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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTIONS NO. 783

Black Industrialist and Agro-Processing Support Schemes

Mr M K Montwedi [(North West: EFF)] to ask the Minister of Trade, Industry and Competition:

Whether he has assessed the extent to which the Black Industrialist Scheme and Agro-Processing Support Scheme unintentionally exclude emerging and poor entrepreneurs without balance sheets and/or collateral, given that the approved grant funding is not available at the start of project implementation and would only be claimed after capital expenditure has been commissioned; if not, why not; if so, what are the relevant details?
CW929E

REPLY:

Eligible applicants for the Black Industrialist Scheme (BIS) include not only applicants that are expanding or upgrading existing operations, but also those that are starting a new operation. While existing operations are required to submit the latest audited annual financial statements, applicants starting a new operation are, at the time of application, only required to submit financial projections for three years. As BIS is grant funding and not loan funding, payments are made after the beneficiary has incurred qualifying expenditure and met the required performance criteria. To accelerate the increase of Black Industrialists (BI) as part of the mainstream economy, the approved BI-owned project is only required to ensure that the full investment results in commercial production / implementation prior to payment of the final claims.



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The Agro-Processing Support Scheme (APSS) offers reimbursable grant funding and is available for both new and the expansion of existing agro-processing / beneficiation projects. While existing entities are required to submit the latest financial statements, reviewed by an independent external auditor or accredited person and not older than eighteen (18) months, new projects are only required to submit financial projections for three years. Given the grant funding nature and the design of the APSS, which is unlike a loan facility, the incentive benefit is disbursed once certain important Government performance milestones are achieved, such as investment having taken place, the commencement of production, and the creation of new jobs.

Furthermore, the NEF does not exclude or reject funding applications solely on the basis of a lack of collateral or the absence of a strong balance sheet. The NEF's developmental mandate is specifically aimed at addressing market failures and overcoming the barriers to accessing finance that many black-owned businesses experience within the traditional financial sector.

Where a business is commercially viable, the NEF may provide funding even in the absence of collateral, relying on the strength, sustainability, and predictability of the business's projected cash flows. This approach enables the NEF to support viable enterprises that may otherwise be excluded from mainstream sources of finance.

Accordingly, funding decisions are primarily driven by the commercial viability of the business and its demonstrated ability to generate sufficient cash flows to support the repayment of the funding provided.

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