

Equity Equivalent Investment Programme (EEIP)

Presentation to Portfolio Committee on
Trade and Industry

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the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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OUTLINE

- Context
- EEIP Overview
- Approved EEIP initiatives
- Achievements and impact

CONTEXT

CONTEXT

- B-BBEE policy remains a key and important government policy and instrument to transform the South African Economy.
- The B-BBEE policy needs to be continuously calibrated and positioned as a driver to eradicate the triple threats of poverty, inequality and unemployment especially in marginalised areas, which have been worsened by the Covid-19 epidemic.
- Government continues to reaffirm its commitment to fast-tracking and ramping-up efforts to transforming the South African economy; to ensure meaningful participation of black people in the mainstream economy.
- The B-BBEE policy and other instruments in the realm of inclusive development should be dynamic and embrace the ever changing face of global capital expressed nationally through value-chains in the economic mainstream.

CONTEXT

- The main role of government in regard to B-BBEE implementation is to create a conducive environment through development of legislation, policies in consultation with the social partners.
- Guidelines on how to implement are embedded in the Codes of Good Practice that introduce measurements principles based on best practice.
- Government established the B-BBEE Commission as an institution to annually measure the performance of B-BBEE implementation in the economy.
- This includes, amongst others, advocacy on policy, creating partnerships with various stakeholders in both the public and private sector, as well as the EEIP.

EEIP OVERVIEW

OVERVIEW: EEIP SUMMARY

- EEIP was created for multinationals whose global practices or policies prevent them from complying with the ownership element of Broad-Based Black Economic Empowerment (B-BBEE) through the traditional sale of equity or shares to Black South Africans.
- Such multinationals must provide proof that they have not entered into any ownership partnership arrangements in other countries globally.
- The B-BBEE policy has made a provision for the recognition of contributions in lieu of such sale of equity.
- The value of the EEIP contributions may be measured against 25% of the value of the multinational's operations in South Africa or may be measured against 4% of the Total Turnover from its South African operations.

OVERVIEW: EEIP SUMMARY

- EEIP promotes investment in the development of SMMEs and broad-based participation in the economy.
- EEIP initiatives must be aligned to Government strategic economic policies and programmes such as NDP, Industrial policies and other economic policies.
- Initiatives by the multinationals must broadly focus on supporting Enterprise and Supplier Development, Critical Skills Development, Black Industrialists and Research and Development.
- Benefit for the multinational is 25 B-BBEE points for the duration of the programme.
- The EEIP must not displace other B-BBEE initiatives to be undertaken as per the scorecard.

OVERVIEW: EEIP SUMMARY

Contribution amount determines the duration of the programme and recognition of period for B-BBEE points as follows:

Total contributions



more than R100 Million

- can be considered for an investment period of up to 10 years;



between R75 and R100 Million

- can be considered for an investment period of up to 7 years;



between R50 and R75 Million

- can be considered for an investment period of up to 5 years; and



less than R50 Million

- can be considered for an investment period of up to 3 years.

APPROVED EEIP INITIATIVES

APPROVED EEIP INITIATIVES

MULTINATIONAL	INVESTMENT AMOUNT	APPROVAL DATE	INVESTMENT PERIOD	SECTOR	EEIP FOCUS AREA
Hewlett Parkard (US)	R93.2 million	2007	6.5 Years	ICT	Critical Skills Development
Liebherr SA (German Swiss)	R18.2 million	2010	5.5 Years	Manufacturing (construction machines)	Enterprise Development and Critical Skills Development
Hansen Transmission SA (Belgium)	R8.5 million	2010	7 Years	Manufacturing (industrial gearboxes)	Enterprise Development and Critical Skills Development
Microsoft (US)	R500 million & R208 million	2011& 2020	6 & 3 Years	ICT	Enterprise Development , 400 APP Factory beneficiaries, 3 BIs
Turner & Townsend	R19.5 million	2011 & 2021	10 Years	Construction	Enterprise Development

APPROVED EEIP INITIATIVES (Cont....)

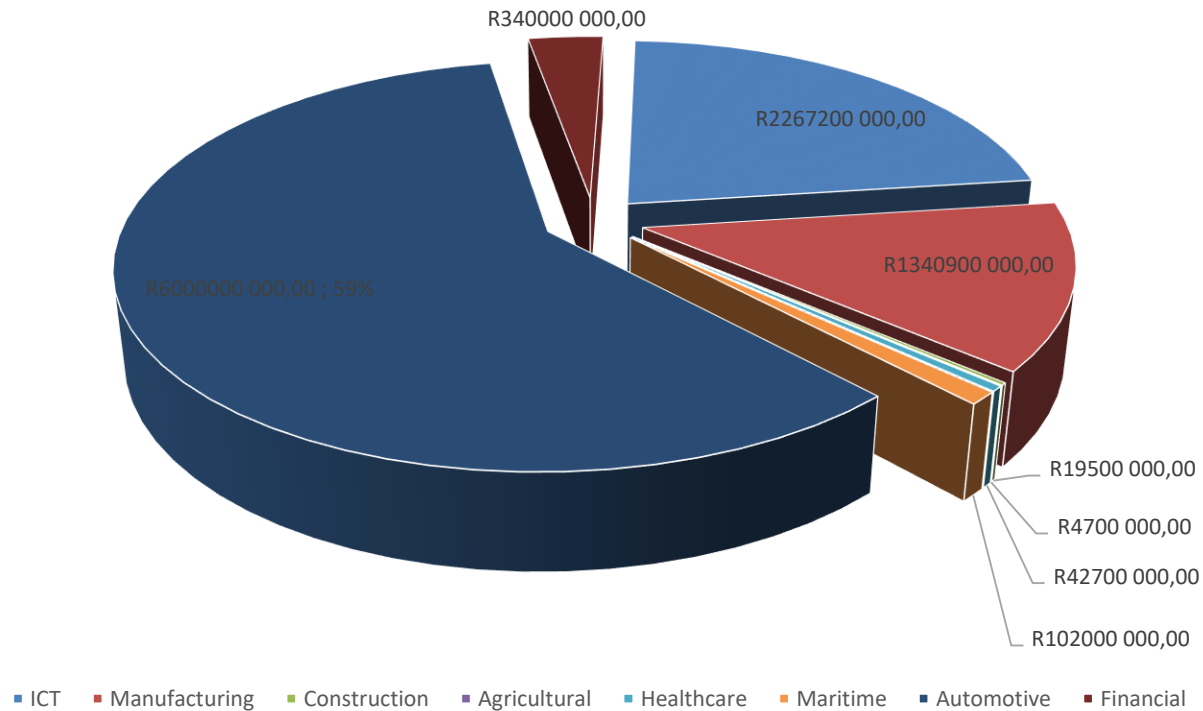
MULTINATIONAL	INVESTMENT AMOUNT	APPROVAL DATE	INVESTMENT PERIOD	SECTOR	EEIP FOCUS AREA
IBMSA (US)	R700 million	2015	10 Years	ICT	Enterprise & Supplier Development, Critical Skills & Research & Development
DELLSA (US)	R121 million	2015	10 Years	ICT	Enterprise Development and Critical Skills Development (technology for innovation)
CATERPILLAR (US)	R1.3 billion	2017	10 Years	Manufacturing	Supplier Development
Novus SA (US)	R4.7 million	2017	3 Years	Agriculture (animal feed)	Critical Skills Development
SAMSUNG (S Korea)	R280 million	2019	10 Years	ICT	Enterprise development, Black industrialist development as well as Research and Development
Frigoglass SA (Greece)	R14, 2 million	2019	3 Years	Manufacturing (refrigerators)	Development of local black suppliers. Localise 18 imported products, develop 3 businesses, outsourcing or repair and maintenance

APPROVED EEIP INITIATIVES (Cont....)

MULTINATIONAL	INVESTMENT AMOUNT	APPROVAL DATE	INVESTMENT PERIOD	SECTOR	EEIP FOCUS AREA
Pharmadynamics SA	R42,7 million	2019	3 Years	HealthCare	Skills Development and Enterprise Development
Mediterranean Shipping Company SA (Swiss-Italian)	R102 million	2019	10 Years	Maritime	Enterprise Development and Skills Development
Amazon (US)	R365 million	2019	10 Years	ICT	Development of 100% black-owned South African small businesses
Collective of Seven (7) Automotives Sector Original Equipment Manufacturers (OEMs)	R6 billion	2021	10 Years	Automotive	Establishment of a (Automotive Investment Fund – AITF) to assist black entrepreneurs in the automotive sector.
J.P. Morgan SA EEIP (US)	R340 million	2021	8 years	Financial Services	Establishment of the Abadali Fund to be managed and controlled by a Black Fund Management entity

APPROVED EEIP CONTRIBUTIONS PER SECTOR

EEIP Contributions per Sector



ACHIEVEMENTS AND IMPACT

- To date, **22** multinationals companies across different sectors have been granted final approval to participate in the EEIP, of the approved number, **32%** is automotive industry, **27%** ICT sector, **18%** in manufacturing and **23%** splits between construction, health care, maritime, financial and agricultural sectors with total investment of more than **R 8 billion**.
- More than **2000** jobs, both direct and indirect, have been created since inception of the programme and supported **87** emerging black owned businesses including black women and youth owned businesses.
- ICT critical skills have been offered to youth and opportunities have been created for students to access tertiary education to acquire skills in particular the ICT related scarce skills.

ACHIEVEMENTS AND IMPACT



MULTINATIONAL APPROVED

- **22 TO DATE**

R

INVESTMENT AMOUNT

- **OVER R8 BILLION TO DATE**

JOBS CREATED

- **OVER 2000 JOBS CREATED**
- **768 JOB OPPORTUNITIES WERE CREATED IN THE 2020/21 FINANCIAL YEAR**

ENTERPRISES/BLACK INDUSTRIALIST SUPPORTED

- **87 ENTERPRISES/ BIs, IN THE 2020/21 FINANCIAL YEAR**
- **45% ARE BLACK WOMEN OWNED**

NUMBER OF BENEFICIARIES

- **OVER 2509 BENEFICIARIES RECEIVED SKILLS DEVELOPMENT INTERVENTION TO DATE**

SUPPORT TO INDUSTRIAL PARKS

- **R11 MILLION TO ESTABLISH TWO DIGITAL HUBS:**
- **IN SESHEGO AND NKOWANKOWA INDUSTRIAL PARKS IN LIMPOPO**

ACHIEVEMENTS AND IMPACT

AUTOMOTIVE INDUSTRY TRANSFORMATION FUND (AITF)

- ❑ To date, the AITF has approved ten investment cases with a value of over R82 million and these have secured a market access of over R2 billion over the next 7 years.
- ❑ There are 573 retained jobs (67 jobs new jobs created) from the approved investment entities.
- ❑ The 10 beneficiaries include, 5 manufacturing entities, 2 dealerships and 3 panel beaters and are majority black owned entities.

ACHIEVEMENTS AND IMPACT

PHARMADYNAMICS

- ❑ Pharmadynamics through EEIP is supporting two **Digital Hubs** that will take off in the new year 2022 in Limpopo (located in Seshego and Nkowankowa Industrial Parks). The support is about R 11 million.
- ❑ On Enterprise & Supplier Development Pharmadynamics is supporting Syringe production Project. The project is 100% black owned company that will be providing Syringes.

ACHIEVEMENTS AND IMPACT

MEDITERRANEAN SHIPPING COMPANY

- ❑ The Shosholoza Ocean Academy Project to date, managed to train and place 24 people on board cruise ships.

- ❑ The Maintenance and Repair part of the project has in total trained 116 people (including 96 African males, 1 African female, 4 Coloured males and 4 Indian males) and placed in the following disciplines in October 2021:-
 - 69 Ships maintenance and repair;
 - 39 Industrial steel assistance;
 - 3 semi skilled steel assistance;
 - 3 semi skilled electricians;
 - 1 semi-skilled rigger; and
 - 1 experiential training in welding.

- ❑ The MSC Umzimkhulu Community Development project is also proceeding and in October 239 Africans (94 African males and 145 African females) were received extra lessons in isiXhosa, English, Mathematics, Life Skills, Social Science, Natural Science and Technology, Creative Art and Computers.

ACHIEVEMENTS AND IMPACT

MEDITERRANEAN SHIPPING COMPANY

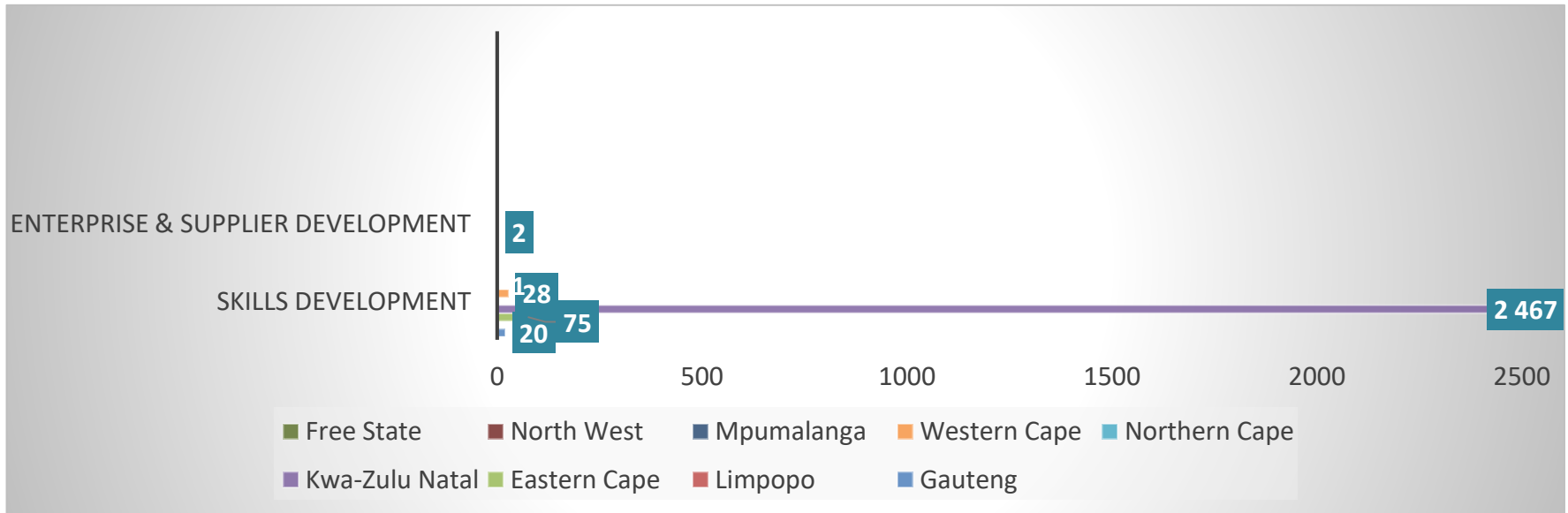
Enterprise & Supplier Development	Procurement Spending/Market Access	Skills Development	Black Youth Supported (ED)	Black Women Supported (ED)	Black Youth Supported (PD)	Black Women Supported (SD)	Black Youth Supported (SD)	Black Women Supported (SD)
02	R9 676 990	2 591	01	01	R9 416 990	R260 000	2 171	318

MSC Procurement Spending



ACHIEVEMENTS AND IMPACT

MSC GEOGRAPHIC SPREAD OF BENEFICIARIES



ACHIEVEMENTS AND IMPACT

(Turner and Townsend - Profile of Enterprises Supported)

Province	Black owned (84)	Black women owned (39)	Black youth owned (15)
Eastern Cape	1	0	0
KwaZulu-Natal	21	8	4
Gauteng	22	12	3
Limpopo	1	1	0
Western Cape	39	18	8

ACHIEVEMENTS AND IMPACT

(Turner and Townsend Profile of jobs Supported (direct and indirect))

Business Industry	Number of Jobs Created	Number of Jobs Created that Women Perform
Suppliers & Distribution	10	2
Engineering Construction & Consulting	230	49
Management & Business Consultancy	11	14
Air Conditioning, Electrical, Plumbing & Civils	82	29
Staff, HR, Recruitment & Payroll Services	5	5
Architecture	0	0
Construction & Civils	510	45
Manufacturing	1	1
Security	3	2
Petrochemical, & Oil and Energy	20	5
Other	10	3
Total	882	155

ACHIEVEMENTS AND IMPACT

(DELL SA - jobs created (95))

Province	Students absorbed
Eastern Cape	23
KwaZulu-Natal	10
Gauteng	16
Limpopo	25
Free State	4
Western Cape	10
Mpumalanga	6
North West	1

ACHIEVEMENTS AND IMPACT

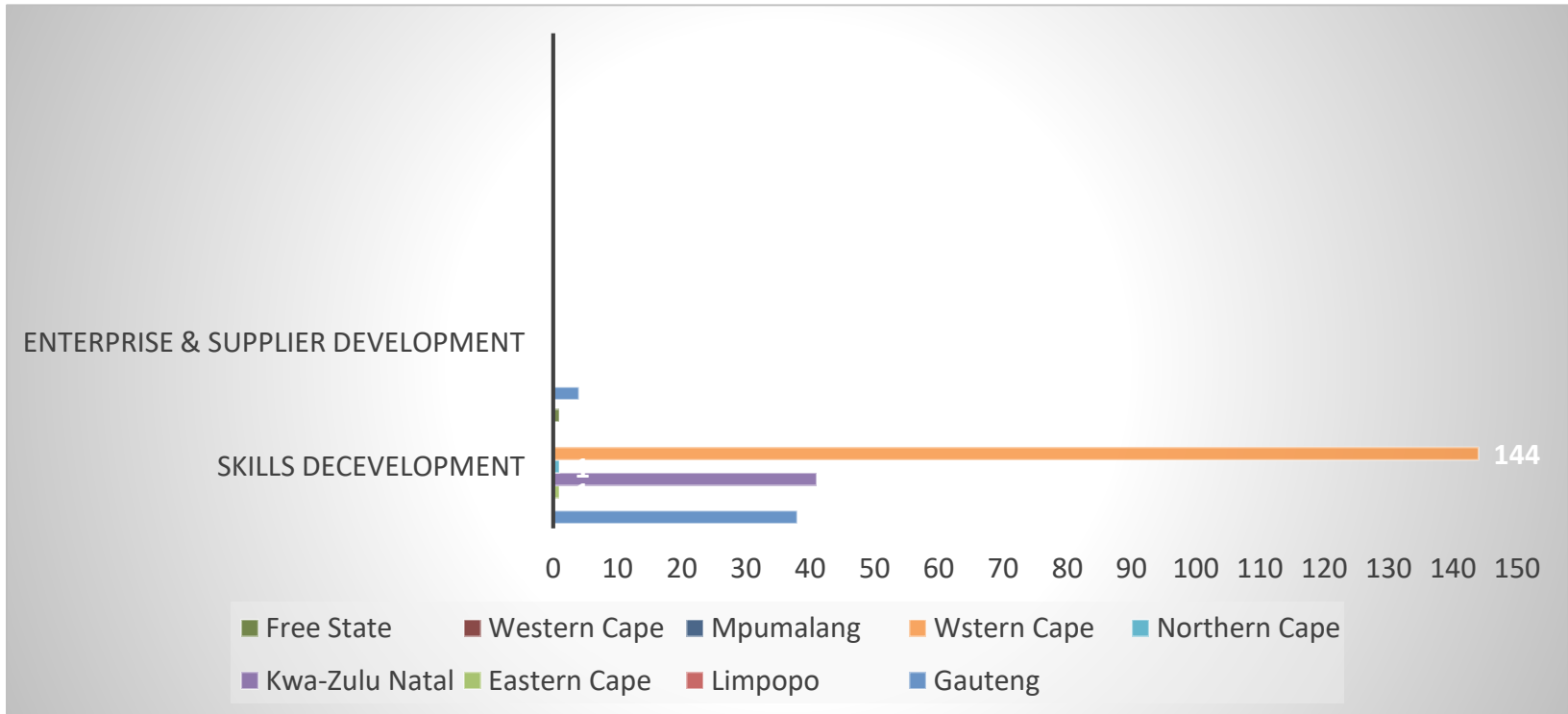
SAMSUNG

To date the following milestones have been achieved:

- ❑ R&D programme – Programme implementation in partnership with UWC and Tshimologong. Two Graduations for 18 students (9 students each programme-term) have been completed.
- ❑ Technician programme – Programme implementation in partnership with EASTC & Ocule IT. On-going execution as per implementation plan. Multiple cohorts are implemented.
- ❑ E-Waste Black Industrialists – Award, contracting and release of funding of two Black Industrialists completed. Focus shifts to implementation to meet growth objectives.
- ❑ Enterprise Development programme – Two ICT and two Service Centre enterprises on-boarded. Marketing Agency is targeted for the 2nd phase starting in April 2023.
- ❑ There are two planned Accredited Service Centres (phase 1) that were implemented during 2021 and became operational in November 2021.

ACHIEVEMENTS AND IMPACT

SAMSUNG GEOGRAPHIC SPREAD OF BENEFICIARIES



ACHIEVEMENTS AND IMPACT

AMAZON

- ❑ The primary objective of AWS' EEIP is to develop 47 black owned small and medium enterprises (SMEs) herein referred to as "Cohorts" operating in the Information and Communication Technology (ICT) sector in South Africa over a period of seven years.
- ❑ The development is through an intense 18-24 month enterprise development and incubation program with the specific intention of enabling these SMEs to graduate from registered partner tier, to select partner tier and advanced partner tier on the Amazon Partner Network (APN).
- ❑ To date Amazon has supported 13 beneficiaries (Black owned enterprises, 3 are women owned).
- ❑ In terms of geographic spread, 9 are in GP, 3 WC, and 1 in EC.
- ❑ A total of 36 jobs has been created through the AWS EEIP to date; 33 jobs have been created by SMEs in the program and 3 jobs have been created by AWS ZA directly.

ACHIEVEMENTS AND IMPACT

IBM SOUTH AFRICA

- ❑ Since inception a number of 86 jobs were created inclusive of (Masters & PHD Scientists, Interns Graduate Management and Operational staff), 72 Bursaries were funded, 43 have graduated, 25 are confirmed employed and 20 are furthering their studies.

Critical skills were created, such as:

- Open pages developer;
- Cloud professional sales engineer;
- Big Data Engineer;
- Clouds Professional Architects; and
- Cognos Analytical Developer.

ACHIEVEMENTS AND IMPACT (IBM)

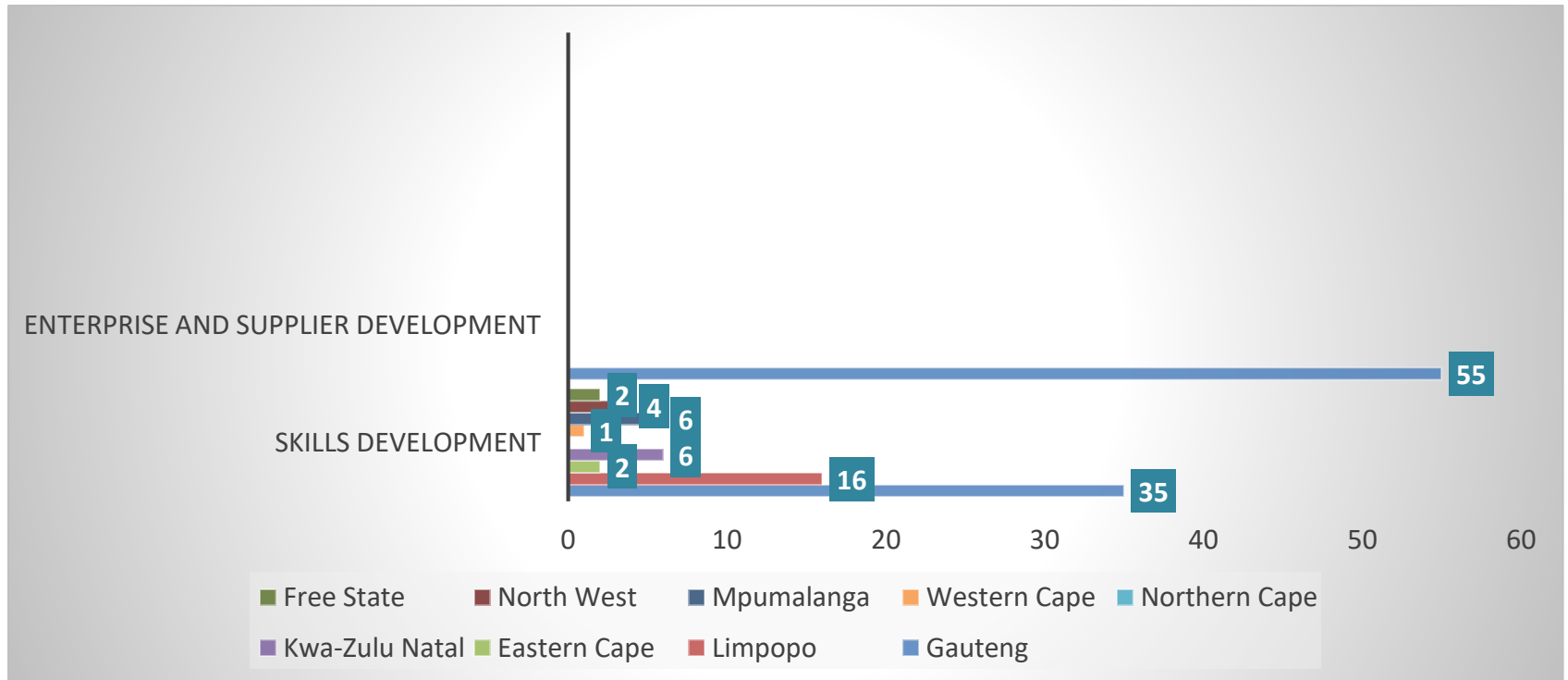
Jobs Created	Enterprise & Supplier Development	Procurement Spend/Market Access	Skills Development	Black Youth Supported (ED)	Black Women Supported (ED)	Black Youth Supported (SD)	Black Women Supported (SD)	Black Youth Supported (SD)	Black Women Supported (SD)
86	56	R57 600 000	72	52	28	R51 600 000	0	72	19

IBM Procurement Spending



ACHIEVEMENTS AND IMPACT

IBM GEOGRAPHIC SPREAD



ACHIEVEMENTS AND IMPACT

CATERPILLAR

- ❑ The programme entails localisation of coolant replacement parts, mining buckets, genset components, large construction truck bodies.
- ❑ To date Caterpillar has supported seven manufacturing companies and they have spend over R 206 million.
- ❑ Caterpillar has created 100 job opportunities through EEIP.

ACHIEVEMENTS AND IMPACT

JP MORGAN

- ❑ JP Morgan to date has received 473 applications and 28 applications have been shortlisted for potential **medium to long** term finance.

- ❑ **Short term transactions -**
 - 20 Deals totalling R24,57M has already been paid out;
 - 13 deals totalling R10.58M have received proceeds (completed + in progress deals); and
 - 6 Deals totalling R7,16M has been received from concluded deals.

- ❑ JP Morgan EEIP has created 14 permanent jobs.

THANK YOU