BLACK INDUSTRIALISTS

SCHEME

Trade and Industry Department: Republic of South Africa

towards full-scale industrialisation and inclusive growth

the dti
Department: Trade and Industry
REPUBLIC OF SOUTH AFRICA
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 leverage the State’s capacity to unlock the industrial potential that exists 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 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 Black Industrialists Policy, as advanced by these grant 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 will be of immediate effect upon publication thereof.

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, from time-to-time, 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 and the dti officials will assist them to complete the assessment form.

2.3 The dti does not make use of any agents or consultants to promote the BIS grant and the dti 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 BLACK INDUSTRIALS SCHEME (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 that includes co-operatives, incorporated in terms of the Companies Act, 2008 (as amended) that is owned by Black South Africans as defined by the B-BEE Act, who 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 in order 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

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;

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.
5. MANDATORY CONDITIONS

4.1 The applicant must:

4.1.1 Be a registered legal entity in South Africa (as amended) or the Companies Act, 2008 (as amended); the Close Corporations Act, 1964 (as amended) or the Co-operatives Act, 2005 (as amended).

4.1.2 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.

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 greater than fifty percent (≥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 have requisite expertise in the sector.

4.1.8 Have a project with a minimum investment of R30 000 000 (R30m).

4.1.9 Undertake a project which 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 (4) of the following criteria to participate in the programme:

4.2.1 Securing market share for the entity; or

4.2.2 Increase market share for the entity

5. GRANT OFFERING

5.1 The Black Industrialists Scheme 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:

(a) Capital investment costs;

(b) Feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost);

(c) Post-investment support (to the maximum of R500 000); and

(d) Business Development Services (to the maximum of 12 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 Industrialists (BIS) entities willing 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 BIS project within 90 days after grant approval, the BI grant approval will be cancelled/withdrawn.

6. NON-ELIGIBLE APPLICANTS

6.1 An application will not qualify if it is:

6.1.1 Expected to displace existing jobs in 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 and will also include 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.

7.1.4 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 the developmental aspects including job creation, skills development, as well as 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 DFI’s 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 DFI’s.

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

TABLE 1: Economic Benefit Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Description</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Employment</td>
<td>Securing/retaining or increasing direct employment</td>
<td>1</td>
</tr>
<tr>
<td>B. Market Share</td>
<td>New business/operations: Securing market share for the entity; or Existing business/operations: Increase market share for the entity</td>
<td>1</td>
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<tr>
<td>C. Quality Improvement</td>
<td>Reduction of relative prices and/or increasing the quality of products to consumers</td>
<td>1</td>
</tr>
<tr>
<td>D. Green Technology and Resource Efficiency Improvements</td>
<td>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</td>
<td>1</td>
</tr>
<tr>
<td>E. Localisation</td>
<td>Increasing the localisation of production activities (diversification and exports)</td>
<td>1</td>
</tr>
<tr>
<td>F. Regional Spread</td>
<td>Projects should be located in rural areas or areas with unemployment higher than twenty-five percent (25%)</td>
<td>1</td>
</tr>
<tr>
<td>G. Personal Risk</td>
<td>Demonstrate own financial and/or non-financial contribution to the business</td>
<td>1</td>
</tr>
<tr>
<td>H. Empowerment</td>
<td>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)</td>
<td>1</td>
</tr>
</tbody>
</table>

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.
7.3 Business Development Services
7.3.1 Qualifying Investment Costs

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

7.4 Other Support Measures offered by the dti:

Please refer to the dti website for the following financial assistance programmes:
8.1.1 Export Marketing and Investment Assistance (EMIA)
8.1.2 Critical Infrastructure Programme (CIP)
8.1.3 Support Programme for Industrial Innovation (SPI)
8.1.4 Technology and Human Resources for Industry Programme (THIRP)

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 on the next page:
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 program 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 in order 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 (3) 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/accrual 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 in this process 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 BIS 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:
12.2 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
12.3 The following information will be required with the claim form:
12.4 a. Latest Audited/Independently Reviewed financial statements for the entity not older than 18 months
12.5 b. An original valid Tax Clearance Certificate of the entity
12.6 c. Written confirmation of the bank details where payment must be made; and
12.7 d. A certificate of compliance with the Code of Good Practice for B-BBEE

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 (PACCA), 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 success 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 dti incentives or programs (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.

Approved by:

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Dr. Rob Davies, MP
Minister: the dti
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