

# BLACK INDUSTRIALIST INCENTIVE

The DTI held a conference in March 2015 where the President announced that Government was committed to the creation of 100 black industrialists over the next few years. Today, the Department of Trade and Industry (DTI) released the long awaited guidelines for the Black Industrialist (BI) incentive.

The key focus of the incentive will be on the following sectors:

- Blue ocean economy
- Oil and gas
- Clean technology and energy
- Mineral beneficiation
- Aerospace, rail and automotive components
- Industrial infrastructure
- Information Communication Technologies
- Agro-processing
- Clothing, textiles, leather and footwear
- Pulp, paper and furniture
- Chemicals, pharmaceuticals and plastics
- Nuclear
- Manufacturing related logistics
- Designated sectors for localisation including, power pylons, bus bodies, canned vegetables, set-top boxes and furniture products

The guidelines set out how the DTI will go about in selecting qualifying BI's. In essence the incentive will be available to business which fulfil all of the following minimum criteria:

- Majority black owned and managed businesses where the black industrialist has control over the business and has a share of the risk in the business;
- A manufacturing project with an investment value exceeding R30 million.
- Black industrialists which includes Africans, Coloured, Indians and Chinese as defined in the guidelines.
- New and expansion projects which maintain or increase employment.

As part of the mandatory criteria, projects must score 4 points for the following categories:

Criteria	Explanation	Points
Employment	Maintaining or increasing employment	1 point
Market share	Creating new market share or increasing current market share	1 point
Quality improvement	Decreasing of product prices or increasing product quality	1 point
Green technology	Cleaner production and use of renewable energy	1 point
Localisation	Making products which weren't previously made in SA or increasing exports	1 point
Regional spread	Projects located in rural areas or areas with unemployment above 25%	1 point
Personal risk	Financial contribution to the business	1 point
Empowerment	Level 4 B-BBEE and above status	1 point

The grant will be based on the amounts of points scored and will range between 30% and 50% with an upper limit of R50 million.

Points	Percentage black ownership		
	50% - 75%	76% - 90%	91% - 100%
	Grant amount		
Quality improvement	30%	35%	40%
Green technology	40%	45%	50%

The following costs will be eligible for the incentive

Cost	Example	Maximum
Capital	Machinery and equipment Commercial vehicles Owned and leased factories	No maximum – limited by overall grant amount
Feasibility studies	Licences, quality assurance and conformity assessments costs	3% of qualifying project costs
Post-investment support	Financial management, operations and production planning, human resource development, administration and marketing	R500 000
Business development services	Patent costs, product development, conformity assessment certification, IT systems and procurement process improvements	R2 million

## Conclusion

If this incentive is implemented well, it will fill an important financing gap in the market especially for those black entrepreneurs with excellent projects but who have not been able to raise the necessary finance.

2011/145850/07 | P.O. Box 503 | Kyalami Estate | 1684 | +27 11 568 3340

Building 1 | Magwa Crescent West | Maxwell Office Park | Waterfall City | Midrand

info@cova-advisory.co.za | www.cova-advisory.co.za

Directors | Duane Newman | Tumelo Chipfupa