owns value-adding industrial capacity and provides long-term strategic and operational leadership to a business. Characterized by:

- Provision of strategic and operational leadership;
- has a high level of ownership (>50%) and/or exercises control over the business;
- Entrepreneurial driven; takes personal risk in the business;
- does business in the manufacturing sector (IPAP),
- long term commitment to the business and is a medium to long term investor.

While there is a desire to support entities with significant and dominant Black ownership and control, it is accepted that there may be a need to include other shareholders to attract relevant skills, finance and opportunities.



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INTENDED BENEFICIARIES

The BI Policy targets entities that have extensive experience, operations and track record in their respective or envisaged industrial sectors and value chains, that can become real players in domestic and or global markets within 10 years of being in the programme through :

- New operation or business start-up
- Current business expansion
- Acquisition of an existing

Such entities should be operating in the following manufacturing sectors in line with industrialisation path as articulated by IPAP:

TARGETED PRIORITY SECTORS

Generally assembling, fabricating, manufacturing, processing, with respect to key products in the following sectors: Brownfield & Greenfield

Blue/Ocean economy including Ship building	Oil and gas	Information Communication Technologies	Manufacturing related logistics	Designated Sectors for localisation
Clean Technology and Energy	Agro Processing	Clothing Textiles / leather and footwear		
Mineral beneficiation	Aerospace, Rail and Automotive components	Nuclear		
Industrial Infrastructure	Capital equipment	Pulp, paper and Furniture		



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ELIGIBILITY CRITERIA

- Be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended)
- Be a taxpayer in good standing and must, in this regard provide a valid tax clearance certificate at assessment as well as before the grant is disbursed
- Be involved in starting a new operation or in expanding or upgrading an existing operation or the acquisition of an existing business/ operation.
- Be aligned to the productive sectors of the economy within the identified sectors



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ELIGIBILITY CRITERIA

- Have greater than fifty percent (>50%) shareholding and management control.
- Have a valid B-BBEE certificate of compliance.
- Be directly involved in the day-to-day running of the operation and must have requisite expertise in the sector.
- Have a project with a minimum investment of (R30m).
- Undertake a project which should result in securing or increasing direct employment.



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INCENTIVE OFFERINGS

- Cost sharing grant ranging from 30% to 50% to approved entities to a maximum of R50 million.
- Quantum of grant depends on: level of black ownership, management control and the project value.
- The maximum grant of R50 million may be utilised for:
 1. Capital investment costs;
 2. Feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost);
 3. Post-investment support (to the maximum of R500 000); and
 4. Business Development Services (to the maximum of R2 million)



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ECONOMIC BENEFIT CRITERIA

Criteria	Description	Points
A. Employment	Securing/retaining or increasing direct employment	1
B. Market Share	<u>New business/operations</u> : Securing market share for the entity; or	1
	<u>Existing⁽¹⁾ business/operations</u> : Increase market share for the entity	
C. Quality Improvement	Reduction of relative prices and/or increasing the quality of products to consumers	1
D. Green Technology and Resource Efficiency Improvements	Savings or better utilisation of energy or materials and/or cleaner production improvement and/or waste management improvement and/or water usage improvement and/or use of renewable energy	1
E. Localisation	Increasing the localisation of production activities (diversification and exports)	1
F. Regional Spread	Projects should be located in rural areas or areas with unemployment higher than twenty five percent (25%)	1
G. Personal Risk	Demonstrate own financial and/or non-financial contribution to the business	1
H. Empowerment	Achieve at least a level Four (4) B-BBEE contributor status as per revised B-BBEE codes of good practice published in October 2013 (as amended)	1

QUALIFYING COSTS

Capital Investment

- ***Machinery and Equipment*** (owned or capitalised financial lease), tools, jigs and dies and forklifts, at cost and will also include green technology, energy and resource efficiency equipment.
- Owned and leased (capitalised lease) ***factory buildings***, at cost. The investment in qualifying buildings must either constitute newly acquired buildings or the acquisition of an existing building at cost.
- ***Commercial vehicles*** (owned or capitalised financial lease) are only eligible if such vehicles are to be used for commercial purposes linked to the production process. This includes vehicles such as for collection, delivery and distribution of goods.



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QUALIFYING COSTS

Investment Support

- **Feasibility Studies**
- The objective of this component is to offer support for **project feasibility studies** and related assessments that have a positive impact on the developmental aspects including job creation, skills development, as well as black business empowerment.
- The feasibility studies will include licences, quality assurance, conformity assessments and standards.
 - The appointed service provider(s) for the feasibility studies must be sourced from the DFI's list of accredited service providers following due procurement processes and procedures.

Post Investment Support

- Specialised **technical training** will be supported in selected areas identified by the BI with the assistance of the DFI's
- **Mentorship guidance** will include financial management, operations and production planning, human resource development, administration, marketing and business continuity services.



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QUALIFYING COSTS (BDS)

Focus areas	Categories	Consulting fees and expenses
Product Development	Product design	Pattern-making, prototyping, grading, sizing and counter-sampling
	Product development	Introducing product ranges and product adaptations for new markets
	Conformity assessment of products e.g. testing, inspection, certification	Costs for conformity assessment of products
	Consumer acceptability studies	Marketing new products to focus groups before product launch to market
	Packaging design	Consultancy and design costs
Conformity assessment certification	Quality management improvement, Environmental management improvement, process capability improvement and Product quality improvement	- Cost of Installing or improving quality management systems; - Costs for preparations for certification and pre/initial assessment costs
	Accreditation	Costs for preparations for accreditation and pre-/initial assessment
Information technology systems	Acquisition and deployment of systems	Acquisition software for integrated production management information systems
Procurement process improvement	Introducing improved and efficient procurement processes	Cost of introducing new procurement processes
Patents Costs	Registration of Patents	Registration costs



GRANT CALCULATION

Quantum of grant – Depends on level of black ownership and points achieved on the economic benefit criteria

Points on Economic Benefit Criteria	Percentage Black ownership		
	50% to 75%	> 75% to 90%	> 90% to 100%
4 to 6 Points	30%	35%	40%
7 Points	40%	45%	50%



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NON QUALIFYING COSTS

- Assets purchased from a connected party and Business Development Services including Feasibility studies and Post-investment support sourced from a connected party will be excluded from qualifying costs.
- Salaries and Wages
- Passenger Vehicles (non-commercial vehicles) such as sedans, luxury 4 X 4s, SUVs and People Carrier Minibuses
- VAT and finance charges on assets
- Rates and Taxes
- Training that is not related to the manufacturing operations of the entity
- Staff wages & salaries and staff related costs incurred in implementing any of the above projects

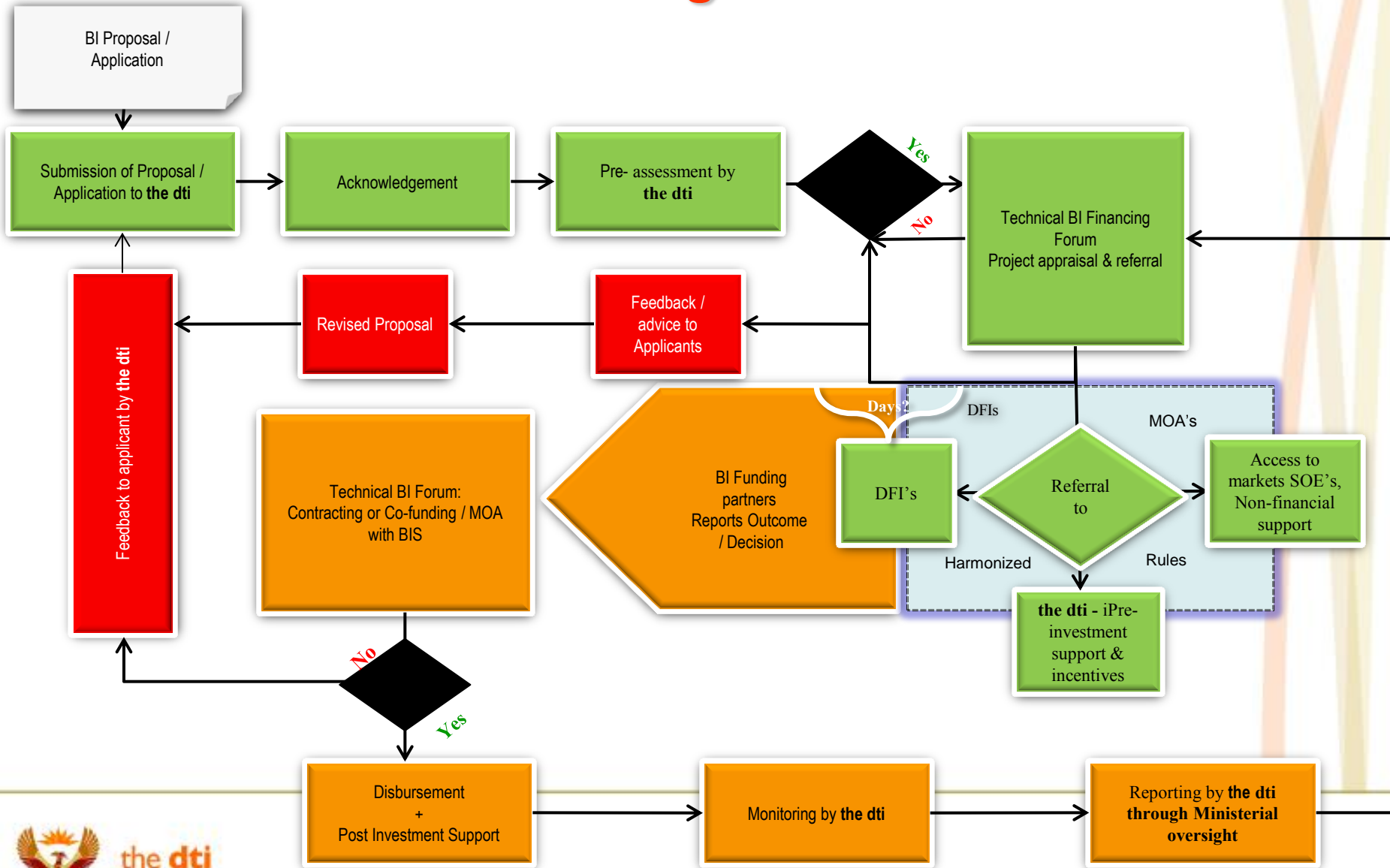


▪ Costs incurred before approval

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Black Industrialist Programme Process Flow



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