

Financial Instruments in Support of Economic Development

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the dtic/INCENTIVES BRANCH (IB)



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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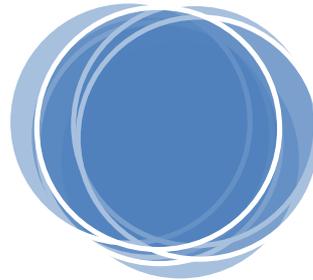
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THE INCENTIVES BRANCH (IB)

The business incentives of **the dtic** are administered by the **Incentives Branch** which aims to increase the accessibility of financial measures to support investment in priority sectors in line with approved master plan.

The Purpose

To grow sustainable, competitive enterprises which support national priorities through **accessible** industrial finance



Evidence-based designing administration, monitoring & evaluation of manufacturing incentives programmes based on national policies in labour intensive sectors on an ongoing basis

To build **partnerships** and increase financing to accelerate growth of the manufacturing and internationally-traded services sectors over the long term

INCENTIVE CLUSTERS ...



INNOVATION CLUSTER

- Technology and Human Resources for Industry Programme (**THRIP**)
- Support Programme for Industrial Innovation (**SPII**)



MANUFACTURING INVESTMENT CLUSTER

- Agro-processing support scheme (**APSS**)
- Manufacturing Support Programme (**MSP**)
- Black Industrialists Scheme (**BIS**)
- Strategic Partnerships Programme (**SPP**)



SERVICES INVESTMENT CLUSTER

- Global Business Services Incentive (**GBS**)
- SA Emerging Black Filmmakers
- SA Film and TV Production
- SA Film and TV Production & Co-Production
- Foreign Film and TV Production & Post-Production



EXPORT PROMOTION CLUSTER

- Export Marketing and Investment Assistance (**EMIA**)
- Sector-Specific Assistance Scheme (**SSAS**)
- Capital Projects Feasibility Programme (**CPFP**)



INFRASTRUCTURE INVESTMENT CLUSTER

- Special Economic Zones (**SEZ**)
- Critical Infrastructure Programme (**CIP**)

THE INCENTIVE SCHEME RULES

- Almost 20 schemes and sub-schemes, have their own specific guidelines and qualifying criteria.
- Offered on **re-imbursment** basis and cost sharing: Co-funding is essential - No 100% financial support and no up front payments.
- Support is for **new establishments**, expansion projects, and or Upgrading of **existing business**
- For Innovation, Infrastructure, Manufacturing, Agro-processing, Aquaculture & Service Sector
- **Main Qualifying Costs:** Capital Investment – Factory Buildings, Machinery, Tools and Equipment, Commercial Vehicles and Competitiveness Improvement Costs / Fees.
- The **quality** business cases or projects is a determinant factor! Projects adjudicated on the basis of their feasibility/viability:
 - Economic viability – Profitability.
 - Technical viability: Capability to manufacture/produce products or render services
 - No repayment on the grant/incentives disbursed.
 - Other compliance requirements i.e. CIPC, B-BBEE, SARS, AFS for existing companies, Minimum Sectoral Wage, Industry Regulations governing the sector and etc.

ECONOMIC DEVELOPMENT CRITERIA

CRITERIA	DESCRIPTION
Employment	Securing/retaining or increasing direct employment
Market Share	<u>New business/operations</u> : Securing market share for the entity; OR <u>Existing business/operations</u> : Increase market share for the entity
Quality Improvement	Reduction of relative prices and/or increasing the quality of products to consumers
Green Technology & Resource Efficiency Improvements	Savings or better utilisation of energy or materials and/or cleaner production improvement and/or waste management improvement and/or water usage improvement and/or use of renewable energy
Localization	Increasing the localisation of production activities (diversification and exports)
Regional Spread	Projects should be located in rural areas or areas with unemployment higher than twenty five percent (25%)
Personal Risk	Demonstrate own financial and/or non-financial contribution to the business
Empowerment	Achieve at least a level Four (4) B-BBEE contributor status as per revised B-BBEE codes of good practice published in October 2013 (as amended)
Transformation	Ownership and management control by black persons, Youth, Women and PwD

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Technology and Human Resources for Industry Programme (THRIP)</p> 	<ul style="list-style-type: none"> Is intended to leverage collaborative partnerships between government and industry (working with academia) for research and development in science, engineering and technology on a cost-sharing basis, to produce <u>highly skilled human resources and technology solutions</u>, for improved industry competitiveness. 	<ul style="list-style-type: none"> South African registered legal entities. Registered higher education or further education institution in partnership with private sector. Licensed and/or registered science councils in partnership with private sector 	<ul style="list-style-type: none"> A 50% to 90% cost-sharing grant of up to R5m per annum for a maximum period of 3 years for approved project engaged in applied research and development in science, engineering and technology

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p data-bbox="40 319 338 487">Support Programme For Industrial Innovation (SPII)</p> 	<p data-bbox="415 222 743 794">Promotes technology development in South Africa through the provision of financial assistance for the development of innovative, competitive products and/or processes</p>	<ul data-bbox="782 228 1188 890" style="list-style-type: none"> ▪ South African registered legal entities. ▪ Registered higher education or further education institution in partnership with private sector. ▪ Licensed and/or registered science councils in partnership with private sector 	<p data-bbox="1226 186 1883 577">Matching scheme that provides financial assistance to large companies in the form of a non-taxable grant for qualifying costs incurred in development activity associated with a specific project to a maximum of R5 million calculated at 50% and 75% as per EBR stipulated on paragraph 3.2 of the guideline.</p> <p data-bbox="1226 656 1883 1167">The Product Process Development Scheme Provide financial assistance in the form of a non-taxable maximum grant of R2 million calculated at between 50% and 85% as stipulated on paragraph 3.2 of the guideline for small companies whose total assets (excluding fixed property) are below R5 million and a turnover of less than R13 million as well as total employees of below 50</p>

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Agro-Processing Support Scheme (APSS)</p>	<p>To stimulate investment by SA agro-processing/beneficiation enterprises (agri-business)</p> <p>Investment to achieve some of the following:</p> <ul style="list-style-type: none"> • Increased Capacity • Employment Creation • Modernised Machinery & Equipment • Competitiveness & productivity improvement • Broadening Participation 	<p>South African Registered Entities in the following sub-sectors:</p> <ul style="list-style-type: none"> • Food & beverage value addition and processing (including Black winemakers) • Furniture manufacturing • Fibre processing • Feed production • Fertilizer production • Essential Oil Production 	<p>Reimbursable cost-sharing grant of 20% for investment above R10m & 30% for investment below R10m. 10% additional grant is offered to expansion projects that meet the EBR. Max grant offering is R20m.</p> <ul style="list-style-type: none"> ▪ Buildings, new machinery, equipment, tools, technologies; ▪ Commercial vehicles ▪ Competitiveness Improvement Costs
			

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Manufacturing Support Programme (MSP)</p>	<p>To grow and develop the manufacturing sector through:</p> <ul style="list-style-type: none"> ▪ Investment in a new and/or expansion projects. ▪ Create & sustain employment ▪ Encourage transformation by supporting enterprises owned by Black persons, Women, Youth and People with Disabilities ▪ Promote localisation. 	<ul style="list-style-type: none"> ▪ South African registered legal entities ▪ Achieve a minimum B-BBEE level 4 Contributor status. ▪ Be a registered taxpayer in good standing. ▪ Adhere to sectorial minimum wage and legislative requirements and compliance requirements governing the sector. ▪ Demonstrate that at least 50% of the inputs will be sourced from South African producers and at least 10% of the inputs will be sourced from Black South African producers provided if inputs are available locally. ▪ Commencement date of production must take place within 180 days after the application has been approved by the dtic. 	<p>Max Grant Offering R10m</p> <p>Provides for a non-taxable reimbursable cash grant of R10m based on:</p> <ul style="list-style-type: none"> ▪ 20% of the value of qualifying investment in productive assets (CAPEX) and ▪ 30% in CAPEX for projects that are at least 51% owned & controlled/managed by women, and/or Youth(s) and/or Person(s) with Disabilities. ▪ Raw Material up to a maximum of R500 000 for servicing of export contract.

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Black Industrialists Scheme (BIS)</p>	<ul style="list-style-type: none"> ▪ <u>Accelerate</u> the quantitative and qualitative increase and participation of black industrialists in the national economy, selected manufacturing sectors and value chains; and ▪ Create multiple and diverse pathways and instruments for black industrialists to <u>enter</u> strategic and targeted manufacturing sectors and value chains. ▪ <u>Utilise</u> Black Industrialists for economic growth, economic transformation, employment creation and sustainability. 	<p>Characteristics of a black industrialist:</p> <ul style="list-style-type: none"> ▪ High levels of ownership (>50%); ▪ Dominant black ownership and management control ▪ Takes personal risk in the business; ▪ Does business in the manufacturing sector with particular reference to IPAP focus areas ▪ Makes a long-term commitment to the business and is a medium- to long-term investor ▪ Minimum of R30m Capex 	<p>A 30% to 50% cost sharing grant of up to R50 million.</p> <p>Offers support on a cost-sharing basis towards:</p> <ul style="list-style-type: none"> ▪ Capital investment costs; ▪ Feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost); ▪ Post-investment support (to the maximum of R500 000); and ▪ Business development services (to the maximum of R2 million).

Incentive Programme	Purpose	Target / Eligibility Criteria & Incentive Offering
<p>Critical Infrastructure Programme (CIP)</p>	<p>The programme aims to leverage investment by supporting infrastructure, agro-processing projects, state owned testing facilities, South African film and television studios and cinemas, state-owned industrial parks, strategic feasibility studies and projects that alleviate dependency on the national grid, water and sanitation networks deemed critical or of a strategic nature, thereby lowering the cost of doing business.</p>	<p>Registered private entities and local governments (municipalities, excluding metropolitan municipalities) Types of supported projects: capped at R50m</p> <ul style="list-style-type: none"> • STRATEGIC INFRASTRUCTURE FEASIBILITY STUDIES – 60:40 of total qualifying studies costs and 80:20 (inside SEZs) • GENERIC INVESTMENT - 10% to 30% of total qualifying infrastructural development costs capped • SA Film and TV Studios and Cinemas – 30:70 cost sharing for SA owned film & television studios and cinemas • STATE OWNED TESTING FACILITIES - 50:50 cost sharing of total qualifying infrastructural development costs • STATE OWNED INDUSTRIAL PARKS: 100% of total qualifying infrastructural development costs • DISTRESSED MUNICIPALITIES or INVESTORS IN SUCH MUNICIPALITIES: 15-100% of total qualifying infrastructural development costs up to R50m; 100% support towards strategic infrastructure studies, capped at R10m



Incentive Programme	Purpose	Incentive Offering	
Export Marketing Investment Assistance (EMIA)	Aims to support exporters to explore export markets	Individual Exhibition Participation	<ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Transportation of samples ▪ Exhibition costs
		Primary Market Research(PMR) & Foreign Direct Investment (FDI)	<ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Transportation of samples ▪ Patents ▪ Production of marketing material
		Individual Inward Missions	<ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Car rental
		Group Missions & National Pavilions	Selected Trade Fairs & Exhibitions / Export Councils, Industry Associations & Provincial Trade Promotion Agencies <ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Transportation of samples ▪ Exhibition costs

APPLICATION PROCESS

Application:

- Applicant obtains incentive application form and guidelines from **the dtic** website (www.thedtic.gov.za) under Financial Assistance tab;
- Applicant may obtain further information telephonically, by e-mail or visit to the dtic offices.
- The guideline should be read before completing the application form.
- The Applicant e-mails the completed, signed application form with supporting documents to the dedicated email address or online system, courier or hand delivery if applicable;

Basic Evaluation:

- The application is allocated to a processor for assessing its completeness
- The applicant will receive an acknowledgement letter from the Programme Administration;
- The review of the documents is undertaken and should all documents be in place, the application is sent for further processing and prepared for adjudication;
- If the application has outstanding documents, then the applicant is contacted and provided with a timeframe within which to provide the outstanding information

Adjudication:

- Technical evaluation will be performed for the complete applications;
- Adjudication Committee convenes to assess the application - Applications are approved, rejected or referred back for additional information.
- The decision of the Adjudication Committee is final.
- Letter confirming approval of the application and the claim form will be forwarded to the applicant within a specified timeframe.

GRANT DISBURSEMENTS

- Performance requirements for grant disbursements will be included in the approval letter.
- It is the responsibility of the entity to provide complete and accurate information to the Department in order to enable speedy and correct evaluation and processing of the investment grant.
- The Department must be notified in writing of any material changes related to the investment project and the changes must be approved by the Department prior to being effected.

Contact Details

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Thank you



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