

the dtic Support for Transformation and Black Industrialists

Presentation to Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour.

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the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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Content

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**2. Broad Impact of
Funding and
Transformation Work**

3. Case Studies

**4. Observations and
conclusions**



the dtic and its agencies

- **the dtic and its agencies** have a mandate to support growth, jobs, industrial dynamism and transformation. It uses the tools of industrial development, trade policy, competition measures and broadening levels of empowerment and economic inclusion.
- This presentation addresses one aspect of the wider transformation mandate, and within that it focuses mainly on support for black industrialists. In a few cases of the NEF it also includes projects such as property ventures
- Additional information is being collated on the impact and beneficiaries of wider empowerment programs – this is an interim report to provide information on the assessment work done thus far

Transformation

Economic transformation is wider than B-BBEE policies and embraces a number of elements, including:

- Transforming the structure of the economy to grow faster and more inclusively eg addressing high levels of market concentration (including through competition policies);
- Shifting the dependence on export of raw materials and building a more balanced, dynamic economy (industrial policies);
- Promoting the participation of black South Africans, women and young people in the economy, to broaden the base of entrepreneurship and promote fairness (including B-BBEE policies).

Evolution of implementation of empowerment

Empowerment has evolved into a policy that has multiple objectives within an over-arching policy thrust:

- First, it is about **redress** to deal with the history of exclusion and the legacy it has left;
- Second, it lays the **foundation for deeper growth** through greater economic inclusion that widens the talent pool of enterprise drawn from black South Africans, women and young people;
- Third, it is increasingly about addressing the **high inequalities** in our society, a challenge many more countries now face, associated with globalisation's impact in different parts of the world.

Evolution of empowerment policies

The focus of empowerment has expanded over time:

- First, **individual** share ownership, typically a non-controlling share within an existing business, which helped the process of capital accumulation in the hands of black South Africans;
- Second, **broad-based** empowerment made up of communities, consortia of women or youth and collective investment and empowerment vehicles, with key social programs funded through these (eg community bursary schemes);
- Third, a focus on black **industrialists**, enabling individual black entrepreneurs with a controlling stake in a company, often with executive management involvement and in new firms;
- Fourth, the expansion to ownership by the **employees** of a company; and developing an inclusive South African model, shifting from an adversarial approach on the shop-floor.

Challenges with empowerment policies

While the policy purposes of empowerment are constitutionally sound, there have been a number of challenges in giving effect to policies:

- Fronting practices were used in a number of cases, where companies misrepresented the position of the true shareholders and beneficiaries, to falsely claim that they were black South Africans;
- In some cases, black-owned firms 'lent' their name as the contractor in tender documents, with the work actually done by another company;
- In other cases, individual persons would be put on a shareholder register without their knowledge, which represents outright fraud;
- **the dtic** strengthened the regulations to tighten controls and make fronting a criminal offence;
- The Department and its agencies put in place measures to address fronting. The next slide gives an example of the IDC measures.

Fronting – measures to check the ownership

The IDC has the following measures in place to check claims about ownership in order to address fronting challenges:

- The due-diligence process includes interviews with the entrepreneurs and project promoters;
- The due-diligence consists of an assessment of the management team of the company being funded, a legal review, compliance checks, and a review of shareholders' personal balance sheets;
- Teams investigating transactions are thoroughly informed about fronting and that **the dtic** and its agencies will not tolerate this practice;
- The teams, through the due-diligence process, ensure that transactions do not involve fronting and, where required, provide evidence to the credit approval committee;
- The IDC has established a fraud hotline to report fraud, including fronting.

NOTE: Measures are also in place in NEF and **the dtic** to determine that no fronting takes place.

B-BBEE Commission

A natural or juristic person convicted of fronting practice(s) in terms of the B-BBEE Act may be liable to a fine of up to 10% annual turnover or a maximum prison of ten (10) years. Further, any natural or juristic person convicted of an offence in terms of the B-BBEE Act may not for a period of 10 years from date of conviction, conducting business with any organ of the state or public entity and will be registered in a register of the tender defaulters with the National Treasury.

Nine ways we promote transformation

**Industrial
Funding**

**Competition
Settlements:
BEE, SDFs
and
Localisation**

**Competition
Settlement
Market
Access**

**BEE
Codes
and
Charters**

EEIP

**Master
plans**

**SEZs
Industrial
Parks**

**SMEs and
township &
rural**

**State
Preferential
Procurement**



Focus of Presentation

PRESENTATION NOT COMPREHENSIVE ON EQUITY-PROMOTION

The presentation focused on a sample of firms and entrepreneurs who have partnered with some of **the dtic**-initiated programs. It is not a comprehensive list of public policy measures supporting shareholding expansion. For example, it does not include:

- Firms and industrialists empowered through the Equity Equivalent Investment Program, through which multinational corporations support local entrepreneurs;
- Empowerment commitments obtained as part of Masterplans in sugar, poultry, clothing and autos;
- Spatial initiatives such as SEZ initiatives and industrial parks that provide access to physical infrastructure, and measures to promote township and micro-enterprises;
- Competition market access measures that opens new opportunities;
- IDC support to black shareholders for minority equity arrangements;
- B-BBEE Codes and sector charters involving thousands of other transactions promoting black shareholding or industrialist initiatives.

More work will be done to collate information across additional platforms to provide a fuller picture of the extent of support and the impact on growth and jobs

Other Elements of Transformation

- **BEYOND SHAREHOLDING:** Empowerment policies are not confined to shareholding and ownership. Other key elements include the promotion of local procurement; entry of black South Africans, young people and women in positions of management; and through skills development for blue-collar workers and bursaries for young persons.
- **WOMEN:** South Africa has made strides in bringing greater numbers of women into the formal economy. The proportion of working age women in employment (also known as the employment ratio) climbed from 26% in 1996 to 41% in 2018; while there are now 900 000 women in senior management and professional posts, compared to 465 000 in 2003 – an increase of 93% over the past 15 years.
- **SKILLS DEVELOPMENT:** public policies have promoted investment in skills. Companies are credited on B-BBEE scorecards for investment in skills. Broad-based empowerment vehicles like Kagiso Trust and union/community trusts have provided tens of thousands of bursaries to young persons from townships or rural areas.
- **MANAGEMENT:** B-BBEE policies similarly provide for companies to actively provide opportunities for black South Africans to be represented in management of corporations. About 900 000 additional management and professional positions are now held by black South Africans, compared to 2003.

The Black Industrialist Policy

- Initial transformation policies mainly focused on enabling black South Africans to obtain a **non-controlling** share in **existing** enterprises.
- They did not sufficiently focus on new enterprise development nor to promoting businesses controlled by a wider demographic of South Africans.
- On 2015, Cabinet approved the Black Industrialists Policy which seeks to increase the level of participation of black South Africans in ownership and control of productive enterprises in key sectors and value-chains.
- **the dtic** provides grant funding to applicants, in selected productive sectors
- The IDC and NEF provides loans which needs to be repaid, to address reported challenges with obtaining funding from commercial banks.
- The policy complements other empowerment programs, and do not replace them.

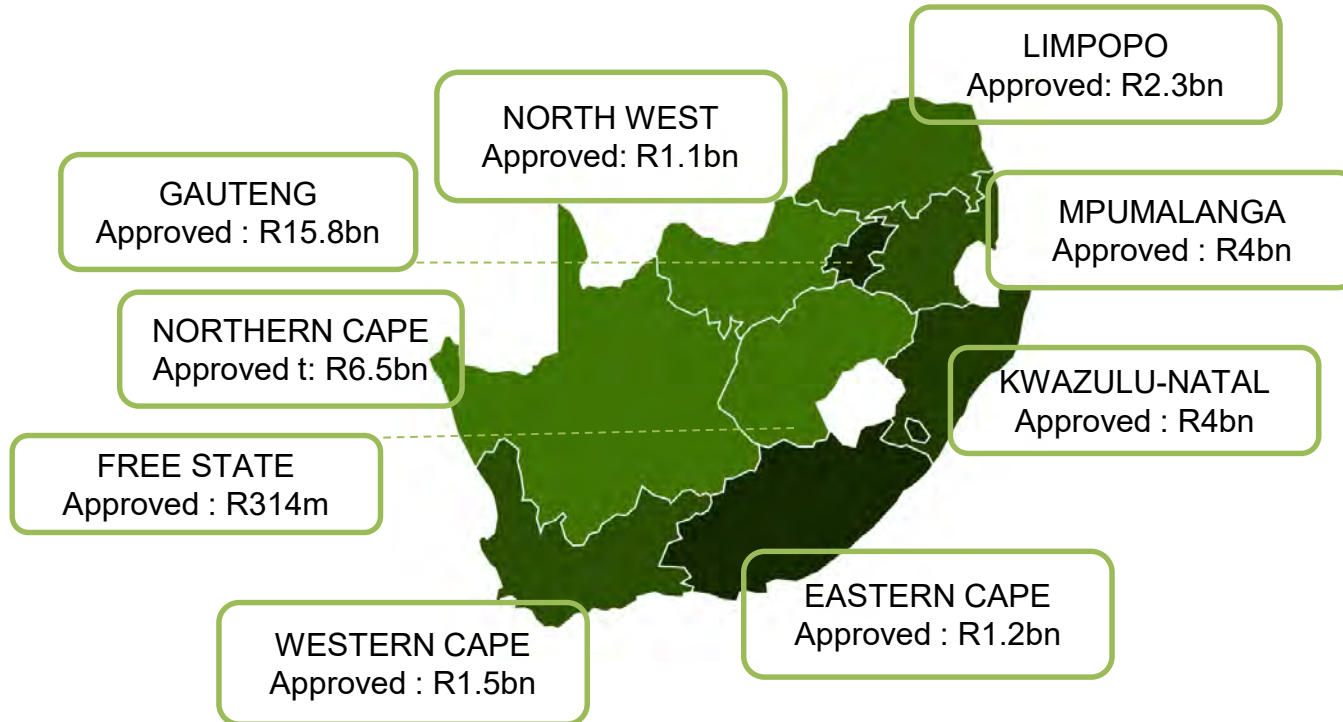
ONE PIPELINE: **R36.7 Billion** in funding approved to more than **1 000** black industrialists and black-owned businesses in the last **seven years**

Across the **dtic**, **IDC** and **NEF**, **R36.7 Billion** in funding has been approved to more than **1 000** black industrialists and black-owned businesses in the last **seven years**, comprising:

- R27.4 billion in loans from the IDC (Black Industrialists)
- R4.2 billion in grants from **the dtic** Black Industrialist Scheme
- R5 billion mainly in loans from the NEF support to black-owned entrepreneurs

2015/16 IDC R2.6 billion in loans	2016/17 the dtic R827 million	2017/18 the dtic R1 billion	2018/19 the dtic R1.1 billion	2019/20 the dtic R531 million	2020/21 the dtic R312 million	7 YRS NEF R5 billion loans
	2016/17 IDC R4.7 billion in loans	2017/18 IDC R6.4 billion in loans	2018/19 IDC R4.4 billion in loans	2019/20 IDC R4 billion in loans	2020/21 IDC R1.1 billion in loans	2021/22 the dtic R360 million
						2021/22 IDC R3.2 billion in loans

the dtic IS CONTRIBUTING TOWARDS SPATIAL SOCIO-ECONOMIC DEVELOPMENT



the dtic IS CONTRIBUTING TOWARDS SPATIAL SOCIO-ECONOMIC DEVELOPMENT

NORTH WEST

Bojanala Platinum District Municipality
Dr Kenneth Kaunda District Municipality

LIMPOPO

Capricorn District Municipality
Mopani District Municipality
Vhembe District Municipality
Waterberg District Municipality
Sekhukhune District Municipality

GAUTENG

City of Ekurhuleni Metropolitan Municipality
City of Johannesburg Metropolitan Municipality
City of Tshwane Metropolitan Municipality
Sedibeng District Municipality
West Rand District Municipality

MPUMALANGA

Ehlanzeni District Municipality
Gert Sibande District Municipality
Nkangala District Municipality

NORTHERN CAPE

Francis Baard District Municipality
John Taolo Gaetsewe District Municipality
Namakwa District Municipality
ZF Mgcawu District Municipality

KWAZULU-NATAL

eThekweni Metropolitan Municipality
King Cetshwayo District Municipality
Amajuba District Municipality
iLembe District Municipality
Ugu District Municipality
uMgungundlovu District Municipality
uMkhanyakude District Municipality
uMzinyathi District Municipality
Zululand District Municipality
Harry Gwala District Municipality

FREE STATE

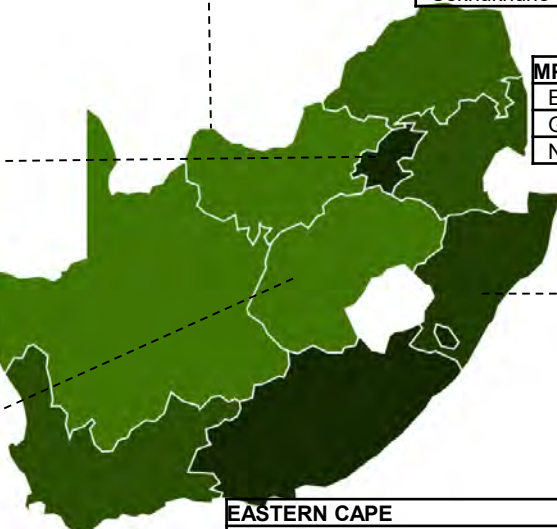
Mangaung Metropolitan Municipality
Thabo Mofutsanyana District Municipality
Fezile Dabi District Municipality

WESTERN CAPE

City of Cape Town Metropolitan Municipality
Overberg District Municipality
West Coast District Municipality

EASTERN CAPE

Buffalo City Metropolitan Municipality
Nelson Mandela Bay Metropolitan Municipality
OR Tambo District Municipality
Amathole District Municipality
Sarah Baartman District Municipality



WITH OTHER PIPELINES OF SUPPORT: **Broad impact of funding and transformation work**

This complements **other** pipelines of empowerment and transformation driven by the **dtic** and its agencies and included below. The reporting below is as at September 2020.

- Competition Supplier Developments Funds commitments of **R4.5 billion** with over **500** black farming businesses supported
- Competition procurement initiatives (e.g. **R850 million** from ±20 black-owned suppliers for Massmart alone)
- Worker empowerment competition agreements covering **25 000** employees with equity value of more than **R7 billion**
- Equity Equivalent Investment Programme commitments of **R4 billion** (ex. Autos)
- Masterplan commitments (eg **R1 billion** for Sugar; **R6 billion** for Autos)
- Normal funding for BEE programs not in the Black Industrialist portfolio

Sectors and products supported

- Sectors supported cover a range of **productive sectors**: food production, clothing and textiles; mining metals machinery & equipment; transport logistics & infrastructure; chemical products and healthcare; plastic products; the green economy; the creative industry; property, construction & building materials; tourism and the fourth industrial revolution.

The range of products are wide and includes the following:

- Food production from dairy, meat processing, poultry, growing fruit and veg, packaging and cold-storage, import and export logistics, making sauces (including largest tomato sauce manufacturer in the country), farming fish and greens, soya crushing, animal feed, abattoir, organic foods, jams, crocodiles and crocodile leather, jams, noodles, pet food.
- Harvesting and selling timber products, wooden poles, printing and packaging including the largest printing and packaging company in South Africa, sacks, pallets tissue paper, tissue products such as toilet paper and serviettes.
- Clothing manufacturing including school uniforms corporate uniforms disposable and reusable surgical masks and gowns fabrics that can be used in textile bags, making textiles with the latest digital Technology, footwear including development of shoes using recycled product making clothing for branded products

NEW SPATIAL INDUSTRIAL DEVELOPMENT APPROACH

The new approach to Spatial Industrial Development

- **the dtic** is reconceptualising its approach to Spatial Industrial Development approach to encapsulate, amongst others, the following
 - ✓ Reforms on the implementation of SEZs and Industrial Parks model to include Township Economy
 - ✓ Identification and support to industrial and economic opportunities in all districts
 - ✓ Strong involvement of **the dtic** in the planning, development and ownership of strategic initiatives
 - ✓ Infusion of District Development Model in all projects
 - ✓ Strong involvement of private sector, including infrastructure development
 - ✓ Mobilising resources from all spheres of government too ensure maximum impact and support

Spatial Development Initiatives

Special Economic Zones ... our current thinking

SEZ level ...

- Develop Industrial Park financing models
- Greening of SEZs (incl. circular economy)
- Digitisation of SEZs and Industrial Parks
- Review of the SEZ Funding Model

Internal SEZ investments ...

- Focus on anchor projects
- SME linkages
- Inclusive models (workers & communities)

Focus areas

- Nkomazi SEZs - Logistic hub (Mozambique) , fresh produce market, Just Transition focus
- MMSEZ – (Zimbabwe) Mineral processing, Agro-processing and Logistics
- New Energy Focussed Vaal SEZ (Sasol Hydrogen & Fuel cells)
- Tshwane Automotive Hub (linkages around Ford plant & rail line to Port of Ngqura)
- Wild Coast -Agro-processing and logistics
- Bonjanala Platinum Valley -PGM beneficiation)
- Namakwa-mineral processing,
- Tubatse -Mining input supply ad PGM beneficiation
- Maluti a Phofung -Agro-processing and logistics



Case studies of support rendered

- The selection of case studies are drawn from 3 different initiatives - **the dtic** Black Industrialist Scheme; IDC Black Industrialists and NEF black-owned companies and highlights some of the sectors supported.
- For some projects IDC, NEF and **the dtic** funding complement each other, bringing an element of **grant** funding with **loan** funding.
- Firms supported through these programs are contributing to South Africa's **GDP growth** and create or sustain large numbers of jobs.
- **Loans** constitute the bulk of support and these have to be repaid.
- In a market-economy, **not every firm will succeed**. Government support seeks to support and encourage a large number of entrepreneurs to enter markets. Those that succeed are able to grow their businesses and in this way expand the economy.
- **Other initiatives** of **the dtic** contribute to the expansion of the number of black industrialists, for example, in a number of competition settlements, merging firms are obliged to set up supplier development funds or commit to local procurement. These efforts have led to a growing number of black South Africans entering supply-chains of large companies.
- B-BBEE Codes and sector charters have also promoted thousands of other transactions involving black shareholding or industrialist initiatives. These are **not** covered in this presentation. Work is being done on the impact of these measures.

Case Studies

VM Automotive



VM Automotive, established in 2012 to manufacture vehicle components, is now one of the largest coil-processing companies in the local motor industry.

It supplies aluminium and steel blanks to BMW X3 and will cater for the new model Mercedes Benz C-Class to be launched on 1 July 2021. In 2018, IDC funding helped the company acquire a blanking facility in Rosslyn. In 2019/20, the IDC provided funded the supply and purchase of new blanking work with other original equipment manufacturers, and the acquisition of a new manufacturing facility in Berlin, East London.

This project is currently underway.

BLACK INDUSTRIALIST	LIZO GIBSON NJENJE
LOCATION	ROSSLYN & EAST LONDON
FUNDING TYPE	IDC LOAN
JOBS CREATED	74
JOBS RETAINED	N/A

PRODUCTS
Automotive components





AFROBOTANICS PTY(LTD)

AfroBotanics (Pty) Ltd is a **100% black woman-owned** and managed business.

The business manufactures and retails natural hair and body care products powered by African botanical ingredients through the formal retail chain sector in South Africa.

AfroBotanics is part of an exciting crop of brands in Africa that are producing quality products and competing with international brands.

The company has three brands currently, all in personal care – AfroBotanics, Girl Boss and Buntu, and currently has 56 SKUs sold through 3 retailers in South African and 8 other African countries across 1000 stores.

BLACK INDUSTRIALIST	NTOMBENHLE KHATHWANE
LOCATION	GAUTENG
FUNDING TYPE	NEF LOAN FUNDING
JOB'S CREATED	14
JOB'S RETAINED	7
	PRODUCTS
	Hair and body products



No. 1 hair (Pty) Ltd



No.1 Hair (Pty) Ltd, a new company located in Harrismith in the Free State, manufactures synthetic hair. **the dtic** support was for machinery and equipment, commercial vehicles and a leased building.

The company started with production in April 2021, creating 58 new jobs. It has prioritised research into solar energy, as electricity poses a threat to production.

BLACK INDUSTRIALIST	MOJELA ANDREW LEBITSA
LOCATION	HARRISMITH, FREE STATE
FUNDING TYPE	the dtic COST-SHARING GRANT
JOB'S CREATED	58
JOB'S RETAINED	58
PRODUCTS	
Synthetic hair	



South Hill

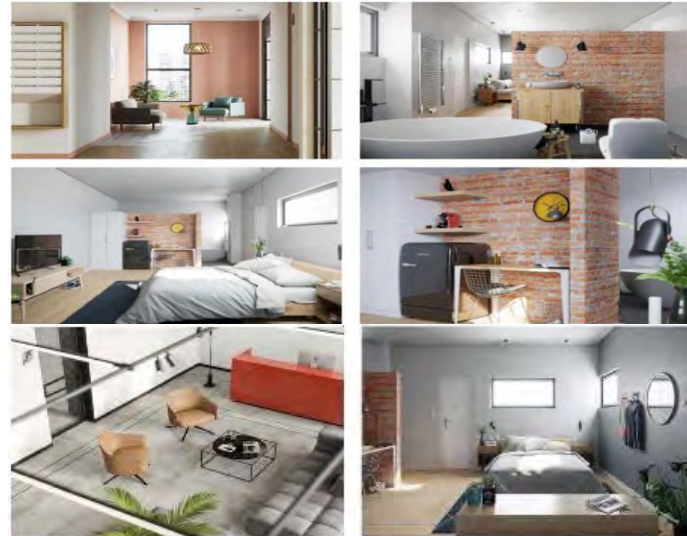


South Hill (Pty) Ltd is a 100% black-owned company that was established with the purpose of acquiring, renovating, and operating a 4-star top-end Boutique Hotel in Upington, Northern Cape.

The acquisition of the property has been effected and the renovations are underway.

The NEF seized the opportunity to support the establishment of a black-owned Boutique Hotel in Upington (Northern Cape), an area that is dominated by white-owned establishments, as well as supporting a women-owned and managed business.

BLACK INDUSTRIALIST	NONTUTHUZELO MOGOJE	
LOCATION	NORTHERN CAPE	
FUNDING TYPE	NEF LOAN FUNDING	
JOBS CREATED	49	PRODUCTS
JOBS RETAINED	N/A	
		Hotel



Ascolon Trading



Ascolon has been an IDC client for more than 13 years, the partnership has allowed the business to grow significantly.

The company has used its IDC funding for equipment and raw materials.

Ascolon's manufacturing capability has improved markedly over the last seven years through **the dtic's** production incentive grant and the IDC clothing, textiles, footwear and leather competitiveness scheme.

BLACK INDUSTRIALIST	ASHRAAF AND IMRAAN BUX
LOCATION	MTWALUME, KWAZULU-NATAL
FUNDING TYPE	IDC LOAN
JOBS CREATED	8
JOBS RETAINED	N/A
PRODUCTS	
Textile manufacturing	



Mmutle Mining Projects



Mmutle Mining Projects is a **100% black-owned and -managed** entity established in 2016 to provide material handling, crushing and screening, mine rehabilitation, drilling and blasting as well as plant hire services.

Before the NEF provided funding, the company had one contract but has since secured another 10, increasing the scope of work and boosting revenue.

The funding has created 133 sustainable jobs and has enabled the opening of a second office in Rustenburg.

BLACK INDUSTRIALIST	JOHN MMUTLE
LOCATION	MIDDLEBERG, MPUMALANGA
FUNDING TYPE	NEF LOAN AND EQUITY FUNDING
JOB'S CREATED	133
JOB'S RETAINED	N/A
PRODUCTS	
Mining services	



Pallet Direct



Pallet Direct is a family-owned business manufacturing high-quality pallets for the food and beverages industry.

The company was established in 2003 by Nayan Padayachee, who currently runs the company with his son, Clint.

The IDC approved funding for plant and equipment and for working capital. This enabled the company to grow its customer base, employ more people and increase profitability.

BLACK INDUSTRIALIST	NAYAN AND CLINT PADAYACHEE
LOCATION	BENONI, GAUTENG
FUNDING TYPE	IDC LOAN
JOBS CREATED	10
JOBS RETAINED	N/A
PRODUCTS	
Hotel	



Unique Engineering



Unique Engineering is a **100% black owned** diversified engineering company that supplies mining and rail companies with electrabrake sheet metal bending equipment, eco-progressive cavity pumps, dewatering pumps, hand pumps for petrol, diesel, edible oils and water, and blast barricades for mining.

In line with its strategic intent to build black engineering businesses in an untransformed industry, the NEF provided acquisition finance, enabling the business to become 100% black owned.

BLACK INDUSTRIALIST	NDABA NTSELE
LOCATION	GAUTENG AND NORTH WEST
FUNDING TYPE	NEF LOAN AND EQUITY FUNDING
JOB'S CREATED	N/A
JOB'S RETAINED	141
PRODUCTS	
Equipment	



Toronto Group (Pty) Ltd



Toronto Group (Pty) Ltd is a charcoal manufacturing company based in Wellington in the Western Cape that will produce charcoal primarily for the export market (Europe and the UK). The company will also be producing activated carbon for farming purposes (primary agriculture and animal feed), water treatment and purification.

In February 2022, the company reported that the project was delayed by complications related to among other things COVID-19 and increased steel prices. It is expected that production will start by the third quarter of 2022 and full capacity will be reached by the second quarter of 2023.

The procurement during construction has been 100% local with 30% from black suppliers and the technology is 100% South African.

BLACK INDUSTRIALIST	PHILLIP MULUNGO
LOCATION	SWARTLAND, WESTERN CAPE
FUNDING TYPE	the dtic COST-SHARING GRANT AND IDC LOAN
JOBS CREATED	N/A
JOBS RETAINED	7

PRODUCTS

Charcoal



Nurscon flexibles (Pty) Ltd

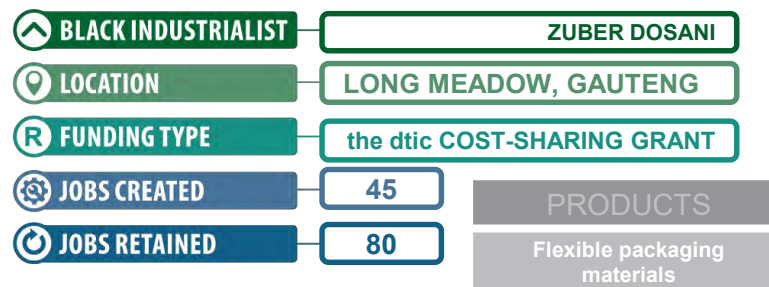


Nurscon Flexibles (Pty) Ltd, was founded in 1991 in Long Meadow, Gauteng and produces flexible packaging materials for food, household and other various industries.

the dtic support was for machinery and equipment to expand existing operations. Although the company is currently experiencing problems sourcing ordered stock of raw materials, it is in operations and reported that the funded assets have resulted in increased production and sales volumes with an improved product quality. The new machineries are also more energy efficient. In addition, the company can now use water-based inks which is more environmentally friendly and also implemented the use of gas energy as an alternate source for heating.

In addition to the company's employees from townships such as Alexandra and Tembisa, Nurscon Flexible also noted that this project resulted in further indirect employment creation by downstream industries.

The company currently exports approximately R64 million worth of goods to eSwathini, Malawi, Mozambique, Zimbabwe, Zambia and the United Kingdom.



Ocean peaks trading (Pty) Ltd



Ocean Peaks is a producer of automotive-care lubricants, cosmetics, aerosols and chemical products. Some of its clients include Magnum Lubricants, Eurotec, Bardahl, Auto Pride and Holts.

BLACK INDUSTRIALIST	YASMIN SABER
LOCATION	BRAKPAN, GAUTENG
FUNDING TYPE	the dtic COST-SHARING GRANT
JOBS CREATED	8
JOBS RETAINED	25
PRODUCTS	
Automotive care lubricants, cosmetics, aerosols	

Before receiving the incentive from **the dtic**, the company operated as a start-up with a team of just four people, manufacturing lubricants on a small scale for local clients. With **the dtic** funding the company was able to buy equipment and build capacity of up to 30 employees .

In February 2022, the company reported producing approximately 200 000 litres of lubricants, and 120 000 units of car care.

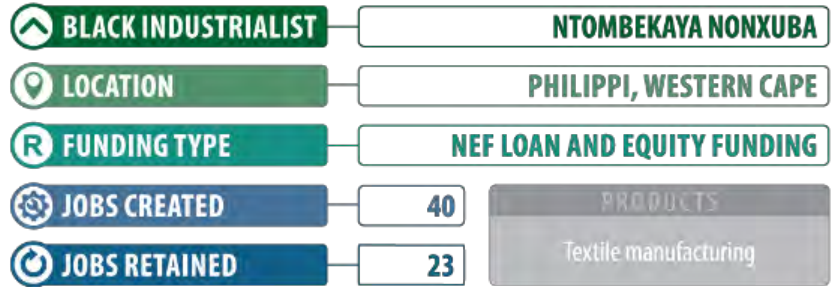




Phakamile Industries t/a Rise Uniforms

Established in 2007, Rise Uniforms is **100% black women-owned and managed** business that specialises in mass production of corporate uniforms and school uniforms as well as disposable and reusable surgical masks and gowns.

The business is based in Teguka Business Park in Philippi, Cape Town, and employs mainly women (mostly single mothers). Rise Uniforms is listed as a national supplier with Pick n Pay and is part of Pick n Pay's Enterprise and Supplier Development Programme. The NEF investment funded machinery, equipment and working capital for the expansion of the business.



Wasaa Gasses



Wasaa Gasses is a 100% woman-owned liquid petroleum gas and petrochemicals distribution company founded in 2008 with NEF assistance. Founding member Nokwanele Qonde has years of experience in the oil, gas and information technology sectors.

In 2016, the company approached the IDC for working capital needed to service contracts to supply gas to new clients.

BLACK INDUSTRIALIST	NOKWANELE QONDE
LOCATION	KYA SAND, GAUTENG
FUNDING TYPE	IDC LOAN
JOBS CREATED	11
JOBS RETAINED	N/A

PRODUCTS

LPG



2Ten Hotel



2Ten Hotel is a four-star, black-owned establishment on the hilltop of Sibasa town, with a scenic view of Thohoyandou.

The IDC provided funding to expand the hotel from 34 to 99 rooms to address the mismatch between the large conferencing facilities and the small number of rooms, which resulted in potential overnight guests being turned away.

The expansion also included a roof-top al fresco restaurant and a gym.

BLACK INDUSTRIALIST	LIVHUWANI AND SHUDUFHADZA MAGWEBENI
LOCATION	SIBASA, LIMPOPO
FUNDING TYPE	IDC LOAN
JOBS CREATED	76
JOBS RETAINED	N/A

PRODUCTS
Hotel and spa

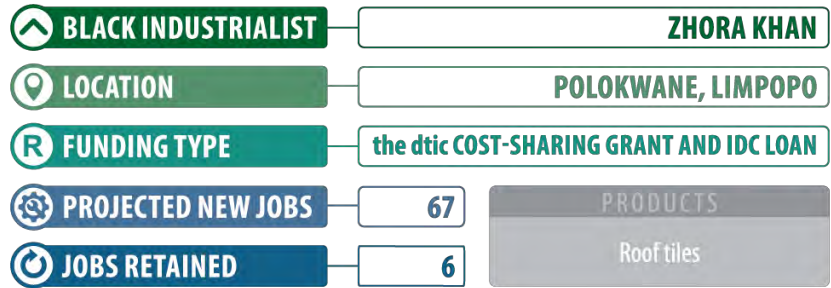


ZK Roof Tile Manufacturers



ZK Roof Tile Manufacturers is a start-up concrete roof tile manufacturer registered in 2017 by Zohra , Faheem, Mubeen and Ahmed Khan, who had identified a market gap for roof tiles and ridges in the Polokwane area.

The IDC provided funding for the company to buy machinery to manufacture the tiles. The project was delayed by the Covid-19 pandemic, but the factory promises to create 67 jobs once operational. As at September 2021, the company was in the process of commissioning and testing the equipment.



Some conclusions and observations

Some conclusions and observations

NOT ALL PLAIN SAILING - CHALLENGES

While there will be many examples of successes, a number of black industrialists continue to face challenges with breaking into markets or managing sustainable enterprises. Some of the difficulties include:

- Limited access to support and facilities from commercial banks, based on lack of business track records or collateral;
- Concentrated markets where incumbents (existing dominant firms) effectively limit entry of new players – for example, exclusivity leases in shopping malls have kept smaller grocery retailers out of major market platforms;
- Limited market experience in some sectors, which result in over-expansion, or limited ability to respond to fast-changing market conditions or reliance on a limited number of large customers;
- Weak governance arrangements in company boards;
- Loss of major customers or contracts or export markets;
- Impact of Covid-19 on businesses and the recent July unrest as well as the April and May Flooding;
- Over reliance on one contract making them unsustainable and uncompetitive in the long term;
- BI organisations often have the inability to retain highly skilled personnel for a long term due to market competitiveness and the constant re-skilling adds pressure to their deliverables;
- When servicing OEMS, BIs often must invest a lot of time, expertise and resources into standardisation and customisation as well as quality assurance (per the OEM's requirements) without any guarantee of continuous business from the OEM. The former requires a strong financial backing as well as strong skill set and high retention within the BI organisation;
- BI also are usually at the mercy of their technical partners who become key in any transactions because the skills are not always kept or developed in-house. Any dispute or changes in technical partners often results in dire situation for the BI organisation.

Some conclusions and observations

NOT ALL PLAIN SAILING – CHALLENGES FOR YOUTH AND FEMALE OWNED BUSINESSES

- **Access to capital (with a poor balance sheet):** Banking models still require significant owners' contribution, tangible collateral and financial history in order to lend, all of which are hurdles for accessing finance.
- **Access to markets & opportunities:** Lack of long-standing relationships, networks, track-record and reputation.
- **Capacity and skills:** High rate of failure for new businesses, often due to lack of management experience & skills.
- **Infrastructure constraints:** ICT can be costly, unreliable electricity supply requiring alternative generation. Data costs are also significant.
- **There is an unconscious bias and risk aversion to Youth and Women particularly new entrants:** “youth and women empowered means unreliable and inexperienced” - At the same time, many entrepreneurs are in business out of necessity and don't necessarily want to be business owners
- **Informal enterprises resisting formalisation :** Trust in the banking system, cost of banking, fear of SARS and onerous CIPC processes contribute to this.
- **Slow GDP Growth rate:** A vibrant SMME sector requires the macro-economy to be growing so that growing market share is split amongst new entrants as opposed to market share merely being cannibalised by the same players.
- **Access to Information:** Limited information on available capital, opportunities and markets for new market entrants.
- **Pre -investment Deal Readiness:** There is a huge gap particularly for new entrants to attain proof of concept and commercialisation funding which is sufficiently patient to support new businesses.

End