2017/2018

Annual Incentive Report

The Incentive Development and Administration Division (IDAD)

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

100 Nelson Mandela Centenary 2018 Be the Legacy

2030 NDP

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Contents

Abbreviations and Icons 2
Forewords 3
Purpose and Objectives 5
Incentive Performance Overview 2017/18 6
Provinces Overview 7
Key Sectors Overview 8
Clusters Overview 9

Broadening Participation Cluster

Black Industrialist Scheme 10
Technology and Human Resource for Industry Programme 16
The Support Programme for Industrial Innovation 20

Manufacturing Investment Cluster

12I Tax Allowance Incentive 24
Automotive Investment Scheme 28
Manufacturing Investment Programme 34
Agro-Processing Support Scheme 36
Aquaculture Development and Enhancement Programme 39
The Incubation Support Programme 43

Services Investment Cluster

Business Process Services Programme 45
Film and Television Production Incentive 49

Competitiveness Investment Cluster

Manufacturing Competitiveness Enhancement Programme 55
Export Marketing and Investment Assistance 58
Sector-Specific Assistance Scheme 63
Capital Projects Feasibility Programme 66

Infrastructure Investment Cluster

Special Economic Zones 67
Critical Infrastructure Programme 69
The Cluster Development Programme 74

List of Beneficiaries 75

Abbreviations and Icons

12I	Tax Allowance Incentive
AIS	Automotive Investment Scheme
ADEP	Aquaculture Development and Enhancement Programme
APSS	Agro-Processing Support Scheme
B-BBEE	Broad-Based Black Economic Empowerment
BIS	Black Industrialist Scheme
BPC	Broadening Participation Cluster
BPS	Business Process Services
CDP	Cluster Development Programme
CIC	Competitiveness Investment Cluster
CIP	Critical Infrastructure Programme
CM	Component Manufacturer
CPFP	Capital Projects Feasibility Programme
EBFM	Emerging Black Filmmakers
EMIA	Export Marketing Investment Assistance
FILM and TV	Film and Television Production and Post-production Incentives
IDAD	Incentive Development and Administration Division
IDC	Industrial Development Corporation
ISP	Incubator Support Programme
MCEP	Manufacturing Competitiveness Enhancement Programme
MIC	Manufacturing Investment Cluster
MIP	Manufacturing Investment Programme
SARS	South African Revenue Services
SEZ	Special Economic Zones
SIC	Services Investment Cluster
SMMEs	Small, Medium and Micro-sized Enterprises
SPII	Support Programme for Industrial Innovation
SPP	Strategic Partnership Programme
SSAS	Sector-Specific Assistance Scheme
the dti	The Department of Trade and Industry
THRIP	Technology and Human Resources for Industry Programme

ICONS

Approvals	**Amount / Grants**	**Baseline jobs retained***	**Projected new jobs**	**Jobs at claim stage**
Projected investment	**Established**	**Ownership**	**Sector**	**Product / Service**
Industrial	**Manufacturing**	**Value**	**SMME**	**Large Enterprise**
Training	**Projected SMME deals**	**Multiplier**	**Projected export revenue**	**Support**
Female	**Male**	**Youth**	**Entities / Cooperatives**	**Completed progress**

* Jobs at the time of company approval for the incentive.

Foreword by the Minister of Trade and Industry

the dti believes that industrialisation remains integral to achieving sustainable economic growth in South Africa and across the region. Through the use of its incentives, it has supported this goal by approving 871 projects during 2017/18 and which are expected to generate R94,1 billion in investments from domestic and foreign entities. Incentive programmes that are anticipated to contribute significantly to investment over the next two to three years include Black Industrialist Scheme (BIS), the Agro-Processing Support Programme (APSS), the Automotive Incentive Scheme (AIS), the 12I Tax Allowance Programme, the Special Economic Zones (SEZ) and the Critical Infrastructure Programme (CIP) which includes the Industrial Parks. The AIS has attracted R8,4 billion from foreign investors, entrenching the South African automotive industry's place as a resilient global competitor, while the 12I has supported investments linked to key sectors in the Industrial Policy Action Plan (IPAP) of **the dti**. More than R60 billion of significant investments are expected from SEZ and CIP approvals and these will ensure that the required infrastructure will be in place to attract more foreign and local investment.

the dti's commitment to promote industrial innovation is made evident through the approval of 62 projects which will receive grant funding from the Support Programme for Industrial Innovation and Technology and Human Resource Investment Programme. Both of these incentives are key instruments to help prepare the country for the fourth industrial revolution. The digital industrial revolution presents enormous potential for industrial development and broader, inclusive, socio-economic growth.

the dti is committed to ensure that its incentives support projects which expedite social and economic transformation such as gender equality, youth employment and inclusive growth.

This report details **the dti's** hard work and commitment to reindustrialisation of the economy. I hope that the report will also inspire your further support for these important initiatives.

DR. ROB DAVIES
Minister
Department of Trade and Industry
Government of the Republic of South Africa

Forewords

Through the administration of incentives, a key instrument of industrial policy, **the dti** aims to promote industrialisation, sustain inclusive economic growth and transform the South African economy for the better. During the 2017/18 financial year, the department was successful in adding R9,7 billion to the local economy.

With 79% of incentive approvals having a B-BBEE level of four and less, the department is steadfast in its commitment and responsibility to eliminating race-based ownership and control of important economic structures.

In particular, through the incentive of the Black Industrialist Scheme (BIS), the department is determined to build a legion of black industrialists which are emerging from the small, medium and micro-enterprise (SMME) sector. A further incentive which promotes inclusive socio-economic growth is the Business Process Services (BPS) incentive which will create 2 145 new jobs of which at least 80% have to be for youth. The Technology and Human Resources for Industry Programme (THRIP) will support 295 students to obtain technical skills and knowledge. The Critical Infrastructure Programme (CIP) supports full-scale industrialisation and inclusive growth through the approval of projects incentivised for R105,6 million to revitalise eleven industrial parks which are located in and around townships and rural communities in South Africa.

Through the goals and actions set in motion by **the dti**, I trust that these incentives will help to change the inherent structure of our economy into one that is sustainable, fair and inclusive.

MR LIONEL OCTOBER
Director-General
Department of Trade and Industry
Government of the Republic of South Africa

The Incentive Development and Administration Division (IDAD) within **the dti** is committed to growing sustainable, competitive enterprises and effective project-based financial support.

One of the highlights of 2017/18 has been the launch of the Agro-Processing Support Scheme (APSS) in May 2017. This incentive is expected to create employment due to the labour-intensive nature of the agro-processing sector, to encourage investment in up and downstream support industries and to enhance transformation. Other incentive accolades include the launching of seven Black Industrialist projects with an estimated investment of R431 million. These comprise of the 50 approvals from the Black Industrialist Scheme (BIS), an incentive which is positively shifting the demographic composition of South Africa's industrial sector.

Over the past financial period IDAD has supported 871 projects with an incentive value of R9,7 million, in the form of grants, loans and tax allowances. Estimates from these approvals indicate an overall investment multiplier of 9,7 and a retention of 36 311 jobs, with the creation of 32 578 new jobs over the next two to three years.

This year's report provides further examples of how our work has translated into positive results in the form of incentive analyses and reports on companies and projects which have benefited from these incentives.

We will continue to evaluate our work in order to constantly learn from what we do and to improve upon our positive impact on business and, ultimately, the South African economy.

MS MALEBO MABITJE-THOMPSON
Deputy Director-General: Incentive Development and Administration Division
Department of Trade and Industry
Government of the Republic of South Africa

Purpose and Objectives

THE PURPOSE
of the incentive Development and Administration Division (IDAD) is to grow sustainable, competitive enterprises through accessible incentive measures that support national priorities

OBJECTIVE 1

To supporrt industrial development that will enhance productivity and bolster competitiveness through designing, administering, monitoring and evaluating the manufacturing incentives programme based on industrial policies and sector strategies developed by providing financial support in labour-intensive sectors on an ongoing basis.

OBJECTIVE 2

To contribute to the accelerated growth of the manufacturing and internationally traded services over the long term through the provision of incentives for industrial infrastructure development.

DIVISIONAL SERVICE CHARTER

INTEGRITY

CARING

TRANSPARENCY

PERFORMANCE EXCELLENCE

We committ to customer centricity by:

- Treating customers trustfully, honestly ethically and professionally
- Caring for our investors, entrepreneurs, customers, communities, nation and environment.
- Being accountable and taking full responsibility for our actions
- Embracing operational excellence

Incentive Performance Overview 2017/18

Types of Support 2017/18

Loans
R343m
(3.5%)

Tax Allowance
R2,4bn
(24.5)

Grants
R6,9bn
(72%)

2017/18 Performance

871
Incentive approvals

Incentive

R9,7bn
Value of approvals

R94bn
Projected investment to be leveraged

R63,9bn
industrial infrastructure investment

R487,5m
innovation / technology development investment

R3bn
Projected revenue

32 578 jobs to be retained
36 311 jobs to be created

R5bn
Disbursed

the dti supports radical economic transformation

50
Black Industrialist supported

R1,4bn
approved

R5,5bn
Investment leveraged

9,74
Investment Multiplier

806
emerging exporters supported of which
401 female-owned

1 193
SMMEs supported

12
emerging Black-aquaculture farmers approved

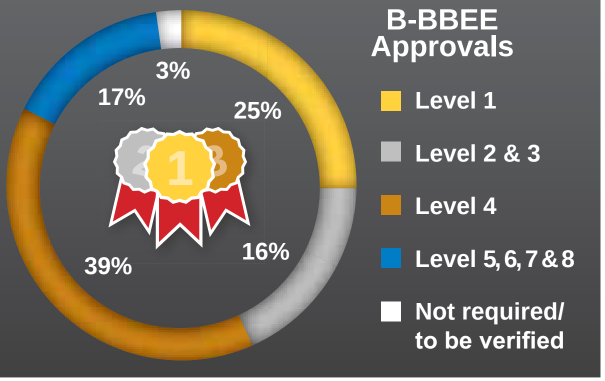
295
students supported for technology development

2 145 job opportunities created by BPS of which 80% are targeted at youth


© the dti PMEU

Over a **R100m** injected into the revitalisation of industrial park in former homelands and townships

B-BBEE Approvals



Provinces Overview

Gauteng

R2,4 billion
Approval Amount

R11 billion
Projected Investment

Projected jobs to be created
13 478

Projected jobs to be retained
12 871

GRAND TOTAL

R9,7 billion
Approval Amount

R94 billion
Projected Investment

Projected jobs to be created
32 578

Projected jobs to be retained
36 311

Limpopo

R42 million
Approval Amount

R53 billion
Projected Investment

Projected jobs to be created
299

Projected jobs to be retained
113

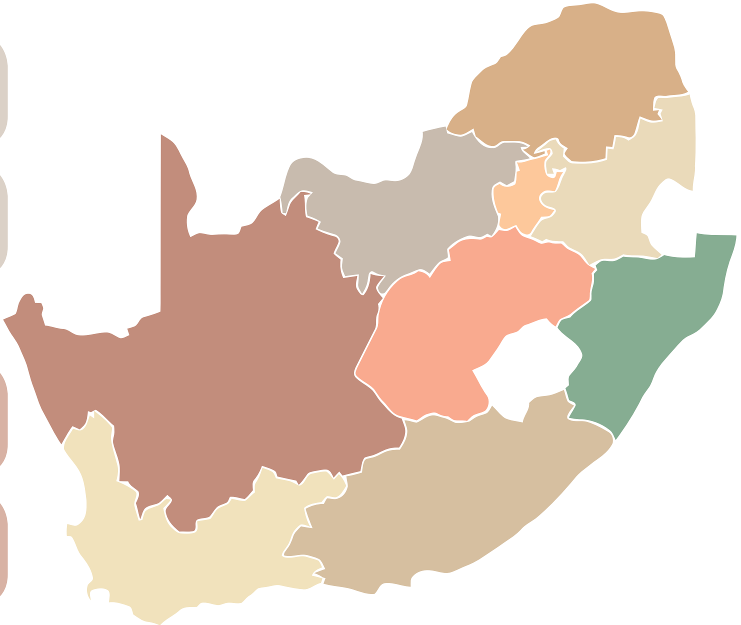
North West

R174 million
Approval Amount

R2,2 billion
Projected Investment

Projected jobs to be created
989

Projected jobs to be retained
582



Mpumalanga

R154 million
Approval Amount

R632 million
Projected Investment

Projected jobs to be created
856

Projected jobs to be retained
722

Northern Cape

R50 million
Approval Amount

R133 million
Projected Investment

Projected jobs to be created
15

Projected jobs to be retained
0

KwaZulu-Natal

R1,5 billion
Approval Amount

R9,9 billion
Projected Investment

Projected jobs to be created
3 417

Projected jobs to be retained
3 753

Western Cape

R1,4 billion
Approval Amount

R4,7 billion
Projected Investment

Projected jobs to be created
6 252

Projected jobs to be retained
3 597

Eastern Cape

R3,6 billion
Approval Amount

R12,2 billion
Projected Investment

Projected jobs to be created
6 583

Projected jobs to be retained
14 597

Free State

R244 million
Approval Amount

R407 million
Projected Investment

Projected jobs to be created
689

Projected jobs to be retained
76

Key Sectors Overview

	Agriculture	Business Process Services	Industrial Infrastructure	Innovation	Manufacturing	Film and TV
	R82,7 million	R33 million	R1,4 billion	R307 million	R7 billion	R724 million
	R215 million	R3 billion (Projected Export Revenue)	R64 billion	R488 million	R26,5 billion	R2,9 billion
	2 298	2 145	6 673	295 students to be supported	12 039	9 423
	634				35 677	

	Agro-Processing	Automotive	Textiles	Wood, Paper and Furniture	Chemical Products, Pharmaceuticals and Plastics	Mining and Mineral Benefication
	177	83	71	7	74	8
	R627 million	R2,7 billion	R144 million	R842 million	R1,5 billion	R166 million
	R1,7 billion	R9,5 billion	R316 million	R4,8 billion	R5,1 billion	R1,7 billion
	1 814	1 736	944	265	1 506	429
	2 968	23 245	1 030	1 414	650	2 537

Clusters Overview

Broadening Participation Cluster

Provides incentive programmes that promote broader participation in the mainstream economy of businesses owned by individuals from historically disadvantaged communities and marginalised regions. The broadening participation cluster comprises of the Black Industrialist Scheme, the Technology and Human Resource for Industry Programme and the Support Programme for Industrial Innovation

Manufacturing Investment Cluster

Provides incentives to promote additional investment in the manufacturing sector. The manufacturing investment cluster comprises the following programmes and schemes: the section 12I Tax Incentive Allowance, the Automotive Investment Scheme, the Manufacturing Investment Programme, the Agro-processing Support Scheme, the Aquaculture Development and Enhancement Programme and the Incubator Support Scheme.

Services Investment Cluster

Provides incentive programmes that promote increased investment and job creation in the services sector. The programmes include the Business Process Services programme, and the Film and Television Production Incentive Support Programme for South African and foreign productions.

Competitiveness Investment Cluster

Provides incentive programmes that promote industrial competitiveness and growth of South African goods and services in the global economy. This cluster consists of the following programmes: the Manufacturing Competitive Enhancement Programme, the Export Marketing and Investment Assistance Scheme, the Sector Specific Assistance Scheme and the Capital Projects Feasibility Programme.

Infrastructure Investment Support Cluster

Provides grants for industrial infrastructure initiatives; the SEZs, Critical Infrastructure Programme, including Industrial Parks, and the Cluster Development Programme, which are aimed at enhancing infrastructure and industrial development, increasing investment and export of value-added commodities.

Highlights

Increase of 40% in approvals from 2016/17 to 2017/18

Broad span of manufacturing sub-sectors approved

Black industrialists are growing in independence and confidence

Positive multiplier effects on investment and on projected jobs in all sub-sectors approved

More potential among black industrialists emerging through the scheme than was previously known

Payments and claims show sound achievements of projected investments and jobs

Black Industrialist Scheme

The Black Industrialist Scheme (BIS) proposes focused efforts **to facilitate the inclusion and participation of black industrialists** as more equal societies grow faster than those that are unequal. The BIS incentive centers on the growth and global competitiveness of black-owned enterprises. The intention is to contribute towards shifting the demographic composition of South Africa's industrial sector and to engage under-utilised sources of jobs, revenue, taxes and innovation through the Black Industrialist Scheme. Despite the short time of implementation, the policy has been showing significant results. However, it is still in an early phase and should be considered to be leaning towards further scale and expansion.

The entry criteria for the BI Scheme are industrially and economically rigorous, including the dominance and participation of black ownership and doing business in a favoured manufacturing sector relative to **the dti's** industrial policy action programme.

Approvals

As the data on the following page reflects, there is considerable potential among black-owned businesses that would not be fully developed in the absence of a policy and incentives such as the BIS. This potential is more evident in the 2017/18 approvals which recorded substantially high projected investment figures and new jobs to be created. There were 69 applications received during 2017/18 for the BIS incentive of which 50 were supported. The rejections were mostly related to lack of viability, questionable involvement of the black partner or the balance sheet showing that the industrialist was able to fund the project. The provincial data is predictable and yet shows some positive changes. As Gauteng is the industrial heartland of the country it is predictable that it would lead, given that agglomeration is a promoter of investment. In the case of KwaZulu-Natal, it is encouraging, as this province also has higher unemployment and poverty levels.

The more promising trend is the approvals in three provinces which have not had any BIS approvals prior to the current reporting year. These are the North West, Mpumalanga and the Northern Cape. The projected levels of jobs in the Eastern Cape, KwaZulu-Natal and Mpumalanga – 1 092, 1 060 and 406 (a total of 2 558) is also a favourable trend for provinces with high unemployment.

2016/17	Aggregate Performance	2017/18
36	Projects approved	50
R1bn	Value of grants	R1,4bn
R3,1bn	Projected investment	R5,5bn
3 979	Projected new jobs	5 159
3 837	Baseline jobs	2 536
R122,5m	Disbursements	R505,1m

BIS Approvals per Province

	Eastern Cape	Free State	Limpopo	KwaZulu-Natal	Gauteng	Western Cape	Mpumalanga	North West	Northern Cape
	2	1	1	11	27	3	3	1	1
	R80,9 million	R31,6 million	R14,2 million	R183,5 million	R719,5 million	R125,2 million	R127,7 million	R50 million	R50 million
[1]	351	0	92	491	1 445	105	52	0	0
	1 092	49	46	1 060	1 561	870	406	60	15
	R572,7 million	R79 million	R36 million	R737,4 million	R3 billion	R344,7 million	R432 million	R208,2 million	R133,1 million

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[1] Free State, North West and Northern Cape are new projects and hence baseline jobs are zero.

Black Industrialist Highlights

Ocean's Peak

Oil and gas expansion project

100%
Indian female

R35,8 million
Grant

R81 million
Projected investment

25
Baseline jobs

50
Projected new jobs

Gauteng

Dalisu Holdings

Chemicals, pharmaceuticals and plastics

Black / White Male
50% co-ownership

R50 million
Grant

R253,9 million
Projected investment

2
Baseline jobs

28
Projected new jobs

Mpumalanga

The BIS approvals of grants to black industrialists show a number of healthy economic shifts:

- The projects that are to be supported span across 11 sectors. This displays significant achievements in relation to strategic sectors as supported by the industrial policy.
- Manufacturing sub-sectors with the highest approvals display movement into non-traditional areas for B-BBEE, that is, Chemicals, Pharmaceuticals and Plastics, followed by Agro-processing, Manufacturing-related Logistics and Mineral Beneficiation.
- All the sectors in which grants were provided showed positive multiplier effects on investment and on jobs projected. The investment multiplier ranges from two to 10,7 with an average of a vigorous four, that is, for every R1 provided as a grant to a black industrialist a concomitant investment of R4 was made in the business. The leaders in the category of jobs multiplier were in Clean Technology and Energy and in Mineral Beneficiation where start-up industrialists are set to create 806 and 335 jobs, respectively. Outside of these exceptions, the jobs multiplier ranged from four to 1,2, with an average multiplier of 2,3.
- The grants and investments in Mineral Beneficiation and Clean Technology and Energy are noteworthy as these are start-ups in desirable sectors under current economic challenges and meet the needs to reduce the carbon footprint.
- The six projects in Pulp, Paper and Furniture and in Clothing, Textile/Leather and Footwear are also worthy to be mentioned as these approvals and investments displays competitive capability in sectors where South Africa has struggled to compete.

BIS Approvals per Sector

				SIM[2]			SJM[3]
Chemicals, Pharmaceuticals and Plastics	11	R289,6m	R950,3m	**3.3**	170	483	**2.8**
Agro-processing	8	R213,6m	R485,6m	**2.3**	325	768	**2.4**
Manufacturing-Related Logistics	6	R162,9m	R873,8m	**5.4**	835	1 361	**1.6**
Mineral Beneficiation	3	R150m	R1,6bn	**10.7**	0	335	**335**
Industrial Infrastructure	5	R141,7m	R360,4m	**2.5**	311	397	**1.3**
Oil and Gas	5	R120,9m	R315,4m	**2.6**	38	151	**4**
Clean Technology and Energy	2	R80,1m	R299,9m	**3.7**	0	806	**806**
Pulp, Paper and Furniture	3	R73,6m	R170,8m	**2.3**	156	181	**1.2**
Clothing, Textile / Leather and Footwear	3	R70,4m	R166,1m	**2.4**	518	614	**1.2**
Aerospace, Rail and Automotive Components	2	R51,3m	R102,9m	**2**	15	28	**1.9**
Designated Sectors for Localisation	2	R28,7m	R202,1m	**7**	168	35	**4.8**

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[2] This column shows a simple multiplier effect on investment (SIM) from the grant approved. It does not take into account any leakages or taxes, hence it is a simple multiplier.

[3] Similarly, the jobs multiplier shows the employment effect resulting from the grant to the business.

Approvals by B-BBEE Level

The data on B-BBEE levels of investors also show heartening data patterns. That approvals, investment and jobs are highest at levels one and two is very positive. The totals at these two levels consists of grants of R1 billion, a projected investment of R4,1 billion and the projected jobs total 3 333. This data shows that **black industrialists, both male and female, are growing in independence and confidence.**

Level 1	Level 2	Level 3	Level 4
5 Approvals	**31** Approvals	**9** Approvals	**5** Approvals
R167,5 million Grant	**R837,9 million** Grant	**R251,2 million** Grant	**R126,1 million** Grant
R1,5 billion Projected Investment	**R2,6 billion** Projected Investment	**R1,1 billion** Projected Investment	**R306.6 million** Projected Investment
82 Baseline jobs	**1 134** Baseline jobs	**910** Baseline jobs	**410** Baseline jobs
565 Projected new jobs	**2 768** Projected new jobs	**1 533** Projected new jobs	**293** Projected new jobs

Disbursements

The BIS incentives are paid over a two-year period. The patterns of claims show that they are about half way through the projected investment and job creation levels. Thus, we could assume that most claims are being made on time and that IDAD and the businesses are meeting both investment and job targets. The highest levels of claims were from Gauteng, KwaZulu-Natal and the Eastern Cape.

Disbursements per Province

	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Western Cape
	4	1	21	9	1	1
	R58,2 million	R4 million	R326 million	R74,7 million	R40,5 million	R1,7 million
	R126,9 million	R10,2 million	R824 million	R361,8 million	R99,6 million	R52,3 million
	0	12	1 339	763	125	11
	72	38	1 726	799	196	37
	72	26	387	36	71	26

March 2016

91% black

Agro-processing

Pet food and treats

R12,5 million

Maneli Pets (Pty) Ltd

Two ideals underpinned the establishment of Maneli Pets: Creating jobs and improving the South African image abroad through quality exports. The company is managed and 65% owned by two young, black South Africans who left high-end jobs in the consulting and finance industries to follow these ideals.

Maneli Pets' treats are naturally lean and free of artificial additives, making full use of nutritious and proudly South African meats like game and ostrich. High-tech production also contributes to a lower allergy risk in their products. So far, palatability scores amongst pets have been phenomenal, resulting in a profitable demand for the product.

The company is part of a USA-based brand, Roam Pets, which provided it with an immediate market for it's products. However, when it became clear that Maneli Pets' production moved at a quicker pace than the Roam Pets brand could support, the executives did not hesitate to find supplemental consumer bases. Subsequently, the company created its own brand and now supplies to the likes of Woolworths and the European Union in addition to the USA.

Adaptability and keen problem-solving skills are what drives it's success as the only large-scale producer and exporter of ostrich and venison pet food and treats. Employing the right people also helps; at Maneli Pets care is taken to identify individuals with a high learning ability, positive attitude and sound work ethic. The interview process takes fairly long and a two-month trial period is utilised.

the dti incentive, in conjunction with financial support from the Industrial Development Corporation (IDC) through debt funding, provided Maneli Pets with the opportunity to purchase 15% to 20% more equipment and subsequently employ more people. It also allowed the company to invest in its own brand sooner than anticipated and create a much-needed buffer for unexpected expenses.

> **"I realised that, as a South African, I had a duty to create jobs in South Africa. I grew up in Soweto and a lot of the people I grew up with are still unemployed, or are in and out of prison, and have never really realised their potential."**
>
> - Mr Nhlanhla Dlamini, founder and COO of Maneli Pets

Kevali Chemicals (Pty) Ltd

On 6 May 2018 the first Kevali Chemicals production plant was launched in Harrismith, Free State, with the support of **the dti** and the Industrial Development Corporation (IDC). The implications of this plant are profound; the Kevali Chemicals brand now has complete control over every aspect of its supply chain, instead of relying heavily on third party suppliers. Production, quality control, research, and more employment opportunities all became possible with this strategic development. Recruitment processes have started and aim to bring some relief to a community stricken by 41,8% unemployment (Census 2011).

Kevali means “supreme knowledge” and embodies the management team’s commitment to using chemistry as a means of bettering the lives of others. Knowledge is one of the company’s biggest assets. The founders, five colleagues and friends, had extensive experience in the chemistry field before teaming up for this venture. Being the very first black-owned company in this sector, they also set out to be role models to black youth who are interested in science and chemistry.

The company exports to twelve African countries and aims to expand its reach. Competing against global companies with bigger brands is no easy feat. Eventually owning its own production plant was part of the expansion plan from the beginning, but with the support provided by **the dti** and the IDC this plan was realised much sooner than anticipated. Additionally, the funds provided Kevali Chemicals with the opportunity to access costly new technologies and make them available to the South African market.

> **“We opted to write our own business plan instead of using a consultant, because when you write your life story you don’t give someone else the pen.”**
>
> - Mr Bongumusa Kunene, CEO of Kevali Chemicals

i t ts

2014

50% black

Manufacturing of chemicals, pharmaceuticals, plastics

Water treatment, industrial hygiene and sanitation chemicals, adhesives for packaging

R8,02 million

Technology and Human Resource for Industry Programme

The Technology and Human Resource for Industry Programme (THRIP) meets one of the essential needs for businesses to remain competitive through product development and enhancement to meet changing preferences in the market. While larger companies and multinational corporations are able to and do allocate extensive resources (e.g. laboratories, scientists, designers and engineers, amongst others) to ensure innovation, this is not always possible for smaller enterprises. The state then needs to step in with support to ensure innovation and consequently growth of small enterprises takes place and to improve competitiveness of the South African industry.

THRIP is aimed at forging collaborative partnerships between government and industry (working with academia) for research and development in science, engineering and technology. This is done on a cost-sharing basis up to R8 million to produce highly-skilled human resources and technology solutions for improved industry competitiveness. THRIP works by increasing the number of people with appropriate skills in the development and management of research-based technology for industry.

The programme aims to build and strengthen relationships across higher education institutions (HEIs), science, technology and engineering institutions (SETIs) and industry in order to promote technological innovation towards alliances and competitiveness. In the process of recruiting students at HEIs, priority and preference is given to projects that support efforts to meet industrial policy goals, overcome gender and race disadvantages and are located in institutions that were in previous homeland and tribal areas.

THRIP is designed to support industrial competitiveness through innovation and development.

Approvals

The value of THRIP support to industry and students is evident from the observed increases over the two-year period. While the value of approvals has improved by nearly 50%, the investment multiplier is at 1,3 and the number of students approved to be involved in the development of innovative technology comprised 295 in 2017/18. The significant leap in THRIP disbursement to R20,1 million is noted.

2016/17	Aggregate Performance	2017/18
23	Projects approved	35
R158,2m	Value of grants	R235,4m
R251m	Projected investment	R346,2m
75	Students to be supported	295
R1,6m	Disbursements	R20,1m

Highlights

Increase in support to science, technology and engineering projects from R158,2 million to R235,4 million

295 students to be supported across 11 institutions; among them are Fort Hare University, University of the Western Cape, University of Venda and Cape Peninsula University of Technology

Promoting technology and development amongst 17 approved SMMEs

Research and development projects located in the Free State, North West and Mpumalanga

Approved projects building competitiveness in key sectors, including agro-processing, chemicals, energy and forestry

The distribution across provinces shows that Gauteng and the Western Cape generated the highest number of projects which is not surprising, given that industry is more developed in these provinces. Yet it is also encouraging that there are projects in five other provinces. That there are seven approvals at B-BBEE level one is very positive, while the rest should be expected at this stage of development in South Africa.

B-BBEE Compliance Level

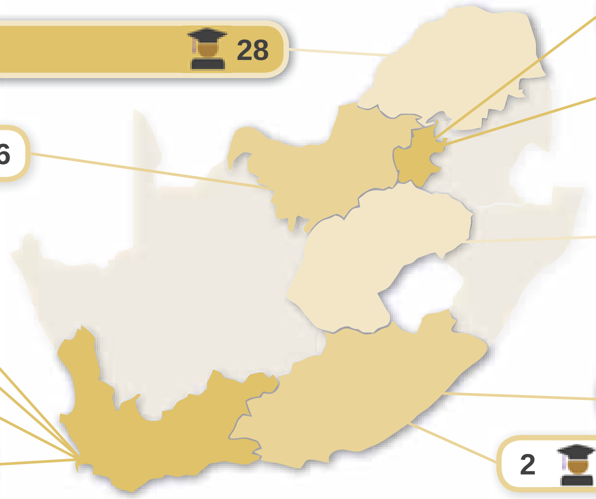
Level 1	7 Approvals
Level 2	2 Approvals
Level 3	1 Approval
Level 4	11 Approvals
Level 5	1 Approval
Level 8	2 Approvals
To be verified[4]	11 Approvals

HEIs in the Western Cape dominate among the HEIs that have recruited and are supporting students in the research process. This is followed by the North West, Gauteng and Limpopo showing some encouraging changes.

Approvals per Province

Eastern Cape	2	R18,1 million	R20,3 million
Free State	1	R2,6 million	R3,6 million
Gauteng	17	R84,3 million	R133,7 million
KwaZulu-Natal	1	R2,2 million	R3,4 million
Mpumalanga	1	R2,7 million	R7,5 million
North West	1	R2,8 million	R4 million
Western Cape	12	R122,6 million	R173,7 million

Universities and Students Supported Through Industry Research



University of Venda	28
University of North West	66
Stellenbosch University	58
University of Cape Town	38
University of Western Cape	23
Cape Peninsula University of Technology	20
University of Pretoria	20
Vaal University of Technology	12
University of Free State	4
University of Fort Hare	24
Rhodes University	2

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[4] Compliance verification to be conducted before any claim disbursement.

Approvals per Sector

Agriculture	1	R2,8 million	R4 million
Agro-processing	10	R42,6 million	R59,6 million
Aviation	2	R6,6 million	R14,7 million
Chemicals (incl. plastics)	6	R52,6 million	R75,8 million
Communication	1	R2,7 million	R3,1 million
Energy	4	R31,1 million	R43,3 million
Engineering	1	R22,9 million	R41,8 million
Forestry (Incl. game ranging)	3	R12 million	R18,7 million
Manufacturing	1	R2,6 million	R3,6 million
Metallurgy	1	R10 million	R21,1 million
Minerals	2	R8,4 million	R12,2 million
Clothing & Textile	1	R17,5 million	R19,4 million
Technology	2	R23,2 million	R28,9 million

Disbursements

The highest disbursement was made to the green energy sector, a very significant investment for the environment and the economy. While Gauteng and the Western Cape dominated the value of disbursements, the remaining 33% of disbursements were paid to other provinces. It is also positive that the disbursements were spread across seven sub-sectors.

Disbursments per Province and Sector

Eastern Cape	R2,2 million
Gauteng	R5,8 million
KwaZulu-Natal	R2,2 million
Mpumalanga	R1,9 million
North West	R339 000
Western Cape	R7,6 million

Agro-processing	R1,6 million
Clothing & Textile	R2,2 million
Energy	R 242 500
Green Energy	R7 million
Manufacturing	R2,9 million
Pharmaceuticals	R3,8 million
Services	R2,4 million

Overall, the approvals and disbursements, the range of participating HEIs and the spread across provinces and sectors strongly suggest that these investments are likely to promote development and growth at a number of levels:

1. **increasing research competence among institutions;**
2. **building skills in marginalised groups; and**
3. **enhancing collaboration across institutions.**

Chumani Farming

Chumani Water Solutions' vision has always been to improve the quality of life in rural communities. For the larger part of a decade this multi-skilled group of innovators focused on water and sanitation services for their surrounding communities, but recently the decision was made to diversify their offering to farming. This mainly entails cattle and livestock production, as well as fodder and crop production where arable land is available. This initiative is called Chumani Farming. After acquiring land from the Agricultural Research Council (ARC) the idea of pursuing beef production and, more importantly, the possibility of exploring more accessible and affordable feed for beef cattle, emerged.

Most cattle feeds are based on maize grains, but the price of maize is volatile and relatively expensive. The ARC had already found, through a scientific study, that maize is nutritionally comparable with sorghum. Sorghum is a robust crop that is more appropriate for South Africa's arid and semi-arid farming conditions. Thus, the pursuit of proving that sorghum forage as a viable alternative feed resource for South African cattle was born.

Chumani teamed up with the ARC and the University of Fort Hare (UFH) to conduct the research. As a result of **the dti's** funding they were able to employ nine extra staff members to supplement their existing staff complement of forty. This includes two university students; in accordance with the stipulations for the THRIP grant. They could also provide more security to their land through fencing, an upgrade necessitated by increased theft and vandalism in the area.

Despite having sufficient land and high production potential, South Africa still imports a sizable amount of beef. Mr Bomela attributes this to outdated production technologies and a lack of feed supplementation programmes to support farmers who do not have the capital to invest in such schemes. Should the hypothesis prove to be scientifically correct, this would be the first sorghum-based feed in the world. The possibilities this presents to the cattle and forage industry in South Africa, as well as globally, are tremendous.

> **As farming becomes more capital-intensive, margins narrow and the adoption of rapidly changing technology and methodologies becomes the norm. Planning techniques used in other lines of business must be applied to farming. Thus, we find that our rare skills (the planning and execution of viable projects) have become a good fit.**
>
> - Mr Xola Bomela, owner and founder of Chumani Farming

i t ts

2011

100% black

Agriculture

East London,
Eastern Cape

R12,5 million

The Support Programme for Industrial Innovation

The Support Programme for Industrial Innovation (SPII) is designed to promote technology development in South African industry through the provision of financial assistance for the development of innovative products and/or processes. It is geared to building economic competitiveness. SPII is focused specifically on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced.

The SPII offers two schemes, namely, the:

- SPII Product Process Development **(PPD)** Scheme; and
- SPII Matching Scheme.

While **both schemes offer** financial assistance in the form of a non-taxable, non-repayable cost-sharing grant, PPD is targeted at small, very small and micro-enterprises and the Matching Scheme has been designed to assist large enterprises. In order to qualify for SPII, the applicant must be a registered South African enterprise engaged in pre-competitive development activity in manufacturing, services or related industrial fields, or software development, which is planned for commercialisation of the product. Furthermore, the major proportion of the development project and subsequent manufacturing of the product must take place in South Africa and the intellectual property rights must reside in a South African company.

Approvals

Approvals for SPII grants have increased substantially over the two-year period with growth exceeding five times the 2016/17 figures recorded for both the approval amount and projected investments. Of the 25 approvals in 2017/18, five were awarded to SMMEs through the PDD scheme. These SMMEs will receive an injection of R5,9 million into their innovative projects that will generate investment of R8,7 million. The remaining 20 approvals were granted R65,9 million through the Matching Scheme and anticipate investments of R137,7 million into the economy as a result of the supported projects.

While the provinces with higher levels of industrialisation still dominate in the provincial distribution of the SPII approvals, there are positive trends in the allocations of grants to provinces such as the Free State, Mpumalanga and North West. This is an improvement from the 2016/17 financial year which had all SPII approvals emanating from the Western Cape. The approval in Mpumalanga is in the mining sector for a wet stone dust application in underground coal mines and has a high investment multiplier of 3,8. Projects from the North West and Free State will leverage investment of 2,5 and 1,8 times, respectively, more than the SPII grant amount.

2016/17	Aggregate Performance	2017/18
6	Projects approved	**25**
R13,4m	Amount approved	**R71,8m**
R27,7m	Projected investment	**R141,4m**
R20,8m	Amount disbursed	**R36,2m**

Highlights

Approvals and projected investments have grown more than five times

Positive growth in approvals is a good sign for the economy as innovation is a key factor in competitiveness and growth

SMMEs will receive an injection of R5,9 million into their innovative projects

Innovative projects in provinces such as Mpumalanga, Free State and North West promotes economic growth across less developed provinces

Approvals per Province

Free State	1	R1,5 million	R2,2 million
Gauteng	13	R42,9 million	R76.4 million
KwaZulu-Natal	1	R5 million	R16,5 million
Mpumalanga	1	R1,4 million	R5,3 million
North West	2	R7,3 million	R18 million
Western Cape	7	R13,6 million	R22,7 million

The distribution of innovation grants across 13 sectors is impressive and it is very encouraging that there are more grants for innovation in the manufacturing, information and communication technology (ICTs) and software development and technology sectors. These are sound attributes for increasing the industrial competitive edge. A further positive trend is that half of the grants are level one and two B-BBEE compliant.

B-BBEE Compliance Level

Level 1
8
Approvals

Level 2
5
Approvals

Level 3
1
Approval

Level 4
8
Approvals

Level 7
1
Approval

To be verified
2
Approvals

Approvals per Sector

Aerospace	1	R5 million	R7,7 million
Agriculture	1	R1,5 million	R2,2 million
Agro-processing	1	R5 million	R16,7 million
Construction	1	R2,3 million	R4,4 million
Information and communication technology	5	R12,2 million	R18 million
Manufacturing	5	R12,6 million	R28,1 million
Mining	2	R3 million	R7,2 million
Energy	2	R9,5 million	R15,9 million
Software development and technology	4	R10,3 million	R15, 4 million
Pharmaceuticals	1	R5 million	R16,4 million
Plastics	1	R5 million	R8,4 million
Food and beverages	1	R345 569	R776 666
TOTAL	**25**	**R71,8 million**	**R141,4 million**

Approvals Supporting the Fourth Industrial Revolution

The “Smart STS” innovation project aims to develop software that will replace conventional electricity meters with “smart-meters”. Smart-meters will allow both the customer and the electricity provider to have constant online bi-directional communication with respect to electricity usage. The software provides for continuous monitoring and customer billing accordingly; as it is aimed at improving non-technical losses of electric energy lost due to tampering with meters and erroneous meter reading and/or billing. A need for a technician to be in the field in order to get the readings would be eliminated, because smart STS meters comprise of an optical interface with many registers which provide instant current credit balances, token statuses and total consumption.

Automated reading systems

Applicant: **Kani Smart Works** (Pty) Ltd

Project: **Smart STS**

Grant: **R1,3 million**

Industry contribution: **R1,2 million**

4

Western Cape

The “spider jet” project is working towards an improved effective and efficient way of cleaning storage silos within the mining and agriculture sectors. The spider jet machine invention is meant to clean the silos quicker and at a lower cost while protecting human life, as this task is currently done physically, exposing cleaners to hazardous environments when silos collapse during the cleaning process. The spider jet is usable on a range of surfaces and on underground orphasses through remote control, while using high-pressured water for mining silos and high-pressured air for grain silos.

Industrial scanning

Applicant: **Lylascan** (Pty) Ltd

Project: **The Spider Jet**

Grant: **R2,3 million**

Industry contribution: **R2,1 million**

4

North West

Disbursements

The highest disbursement was paid to innovations in the energy sector at R7 million, followed by agro-processing at R5,9 million and manufacturing at R5 million.

Disbursements per Province and Sector

North West	R2,8 million	**Construction** R828 529 **Manufacturing** R2 million
Free State	R902 738	**Agriculture** R902 738
KwaZulu-Natal	R5 million	**Agro-processing** R5 million
Mpumalanga	R955 436	**Mining** R955 436
Western Cape	R4,7 million	**Electronics** R714 026 **Food & bev** R93 802 **ICT** R1,9 million **Manufacturing** R676 347 **Software development** R1,4 million
Gauteng	R21,1 million	**Aerospace** R3 million **Communication** R459 054 **Construction** R1,2 million **Energy** R7 million **ICT** R215 050 **Manufacturing** R2,3 million **Mining** R217 345 **Plastics** R3,3 million **Pharmaceuticals** R1,7 million

Senso Solutions

The failing of his grandmother's hearing was the inspiration behind Mr Zuko Mandlakazi's establishment of Senso Solutions. After finding that the products able to assist her are either too invasive or too expensive, or both, his pursuit to find alternatives began. During the early stages of research and development it was found that roughly four million South Africans are either deaf or hard of hearing. Globally, this number stretches to 356 million. The World Health Organisation estimates that current assistive hearing products meet less than 10% of the global need. This was all the confirmation Mr Mandlakazi needed; the product Senso had in mind could make a valuable contribution to the global community.

Funding and mentoring was secured not only from **the dti**, but also from The Innovation Hub, Multichoice, the South African Breweries Foundation, and RedBull's Amaphiko Academy. Finally, the Senso wrist wearable was born and aptly named Senso.

When the device detects a sound that's significant to the wearer, a vibration, coupled with a specific LED will alert them to the sound. When the wearer first uses their Senso they will be prompted to programme the device by linking specific sounds to specific LED colours available for display. For example, a deaf mother will be able to programme the sound of her crying child to her Senso and link it to the colour blue. When her device vibrates she will be able to tell from the colour that her child is crying. Similarly, the sound of a barking dog or breaking glass can be programmed for the safety of the wearer.

Market research revealed that an extremely large portion of Senso's target market is unemployed. For this reason they've partnered with NGOs in the sector and adjusted their pricing model to include the poorest of the poor. They've already filed patents in 64 countries and are currently in the product-tooling process. Next, they will be conducting third party laboratory tests for the Independent Communications Authority of South Africa (ICASA) and CE accreditation and certification.

> **"We haven't launched our product yet, but the dti's SPII team have started preparing us through inter-governmental support. We're making sure that our foundation for corporate governance is established and credible."**
>
> \- Mr. Zuko Mandlakazi, CEO of Senso Solutions and main inventor

i t ts

February 2014

100% black

ICT

Wrist wearable that senses sound

Pretoria, Gauteng

R1,162 million

12I Tax Allowance Incentive

The 12I Tax Incentive is designed to promote manufacturing in the country through investment in manufacturing assets and training of personnel to improve labour productivity and the skills profile of the labour force. The incentive encourages greenfield investments, as well as brownfield investments. The incentive offers support relative to capital investment and staff training. The minimum investment in qualifying assets required is R50 million for a greenfield project and an investment of R30 million for a brownfield project.

Approvals

Procurement from SMMEs more than doubled over the two-year period from R486,1 million to R1,2 billion. There was a marginal increase in projected new jobs, however, it is likely that the level of SMME procurement created an off-set in this area.

While the 12I tax act does not require companies to comply with B-BBEE, the majority of approvals across both years complied at least with level four.

Provincial investments of the 12I show that projects were approved from four provinces. The Western Cape leads with six approvals, followed by five from Gauteng and four from KwaZulu-Natal, which yields the highest projected investment of R5,2 billion. The approvals in KwaZulu-Natal includes a foreign project which will generate R207,2 million in investment.

2016/17	Aggregate Performance	2017/18
25	Projects approved	16
R14,3bn	Projected investments	R9,6bn
R1,2bn	Projected foreign investment	R207,2m
R486,1m	Projected procurement from SMMES	R1,2bn
1 148	Projected new jobs	1 234
R3,9bn	Investment allowance approved	R2,3bn
R83,4m	Training allowance approved	R70,4m

Approvals by B-BBEE Level

Level	2016/17	2017/18
3	7	3
4	6	6
5	1	1
6	0	1
7	1	0
8	2	1
Didn’t report as not required	8	4

Highlights

The KwaZulu-Natal approvals yield the highest projected investment of R5.2 billion

Projected procurement from SMMEs more than doubled over the two-year period from R486,1 million to R1,2 billion.

Amongst the companies that have started reporting, the level of purchases from SMMEs is close to 20% and the spending on training is over 10% of the wage bill

R9,5 billion
Actual investment generated by 12I projects

Provincial Investments

		allowance	allowance			
Eastern Cape	1	R427,5 million	R10,5 million	R2,3 billion	0	517
Gauteng	5	R454,1 million	R5,8 million	R987,6 million	R18 million	105
KwaZulu-Natal	4	R966 million	R40,5 million	R5,2 billion	R765,2 million	111
Western Cape	6	R481,4 million	R13,6 million	R1,1 billion	R422,2 million	501
TOTAL	**16**	**R2,3 billion**	**R70,4 million**	**R9,6 billion**	**R1,2 billion**	**1 234**

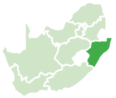
While the types of investments under 12I generally require highly skilled labour, the latter has a positive effect on creating jobs for semi-skilled and less skilled labour. A generic example is when more designers of finished wood products are trained, the demand for skilled workers manufacturing those wood products is likely to increase and that in turn increases the demand for foresters, millers and others. This in turn increases demand for workers in both upstream and downstream processes related to the industry.

The scale of investment from the dti and magnitude of returns to the investment is well illustrated by the two 12I companies approved during 2017/18.

SAPPI Southern Africa - Brownfield project

Wood and Paper Produces dissolved wood pulp

3



KwaZulu-Natal

R550 million
Investment allowance approved

R30 million
Training allowance approved

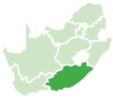
R4 billion
Total projected investment

7
Projected multiplier

Pharmacare Ltd - Greenfield project

Produces small volume parenteral products - Pharmaceuticals

4



Eastern Cape

R427 million
Investment allowance approved

R10,5 million
Training allowance approved

R2,3 billion
Total projected investment

5,4
Projected multiplier

Actual Performance

On approval, projects get points for innovation, improved energy efficiency, business linkages, SMME procurement, skills development and whether they are located in an SEZ. These points, in turn, determine the approval amount of the tax allowance. Projects are then required to provide audited progress reports on an annual basis to ensure that they comply with the points scored when starting with the project. It is also important to note that these progress reports are linked to the projects' financial years and not to **the dti's** financial year, and hence reporting could have up to a year-long lag in project performance.

The performance of the beneficiaries of this incentive appear to be exemplary in some aspects. That the SMME spend is approaching 20% is a positive sign as more jobs are likely to be created in those local small enterprises. This is also significant, because it shows that SMMEs are being integrated into the mainstream of the economy. The level of expenditure on training has exceeded 10% of the wage bill and is likely to ensure mobility and increase the probability of higher income for workers. The actual spend on training is substantial and it means that income is also increasing amongst trainers. In addition, the full value of this training will probably be realised over the four years that is allocated under the terms of this incentive, as it takes a bit of time for trainees to implement their new learning.

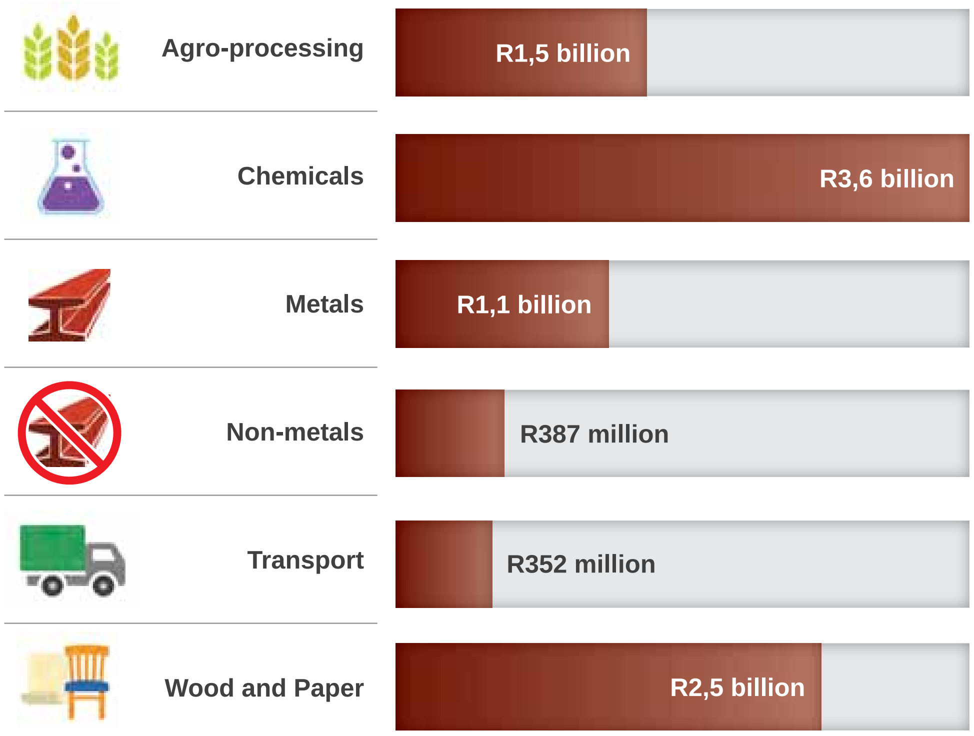
Actual Performance Reported from Progress Reports

Number of progress reports received	34
Average spent on SMME procurement	17,58%
Average percentage of wage bill spent on training	11,96%
Total actual investment	R9,5 billion
Total value of SMME spend	R284 million
Total value of training	R 13,7 million
Energy savings	Ranges from 22% to 75% from the baseline year

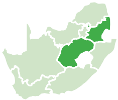
The sectors with the highest investment levels demonstrate further layers of economic advantages. The wood and paper products from Mpumalanga are bringing in foreign revenue from India, China and Indonesia. The level of purchases from SMME at nearly 19% is likely to engender sound downstream effects, that is, not only increased revenue for the SMMEs, but also for the companies with which they do business. The improved technology producing higher volumes and the energy savings are also very important effects to achieve.

The leading sector is chemicals, followed by wood and paper. The wood and paper investments include Brownfield projects in Mpumalanga, Gauteng and the Western Cape. It is also encouraging that the agro-processing and metals sectors are above a billion in investments as these indicate value addition in sectors where South Africa generates raw materials (that is agricultural produce and minerals and metals).

Actual Investment per Sub-sector



Sub-sectors Supported in Provinces with Top Actual Investment

	**Free State**	**Mpumalanga**
Sub-sector	Chemicals	Wood and Paper
Actual investment	R2,6 billion	R2,5 billion
Products produced	• nitric acid, ammonium nitrate solution, porous granulated ammonium nitrate; • hard wax, paraffin and waksol.	• Chemical cellulose
Brownfield / Greenfield	Brownfield	Brownfield
Innovation	• New plant is more than 98% efficient; production time and quality improved and cost reduced; • 58% increase in kg/day hard wax of hydrocarbons per kNm3/h syngas production.	• Produces 29 000 tonnes more over the same period; plant is expected to have useful life of 30 years.
Actual exports	17% exported	100% exports to India, Indonesia and China
Value of training	R974 763	R2 890 209

Automotive Investment Scheme

Highlights

69 (R2,6 billion)
Projects approved

R9,4 billion
Projected investment

23 230
Baseline jobs

1 708
Projected new jobs

More support to component manufacturers:
R918,7m (2016/17)
to R964,5m (2017/18)

Large black component of AIS beneficiary employees:
- ▷ 9 977 black males
- ▷ 3 756 coloured males
- ▷ 3 970 black females

The average investment multiplier for the 2017/18 financial year was 3,6.

The Automotive Production and Development Programme (APDP) was launched in 2013, with a focus on local production incentives, rather than export incentives. The APDP will run until 2020 and supports component manufacturers to enable the production of cost-competitive components to the Original Equipment Manufacturers (OEMs) and to international markets via exports. Under the APDP, is the Automotive Investment Scheme (AIS). This incentive is designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

Over the last seven years AIS approvals amounted to R11,8 billion with an estimated leveraged investment of R37,7 billion and the sustaining of 121 919 jobs.

Approvals

As mentioned above the focus is designed to increase component manufacturing and the data below demonstrates the effects of shifting from OEM support to promotion of component manufacturers as evident in the value of approvals from 2016/17[5] to 2017/18.

Component manufacturers (CMs)

2016/17	Aggregate Performance	2017/18
79	Projects approved	65
R918,7m	Value of grants	R964,5m
R3,3bn	Projected investment	R3,8bn
20 029	Baseline jobs	15 209
1 412	Projected new jobs	1 581
R584m	Disbursements	R542,5m

Original equipment manufacturers (OEMs)

2016/17	Aggregate Performance	2017/18
6	Projects approved	4
R2,5bn	Value of grants	R1,6bn
R8,4bn	Projected investment	R5,6bn
13 412	Baseline jobs	8 021
611	Projected new jobs	127
R1,3bn	Disbursements	R1bn

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[5] Other support categories available through AIS include the People Carrier-Automotive Incentive Scheme (P-AIS), Medium and Heavy Component Manufacturers (MHCM), Medium and Heavy Commercial Vehicles (MHCV) and People Carrier Component Manufacturers (PCM). While there are no approvals for these categories in 2017/18, there were 3 approvals in 2016/17 for the MHCV category amounting to R202,4 million. These approvals reported 1 347 baseline jobs, 347 projected new jobs and projected investment of R674 million.

While the shift towards increased component manufacturing bodes well for the South Africa economy and the sector, there are other aspects in which the AIS supports economic progress. As the OEMs have established themselves in the country, they have spread across five provinces, namely the Eastern Cape, KwaZulu-Natal, Gauteng, Western Cape and North West. With the distribution of OEMs, component manufacturers are likely to follow the distribution, thereby growing diversification and further investment and employment in the sector. As the tables below demonstrate, both the approvals and employment are highest in the Eastern Cape, a province that needs skills, jobs and further investment.

The highest baseline jobs are in the Eastern Cape at 14 071, followed by Gauteng at 6 423 jobs and KwaZulu-Natal with 1 375. The pattern of investments is considerably higher with 37 approvals totalling R2,2 billion and a healthy projected investment of R7,7 billion in the Eastern Cape. In Gauteng there were 18 approvals totalling R349,4 million with projected investment of R1,4 billion, another vigorous return. The investment multipliers across the provinces are consistent and can be considered strong as they are between 3,4 and 4.

The majority of approvals were at B-BBEE levels six to eight. This is expected as most projects supported through AIS are foreign-owned and have attracted an estimated R8,4 billion in foreign investment into the country. The investment multipliers are consistently above 3,5 and can be considered a sound return on the department's investment though grants.

Provincial Investments

				Simple		
Eastern Cape	37	R2,2 billion	R7,7 billion	3,5	14 071	1 099
Gauteng	18	R349,4 million	R1,4 billion	4	6 423	412
Western Cape	6	R39,4 million	R134,2 million	3,4	783	89
North West	2	R20,7 million	R82,9 million	4	578	96
KwaZulu-Natal	6	R13 million	R52 million	4	1 375	12

Approvals by B-BBEE Level

Level 2	4	R20,5 million	R59,4 million	262	38
Level 3	2	R826 939	R3,3 million	23	0
Level 4	3	R37,7 million	R133,7 million	510	120
Level 5	7	R61 million	R221 million	4 846	388
Level 6	5	R74,6 million	R298,4 million	691	296
Level 7	3	R6,1 million	R24,3 million	785	16
Level 8	45	R2,4 billion	R8,6 billion	16 113	850

Ownership Structure

				simple		
Foreign	42	R2,4 billion	R8,5 billion	3,5	18 626	1 324
South African entity	17	R198,8 million	R760,4 million	3,8	3 567	304
Majority white male-owned	9	R35 million	R136,9 million	3,9	526	80
Majority black male-owned	1	R1,8 million	R7,3 million	4	511	0

The total baseline employment figure of 23 230 jobs reflects the extent of employment opportunities in the automotive sector. As the table shows, the highest employment levels are among black males at 9 977 jobs, followed by black females at 3 970 jobs. While B-BBEE levels in ownership are still lagging, employment levels by race are showing healthier trends. Through further skilling and programme support such as the Black Industrialist Scheme, the B-BBEE levels in ownership are expected to improve over the next few years.

Baseline Jobs Disaggregated by Race and Gender Across Provinces

	Eastern Cape	Gauteng	KwaZulu-Natal	North West	Western Cape	TOTAL
White male	1 908	550	97	50	52	**2 657**
White female	477	119	21	21	12	**650**
Black male	5 073	3 986	523	216	179	**9 977**
Black female	2 071	1 291	284	265	59	**3 970**
Indian male	157	26	270	0	5	**458**
Indian female	62	47	79	0	1	**189**
Coloured male	3 055	324	56	9	312	**3 756**
Coloured female	1 179	80	44	10	159	**1 472**
Other male	64	0	1	4	3	**72**
Other female	27	0	0	3	1	**31**
TOTAL	**14 073**	**6 423**	**1 375**	**578**	**783**	**23 230**

Top Component Approvals

Borbet

MHCV manufacturer

R174 million
Grant approval

R697 million
Projected investment

358
Baseline jobs

Eastern Cape

Faurecia Emissions Control Technologies

CM manufacturer

R33 million
Grant approval

R135,4 million
Projected investment

273
Baseline jobs

Eastern Cape

Venture Diversified Products

CM manufacturer

R47 million
Grant approval

R190 million
Projected investment

436
Baseline jobs

Gauteng

Top Original Equipment Manufacturer Approval

VWSA

OEM manufacturer

R1,5 billion
Grant approval

R5,2 billion
Projected investment

3 920
Baseline jobs

Eastern Cape

Disbursements

Disbursements across provinces during 2017/18 show a high rate of claims and very healthy multipliers in investment and in jobs retained, as well as in new jobs.

While the OEM claims are the largest in terms of value, both OEM and CM have vigorous multipliers at 11,5 for OEMs and 10,9 for CMs.

Provincial Investments

Eastern Cape	65	R712,5 million	R4,4 billion	4 674	25 564
Gauteng	36	R471 million	R6,9 billion	1 904	23 050
KwaZulu-Natal	35	R384 million	R6,5 billion	985	21 521
North West	1	R39,9 million	R107,2 million	26	805
Western Cape	9	R11,9 million	R93,9 million	523	3 042
TOTAL	**146**	**R1,6 billion**	**R18,1 billion**	**8 112**	**73 982**

i t ts

2013

40% IDC
35% Naledi Group
23% Employees Trust
2% Private Trust

Manufacturing
Ferrous Metal
(grey iron and
spheroidal graphite)

Automotive parts

277

R8,015 million

Naledi Foundry Operations (Pty) Ltd

Naledi Foundry is a division of the Naledi Inhlanganiso Group which was established in 2013. The foundry has been in operation since 1947. Building on the foundry's over 60 years' experience in casting metal vehicle components the new CEO, Mr Sibusiso Mphatiane, strove to place an uncompetitive, unproductive foundry back on the map in a South African market crowded with international players.

Transformation was an important part of Mr Mphatiane's vision for the new foundry. Predominantly white and male at first, the foundry's management now consists of 70% black and 35% female managers – a trend that cascades down to the lower levels of employment. This change was met with resistance from the local and international industry, but through leadership and determination, Naledi is now the only large-scale, transformed foundry in South Africa.

The necessary skills were not hard to find and, according to Group CEO, Mr Pieter du Plessis, South Africa's engineers stand second to none. The foundry is also committed to workplace skills development. However, finding people with the right mind-set and commitment to the values and vision of the foundry's new management was a demanding task.

The foundry industry is extremely competitive. In order to modernise production and to be able to deliver cost-effective products **the dti's** grant was invested in the foundry's equipment, as well as the building and facilities in order to improve the working environment. Naledi Foundry was also supported with outward investment missions, connections with the broader industry and solving challenges emanating from import-export duties. They now supply parts to the likes of Toyota, BMW, Nissan, Ford and Vokswage , and have many other customers locally and internationally.

> **Sometimes it's not about a person having the skill; it's about whether that person can apply that skill within the environment. For us the challenge was in putting a team together that bought into the new vision, culture, and style.**
>
> - Mr Pieter du Plessis, CEO Naledi Inhlanganiso Group

Sumitomo Rubber South Africa (Pty) Ltd

Ladysmith is home to the only Sumitomo Rubber plant in Africa. Albeit under previous ownership, it has been in operation since the 1970s. When the plant was taken over by Sumitomo Rubber Industries in 2013, management introduced a new strategy that would propel its South African plant towards increased capacity, new product ranges, modernised production technology and, most importantly, increased quality standards. High-tech equipment was secured and the workforce increased with the support of **the dti**. Sumitomo is now the largest employer in Ladysmith and sells tyres to the likes of established Original Equipment Manufacturers (OEMs) like Toyota and Volkswagen.

As a local manufacturer, Sumitomo has positioned itself well by joining platforms like the South African Tyre Manufacturers Conference (SATMC) and the International Trade Administration Commission of South Africa (ITAC). With **the dti's** support they are also able to liaise easier with other government departments, most notably the Department of Environmental Affairs, which manages a tyre waste management plan.

Second-hand tyres sold without proper regulation to an uninformed public, and often entering the country through trade loopholes, pose a threat to the tyre manufacturing industry. It also poses a threat to the safety of consumers. Seeing that second-hand tyres are in high demand and committing to the plight of job creation in the country, Sumitomo launched an initiative called the Dunlop Enterprise Development Programme in 2017. This initiative trains and mentors people specifically from townships in the service, repair and sale of tyres. Women and youth are particularly targeted. Shipping containers are repurposed as tyre service centres. This is the first initiative of its kind. Since inception over 83 of these outlets have been established.

Sumitomo aims to expand its operations in Ladysmith with a second facility and is in the process of applying for another grant from **the dti**.

> **"A lot of the high-tech machinery we've had to purchase is bought from overseas. We have to bring those experts to set up the machines, but we wanted their skills transferred; we therefore compel these experts to train our local people in the maintenance and operation of the machinery."**

- Mr Nduduzo Chala, Group Manager: Strategic Planning (SRSA)

i t ts

2013

Sumitomo Rubber Industries Ltd (Japan)

Manufacturing tyres for vehicles of varying sizes
Tyre brands: Sumitomo, Dunlop, Falken

Ladysmith, KwaZulu-Natal

R285,9 million

Highlights

Over the two-year period, 29 502 jobs were retained by assisted manufacturers.

MIP is supporting business rescue and competitiveness.

MIP is promoting value addition in areas of primary production in the country – a desirable trend in creating jobs and developing the economy.

Manufacturing Investment Programme

The Manufacturing Investment Programme (MIP) was introduced during 2008 with an objective to support investment in new and expansion projects by small and medium-sized enterprises in the manufacturing sector. Although it was intended to be implemented until July 2014, the MIP was met with overwhelming interest from industry, with the result that the six-year budget that was set aside for the programme was oversubscribed. This oversubscription necessitated the suspension of the programme in September 2013, earlier than originally intended.The MIP was a reimbursable cash grant of up to 30% of the value of qualifying investment costs for local and foreign-owned manufacturers who wanted to establish a new production facility, expand an existing production facility or upgrade existing facilities. The processing of claims and payments to beneficiaries is expected to continue until September 2018.

2016/17	Aggregate Performance	2017/18
508	Number of paid claims	61
R400,8m	Disbursed	R98,1m
26 030	Baseline jobs retained	2 601

MIP has assisted manufacturers to retain jobs even during difficult economic conditions.

The provinces that lead with claims are Gauteng with 18, the Western Cape with 15 and KwaZulu-Natal with nine. Of the 911 retained jobs in Mpumalanga, the majority of 871 emanate from one company operating in the wood, paper and furniture industry.

The highest claims were in agro-processing and wood, paper, pulp and furniture, indicating value addition in areas of primary production in the country – a desirable trend in creating jobs and developing the economy.

Claims per Province

Eastern Cape	6	R 1,4 million	86
Free State	1	R 310 534	15
Gauteng	18	R28,5 million	842
KwaZulu-Natal	9	R15,7 million	390
Limpopo	2	R510 914	105
Mpumalanga	7	R17,9 million	911
North West	2	R10,2 million	116
Northern Cape	1	R20,9 million	12
Western Cape	15	R2,5 million	124
TOTAL	**61**	**R98 million**	**2 601**

Claims per Sector

Agro-processing	25	R49 million	736
Chemicals, Plastics and Pharmaceuticals	13	R27,4 million	511
Clothing, Textiles, Leather and Footwear	2	R122 119	5
Metals	7	R3,4 million	152
Other	5	R1,6 million	80
Wood, Paper, Pulp and Furniture	9	R16,6 million	1 117
TOTAL	**61**	**R98 million**	**2 601**

Agro-Processing Support Scheme

One of the key features and a disadvantage of the South African economy is that it has been a primary producing economy with little value addition. This is influenced by the success of mining and agriculture in the country. In order to become internationally competitive and create more jobs, it is essential that we consider value addition and beneficiation of our raw materials. Given our favourable location, South Africa cultivates and exports a wide range of fruit, vegetables and forestry products. It would seem that agro-processing would be a natural progression, given the strong resource and production base and potential in the sector.

The Agro-Processing Support Scheme (APSS) seeks to stimulate increased investment by South African companies in agro-processing and beneficiation (agri-business). To qualify for **the dti** support, the investment should demonstrate that it will achieve one or more of the following:

- increased capacity;
- employment creation;
- modernised machinery and equipment;
- competitiveness and productivity improvement;
- broadening participation.

The APSS is targeted at five key identified focus areas:

- food and beverage value addition and processing (including black winemakers);
- furniture manufacturing;
- fibre processing;
- feed production; and
- fertiliser production.

As the incentive was only launched in May 2017, there were no disbursements as at 31 March 2018. However, the current data indicates that good results will be forthcoming.

Approvals

There are two very promising aspects of the grants awarded in the current year. Firstly, the investment multiplier is set to be nearly five times the grant amount. Secondly, the baseline jobs of nearly 2 000 are all being retained and there will be a further 960 new jobs created. Most approvals are for new projects in the agro-processing sector.

Aggregate Performance	TOTAL
Projects approved	23
Grants awarded	R107,8 million
Projected investment	R533,3 million
Projected new jobs	920
Baseline jobs	1 966
Disbursements	None

New	Projects	Expansion
15	Projects approved	8
R64,2m	Grant	R43,5m
R319,7m	Projected investment	R213,5m
	Baseline jobs	1 966
841	Projected new jobs	79

Highlights

The investment multiplier among the first 23 approvals is set to be nearly five times the grant amount.

Baseline jobs of nearly 2 000 are all being retained with a further 960 job opportunities.

Approvals, projected investment and new jobs to less industrialised provinces such as Mpumalanga, Limpopo, Eastern Cape and KwaZulu-Natal is an encouraging sign of broadening participation.

Four of the projects are women-owned. They are involved in processing vegetables, dairy products, cookies and ready-to-eat meals.

One would have expected that provinces dominated by food cultivation and forestry would explore opportunities in agro-processing. Yet the Eastern Cape, Limpopo and KwaZulu-Natal provinces have very low approvals, totalling R8,9 million. Nonetheless, the approvals, projected investment and new jobs to less industrialised provinces such as Mpumalanga, Limpopo, Eastern Cape and KwaZulu-Natal is an encouraging sign of broadening participation. In contrast, the majority of projects and investments are in the more economically advanced Western Cape and Gauteng, with these provinces showing above average investment multipliers of 5,7 and 4,8, respectively.

Approvals per Province

Eastern Cape	1	R3 million	R9,9 million	3,3	0	30
Limpopo	1	R1,2 million	R3,9 million	3,6	0	15
KwaZulu-Natal	2	R4,7 million	R16,9 million	3,3	0	72
Gauteng	9	R42,5 million	R204,5 million	4,8	20	346
Western Cape	8	R44,1 million	R256,2 million	5,7	1 338	442
Mpumalanga	2	R12,3 million	R41,8 million	3,4	608	15

The contribution of the incentive to broadening participation is further evident as the majority of approved projects are on a level one B-BBEE.

Level 1	Level 2	Level 4
14 Approvals	**2** Approvals	**7** Approvals
R52,4 million Grant	**R23 million** Grant	**R32,4million** Grant
R204,7 million Projected investment	**R147,4 million** Projected investment	**R181,2 million** Projected investment
34 Baseline jobs	**1 335** Baseline jobs	**597** Baseline jobs
546 Projected new jobs	**20** Projected new jobs	**354** Projected new jobs

Of the 23 approved projects, four were female-owned. Three of these are expansions and one is a new project. All four operate in the food and beverage sub-sector and are involved in processing vegetables, dairy products, cookies and ready-to-eat meals. The four female-owned enterprises are located in Gauteng, Western Cape and Mpumalanga. All four will retain a combined number of 117 jobs and create 155 new jobs as a result of the incentive.

Approvals by Ownership

4	**11**	**8**
Female-owned	Male-owned	Entity-owned

the dti has managed to allocate grants to all five favoured sub-sectors. The highest number and value of grants went to the food and beverages sub-sector. The highest number of jobs and levels of projected investment were also in the food and beverages sub-sector, followed by the fibre processing sector.

Approvals per Sub-sector

Feed Production	2	R4,3 million	R12,5 million	0	62
Fertiliser Production	1	R3 million	R10 million	0	10
Furniture Manufacturing	1	R2,9 million	R9,8 million	0	25
Fibre Processing	1	R2 million	R7,8 million	594	8
Food and Beverages	18	R95,5 million	R493,2 million	1 372	815

Approval Highlights

Vuma Rural Development Primary Co-operative Ltd - New project

KwaZulu-Natal

Food and beverage washing, sorting and packaging of vegetables

R1,7 million Grant awarded

R7,2 million Projected investment

47 Projected new jobs

7 Cooperatives

Sekhomo Investment (Pty) Ltd - New project

Limpopo

Food & Beverage Making of atchar

R1,2 million Grant awarded

R3,9 million Projected investment

15 Projected new jobs

100% Black male-owned

Aquaculture Development and Enhancement Programme

The South African coastline is 2 798km long and fishing has been a well-developed industry for some time at a few coastal cities. The fishing industry, like many others, was not really racially inclusive and like most other industries development and keeping abreast of trends and sustainability has needed attention. The Aquaculture Development and Enhancement Programme (ADEP) is geared to promoting the industry in a number of these areas.

ADEP offers incentives to South African businesses engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater breeding. The grant is provided directly to approved applicants for new, upgrading or expansion projects.

Approved Project Highlights

Southern Atlantic Seafood Holdings

A new project started by a black farmer harvesting mussels

R7,6 million
Grant

R25,3 million
Projected investment

Limpopo

45
Projected new jobs

ADEP aims to catalyse investment in aquaculture towards:

- developing emerging farmers in aquaculture;
- increasing production;
- sustaining and creating jobs; and
- encouraging the geographical expansion of aquaculture and related businesses.

Approvals

There were very significant increases in the incentive approvals between 2016/17 and 2017/18. The approved amount increased by 60% with an investment multiplier of 2,9 recorded for the latter year. The industry is likely to stabilise and grow from this type of performance. Of the 21 approvals, all were B-BBEE level four and 12 are emerging black farmers that were collectively approved for R47,1 million and projected an investment of R121,3 million to be generated. This group of approved partners will be creating a total of 189 new jobs.

2016/17	Aggregate Performance	2017/18
8	Projects approved	21
R45m	Overall amount approved	R72,3m
R198m	Projected investment	R208,8m
141	Baseline jobs	612
220	Projected new jobs	278
R20m	Disbursements	R40,5m

Highlights

The approved amounts grew from R45 million to R72,3 million in the same period, indicating the value of the incentive to the industry.

Aquaculture is taking root in offshore provinces. There were eight projects approved in Limpopo and North West, with grants valued at R15,5 million and projected investment of R27,1 million.

12 emerging black farmers approved for new aquaculture projects.

There are promising new entrants – a black farmer is breeding crocodiles in Limpopo and another is harvesting mussels in the Western Cape.

Approvals per Activity

New projects
12 projects

Primary aquaculture	4	R11,3 million	R34,7 million	0	43
Secondary aquaculture	4	R14,1 million	R35,4 million	0	66
Primary and secondary	3	R17,7 million	R46,2 million	0	75
Ancillary aquaculture	1	R4 million	R5 million	0	5

Expansion projects
9 projects

Primary aquaculture	4	R14,1 million	R52,9 million	313	57
Secondary aquaculture	1	R1,7 million	R6,6 million	94	7
Primary and secondary	4	R9,3 million	R28 million	205	25

The majority of projects supported are in the primary and secondary, or combination of both, activities in the fishing industry. The new projects consist of only the emerging black farmers. Only one project was approved for ancillary aquaculture and will be receiving funding for the purchase of feed. Considering that aquaculture is not a very well established sub-sector in South Africa, more applications for research and development will need to be encouraged in future.

Approved Project Highlights

HIK Abalone Farm (Pty) Ltd

An expansion project in the Western Cape with a high investment multiplier

R4,5 million
grant

R15,2 million
projected investment

Western
Cape

185
jobs to be retained

Predictably, the highest approvals in numbers and funds were in the two coastal provinces, the Western Cape and Eastern Cape. The lowest approval amount was in KwaZulu-Natal, despite it being a coastal province. It is important to note the approvals from provinces such as the North West and Limpopo, indicating that ADEP is promoting geographical expansion of the aquaculture industry. New projects outnumber expansion projects strongly, a positive sign of growth, especially of jobs in the aquaculture sub-sector.

Approvals in the North West consisted of two operating in primary activities (one farming tilapia and the other crocodile), three in secondary activities that are processing tilapia and one in ancillary producing feed. Of these six approvals, five are projects owned by emerging black farmers. Two projects were approved in Limpopo and both are a combination of primary and secondary aquaculture activities and are involved in the farming and processing of crocodile. One project in this province was emerging while the other was an expansion of an established business.

Approvals per Province

Eastern Cape	1	R10 million	R20,7 million	0	30
Gauteng	4	R6,3 million	R19,1 million	101	26
Limpopo	2	R2,4 million	R6,1 million	21	8
KwaZulu-Natal	1	R1,8 million	R13,3 million	17	8
Western Cape	7	R38,6 million	R128 million	469	172
North West	6	R13,1 million	R21,5 million	4	34

Disbursements

The disbursements in 2017/18 compare favourably with the approval of R40,5 million in 2016/17. The highest disbursement was in the Western Cape, where an amount of R30,6 million retained 496 jobs and created 697 new jobs. The disbursement of R8,3 million across Gauteng, Mpumalanga and Limpopo created 38 new jobs, an encouraging trend in offshore provinces.

Disbursements per Province

Eastern Cape	1	R1,6 million	16	25	9
Gauteng	3	R1,4 million	1	11	10
Limpopo	2	R2,6 million	15	23	8
Mpumalanga	1	R4,2 million	0	20	20
Western Cape	7	R30,6 million	496	1 193	697
TOTAL	**14**	**R40,5 million**	**528**	**1 272**	**744**

Disbursements per Sector

Primary aquaculture	10	R35,7 million	405	997	592
Secondary aquaculture	1	R2 million	3	37	34
Primary & secondary aquaculture	2	R2,3 million	113	227	114
Ancillary aquaculture	1	R454 964	7	11	4
TOTAL	**14**	**R40,5 million**	**528**	**1 272**	**744**

i t ts

1949

100% white

Aquaculture farming and retail

Pacific Oysters

Port Elizabeth
(farm)
Cape Town
(oyster bar)

R1,7 million

Zwembesi Farms (Pty) Ltd - t/a The Knysna Oyster Company

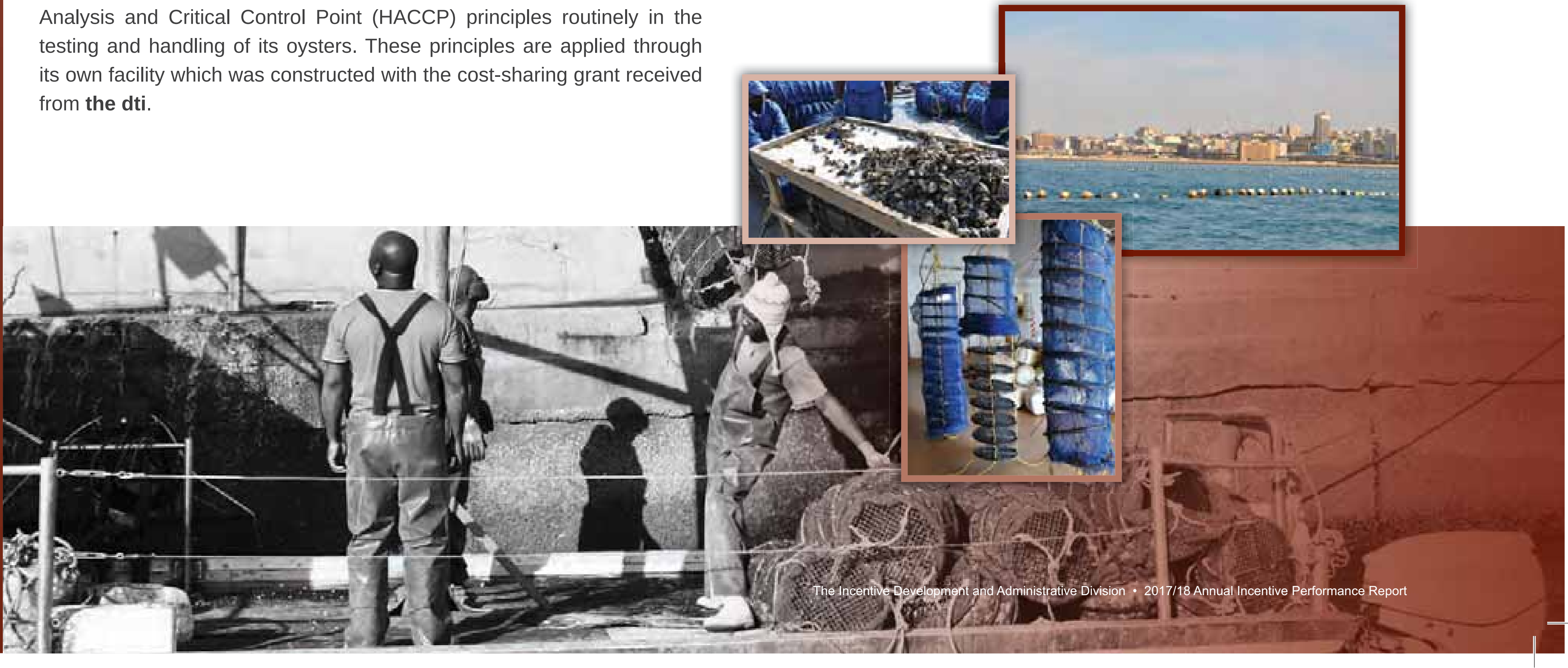
Settled in open sea waters, within sight of the shore, is Port Elizabeth's only oyster farm. At first glance these floating lines of nets seem unassuming, but hidden beneath the surface is a fully-fledged, 100% organic, farm growing millions of world-class Pacific Oysters. Once harvested, these oysters are distributed locally, but also exported all over the world, particularly to Asia.

The Knysna Oyster Company has been in business since 1949. In 2013 it came under new management, bringing with it exciting developments like the upgrading of its own aqua farm in Port Elizabeth, Zwembesi Farms. **The dti** specifically contributed funds towards the expansion of this farm. Some 25 people are employed here, of which nine were made possible by **the dti's** funds.

Hygiene is of the utmost importance, particularly when it comes to the consumption of raw shellfish. For this reason, Zwembesi applies Hazard Analysis and Critical Control Point (HACCP) principles routinely in the testing and handling of its oysters. These principles are applied through its own facility which was constructed with the cost-sharing grant received from **the dti**.

By owning its own farm and managing its own exports and distribution, the company has effectively reduced its oyster price to consumers. Oysters can be ordered online or enjoyed at their oyster bar in Cape Town.

> **"South African oysters compete with the best in the world."**
>
> \- Mr John Rice, co-owner of The Knysna Oyster Company



The Incubation Support Programme

The Incubation Support Programme (ISP) is aimed at encouraging private sector partnerships with government to support incubators that will develop SMMEs and nurture them towards increasing profitability and employment creation, thereby contributing to economic growth. The incentive was available on a cost-sharing basis between the government and private sector partner(s) and was used to obtain infrastructure and business development services necessary to mentor and grow enterprises towards independent provision of products and services to the market within two to three years. The programme was suspended in November 2016 and no new applications were accepted. ISP has subsequently been replaced with the Strategic Partnership Programme (SPP).

Approvals

The ISP incubator approved in 2017/18 is a level four B-BBEE compliant enterprise that is located in the Eastern Cape and operating in the forestry sector. In particular, the incubator is involved in forestry management and harvesting, as well as the processing of timber into value-addition products. As the bulk of forestry work is being outsourced, the incubator constantly requires contractors that operate efficiently and effectively. The ISP will assist the forestry incubator to provide a comprehensive capacity building programme, inclusive of business skills training, mentorship and financial assistance to develop 46 small local businesses into sustainable and profitable entities.

This incubator is clearly one with a high job creation potential, as evident below. The healthy distribution across racial groups in both ownership and projected jobs is noted. The 2 020 projected new jobs suggest that there will be an average of 43 employees per business, a satisfactory outcome for an incubator.

Ownership of projected incubatees

SMMEs = 46	Black	Coloured	White	TOTAL
Male	19	14	5	38
Female	3	5	0	8

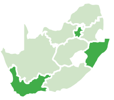
Projected jobs = 2020[6]

	Black	Coloured	White	TOTAL
Male	415	380	5	800
Female	155	80	5	240

2016/ 17	Aggregate Performance	2017/ 18
2	Projects approved	1
R27,7m	Amount approved	R10,4m
51	Projected incubatees / SMMEs	46
1 200	Projected new jobs	2 020
R55,5m	Projected investment	R6,3m
R34,5m	Disbursements	R23,5m

Disbursements

ISP disbursements of R23,5 million has supported the creation of 314 incubatees and the creation of 252 new jobs.

				
Gauteng	Construction, ICT, Manufacturing	R16,4m	163	48
Western Cape	ICT	R5,8m	130	180
KwaZulu-Natal	Clothing and Textile	R1,3m	21	24

Highlights

There has been an increase in projected new jobs from 1 200 to 2 020 over the two-year period.

Projects have promoted the inclusion of black-owned SMMEs.

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[6] The total number of projected jobs (2 020) is for the three-year period. However, the projected jobs disaggregations per gender and race is only provided for year one of the project. Hence, the two totals vary.

i t ts

February 2015

100%
African female

Apparel manufacturing

130
(mainly youth)

Durban, KwaZulu-Natal

R4,187 million

iGoda Incubator - The Fashion Links Academy

In 2000 the South African government liberated import tariff barriers established by the apartheid regime. This made the importation of products easier for South African companies. But with the good also came the bad – suddenly it became cheaper to import apparel from the likes of mass producers like China. Almost overnight, thousands of workers in South Africa's clothing industry lost their jobs. The clothing sector in South Africa has been trying to recover ever since.

Ms Zola Shabangu was already working in the clothing sector when the crisis hit. She was able to continue in the industry, despite the troubles it faced, and has seen first-hand the effects of losing necessary skills as workers refocused their efforts into other sectors.

In recent years more awareness has been created around the benefits of supporting local clothing production. The industry is a long way from recovering, but little by little more of the skills lost post-2000 are in demand again. This is where clothing manufacturing incubators, like iGoda, play a huge role.

iGoda is an isiZulu word that implies the bringing together, the linking, of various strands or concepts. Ms Shabagu's principle is to link concept, design, production, management, and marketing – the whole supply chain of apparel manufacturing – resulting in a holistic approach. This is at odds with streamlined, compartmentalised manufacturing processes we've become accustomed to since the dawn of industrialisation. However, the result is a well-rounded product that is as satisfying to wear as it is to produce.

With the support of **the dti**, iGoda was able to invest intensively in machinery acquisition, which is the most cost-intensive element of the business.

The South African clothing industry is in dire need of modernisation should it want to build its competitive advantage, but Ms Shabagu is confident that progress is possible. International fashion consumers generally love the unique style of African design and the country has more than enough talent to rise to the occasion.

> **"Often you'll find that buyers come to South African fashion shows, liking a design, and learning that the designer doesn't have the capacity to produce enough units to consistently supply to the buyer. They end up taking a picture of the design and manufacturing the garment elsewhere. This is part of the problem we aim to address."**
>
> - Ms Zola Shabangu, owner and founder of iGoda

Business Process Services Programme

The Business Process Services (BPS) incentive was inspired by the jobs that were created by services being offered offshore in other countries. The objective was to attract investment in offshoring and to create jobs. The secondary objectives of the programme include:

- focusing on employment opportunities for the youth; and
- contributing to the country's export revenue from offshoring services.

> **The ultimate value of a programme such as BPS is not just the revenue that is generated and the jobs that are created, but it is also the reputation that is built for South Africa as a desirable investment destination.**

Government started with a pilot in 2011, the success of which led to scaling up the incentive in 2014. The criteria to qualify for the incentive ensure that experience, commitment and viability are all key features of successful applicants. The extent of new jobs created since the programme's inception is testimony to the power of this incentive. The pilot resulted in the creation of 9 077 new jobs while the scaled-up programme has contributed to the creation of about 14 727 new jobs from 2014/15 to 2016/17.

Approvals

Offshore captives are projects that relocate in-house business processes to a foreign location, while outsourcers are projects that use a third party to perform activities previously done in-house. Although there has been a slight drop in the number of approvals over the last two years, the export revenue multiplier for both offshore captive projects and outsourcers remain substantially high.

The most striking trend in the current year is the significant multiplier effects from projected export revenues and the positive effect on jobs in KwaZulu-Natal being the highest across the provinces. Approved projects supporting higher valued skills such as finance and accounting, as well as IT services, are located in the Western Cape and Gauteng.

Offshore captive	2016/17	Out-sourcers	Offshore captive	2017/18	Out-sourcers
3	11 Projects approved	8	5	7 Projects approved	2
R18,5m	Amount approved	R33,8m	R13,2m	Amount approved	R19,8m
R3,5bn	Projected export revenue	R3,7bn	R1,6bn	Projected export revenue	R1,4bn
3 149	Projected new jobs	3 538	1 491	Projected new jobs	654

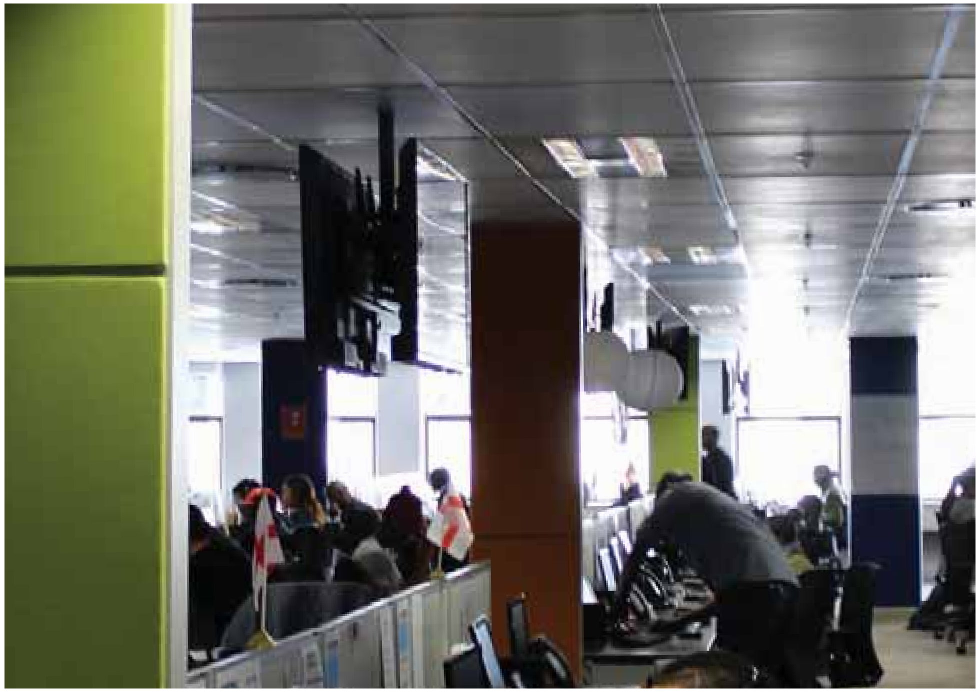
Highlights

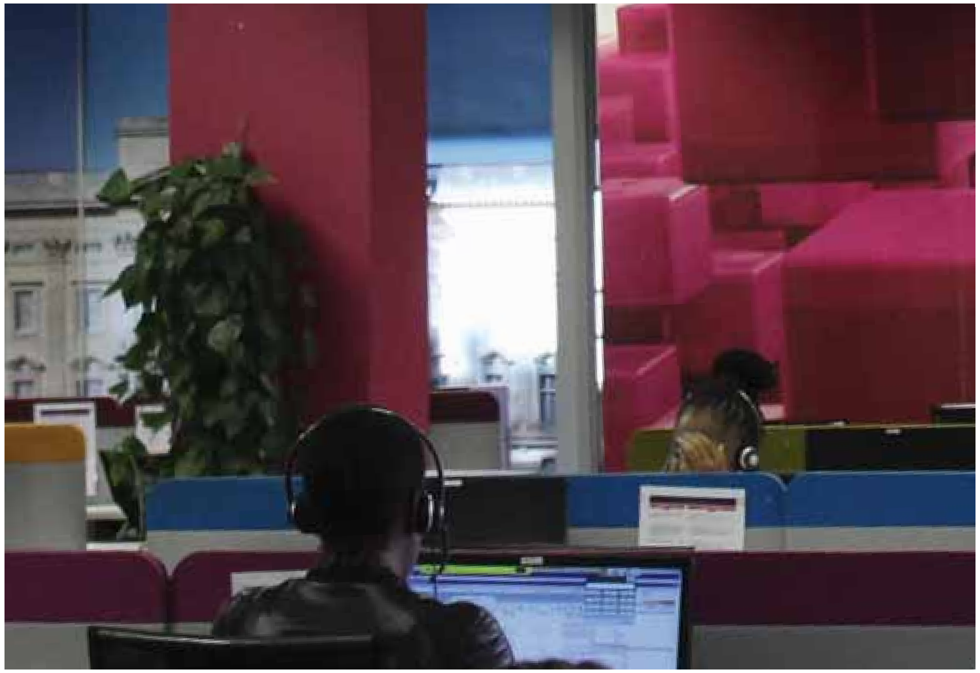
The incentive has reduced the cost of operations in South Africa, now competing with countries like the Philippines and India.

Investments growing into non-traditional areas, e.g. finance and accounting, IT services and online tutoring.

The projected export revenue multiplier remained high - 136 in 2016/17 and 91 in 2017/18.

Sustained and created jobs of 15 337, of which 93% are youth and 61% are female.





Approvals per Province

				Projected
Gauteng	2	R1,5 million	435	R312 million
KwaZulu-Natal	2	R19,7 million	951	R1,679 billion
Western Cape	3	R11,7 million	759	R1,014 billion
TOTAL	**7**	**R32,9 million**	**2 145**	**R3 billion**

the dti's commitment to transforming the economy is evident through the majority of approvals being on B-BBEE level four. In the near future it is expected that the project on level eight, as well as the project with a transformation plan, will move to at least level four.

Approvals per B-BBEE Level

Level 4

5
Approval

R24,1million
Grant

R2,5 billion
Projected export revenue

1 470
Projected Jobs

Level 8

1
Approval

R682 667
Grant

R268,2 million
Projected export revenue

343
Projected Jobs

Transformation Plan TP

1
Approval

R8,2million
Grant

R232,7 million
Projected export revenue

332
Projected Jobs

Disbursements

The three provinces attracting the most investment is linked to the levels of industrial and infrastructure development in each province and, probably, also to the skill levels amongst those to be recruited. The disbursements across provinces shows a high velocity indicating rapid implementation of projects and meeting **the dti** criteria. Again, the revenue effect is very strong and positive.

Disbursements per Province

						Actual
Gauteng	36	R57,1 million	3 455	2 089	3 261	R970,2 million
KwaZulu-Natal	28	R138,2 million	5 952	3 801	5 524	R1,2 billion
Western Cape	59	R154,7 million	5 930	3 518	5 422	R2 billion
TOTAL	**123**	**R349,9 million**	**15 337**	**9 408**	**14 207**	**R4,2 billion**

Top Approvals

Sigma

Sigma Offshore operations project

TP

Western Cape

Contact centre functions

R8,2 million
approved

R232 million
projected export revenue

321
projected
non-complex jobs

11
projected
complex jobs

Logicalis

Business and technology working as one

4

Western Cape

IT and technical services

R2,4 million
approved

R650 million
projected export revenue

320
Projected
non-complex jobs

30
Projected
complex jobs

Telesure Investment Holdings (Pty) Ltd

The South African Telesure group is part of a larger group of companies owned by Budget Holdings Limited. Budget Holdings Limited also owns Auto & General (Australia), an insurance company that decided to offshore some of its telephonic services. With two existing call centres based in Australia and an increasing demand for its services, the company sought to offer extended operating hours in a cost-effective environment. South Africa, being eight hours behind Australia, was a prime location. However, should the costs of setting up a call centre in South Africa have proven more expensive than simply hiring more Australian personnel willing to operate at odd working hours, the company would have opted for the latter solution. This is one of the main reasons the funding from **the dti** made this venture, aptly named "Project Chasing the Sun", possible.

Telesure (South Africa) already had an operating call centre. Because of its extensive experience in the insurance industry and similar operating systems, Project Chasing the Sun saw the Telesure space adjusted to accommodate more employees that would specifically service Auto & General Australia's market in 2015. This section of the call centre now employs a racially representative staff complement of 228.

As can be expected from a situational context that requires international telecommunications, the speed of electronics plays a major role. On a more practical level, the call centre has had to bridge some cultural differences, like appointing persons with a relatively neutral English accent to accommodate an Australian audience or exposing staff members to concepts that might be unknown to them, like Airbnb which influences the assessment of property insurance. This is the reality in a country like South Africa, with a largely historically disadvantaged workforce that hasn't enjoyed the same level of exposure to global innovations as countries like Australia. However, Telesure is committed to training and up-skilling its call centre staff. Thus far, the feedback from the Australian counterparts has been very positive.

> **One of the things that just stands out to our Australian colleagues is the eagerness and willingness of our people to learn and want to make a difference. If you give people a chance they grab it with both hands.**
>
> - Mr Bradley du Chenne, Director of South African Operations for Australia

i t ts

1998

Budget Holdings Ltd **(Guernsey)**

SA insurance brands:
Auto & General, Budget, DialDirect, 1st for Women, VirSeker, 1Life

Johannesburg, Gauteng

R10,1 million

Film and Television Production Incentive

South Africa has long been a favoured destination for foreign film makers for many reasons. We have excellent locations for urban, rural and scenic sites. We have competent local technicians and local companies that are able supply the technical requirements of film makers; that is, cameras, tracking equipment, lights, sound equipment and post-production facilities. We also have a wide range of actors and extras for lead and smaller roles. Based on these foundations, the Film and Television Production incentive is poised to attract international and local film makers and promote the development of the local industry as well.

The package of incentives on offer covers three areas:

- **Foreign Film and Television Production and Post-Production** incentive to attract foreign-based film productions to shoot on location in South Africa and conduct post-production activities;
- **South African Film and Television Production and Co-Production** incentive, which aims to assist local film producers in the production of local content; and
- **South African Emerging Black Filmmakers** incentive, a sub-programme of the South African Film and Television Production and Co-production Incentive, which aims to assist local emerging black filmmakers to nurture and grow them to take up big productions and thus contribute towards employment creation (and development of a local creative industry).

Approvals

The overall performance of the film incentive showed positive trends in some key areas over the last two years. While there was a small decline in the grant amounts approved, there was an increase of 56% in the jobs created.

Some interesting perspectives arise from the 2017/2018 approvals. South African films created the highest number of jobs at 6 334. Foreign films had the highest multiplier for investment at 4,7 which is a sound return and positive trend for forex into the South African economy. In general, there is a healthy average multiplier of four for investments across all three sub-programmes. Feature films lead in the production and post-production incentives awarded, followed by television mini-series. The B-BBEE levels suggest that there is a growing number of level one producers and a useful range of partnerships developing.

2016/17	Aggregate Performance	2017/18
96	Projects approved	99
R816,4m	Grant approved	R724,7m
R3,8bn	Projected investment	R2,9bn
6 029	Projected new jobs	9 423
R513m	Disbursements	R462,5m

Highlights

26
Emerging Black Filmmakers supported

6 334
South African films created the highest number of jobs

Foreign films had the highest multiplier for investment (4,7), a sound return and good trend for forex into South Africa

Encouraging broadening participation into provinces such as the Free State and the North West.

Approvals per Category

			QSAPE				
Foreign Film	22	R468,5 million	R2,2 billion	4,7	2 786	• 1 Telemovie • 11 Mini/TV series • 10 Feature films	• Level 1: 4 • Level 2: 3 • Level 4: 15
SA Film	51	R181,9 million	R565,7 million	3,1	6 334	• 2 Telemovies • 5 Documentaries • 3 Mini/TV series • 41 Feature films	• Level 1: 15 • Level 2: 13 • Level 4: 23
EBFM	26	R74,3 million	R159 million	2,1	303	• 1 Documentary • 6 Mini/TV series • 19 Feature films	• Level 1: 19 • Level 2: 5 • Level 4: 2
TOTAL	**99**	**R724,7 million**	**R2,9 billion**	**4**	**9 423**		

Approvals per Province

			QSAPE
Gauteng	4 (R58,6m)	470	R257 million
Western Cape	18 (R409,8m)	2 316	R1,9 billion

			QSAPE
Gauteng	33 (R123,7m)	5 995	R384,6 million
Western Cape	10 (R31,6m)	196	R101,2 million
Free State	2 (R2,8m)	17	R7,6 million
KwaZulu-Natal	5 (R21m)	114	R64,5 million
Eastern Cape	1 (R2,7m)	12	R7,8 million

			QSAPE
Gauteng	16 (R47,1m)	213	R100 million
Western Cape	4 (R12,3m)	43	R29,2 million
Free State	1 (R2,7m)	4	R4,9 million
KwaZulu-Natal	3 (R9,7m)	39	R20,1 million
North West	2 (R2,5m)	4	R4,6 million