



**the dti**

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Department:  
Trade and Industry  
**REPUBLIC OF SOUTH AFRICA**

## **PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY**

### **INDUCTION: BROADENING PARTICIPATION**

**17 JULY 2019**

# DELEGATION DETAILS

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# **PRESENTATION OUTLINE**



- 1. SEZ & ET Division: Purpose and Objectives**
- 2. Main offering of the Division**
- 3. Policies and Legislative Framework**
- 4. SEZ Program**
- 5. Industrial Parks Revitalisation Program**
- 6. B-BBEE Policy**
- 7. Black Industrialist Policy**
- 8. B-BBEE Commission**
- 9. NEF**
- 10. IDC**

# SEZ & ET DIVISION

## PURPOSE AND OBJECTIVES

### PURPOSE

To drive economic transformation and increase participation in industrialisation

### OBJECTIVES

1. Develop, implement, review policies, regulations and strategies for economic empowerment of targeted area, and create an enabling environment for the development of Black Industrialist in the productive sectors and higher value-added services.
2. Provide support measures and instruments for spatial development of targeted regions by exploiting their potential to industrialise in order to enhance economic growth.
3. Ensure the effective development and management of Special Economic Zones (SEZs) to accelerate industrialisation and growth in investment, exports and employment in key regions.
4. Develop and implement measures to stimulate enterprise and regional competitiveness.

# MAIN OFFERINGS, KEY PROJECTS & ACTIVITIES CONT...

## Black Industrialist

1. Develop BI policy
2. Implement BI programmes through non-financial support in key sectors in terms of skills, resources, access to markets.

## Skills, Technology and Economic Infrastructure

1. Develop policy guidelines on the design and implementation of industrial parks,
2. Skills and technology support programmes and projects.
3. Business incubation and acceleration
4. Digitalisation of SMMEs
5. Scouting for and supporting grassroots innovations

## Outer Space Affairs

Developing and implementing the space Legislation, Policy and Programmes

# MAIN OFFERINGS, KEY PROJECTS & ACTIVITIES

## Special Economic Zones

Policies, regulations and guidelines for effective planning, development and management of Special Economic Zones

## Regional Industrial Projects, clusters and industrial parks

1. Development and implementing the regional industrial projects, programmes and clusters
2. Industrial Parks Revitalisation Programmes (IPRP)
3. Rural and Township Economy (RTIE)

## Broad-Based Black Economic Empowerment

1. Policies, Regulations and guidelines to promote Broad-Based Black Economic Empowerment
2. Implement BEE programmes

# **RELEVANT POLICIES AND LEGISLATIONS**

- 1. Special Economic Zones (SEZs) Act, 2014 (Act No. 16 of 2014)**
- 2. Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003  
(Act No. 53 of 2003), as amended in Act No. 46 of 2013**
- 3. Black Industrialist (BI) Policy**
- 4. Space Affairs Act, 1993 (Act No. 84 of 1993), as amended in 1995**

# **SPECIAL ECONOMIC ZONES**

**Special Economic Zone (SEZ) is one of the key instruments for implementing industrial policy.**

**Special Economic Zones are Geographic areas of a country or region designated for targeted (Strategic) economic activities, which are supported through special measures -**

- 1. Greater focus on desired industrial capabilities through value chains and cluster development.**
- 2. Long-term financing mechanism and competitive incentive package.**
- 3. Greater focus on host regions and not just the fenced area.**
- 4. Special support measures that are not applicable to other regions ( outside the designated area).**
- 5. Long-term planning that is also comprehensive and coordinated across and within the various spheres of government and key agencies.**
- 6. Broad design to cater for diverse regional needs and contexts.**
- 7. A comprehensive support system that goes beyond the provision of world-class infrastructure and investment promotion.**



# GOVERNANCE ARRANGEMENTS

1. **Initiation:** Any individual/Private or Public Entity
2. **Applicant/Ownership:** National Government Departments, provinces, municipalities or Public-Private Partnership (PPP)
3. **Operator:** Any competent Private or Public Entity
4. **Oversight and accountability:** Provincial MEC for Economic Development or Executive Mayor

# SA DESIGNATED SEZs

Name of the SEZ	Province	Year of designation	Size (Ha)	Sectoral focus
Coega	Eastern Cape	2001	9003	Automotive, Chemicals, Business processing, Renewable energy, Agro-processing
East London	Eastern Cape	2002	462	Automotive, Steel fabrication, Renewable energy, Agro-processing
Richards Bay	KwaZulu-Natal	2002	467	Mineral beneficiation, Ship repair, manufacturing
Dube TradePort	KwaZulu-Natal	2016	302.9	Agro-processing, Electronics, Pharmaceuticals
Saldanha Bay	Western Cape	2013	356	Oil and gas services
OR Tambo	Gauteng	2002	7	Jewellery manufacturing
Maluti-a-Phofung	Free State	2014	1039	Agro-processing, Logistics, Pharmaceuticals
Musina-Makhado	Limpopo	2018	7262	Metallurgical processing, Petro-chemical and Logistics
Atlantis	Western Cape	2018	118.6	Renewable Energy
Nkomazi	Mpumalanga	2019	155	Agro-Processing, Warehousing and Logistics

# NEW PROPOSED SEZ

Province	Region	Focus
Eastern Cape	Mthata	Agro-processing and Tourism
Free State	Harrismith	Agro-processing and Logistics
Gauteng	JHB/Nasrec	ICT Hub
KZN (designated)	KSIA	Agro-processing, Aviation, Electronics
Limpopo	Tubatse/Steelpoort Valley	PGMs
	Musina	Mineral processing, Steel processing, Agro-processing, trade hub
Mpumalanga	Nkomazi	Agro-processing and Logistics
Northern Cape	Upington	Solar Corridor
North West	Bojanala (Mogwase)	PGMs
Western Cape	Atlantis	Renewable Energy

# **INDUSTRIAL PARKS REVITALISATION PROGRAMME**

- 1. A structured programme for the revitalisation of industrial parks located in the old industrial areas across the country was initiated in by the dti in 2015/16.**
- 2. The parks were all established prior to 1994 and are owned and managed by agencies of the respective provincial governments.**
- 3. These Industrial Parks are recognised as catalysts for broader economic and industrial development in their host regions.**
- 4. The Industrial Park Revitalisation Programme (IPRP) focuses on both the physical infrastructure and other support requirements with the key objective of enhancing industrialisation.**
- 5. IPRP is aimed at promoting increased industrialisation in these regions and as such contribute to economic growth, attracting investments, job creation and addressing inequality.**

# INDUSTRIAL PARKS REVITALISATION PROGRAMME IMPLEMENTATION

The implementation programme incorporates the findings of a detailed assessments conducted on the first 10 Industrial Parks and is implemented in the following phases -

- 1. Phase 1:** Security infrastructure upgrade, fencing, lighting, critical top structures and electrical requirements - The first phase requirements was requested by the industrial parks management agencies who have been experiencing high crime levels.
- 2. Phase 2:** Compliance to regulatory requirements – Landfill sites; Waste and Water treatment plants, Fire, Health & Safety Requirements, and Renewable energy initiatives.
- 3. Phase 3:** Engineering designs and construction of new and existing roads, bulk water supply and sewage treatment plants or industrial effluent control.
- 4. Phase 4:** Upgrading electricity infrastructure, and build new top structures in line with the expansion programme of the Parks.
- 5. Phase 5:** Development of vacant land and sustainable industrial clusters in the Parks.

# PROGRESS

1. The first 12 Industrial Parks revitalised saw the retention of over 65,000 jobs.
2. Additional Industrial Parks have been included in the programme increasing the number to 27 Industrial Parks.
3. Phase 1 activities have been completed for 11 IP's; Botshabelo, Seshego, Isithebe and Komani/Queenindustria, Vulindlela, Babelegi and Phuthaditjhaba, Ekandustria, Garankuwa, and Nkowankowa.
4. Five (5) additional IP have been scoped for phase 1 and still to be funded.
5. Eight (8) Industrial parks are under consideration for phase 2 revitalisation.
6. Resource Efficiency and Cleaner Production Programme is currently under implementation in Ekandustria in collaboration with the National Cleaner Production Center.
7. A programme for establishing Digital Hubs in all of the Industrial Parks will be implemented in the current financial year beginning at Isithebe Industrial Park.

# B-BBEE - OVERVIEW

1. The B-BBEE Policy aims to increase the effective participation of the majority of South Africans to ensure inclusive growth of the economy and therefore achievement of mainly Outcome four (4) of the National Development Plan.
2. Inequalities in SA are racially-based created through past policies.
3. B-BBEE policy is an outcome of a social compact between social partners and its future relies on the partnerships. The path we are taking on transformation is mutually beneficial and assist in creating social cohesion.
4. Modern economy requires government to invest in infrastructure, R&D, innovation, technology and education.

# CONSTITUTIONAL MANDATE FOR B-BBEE

## Section 9 of the Bill of Rights

“Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons disadvantaged by unfair discrimination may be taken”





# B-BBEE JOURNEY

In 2013, which marked the 10 year anniversary of implementing B-BBEE, the amendment of the legislative framework to address, inter alia, circumvention, regulatory mechanisms and compliance was effected to address the following:

1. The alignment of the primary legislation to other key pieces of legislation and policy instruments.
2. Establish the B-BBEE Commission to monitor and evaluate B-BBEE.
3. Deal with non-compliance and circumvention.
4. Give effect to Government policy aimed at reducing inequality, defeating poverty and creating employment.

# OBJECTIVES

1. Promote economic transformation in order to enable meaningful participation of black people in the economy.
2. Achieve a substantial change in the racial composition of ownership and management structures of existing and new enterprises.
3. Increase the extent to which communities, workers, and other collective enterprises access economic activities.
4. Increase the extent to which black women own and manage existing and new enterprises.
5. Promote investment programmes that lead to broad-based and meaningful participation in the economy by black people.
6. Empower rural and local communities by enabling access to economic activities.

# LEGISLATIVE FRAMEWORK

1. The B-BBEE Strategy
2. B-BBEE Act 53 of 2003 as Amended by Act 46 of 2013
3. B-BBEE Regulations
4. Amended B-BBEE Codes of Good Practice
5. Sector Codes of Good Practice
6. Black Industrialist Programme
7. Y.E.S Initiative Gazette

# INSTITUTIONAL ARRANGEMENT

1. Department of Trade and Industry- policy setting and implementation
2. B-BBEE Commission – monitoring and oversee adherence to the Act
3. B-BBEE Advisory Council – advisory role on B-BBEE
4. Sector Charter Councils – development and monitoring of sector charters
5. National Empowerment Fund – funding for empowerment
6. South African National Accreditation System (SANAS) – accreditation of Verification Agencies
7. Verification Agencies – B-BBEE audit of entities

# B-BBEE CODES AND SECTOR CHARTES

1. Codes of Good Practice and Sector Charters assist companies with implementation of B-BBEE.
2. Five pillars of the Codes, include Ownership, Management Control, Skills Development, Enterprise and Supplier Development , and Socio Economic Development.
3. Sector Charters: Transport, Tourism, Financial Services, Marketing Advertising and Communication, Property, Construction, Chartered Accountancy, Forest, Agri-BEE, Petroleum, ICT.

# EQUITY EQUIVALENT INVESTMENT PROGRAMME

1. Multinational companies that cannot sell their equity to black South Africans and have never sold equity outside their country of origin are allowed make contribution towards Equity Equivalent Investment Programme (EEIP).
2. In return be awarded full BEE Ownership points for an agreed period of time based on the investment amount.
3. The value of the EEIP contribution may be measured against 25% of the business value of the South African operation or against 4% of the Total Revenue from its South African operations annually over the period of continued measurement.

# EQUITY EQUIVALENT INVESTMENT PROGRAMME...CONT

1. These investments are focused on Enterprise and Supplier Development, Critical Skills Development and Research and Development. The beneficiaries of the Programme are black South Africans and black owned South African companies.
2. To date, twelve (12) Multinational companies have been approved to participate in the EEIP. Two thirds of the participants are in the ICT Sector with the balance falling within the Engineering Sector and Agricultural Sector.
3. To date the total investment value to the economy is more than R 2.8 billion and creation of 3000 jobs.

# YOUTH EMPLOYMENT SERVICES

1. The Y.E.S initiative is a business-led collaboration with government and labour that was launched by the President on the 27th of March 2018.
2. Its intention is to create one million quality work experiences for unemployed black youth, and its purpose is to improve their chances of meaningful participation through affording the employment or business opportunity.
3. To date over 18 000 Job opportunities have been created since the implementation of the Y.E.S Initiative in November 2018.



# BLACK INDUSTRIALIST PROGRAMME

1. SA Government's broad industrialisation strategy: expansion of industrial base, entrepreneurial dynamism into the economy, and an enabling environment to be domestically & globally competitive.
2. South Africa's current socio-economic challenges requires bolder approach and clear targets.
3. Black Industrialist Policy is part of the National Development Plan: changing patterns of Ownership and Control.
4. Focusing on growth and global competitiveness of black-owned enterprise, thus promoting industrialisation and transformation of South African economy.

# BLACK INDUSTRIALIST PROGRAMME...CONT

## Three key Pillars for Black Industrialists Program

1. Access to Funding: Syndicated funding model, Grants and Loans
2. Access to Markets: Procurement Opportunities from large businesses
3. Access to Technical Support: Technical institutions to support Black Industrialists  
i.e. SABS, Productivity SA, CSIR, Technology Innovation Agency

# B-BBEE COMMISSION

In 2013 when the Act was amended the following gaps were identified:

1. Lack of a centralised, reliable, and objective information about the true status of empowerment in the country.
2. Lack of proper monitoring, reporting, and evaluation of investments made in the implementation of the policy.
3. Lack of a properly maintained database that records all B-BBEE transactions, above a certain threshold, so to monitor and gauge transformation levels by economic sectors and beneficiaries.
4. Lack of a properly resourced institution that can specifically handle and deal with policy circumvention (fronting) will all the necessary powers.

# B-BBEE COMMISSION...CONT

1. Oversee, supervise and promote adherence with the B-BBEE Act in the public interest
2. Foster collaboration between public and private sector to safeguard objectives
3. Investigate complaints proactively and/or reactively
4. Promote advocacy and access to opportunities and educational programmes
5. Register major B-BBEE transactions (R25 million)
6. Receive and analyse compliance reports (JSE, SETAs, state organs)
7. Promote good governance and accountability
8. Increase knowledge and awareness on B-BBEE

# B-BBEE COMMISSION...CONT

## STRATEGIC OBJECTIVES

1. Guide the implementation of the B-BBEE Act.
2. Assess B-BBEE Transactions and provide advice.
3. Assess Compliance Reports and provide feedback.
4. Conduct both proactive and reactive Investigations.
5. Facilitate and guide resolution of disputes.
6. Collect and analyse data by economic sectors.
7. Report on B-BBEE National Status and Transformation Trends.
8. Collaborating with relevant stakeholders to advance transformation.
9. Amending the Act to enable the listing of the B-BBEE Commission.

# NATIONAL EMPOWERMENT FUND

NEF's mandate is embedded in the B-BBEE Act:

1. promoting access to finance for black start-ups, small, medium and micro enterprises, co-operatives and black entrepreneurs, including those in the informal business sector.
2. The NEF is a National Development Finance Institution (DFI) and was established by the National Empowerment Fund Act, 1998 (Act No. 105 of 1998) to promote and facilitate black economic equality and transformation.
3. It provides finance and financial solutions to black businesses across a range of sectors, as well as accessible retail savings products for black people based on state owned equity investments.

# NATIONAL EMPOWERMENT FUND...CONT

## Sectoral support

1. Sectors – because of its mandate to contribute to the transformation of the economy of the country, the NEF supports black businesses and black entrepreneurs across various sectors.
2. Exclusion is sectors that are morally reprehensible and the deep mining sector as this sector requires funding way beyond the resources of the NEF).
3. Some of the key sectors that the NEF supports are Retail, Construction, Property, Private Healthcare and Franchising.
4. The NEF is the only DFI that provides funding for pure acquisition of white owned businesses. The NEF implements transformation by requiring operational involvement of the BEE entrepreneur.

# NATIONAL EMPOWERMENT FUND...CONT

## Sectoral support

1. Other than commercial banks and private equity funders, the NEF is the only DFI that provides funding for pure acquisition of white owned businesses. The NEF implements transformation by requiring operational involvement of the BEE entrepreneur.
2. Township & Rural Economy – the NEF currently has 52% of its active portfolio in businesses in rural areas, townships and peri-urban area. This is because the NEF believes in taking economic activities and opportunities to where its target market is.
3. Venture Capital/Seed Capital – the NEF provides venture capital funding to assist black people to become black industrialists.



# INDUSTRIAL DEVELOPMENT CORPORATION

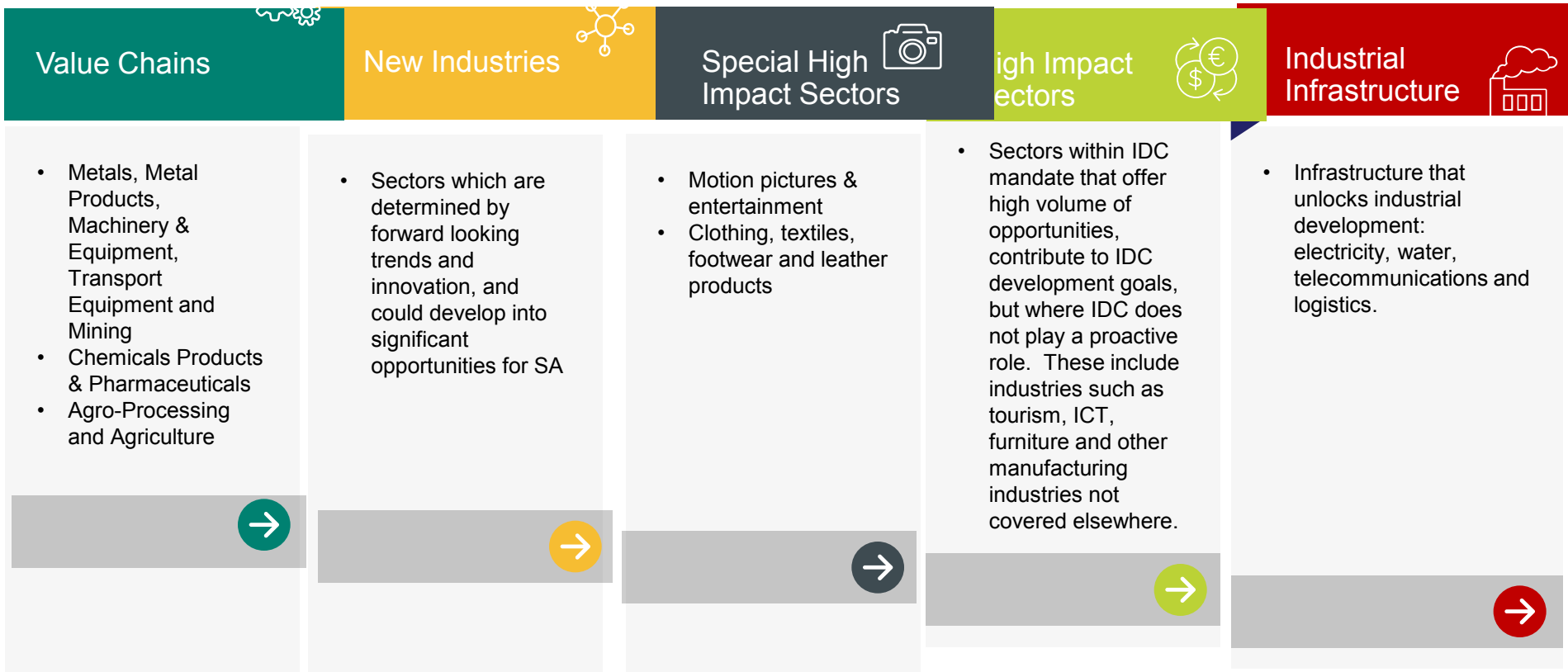
IDC mandate and outcomes positioned to support industrial policy objectives:

The primary mandate of the IDC is the development of domestic industrial capacity. This is done via identifying sector development opportunities aligned with policy objectives from the relevant government policies primarily the NDG, NGP and IPAP. By developing industrial capacity the IDC achieves specific outcomes -

1. Facilitating sustainable direct and indirect employment;
2. Improving regional equity, including the development of South African rural areas, underdeveloped provinces and economic development in the rest of Africa;
3. Promoting entrepreneurial development and growing the SME sector;
4. Promoting environmentally sustainable growth;
5. Growing sector diversity and increased localised production; and
6. Supporting the transformational impact of communities and development of black industrialists, women and youth.

# INDUSTRIAL DEVELOPMENT CORPORATION...CONT

IDC's prioritised sectors and value chains are also in line with 'Reimagined Industrial Strategy'



# **INDUSTRIAL DEVELOPMENT CORPORATION...CONT**

**IDC also continues to play a crucial role in terms of transformation**

- 1. Support the inclusion of black South Africans into productive industrial activity**
- 2. Similarly, ensuring that women participate gainfully in industrial activity remains a key focus for the IDC**
- 3. High unemployment amongst our youth population continues to persist and needs to be addressed – support to youth-empowered is being addressed.**



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**THANK YOU**