



the dti Black Industrialists Scheme (BIS)

An Incentive Scheme of the Black Industrialists Policy - 2015

PROGRAMME GUIDELINES



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1. Preamble

- 1.1 The purpose of this document is to provide guidelines for the Black Industrialists Scheme (BIS), a grant programme of the Black Industrialists Policy that aims to unlock the potential within black industrialists that operate in the South African economy through deliberate, targeted and well-defined financial and non-financial interventions.
- 1.2 The guidelines set out herein are intended to enable black industrialists to present their applications to the Department of Trade and Industry (**the dti**) and provide a framework for the Black Industrialists Financing Forum (BIFF) to evaluate such applications. The granting of the incentive will only be for those projects that meet the strategic objectives of the Black Industrialists Policy, as advanced by these guidelines.
- 1.3 The guidelines for the BIS grant may be amended from time to time, as deemed necessary by **the dti**. These amendments will be published on **the dti** website and be of immediate effect upon publication.
- 1.4 Where the guidelines lend themselves to varying interpretations or do not deal with specific subject matter, the interpretation of **the dti** must be requested and such interpretation will be decisive and final, and a new version/ interpretation note of the guidelines may be published on **the dti** website.
- 1.5 Approval of applications will be subject to the availability of funds and compliance with the relevant provisions of the Public Finance Management Act (PFMA).

2. Services delivered by the dti

- 2.1 No fees or charges are levied by **the dti** for the processing or evaluation of any BIS applications or claims.
- 2.2 Applicants are welcome to contact **the dti** directly for assistance in completing the assessment form.
- 2.3 **the dti** does not make use of any agents or consultants to promote the BIS grant and will not be accountable for any service delivered or failure thereof by any other person or consultant who facilitates the assessment form on behalf of the applicants.

3. Description of the BIS

- 3.1 The objectives of the BIS are to:
 - a. Accelerate the quantitative and qualitative increase and participation of black industrialists in the national economy, selected manufacturing sectors and value chains; as reflected by their contribution to growth, investment, exports and employment; and
 - b. Create multiple and diverse pathways and instruments for black industrialists to enter strategic and targeted manufacturing sectors and value chains.

- 3.2 A black industrialist refers to a juristic person, which includes co-operatives incorporated in terms of the Companies Act, 2008 (as amended) that are owned by black South Africans as defined by the Broad-Based Black Economic Empowerment (B-BBEE) Act, that creates and owns value-adding industrial capacity and provides long-term strategic and operational leadership to a business. A black industrialist can be a natural person.
- 3.2.1 The following are characteristics of a black industrialist:
- a. high levels of ownership (>50%);
 - b. dominant black ownership and management control may be considered for projects that are deemed strategic by **the dti**, but may need to include other shareholders to attract relevant skills, finance and scale-up the investment opportunities;
 - c. exercises control over the business;
 - d. takes personal risk in the business;
 - e. does business in the manufacturing sector with particular reference to IPAP focus areas;
and
 - f. makes a long-term commitment to the business and is a medium- to long-term investor
- 3.3 Black people refer to African, Coloured and Indian persons who are natural persons and:
- a. Are citizens of the Republic of South Africa by birth or descent; or
 - b. Are citizens of the Republic of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or
 - c. Became citizens of the Republic of South Africa after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, had it not been for the Apartheid policy, would have qualified for naturalisation before then.
 - d. The definition of “black people” now includes South African Chinese people as per the Pretoria High Court ruling on 18 June 2008.
- 3.4 The key focus areas of the programme will be on the following productive sectors:
- a. Blue/ocean economy, including vessel building and repair
 - b. Oil and gas
 - c. Clean technology and energy
 - d. Mineral beneficiation
 - e. Aerospace, rail and automotive components
 - f. Industrial Infrastructure
 - g. Information communication technologies
 - h. Agro-processing
 - i. Clothing, textiles/leather and footwear
 - j. Pulp, paper and furniture
 - k. Chemicals, pharmaceuticals and plastics
 - l. Nuclear
 - m. Manufacturing-related logistics
 - n. Designated sectors for localisation

- 3.4.1 These sectors will be reviewed from time to time, in line with government priorities. Interpretation of the support areas within each sector will be at the discretion of **the dti**.
- 3.4.2 Other manufacturing activities may be considered based on economic impact in terms of job creation, geographic spread and strengthening supply chains.

4. Mandatory conditions

4.1 The applicant must:

- 4.1.1 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).
- 4.1.2 Be a taxpayer in good standing and must provide a valid tax clearance certificate at assessment and before the grant is disbursed.
- 4.1.3 Be involved in starting a new operation or in expanding or upgrading an existing operation or the acquisition of an existing business/operation.
- 4.1.4 Be aligned to the productive sectors of the economy within the identified sectors as outlined in section 3.4 above.
- 4.1.5 Have more than 50% shareholding and management control.
- 4.1.6 Have a valid B-BBEE certificate of compliance.
- 4.1.7 Be directly involved in the day-to-day running of the operation and must have requisite expertise in the sector.
- 4.1.8 Have a project with a minimum investment of R30 million.
- 4.1.9 Undertake a project that should result in securing or increasing direct employment.

- 4.2 In addition to the mandatory conditions, the black industrialist will have to achieve at least four of the following criteria to participate in the programme:

TABLE 1: **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 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 use 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 25% ¹	1
G. Personal Risk	Demonstrate own financial and/or non-financial contribution to the business	1
H. Empowerment	Achieve at least a level four B-BBEE contributor status as per revised B-BBEE Codes of Good Practice published in October 2013 (as amended)	1

¹ As per latest National Census figures

5. Grant Offering

- 5.1 The BIS offers a cost-sharing grant ranging from 30% to 50% to approved entities to a maximum of R50 million. The quantum of the grant will depend on the level of black ownership and management control, the economic benefit of the project and the project value.
- 5.2 The BIS offers support on a cost-sharing basis towards:
- capital investment costs;
 - feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost);
 - post-investment support (to the maximum of R500 000); and
 - business development services (to the maximum of R2 million).
- 5.3 The maximum grant of R50 million may be fully utilised on capital investments or can be split between capital investment and other support measures (i.e. investment support, business development services and working capital).
- 5.4 Black industrialist entities wishing to apply for funding should contact **the dti** for guidance on completing the assessment form and supporting documents. Fully completed assessment forms must be submitted to **the dti** for pre-assessment and consideration for approval before commencement of the investment project.
- 5.5 Should there be no financial closure for the black industrialist project within 90 days after grant approval, the grant approval will be cancelled or withdrawn.

6. Non-Eligible Applicants

- 6.1 **An application will not qualify if it is:**
Expected to displace existing jobs within South Africa, for example by way of relocating an existing facility, in full or part, within South Africa.

7. BIS Qualifying Costs

7.1 Capital Investment

- 7.1.1 Machinery and equipment (owned or capitalised financial lease), tools, jigs and dyes and forklifts at cost, including green technology, energy and resource-efficiency equipment.
- 7.1.2 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. Building costs must be directly associated with the purchase or construction of a new production facility for the investment project under consideration, and must be located on land that has been zoned for either industrial, agricultural or commercial activity. Calculation of

the investment grant, with respect to buildings, will be based on the amount of the factory and administrative space utilised.

7.1.3 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.

7.1.3.1 Commercial vehicles must be registered in the name of the approved entity and must be in the asset register for a period of 3 years.

7.1.4 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.

7.2 Investment Support

7.2.1 Feasibility Studies

7.2.1.1 The objective of this component is to offer support for project feasibility studies and related assessments that have a positive impact on developmental aspects, including job creation, skills development and black business empowerment.

7.2.1.2 The feasibility studies will include licences, quality assurance, conformity assessments and standards.

7.2.1.3 The appointed service provider(s) for the feasibility studies must be sourced from the DFIs list of accredited service providers following due procurement processes and procedures.

7.2.2 Post-Investment Support

7.2.2.1 Specialised technical training will be supported in selected areas identified by the BI with the assistance of the DFIs.

7.2.2.2 Mentorship guidance will include financial management, operations and production planning, human resource development, administration, marketing and business continuity services.

7.3 Business Development Services

7.3.1 Qualifying Investment Costs

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 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	<ul style="list-style-type: none"> ▪ 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

7.4 Other Support Measures Offered by the dti

Please refer to **the dti** website for the following financial assistance programmes:

- 7.4.1 Export Marketing and Investment Assistance (EMIA)
- 7.4.2 Critical Infrastructure Programme (CIP)
- 7.4.3 Support Programme for Industrial Innovation (SPII)
- 7.4.4 Technology and Human Resources for Industry Programme (THRIP)

8. Non-Qualifying Costs

8.1 The following is a list of costs that do NOT qualify under this component:

- 8.1.1 Salaries and wages
- 8.1.2 Passenger vehicles (i.e. non-commercial vehicles) such as sedans, luxury 4x4s, SUVs and People Carrier Minibuses, even if registered in the applicant (entity's) name
- 8.1.3 VAT and finance charges on assets
- 8.1.4 Rates and taxes
- 8.1.5 Training that is not related to the manufacturing operations of the entity
- 8.1.6 Staff wages and salaries, and staff-related costs incurred in implementing any of the above projects
- 8.1.7 Costs incurred before approval

9. Grant Calculation

9.1 The quantum of the grant will depend on the level of Black ownership and points achieved on the economic benefit criteria as per the table below:

Table 2: Cost-Sharing Grant Percentage

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

9.2 The maximum grant contribution that **the dti** can make to the entity will be capped at an amount of R50 million and may be revised subject to the success of the programme and availability of funds.

10. Grant Disbursements

- 10.1 Claims for disbursements should be submitted as per the approved milestones and payments will be based on actual costs incurred and performance criteria being met.
- 10.2 The final claim for disbursement should be submitted at the completion of the project as approved by **the dti**. The final disbursement will be made only when the full investment has been brought into commercial production/implementation.
- 10.3 If part of the funding is sourced from the Development Finance Institutions (DFIs), **the dti** may align its disbursement(s) with that of the DFIs.

11. Monitoring and Evaluation

- 11.1 All approved black industrialists will be monitored to assess how the BIS is contributing towards the strategic objectives of the policy and its intended outcomes. Approved applicants will be monitored for at least three years after final disbursement.
- 11.2 **the dti** will conduct site inspections with all the approved applicants at each claim stage before disbursements. A site inspection report will be completed as part of this process.
- 11.3 A factual findings report by an external auditor/accredited person will be conducted by **the dti** as part of the claims process.
- 11.4 **the dti** may conduct monitoring site visits, focus group sessions and rapid appraisals as and when required. Approved applicants are required to participate and a monitoring report will be completed as part of this process.
- 11.5 Where DFIs form part of funders for projects, the main DFI funder must submit bi-annual progress reports to **the dti** on all black industrialist projects funded as part of this scheme for the duration of the scheme.

12. Application Procedure

- 12.1 The following information is required with the assessment form, applicants are requested to contact the dti before completing the assessment form:
- a. a fully completed and signed assessment form
 - b. B-BBEE certificate
 - c. completed business plan
 - d. tax clearance certificate
 - e. incorporation certificate
 - f. latest audited annual financial statements, for existing entities

- g. financial projections for three years

12.2 The following information will be required with the claim form:

- a. latest audited/independently reviewed financial statements for the entity not older than 18 months;
- b. an original valid tax clearance certificate of the entity;
- c. written confirmation of the bank details where payment must be made; and
- d. A certificate of compliance with the Codes of Good Practice for B-BBEE.

12.3 Contact details

Enquiries: bienquiries@thedti.gov.za

13. Legal Conditions

13.1 Any attempt to circumvent or actual circumvention of these guidelines, which, at the sole discretion of **the dti**, may allow an applicant who would otherwise not have qualified to qualify for this incentive will lead to rejection of the assessment form or claim.

13.2 **the dti** may, upon suspicion of any criminal, misleading, dishonest and/or irregular activities, suspend payments that may be due or become due to a claimant. Further, **the dti** shall not be liable for any damages or interest, pending the finalisation of any forensic investigations and any criminal proceedings emanating from such investigations.

13.3 Findings of a forensic investigation indicating any criminal, misleading, dishonest and/or irregular activities will be sufficient to allow **the dti** to cease all payments and reclaim any payments already made, with mora interest.

13.4 **the dti** subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act (PRECCA), No. 12 of 2004. Applicants are requested to contact **the dti** Fraud Hotline on 0800 701 701 should they wish to report any suspicious behaviour.

13.5 The responsibility rests on the applicant and any other person who may benefit from the BIS to disclose everything that may have an influence of the adjudication of the application and/or claim. Failure to do so will lead to the termination or cancellation or suspension of the application/claim.

13.6 **the dti** reserves the right to publish stories of successful candidates. The right to choose a successful candidate for publication will be at the sole discretion of **the dti** and by applying for the BIS, the applicant provides his/her consent to such publication.

13.7 **the dti** reserves the right to obtain independent quotations for any intervention proposed or claimed and to pay the lesser amount of the independent quote or the amount proposed or claimed. In this regard,

the dti may, where a certain type of intervention occurs regularly, set benchmarks or maximum amounts for such interventions, to ensure the fair and equitable treatment of all applicants.

13.8 Any relaxation of minimum requirements, conditions or terms in these guidelines will be based on merit and at the sole discretion of **the dti**. In this regard, the decision of **the dti** will be final.

13.9 Applicants who have benefited from support of other incentives or programmes of **the dti** (e.g. 12I, AIS) will not qualify for BIS support for the same assets and/or activities.

14 Decision Review Process

14.1 Any dispute relating to a decision (including the rejection of an application, cancellation or reduction of a claim) taken by **the dti** is limited to one internal appeal per application lodged. Such an appeal must be submitted within 30 days of the letter of notification.

14.2 No appeals of any decision (application or claim related) will be entertained beyond the 30-day period from the issue date of the communication or letter.



The Department of Trade and Industry

BLACK INDUSTRIALIST SCHEME (BIS)

Application Form

SECTION A	APPLICANT DETAILS
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ENTITY REGISTERED NAME	
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PROJECT NAME (if different from registered name)	
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REGISTRATION NUMBER	
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Company Tax Number:		VAT Number:	
Tax Clearance Certificate:		Tax Clearance End Date (dd-mm-yyyy):	

Contact Person	
Title:	
Name:	

Physical Address:	
Address:	
Suburb:	
Province:	
City/Town:	
Postal Code:	

Postal Address:	
Address:	
Suburb:	
Province:	
City/Town:	
Postal Code:	

Business Contact Details	
Email:	
Fax:	e.g. +(0)12 394 1234
Mobile:	e.g. +(0)12 394 1234
Work:	e.g. +(0)12 394 1234

SECTION B	PROJECT CRITERIA
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MINIMUM CRITERIA	
Is the project/ investment in the identified sectors of the economy (Please select)	
Direct Jobs to be generated (Please select)	
Is the project size equal to at least R30 million? (Yes/No)	

Additional CRITERIA		YES / NO
Will this project results in an increase of market share for the company?		
Will the project result in reducing relative prices and increasing the quality of products to consumers?		
Will the project lead to savings or better utilisation of energy or materials?		
Will the project realise the localisation of production activities (diversification and exports)?		
Will the project increase the localisation of production activities (diversification and exports)?		
Does this project lead to transformation of the sector?		
Will this project be located in underdeveloped or rural areas of South Africa		
Do you have contract (s) in place?		
Do you have orders to supply?		
What's the competitive advantage you have identified for the project?		

	YES / NO	Please specify
Start Up		
Expansion		
Acquisition		

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