

BLACK INDUSTRIALIST SCHEME ROUNDTABLE SUMMARY

BACKGROUND AND OBJECTIVES

A roundtable engagement was held by the Manufacturing Circle and the Black Business Council on the Black Industrialist Scheme (BIS).

It brought together industry decision makers, existing and aspirant black industrialists as well as large-scale companies exploring empowerment transactions. The objective was to discuss the benefits of the scheme and identify areas for improvement.

PROGRAMME

- Opening:
Mzukisi Qobo, Tutwa Consulting Group.
- Welcome:
Philippa Rodseth, Manufacturing Circle.
- Overview:
Tumelo Chipfupa, Cova-Advisory & Associates.
- Case Studies:
successes and frustrations on transactions.
- Breakaway Groups:
recommendations and next steps.

DISCUSSION POINTS

Workshop attendees acknowledged the strategic role and need for the BIS in transforming the manufacturing sector. The attendees also highlighted a number of impediments hindering the scheme's effectiveness.

- For example, one applicant remarked that the BIS is “not geared towards green field projects”. In this view, the conditions attached to the disbursement of funding are tailored towards projects that intend to expand operations since the dti retains a significant percentage of the grant until project commissioning.
- Funds are disbursed in more than one installment and are not always aligned to project implementation cash flows.
- In addition to the lengthy claims process that requires an audit trail, participants lamented that claims are paid retrospectively.
- Participants suggested that the efficacy of the scheme is also held up by bureaucratic hurdles that increased the transactional costs.
- It was noted that commercial banks do not consider the grant allocated by the dti as equity contribution, with some participants bemoaning the onerous equity requirement that put personal assets at risk.
- Roundtable participants questioned the technical expertise of the reviewers, citing numerous examples of officials lacking the technical knowledge when assessing the applications.
- Overall, the issues raised highlighted the need to encourage greater sensitivity to the demographic of the applicant, one that has low social and material capital and affected by structural inequality in accessing funds.



RECOMMENDATIONS

Following the morning sessions, participants spent time discussing and deliberating recommendations.

What follows is a clear signal of business' intent to improve the outcomes of the BIS.

The key themes that emerged could serve as a guide to the new government as it structures its approach to broad-based economic transformation.

BLACK INDUSTRIALIST SCHEME DESIGN

- The dti to provide feedback and recommendations on how applicant can improve application;
- This will improve two-way communication and stakeholder engagement.
- Need for consistency in projects team working on an application from start to finish.
- The importance of community engagement needs to be understood upfront.
- It would be helpful if the dti or IDC prioritizes this by providing structure and guidelines.

BLACK INDUSTRIALIST SCHEME LEGISLATION, POLICY AND GUIDELINES

- Define financial closure and specify the realistic time for financial closure even though it may not hinder the access of finance from the commercial partners.

IMPLEMENTATION OF BLACK INDUSTRIALIST SCHEME PROJECTS

- The local economic departments within the municipalities should also play a liaison role as they have an important role to play throughout the implementation of a project;
- The private sector needs to be part of the scheme both in the design/review of the scheme and the implementation of the scheme.

ADMINISTRATION OF THE BLACK INDUSTRIALIST SCHEME

- There is need to have closer alignment and streamlined communication between the dti and IDC (and other DFI's) to avoid information asymmetry and to reduce chance of application to be rejected by one government entity and approved by another:
- Although the IDC sits on the funding mechanism of the dti, there needs to be more formal agreement between the two stakeholders highlighting how they collaborate on project funding so that there is alignment in objectives;
- To cover up the gap of expertise within the IDC and dti, it was argued that there needs to be a technical committee to assess applications before these are presented to the IDC and dti so that these have gone through technical assessments;
- One suggestion was to include a project preparation phase before being presented to IDC and dti and mandate the technical committee assessing projects feasibility;
- The IDC is better equipped than the dti to conduct this technical assessment.

NEXT STEPS

- The Participants were encouraged to attend the Manufacturing Indaba's Black Industrialist Scheme Forum on Wednesday 26 June 2019;
- Black Business Council and the Manufacturing Circle to collaborate on supporting aspirant and emerging industrialist with applications.
- Engagement to be facilitated by the BBC and Manufacturing Circle for participants to engage directly with the dti Black Industrialist Scheme Policy Unit to discuss recommendations.