



**the dtic**

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA



**REVISED PROGRAMME GUIDELINES**  
**Clothing, Textiles, Footwear and Leather**  
**Growth Programme (CTFLGP)**  
**(Effective 12 January 2022)**

**ABBREVIATIONS AND ACRONYMS**

<b>CTFLGP</b>	Clothing, Textiles, Footwear and Leather Growth Programme
<b>CMT:</b>	Cut, Make and Trim
<b>CSP:</b>	Cluster Support Programme
<b>CTCP:</b>	Clothing & Textiles Competitiveness Programme
<b>FICA:</b>	Financial Intelligence Centre Act
<b>IDC:</b>	Industrial Development Corporation of South Africa Limited
<b>MOA:</b>	Memorandum of Agreement
<b>NGOs:</b>	Non-Governmental Organisations
<b>PAP:</b>	Projects Approval Panel
<b>PRECCA:</b>	Prevention and Combating of Corrupt Activities Act
<b>NGOs:</b>	Non-Governmental Organisations
<b>ROI:</b>	Return on Investment
<b>SBU:</b>	Strategic Business Unit
<b>SIC:</b>	Standard Industrial Classification
<b>the dtic:</b>	The Department of Trade, Industry & Competition
<b>VAT:</b>	Value Added Tax
<b>WCM:</b>	World Class Manufacturing

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## SECTION A

### 1. PREAMBLE

1.1 The CTFLGP has been simplified and revised to better meet the sector's needs, as follows:

- **Programme A: Competitiveness Improvement** to drive increases in production output; job creation, transformation and sustainability in the sector.
- **Programme B: Expansionary Working Capital** to support product localisation, company growth and expansion.
- **Programme C: Start-up Funding** to support early-stage start-up companies still in development stages and fashion designers to drive broad based transformation.
- **Programme D: Cluster Funding** to develop groups of globally competitive companies to ensure a sustainable business environment able to retain and grow employment levels and support the vision and objectives of the Masterplan.

Applications submitted under the previous Chapters not yet adjudicated shall be processed under these revised guidelines.

1.2 The purpose of this document is to provide the policies and guidelines of the overall **Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)** which replaces the **Clothing, Textiles Competitiveness Programme (CTCP)** which consisted of the **Production Incentive Programme (PIP)** and the **Competitiveness Improvement Programme (CIP)**.

1.3 This is a Programme of the Department of Trade, Industry and Competition ("**the dtic**") to grow employment, improve overall competitiveness and to grow the clothing, textiles, footwear, leather and leather goods manufacturing industries. The CTFLGP is administered by the CTFLGP Desk ("Desk") at the IDC on behalf of **the dtic**.

**1.4** The Programme is intended to be a catalyst for Industry to achieve the aims of the R-CTFL Masterplan – see <http://www.thedtic.gov.za/media-room/master-plans/>. The incentive has been re-designed to align to the Masterplan deliverables - approved projects' deliverables will be consolidated and monitored over the duration of the scheme.

**1.5** The incentive will support job growth, industry output, enhance the sector's competitiveness, promote inclusivity and transformation, encourage industrial development and innovation while adjusting to technological disruptions.

**1.6** The architecture of the scheme is aimed at bringing “additionality” in the following forms: localization & import replacement (onshoring product manufactured to SA), job creation (growth and sustainability), production output increase, increasing of exports and aligning to government policy on transformation, women advancement, youth, etc. thereby aligning to the Masterplan aspirations.

Additionality is measured through the following three things:

- Growth in real output (e.g. sales volume, exports, etc.) focusing on import replacement,
- Job growth and
- Broadening participation (e.g. B-BBE transformation, start-ups, SME's, targeted sub-groupings (Women, Youth and People With Disabilities).

**1.7** Localisation is based on aggregate additionality, i.e., not simply a shift from one domestic company to another but resulting in aggregate growth in **real** output and jobs across the economy.

**1.8** Scheme resources will be identified annually with the intention for **the dtic** to maintain the level of funding over the three-year period.

- 1.9** Approval of funding will be based on economic growth merit and sustainability of the business. The programme will focus on identifying opportunities for small and medium enterprises and black owned enterprises, so that our productive base provides more opportunities to a wider group of South Africans.
- 1.10** Development and implementation will be phased-in on an annual basis, subject to National Treasury zero budgeting with nuances introduced to achieve the set objectives aligned to the budget allocations and National Treasury spending review.
- 1.11** While in the past 10 years the CTCP programme offered grant support, the current fiscal constraints require creativity to ensure that the limited resources are stretched to achieve more outcomes and impact. As such, concessional loans and much more targeted and timeous support will be a key feature of the Scheme.
- 1.12** Differential support for capital intensive segments of the industries (textiles and upstream leather and footwear components) vis-à-vis labour-intensive industries (clothing and downstream footwear) to equitably de-risk investments and provide adequate support.
- 1.13** For each of the programmes, consideration be given to increasing funding limit based on project development and localization impact on a case by case basis. BBBEE levels to also be submitted with each application.
- 1.14** Companies not Bargaining Council Compliant may qualify but should submit a signed agreement with National Bargaining Council (NBC) for pathway to NBC compliance (if not complaint).
- 1.15** The guidelines set out in this document seek to enable companies to present their business cases to the Desk and provide a framework for the evaluation of such cases.

- 1.16** The guidelines may be amended from time to time, as deemed necessary by **the dtic** and the Desk. These amendments will be published on the website ([www.ctcp.co.za](http://www.ctcp.co.za)) and will be of immediate effect upon publication.
- 1.17** Where the guidelines lend themselves to varying interpretations or do not deal with a specific subject matter, interpretation by the Desk should be requested. Such interpretation will be decisive and final.
- 1.18** Approval of applications will be subject to the availability of funds. The Desk will endeavour to communicate to the public, in good time, should there be a likelihood of no funds being available for allocation to new approvals.
- 1.19** For Programmes A, B and C, enterprises with a structure of more than 30% for textiles & leather and 20% for clothing & footwear are eligible to apply.
- 1.20** Applicants who are appointing Consultants to process their applications to IDC Desk, should be aware that they take direct responsibility and accountability for the authenticity and accuracy of the information submitted. (Any fees that may be incurred as a result of the appointment of the consultant will be for the account of applicant).
- 1.21** Consultant details and fees must be disclosed so that these can be included in assessing viability of the application.

## **2. SERVICES DELIVERED BY THE DESK**

- 2.1** No fees or charges are levied by the IDC for the processing or evaluation of any CTFLGP application or claim.
- 2.2** Companies are welcome to contact the Desk directly for assistance in completing application or claim forms.

2.3 The Desk will only disclose information pertaining to an application or claim to the applicant or appointed representative.

2.4 Refer to Paragraph 11 for Contact Details of the Desk.

### 3. PROGRAMME DESCRIPTION

3.1 The Programme has been revised to ensure better support for the Clothing, Textiles, Footwear & Leather (CTFL) sectors through the five policy levers of The Department of Trade, Industry and Competition (**the dtic**):

- The Clothing, Textiles, Footwear Leather Growth Programme (CTFLGP) to boost customised financing and value chain competitiveness.
- Designation of Clothing, Textiles, Footwear & Leather Sectors under the Preferential Procurement Policy Framework Act Regulation for 100% local content.
- The Retail – Clothing, Textiles, Footwear, and Leather (R-CTFL) Masterplan 2030.
- Development and implementation of policies for improved growth, competitiveness, new decent jobs, and sustainability of the Clothing Textiles Footwear & Leather industries; and
- Enabling innovation and technology demonstration, value chain strategies as well as the development of relevant skills for the sectors through the various clusters.

3.2 The foundation of the Programme came from **the dtic's** implementation of the Re-imagining Industrial Strategy (RSI)<sup>1</sup> mandated by manifesto of the

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<sup>1</sup> Manifesto / public mandate (6<sup>th</sup> administration) from Ruling Party: Re-imagining our industrial strategy to boost Inclusion & Private Investment: Cabinet Lekgotla 12-14 June 2019  
<http://www.thedtic.gov.za/wp-content/uploads/Re-imagining-Industrial-Strategy-FINAL-13-June-2019.pdf>



6th administration with ten strategic interventions for CTFL sectors focused on scaling up jobs and growth including implementation of value chain integrated R-CTFL “Masterplan” (2030) and new policy imperatives to revitalise CTFL sectors such as curbing illicit trade, explore possible trade remedies, greening and digitalising the industry, enhancing exports, enhancing adjacent value chains competitiveness and accessing regional market opportunities under the African Continental Free Trade Area (AfCFTA).

**3.3** Qualifying products should undergo a value adding manufacturing process and form part of one or more of the following processes:

- Clothing manufacturing.
- Textile manufacturing.
- Cut, Make and Trim (CMT) operators in the manufacturing processes mentioned.
- Footwear manufacturing.
- Leather goods manufacturing, and
- Leather processing (specifically for the Leather Goods and Footwear Industries and automotive leather industry).

To qualify for support, products must conform to the manufacturing processes as mentioned above **and** they must fall within the following chapters of the Harmonised System Code (HS Code) Commodity Classification detailed in Annexure A.

**3.4** Support will be based on the ability of each applicant to service the loan up to the maximum specified in each chapter.

## **SECTION B**

### **4.1 PROGRAMME A: COMPETITIVENESS IMPROVEMENT**

#### **OBJECTIVES**

- To support and fund expansion in CTFL entities or supply chain projects to drive the implementation of the Masterplan and CTFLGP objectives of growing employment, additionality in output, import replacement and transformation.
- Mechanisms include workflow improvements, equipment upgrading & factory modernisation, innovation commercialisation and primary textile enhancement support as well as greening and digitization interventions and crowd-in funding from other sources.

#### **1. APPLICATION WINDOW**

Applications may be submitted on an ongoing basis and will be assessed on their economic merit to support worthy and impactful projects as and when received.

#### **2. SUPPORT**

Capital equipment as well as people, product, process and market development improvement for brownfield or greenfield interventions to a maximum of R 20 million per applicant.

##### **Grant portion:**

- Initially 25% of funding as grant
- At the end of capital moratorium, on achieving targets set at application, further 25% convertible to a grant

**Structure:**

- Interest free loan
- Maximum term 5 years (including capital moratorium)
- Maximum capital moratorium 24 months
- Subordination of loans to stabilise balance sheet if required

**3. QUALIFYING CRITERIA**

Eligible applicants: brown field and green field operations for large, medium, and small enterprises with the Balance Sheet or collateral security to acquire a loan in the financial system (commercial lender) and/or have share-holders loan (in-house) funding.

Applicants must demonstrate economic viability and the ability to repay the loan over the agreed term.

The support for capital equipment loans covers planned factory expansions / workflow improvements of existing entities.

Programme application must be supported by a motivation and the applicant can apply for a package of options or one aspect.

Some of the qualifying expenditure relating to competitiveness improvement interventions could be broken down into the following core focus areas of the upgrade interventions, namely People, Product, Process, and Market Development. Following are non-exhaustive examples of qualifying interventions:

## i. People

<b>Intervention</b>	<b>Description</b>
Training	<b>World-class manufacturing principles.</b> These projects should have a strong leaning towards training and building the competency of management, supervisors, support personnel and shop-floor workers to carry out continuous improvement activities.

	<b>ISO 9000</b> - Basic quality management systems such as ISO 9001 should be introduced to companies to ensure compliance to downstream client requirements.
Labour relations and employee wellness programmes	Labour productivity.
	Multi-skilling and shared training centres.
	HIV/Aids programmes.
	Employee-employer relationship building.

## ii. Product

<b>Intervention</b>	<b>Description</b>
Product-related supply chain integration	Quick and reliable delivery time.
	Fashion design, pattern design, tooling, and manufacturing integration process.
	<b>Process development.</b> The introduction of new processes into mainstream production.
	<b>Technology focus (automation).</b> The use of technology centres and partnerships with support organisations such as the Council for Scientific and Industrial Research (CSIR) and related subsidiaries as well as Public Education Institutions will foster collaborative partnerships in developing technologies within the sector.

## iii. Process

<b>Intervention</b>	<b>Description</b>
Industrial engineering services	Layout planning / simulation. Using the latest planning and simulation tools and aids, companies could be assisted to improve process flow and facilities layout.
	Logistics analysis and improvement. To improve supply chain efficiencies, both internally and externally, for example, effective inventory control to decrease operational cost.
	Maintenance principles. Total Productive Maintenance has become a benchmark practice towards international competitiveness. This principle has been applied globally to

	improve equipment utilisation, support, and maintenance.
	Continuous Improvement activities.
Competitiveness improvement interventions	These projects should be aimed at the implementation of economically viable and sustainable models for technical assistance through an approach to improve quality, efficiency and international competitiveness in individual companies or supply chains.
World-class manufacturing principles	Focused on implementing principles of manufacturing that is regarded as best practice.
Bottom-line business processes	Interventions that increase the profitability of the company.
Sustainability, green industry, and industrial symbiosis (circularity) interventions	<p>Programmes that support greening of the industry and climate change mitigation strategies.</p> <p>Sustainability &amp; industrial capability assessment and certification.</p> <p>Resource optimization interventions.</p> <p>Traceability and / or monitoring &amp; evaluation platforms.</p> <p>Green chemistry and green industry interventions.</p> <p>Life Cycle Management (LCM) intervention, etc.</p>
Digitization	4IR readiness, Artificial Intelligence, Augmented Reality assessment and transformation interventions

#### iv. Market Development

<b>Intervention</b>	<b>Description</b>
Market Research	Activities related to determining the size and dynamics of the market both locally and internationally.
Marketing Plan	Activities related to developing a marketing plan based on the results of the market research.

Product Certification Requirements (International and/or Country specific)	Interventions that relate directly to acquiring the relevant certification.
Showroom	Design of a showroom or development of a virtual showroom.
Brand Development	Registration of trademarks, graphic designs etc.
	Activities related to initial brand awareness.
	Point of Sale Branding.
Trade Shows, Inward- and Outward-Bound Missions (Group / Cluster activities - only where not covered by other Government programmes e.g., EMIA)	Travel, Accommodation, Design of Stands, Marketing Material, and transportation.

#### 4. SECURITY FOR THE LOAN

- Security will be taken over loan(s) funded in the form of shareholder guarantees limited to exposure.

#### 4.2 PROGRAMME B EXPANSIONARY WORKING CAPITAL

##### 1. OBJECTIVE

To support to CTFL entities with interest free Working Capital loans (no grant funding) to achieve CTFLGP objectives of growing employment, additionality in output, import replacement and transformation.

## **2. APPLICATION WINDOW**

Applications may be submitted on an ongoing basis and will be approved in accordance with their economic merit to support worthy and impactful projects.

## **3. SUPPORT**

- Maximum loan of R 10 million per applicant

Structure:

- Interest free loan
- Maximum term 5 years (inc capital moratorium)
- Maximum capital moratorium 12 months
- Subordination of loans to stabilise balance sheet if required

## **4. QUALIFYING CRITERIA**

- Brownfield and greenfield operations
- Growth of orders as a result of import replacement, new product development, exports and/or organic order book growth
- Not limited to R-CTLF signatory off take agreements
- Applicants must demonstrate the ability to repay the loan over the 5-year term including the moratorium
- Masterplan Localisation Roadmap alignment: aggregate additionality
- Companies working on the Covid-19 PPE response also qualify
- Programme application must be supported by a motivation and the applicant can apply for a package of options or one aspect.

## **5. SECURITY FOR THE LOAN**

- Security will be taken over loans funded in the form of shareholder guarantees limited to exposure.

### 4.3 PROGRAMME C START-UP FUNDING

#### 1. OBJECTIVE

To support early-stage start-up companies still in the development stages and fashion designers to drive broad based transformation and / or entities aligned to the B-BBEE Act, black Women, all (black) Youth and People with Disability owned enterprises including fashion designers against secured orders from a reputable registered entity and/or retailer to meet CTFLGP objectives of growing employment, additionality in output and transformation.

#### 2. APPLICATION WINDOW

Applications may be submitted on an ongoing basis and will be approved in accordance with their economic merit to support worthy and impactful projects.

#### 3. SUPPORT

- Early-stage start-up up to maximum trading period of 2 years
- Qualifying expenditure to exclude pre-feasibility studies and related costs
- Capital equipment and working capital requirement
- Maximum of R5 million per applicant
  - Black woman owned business (50% plus 1), (all) youth and people with disabilities – 75% grant
  - Black owned business (50% plus 1) – 50% grant

Structure:

- Interest free loan
- Maximum term 5 years (inc capital moratorium)
- Maximum capital moratorium 12 months
- Subordination of loans to stabilise balance sheet if required

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#### **4. QUALIFYING CRITERIA**

Start-up manufacturing companies with feasible credible business plan and evidence of historical performance.

Applicants must demonstrate the ability to repay the loan over the 5-year term.

Grant portion is linked to the loan therefore the grant cannot be accessed without a loan portion.

Women, Youth and People with Disability as well as Black Industrialists and / or Increased Worker owned CTFL entities are eligible.

The entities in CTFL sectors within categories willing to work towards the registration and gradual compliance with exemption to be agreed with the respective National Bargaining Council will be considered for support.

#### **5. SECURITY FOR THE LOAN**

- Security will be taken over loans funded in the form of shareholder guarantees limited to exposure.

## **SECTION C**

### **4.4 PROGRAMME D: CLUSTER FUNDING**

#### **1. OBJECTIVE**

The main objective of Cluster Funding is to build and improve capacity and demonstrate additionality in the manufacturing and related value chain of the clothing, textiles, footwear, leather, and leather goods sectors in South Africa to effectively supply their customers, for example, major retailers, government, and niche markets, both locally and internationally. The programme primarily aims to improve the global competitiveness of South African-based clothing, textiles, footwear, leather and leather goods manufacturers and designers in the related sectors enabling sustainability and growth of the cluster members and other parts of their supply chain to enable them to supply compelling products to their customers locally and overseas. This supports CTFLGP objectives of growing employment, additionality in output, import replacement and transformation through Retail-led and Continuous Improvement Clusters.

Cluster Funding aims to improve competitiveness and sustainability through issues like cost, quality, flexibility, reliability, adaptability, the capability to innovate and traceability of product, greening and digitalisation. Competitiveness improvement interventions should thus include innovative consolidated cluster activities related to people, products, processes, market development and technology demonstration where appropriate. The objective is to develop groups of globally competitive companies that would ensure a sustainable business environment able to retain and grow employment levels and support the vision and objectives of the Masterplan.

#### **2. APPLICATION WINDOW**

Window open from 1 October to 31 March 2022 (based on availability of funds). Review, due diligence and consideration will happen as applications are received.

### **3. SUPPORT**

- 70% grant to a maximum of R 20 million per applicant over a maximum of 2-year of support.
- 30% balance of the total funding requirement to be funded by own contribution.

#### **3.1 R-CTFL MASTER PLAN RETAIL-LED CLUSTER**

Projects will be afforded per Retail-led Cluster (that are R-CTFL MP signatories) for supply chain development projects that directly support cluster funding objectives and willing non-compliant entities becoming compliant.

#### **3.2 CONTINUOUS IMPROVEMENT CLUSTER**

Projects not linked to R-CTFL MP signatory retailers may also be funded for development projects that directly support Masterplan objectives and enhancement of adjacent value chains.

### **4. QUALIFYING CRITERIA**

The Cluster must support skills and productivity enhancement within the value chain.

Transition to compliance supporting job growth and localisation drive & suppliers that are in distress may be considered with the support of the National Bargaining Council (NBC).

Clusters driving their domestic supply chain to ensure quick masterplan implementation and responses will be supported.

No limits on number of members for each cluster.

Any technology demonstration must result in product onshoring and commercial benefit.

All cluster applications must include a drawdown schedule with metrics per drawdown and all approved clusters to strictly claim within 1-2 years, with

maximum 6 months extension as a clear and firm rule. Extensions will only be approved under exceptional circumstances.

Governance structures shall be assessed and must safeguard against any level of conflict of interest or repetitive support.

The applicant must, where applicable, show indications of off-take agreement(s), localisation, product on-shoring and production output. Job growth projections (aggregate additionality) to be well motivated in the business case (direct and indirect must be identified and quantified).

R-CTFL Master Plan Clusters are to be headed by a R-CTFL Master Plan Retailer who'll identify members of the cluster. The Retail Signatory to the Master Plan will be the main point of contact through the Cluster NPC. The Retailer must show, with quarterly reporting, a matrix of achievement / implementation deliverables with supporting evidence of base metrics as well as performance against metrics.

For Continuous Improvement Clusters not lead by a Retailer, the NPC Board will be required to identify members of the cluster. The Board appointed and independent Cluster Manager will be the main point of contact.

The Board for all Clusters must show with quarterly reporting a matrix of achievement / implementation deliverables with supporting evidence of base metrics as well as performance against metrics.

Clear budgeted timelines with minimum prefunding through CSP for most efficient CSP cash flow.

Transformation agenda to be addressed in business plan.

Companies not Bargaining Council Compliant may become members but should submit a signed agreement with National Bargaining Council (NBC) for pathway to NBC compliance (if not complaint) or a plan detailing their proposed transition to compliance to support job growth and localisation drive or suppliers that are in distress. Independent benchmarking required and evidence of achievement.

## 5. METHODOLOGY

The cluster is a group of manufacturing companies or a combination of manufacturing and related organisations (e.g., retailers, design houses, component and primary material manufacturers) that are collaborating towards improving the competitiveness of each cluster member both individually and as a cluster.

CSP interventions should focus on the various facets of the development of manufacturing **clusters** of entities in the clothing, textiles, footwear, leather, and leather goods manufacturing sectors to achieve higher levels of productivity, including industrial, process engineering, climate change mitigation, future of work (skills and productivity), circularity, resource efficiency, digitization, greening industry, marketing and management activities. Interventions to promote improvement must be based on a thorough benchmarking process.

- Competitiveness improvement interventions could be broken down into the following core focus areas of the CSP, namely People, Product, Process and Market Development and Technology Demonstration.
- Entities and related organizations from the entire value chain may be members of a cluster even though they might not all qualify for other CTFLGP funding.

## 6. REQUIREMENTS

The following elements of cluster formation should be used as a guideline to develop proposals to the CSP Funding Programme for consideration and Project Approval Panel's (PAP) approval.

These elements are based on published best practices determined through a worldwide cluster survey that determined that the following elements significantly influence the success of clusters to improve competitiveness and ensure growth:

- Clusters applying for support for competitiveness improvement interventions through the CSP should base their application and interventions on the following:
  - An analysis of market opportunities for each cluster member to determine a market focus and areas where potential exists to compete effectively on

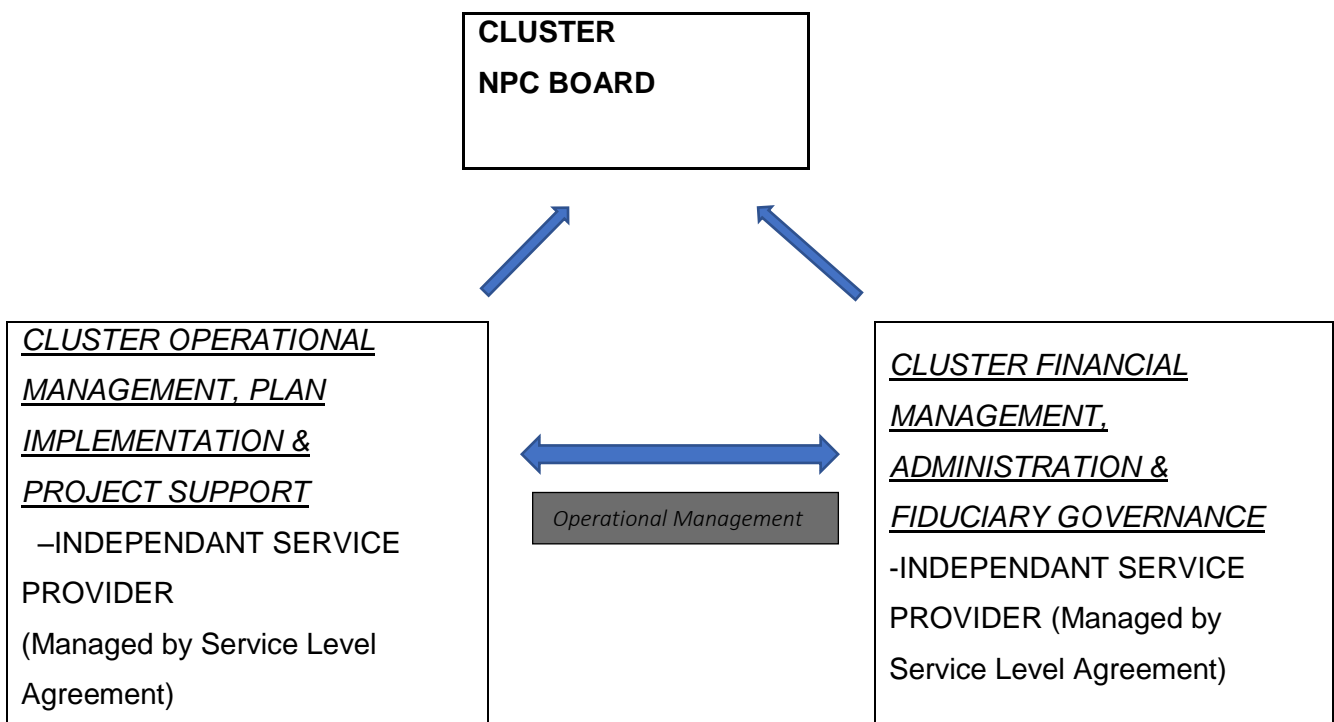
price, delivery, flexibility, reliability, and quality.

- A detailed company-level competitiveness analysis for each cluster member based on operational as well as market derived benchmarking data to identify performance gaps.
- A competitiveness improvement plan for the cluster with reference to each cluster member's role, based on the market and operational analyses should be compiled as part of the overall business plan for the cluster.
- It is required for the outcomes of each intervention to be monitored by participants to show quantifiable improvements.
- Clusters exist to facilitate both horizontal and vertical (buyer-supplier) co-operation within a setting of a 'common language', trust and high social capital sharing and exchanging technology, components, or product.
- Companies in effective clusters can operate more efficiently, drawing on specialised assets, suppliers, and buyers with short lead times. Critical resources and capabilities often do not exist within a company but are accessible through collaborative networks inside the cluster.
- Companies in clusters can achieve higher levels of knowledge creation and innovation. Knowledge spill-over, and close day-to-day interaction between buyers, suppliers and organisations lead to incremental improvements, which are in turn the foundation of both technical (product and process improvements) and non-technical (business model improvements) innovations. Furthermore, both types of innovations tend to diffuse quickly within clusters.
- Effective clusters create an environment that promotes innovation, technical adaptation and learning among enterprises: different resources (individuals, technologies, capital, etc.) can quickly be reshuffled and restructured (spin-offs, labour mobility, transferring skills across organizations, etc.), allowing for new and better economic combinations of skills, capital, and technology.
- A R-CTFL Master Plan linked Retailer Cluster typically has members including at least one Retailer and one manufacturing company and related local or international organisations (**e.g., retailers, design houses, component / fibre manufacturers**) that are collaborating towards improving the competitiveness of each cluster member both individually and as a cluster. The objective of the R-CTFL Master Plan linked Retail-led Cluster typically is to include the full value or supply chain of a particular retailer.

- A Continuous Improvement Cluster typically has at least 5 members including 3 manufacturers that are collaborating towards improving the competitiveness of each cluster member both individually and as a cluster.
- Farmers, etc can be included in the cluster as well as other collaborating entities even if they do not benefit directly from the cluster funding.
- Competitiveness improvement interventions should include innovative plans focused on people, process, product, and market development.
- The activities of participating cluster members should fall within the South African clothing, textiles, footwear, leather, and leather goods manufacturing and/or design sectors.
- Only private sector entities through their South African operations, that are engaged in clothing, textiles, footwear, leather, and leather goods manufacturing and/or design are eligible for support.
- All members of the cluster must commit themselves to a financial contribution towards the activities. Cluster members are free to decide amongst themselves the relative size of each member's financial contribution to the partnership, and this is to be detailed in the application.
- Business Plan is to include:
  - Job growth projections (aggregate additionality) in the business case with implementation to achievement (direct and indirect must be identified and quantified);
  - Real output growth and localization projections;
  - Clear budgeted timelines with minimum prefunding through CSP for most efficient CSP cash flow;
  - Compliance and Transformation Agenda .
- Ownership of intellectual property, copyrights, trademarks and / or logos as well as technology demonstration (IP) may pass to the Cluster or specified member(s) on successful completion of the project. Applicants are to address ownership of IP in their application for consideration.

## Cluster NPC Structure & Management requirements

The Cluster will run as a Non-Profit Company (NPC)



- The Management committee / Cluster Board has a fiduciary duty to act in good faith and for a proper purpose in the best interests of the NPC and to act with due care, skill and diligence and subscribe to principles of good governance.
- An independent cluster organisation (NPC) with a separate office and legal identity to be CIPC Registered.
- The Cluster NPC shall provide the Regulatory Foundation for the implementation of the CSP Grant Funding Programme.
- The Cluster NPC Board will consist of nominated Cluster Participants committed to contributing to the Cluster achieving objectives.



- The Cluster NPC will take the responsibility for Operational Management & Project Support and Financial Management, Administration and incorporating Fiduciary Governance.
- The Cluster Board has a fiduciary duty to act in good faith and for a proper purpose in the best interests of the NPC and acting with due care, skill and diligence and subscribe to principles of good governance. **Fiduciary interest emphasized by holding Board Members personally liable.**
- The Cluster Board will consist of a diverse group of individuals representing different role-players in the cluster whose task shall be the proactive oversight of both the strategic and operational performance of the cluster and the effective communication of same with stakeholders and the Desk.
- Clusters NPC Operational Management & Financial Management should be managed by independent entities / individuals that have in-depth industry knowledge and experience in running collectives.
- Independent Cluster Operational Management and independent Financial Management is required to provide the regulatory foundation and to **eliminate conflict of interest**, effective and independent implementation of activity plans and monitoring and evaluation of the performance metrics of competitiveness improvement interventions.
- The Operational Management entity or individual could be a cluster management Service Provider since as a cluster manager for operational responsibilities there is a requirement for diverse capabilities.
- To deliver on Operational Management, the independent entity / individual's competency should encompass professional third-party capacity to ensure transparent and effective implementation of the competitiveness improvement interventions.
- To deliver on Financial Management, the Desk will require a Cluster proposal to oversee the finances and the balanced implementation amongst members of the cluster.
- A vital component of the programme is performance Monitoring & Evaluation. All interventions must be measurable, and the impact of each intervention must be monitored. A well-structured benchmarking capability based on an internationally accepted benchmarking methodology should form a principal part of the cluster implementation.

***The Cluster board shall be held responsible for governance of the Cluster – good governance principles shall apply and confirming affidavits are to be signed by all parties involved.***

- The CSP aims to subsidise competitiveness improvement interventions related to people, product, process, market development or technology demonstration in small, medium-sized, and large companies in the clothing, textiles, footwear, leather, and leather goods manufacturing sectors. The programme will also support and in fact encourage interventions that include supplier and/or customer organisations to these manufacturing entities (a value chain approach).
- Interventions are required to be based on world-class manufacturing principles and to take a holistic approach targeting all four of the intervention elements, namely people, process, product, and market development.
- The CSP will not cover costs pertaining to procurement, rental or leasing of machinery, equipment, commercial vehicles, land, or buildings.
- All cluster applications are to include a detailed costing and cash flow drawdown schedule.
- Grant support for each approved partnership will exclude repeat interventions and additional phases.
- Own contribution and / or finance for balance is to exclude CTFLGP funding from other programmes.
- Grant is payable post approval in tranches with upfront payment and remainder based on achievable deliverables, proof of application of funds, and proof of own contribution. Cash flow analysis and proposed timing to be motivated in application and evaluated in Due Diligence.
- All cluster activities should be planned at the time of application and any expenditure incurred prior to approval is at the cluster's own risk.
- Only interventions and shared resources can be funded – Cluster Management / Administration fees / salaries capped at 10% of the grant approved, subject to Due Diligence process.
- The pre-operating cost and cluster application development cost will not qualify.

## **7. MANDATORY CONDITIONS FOR CLUSTERS**

- All applicants (businesses) must show economic merit and sustainability, approval is subject to availability of funding at the time.
- A Cluster NPC applies on behalf of the proposed members. A member may participate in more than one CSP simultaneously, but no double dipping is allowed.
- No conflict of interest or related party transactions allowed. Conflict of interest occurs when there is a direct or indirect conflict, in fact or in appearance, between the interest of a shareholder / member / management of an organization. It applies to financial, economic, and other interests in any opportunity from which the organization may benefit as well as use of property (assets) of the organization, including information. It also applies to shareholders / members / management's related parties holding such interest. Cluster Manager / related parties may not be a supplier / service provider / have any interest in these entities.
- The applying NPC must be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended).
- Design Houses are included for CSP in support of CMT development.
- The Cluster NPC and each participating member must be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate.
- Each participating member must, where applicable, be bargaining council compliant and must, in this regard, provide evidence of compliance.
- The Cluster participating members must comply with all relevant environmental regulations, applicable to its operations and must, in this regard, provide evidence of compliance.
- Should the Cluster NPC and any participating member have any pending litigation against it, the outcome of which may have a material impact on the company's financial position, then this needs to be brought to the attention of the Desk at the time of application.
- Should the Cluster NPC or any participating member have any intentions or plans to retrench or downsize its manufacturing processes, such intentions or plans must be brought to the attention of the Desk.
- The Cluster NPC and each participating member should demonstrate that the business is solvent, profitable, and sustainable even without CTFLGP support. Should a company not currently be profitable the application should be supported by a detailed

turnaround plan, to the Desk's satisfaction, that demonstrate that the company will be profitable and sustainable going forward.

- Cluster NPC's that benefited from the CIP or CSP in previous years should demonstrate the positive impact that the previous interventions had on the members' financial position as well as operational measures against targets previously set.
- IDC reserves the right to audit recipients and / or applicants and applications shall not be processed while these audits are pending.
- Cluster NPCs are to provide company documentation of proposed suppliers or service providers for IDC to ensure only suppliers in good standing are used. Suppliers may not be changed without Panel's Approval.
- Each applicant to submit the details of the consultant (if assisted by consultant). Applications will be submitted by each Cluster NPC and signed off by the Cluster NPC Board who accepts full responsibility.

## **8. APPLICATION PROCESS FOR CLUSTERS**

- In order to access the CSP, companies need to apply to the Desk at the IDC by completing the relevant application as detailed herein and emailing the documentation to [ctflgp@idc.co.za](mailto:ctflgp@idc.co.za) .
- The Desk and / or IDC will perform a due diligence on the application and if found in order, the Desk will issue a confirmation of the funding amount after obtaining the necessary approvals. Upon approval, the Desk will set aside funds, which will be ring-fenced for the company concerned.
- Please refer to the relevant CSP Quick Guide for a comprehensive list of requirements and the application and redemption process.
- **IMPORTANT NOTE: INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED.**

## **9. REDEMPTION PROCESS**

- Once the Approval Panel has adjudicated the Application and a contract signed, payment will be processed by the Desk on receipt of Claim documents.
- A Cluster NPC can redeem its benefit by applying to the Desk as per the contract.
- Payments shall be made directly into the Cluster NPC Bank Account. *The name of the bank account holder must be the same as that of the approved receiver.*

## 10. QUALIFYING EXPENDITURE

Some of the qualifying expenditure relating to competitiveness improvement interventions could be broken down into the following core focus areas of the, namely People, Product, Process, and Market Development and Technology Demonstration.

Following are non-exhaustive examples of qualifying interventions:

### i. People

Intervention	Description
Training	<b>World-class manufacturing principles.</b> These projects should have a strong leaning towards training and building the competency of management, supervisors, support personnel and shop-floor workers to carry out continuous improvement activities.
	<b>ISO 9000</b> - Basic quality management systems such as ISO 9001 should be introduced to companies to ensure compliance to downstream client requirements.
Labour relations and employee wellness programmes	Labour productivity.
	Multi-skilling and shared training centres.
	HIV/Aids programmes.
	Employee-employer relationship building.

### ii. Product

Intervention	Description
Product-related supply chain integration	Quick and reliable delivery time.
	Fashion design, pattern design, tooling, and manufacturing integration process.
	<b>Process development.</b> The introduction of new processes into mainstream production.
	<b>Technology focus (automation).</b> The use of technology centres and partnerships with support organisations such as the Council for Scientific and Industrial Research (CSIR) and related subsidiaries as well as Public Education Institutions will

	foster collaborative partnerships in developing technologies within the sector.
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## iii.Process

<b>Intervention</b>	<b>Description</b>
Industrial engineering services	Layout planning / simulation. Using the latest planning and simulation tools and aids, companies could be assisted to improve process flow and facilities layout.
	Logistics analysis and improvement. To improve supply chain efficiencies, both internally and externally, for example, effective inventory control to decrease operational cost.
	Maintenance principles. Total Productive Maintenance has become a benchmark practice towards international competitiveness. This principle has been applied globally to improve equipment utilisation, support, and maintenance.
	Continuous Improvement activities.
Competitiveness improvement interventions	These projects should be aimed at the implementation of economically viable and sustainable models for technical assistance through an approach to improve quality, efficiency and international competitiveness in individual companies or supply chains.
World-class manufacturing principles	Focused on implementing principles of manufacturing that is regarded as best practice.
Bottom-line business processes	Interventions that increase the profitability of the company.
Sustainability, green industry, and industrial symbiosis (circularity) interventions	<p>Programmes that support greening of the industry and climate change mitigation strategies.</p> <p>Sustainability &amp; industrial capability assessment and certification.</p> <p>Resource optimization interventions.</p> <p>Traceability and / or monitoring &amp; evaluation platforms.</p>

	Green chemistry and green industry interventions. Life Cycle Management (LCM) intervention, etc.
Digitization	4IR readiness, Artificial Intelligence, Augmented Reality assessment and transformation interventions.

## iv. Market Development

<b>Intervention</b>	<b>Description</b>
Market Research	Activities related to determining the size and dynamics of the market both locally and internationally.
Marketing Plan	Activities related to developing a marketing plan based on the results of the market research.
Product Certification Requirements (International and/or Country specific)	Interventions that relate directly to acquiring the relevant certification.
Showroom	Design of a showroom or development of a virtual showroom.
Brand Development	Registration of trademarks, graphic designs etc.
	Activities related to initial brand awareness.
	Point of Sale Branding.
Trade Shows, Inward- and Outward-Bound Missions (Group / Cluster activities - only where not covered by other Government programmes e.g., EMIA)	Travel, Accommodation, Design of Stands, Marketing Material, and transportation.

## v. Technology Demonstration

Intervention	Description
Shared Operational Resources	Demonstrate the economic effectiveness of shared resources not viable for individual members, like procuring a cutting table for a group of CMT's.
New Software Technology demonstration	<p>Demonstrate the impact on the competitiveness of the value chain with the use of new software technology in a cluster environment.</p> <p>The software should not have been used in the sector before.</p>
New Hardware Technology demonstration	<p>Demonstrate the impact on the competitiveness of the value chain with the use of new hardware technology in a cluster environment.</p> <p>The qualifying hardware should be world-class cutting-edge technology in the sector or related sectors, or should impact dramatically on the process cost and/or the time of processing, and/or the change-over time in the manufacturing process.</p>
Process innovation	<p>Demonstrate the impact on the competitiveness of the value chain using different, non-conventional technology. A technology not ever used before in the sector in which the cluster operates.</p> <p>Examples could include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Processes that reduce the impact on the environment.</li> <li>• Processes considerably reducing energy consumption.</li> <li>• Processes that use integrated processing techniques. Examples are the use of organic process waste to generate energy, used again as energy inputs to other processes.</li> <li>• Innovative processes to reduce batch sizes and / or increase process efficiency through cellular manufacturing, etc.</li> </ul>
Digitization, sustainability, green industry, and industrial symbiosis (circularity) interventions	<ul style="list-style-type: none"> <li>• 4IR readiness, Artificial Intelligence, Augmented Reality assessment and transformation interventions.</li> <li>• Sustainability &amp; industrial capability assessment and certification.</li> </ul>



	<ul style="list-style-type: none"> <li>• Resource optimization interventions.</li> <li>• Traceability and / or monitoring &amp; evaluation platforms.</li> <li>• Green chemistry and green industry interventions.</li> <li>• Life Cycle Management (LCM) intervention, etc.</li> </ul>
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## SECTION D - GENERAL TERMS FOR ALL SCHEMES

### 1. MANDATORY CONDITIONS

- All applicants (businesses) must show economic merit and sustainability
- Approval is subject to availability of funding at the time.
- No conflict of interest or related party transactions allowed. Conflict of interest occurs when there is a direct or indirect conflict, in fact or in appearance, between the interest of a shareholder / member / management of an organization. It applies to financial, economic, and other interests in any opportunity from which the organization may benefit as well as use of property (assets) of the organization, including information. It also applies to shareholders / members / management's related parties holding such interest. Cluster Manager / related parties may not be a supplier / service provider / have any interest in these entities.
- The applicant must be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Close Corporations Act, 1984 (as amended).
- With the exception of a Cluster NPC, the operations of the company applying must be classifiable as manufacturing (13 for textiles, 14 for wearing apparel or 15 for leather, etc.) in terms of the 'Standard Industrial Classification of all Economic Activities' and the relevant chapters of the HS codes as referred to above.
- **Design Houses may ONLY be included in CSP.**
- The applicant must be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate.
- The applicant must comply with all relevant environmental regulations, applicable to its operations and must, in this regard, provide evidence of compliance.

- Should the company have any pending litigation against it, the outcome of which may have a material impact on the company's financial position, then this needs to be brought to the attention of the Desk at the time of application.
- Should the company have any intentions or plans to retrench or downsize its manufacturing processes, such intentions or plans must be brought to the attention of the Desk.
- The applicant should demonstrate that the business is solvent, profitable, and sustainable even without CTFLGP support. Should a company not currently be profitable the application should be supported by a detailed turnaround plan, to the Desk's satisfaction, that demonstrate that the company will be profitable and sustainable going forward.
- Applicants that benefited from the CTCP in previous years should demonstrate the positive impact that the previous CTCP interventions had on the business' financial position as well as operational measures.
- Applicants must measure / monitor and keep records of all the base and actual measurements set in the application for all interventions. The applicant must be able to produce evidence of the base measurements to the Desk for at least 5 years after each intervention's termination.
- IDC reserves the right to audit recipients and / or applicants and applications shall not be processed while these audits are pending.
- Applications are to include company documentation of proposed suppliers / service providers for IDC to ensure only suppliers / service providers in good standing are used. Suppliers / service providers may not be changed without Panel's Approval.
- Applications must include a minimum of three proposed competitive quotations from registered reputable suppliers of equipment/services.
- **No historical expenditure will be considered and the CTFLGP interest free loan and / or grant will be applicable from the date of transaction of capital equipment acquisition and / or the date of provision of services.**
- Each applicant to submit the details of any consultant(s) used and declare their fees.
- **Terminal Drawdown Date extensions to be limited to 6 months only. The Panel will consider requests for extensions to the funding agreement only under exceptional circumstances.**
- All applicants (businesses) must show economic merit and sustainability.

## **2. APPLICATION PROCESS**

- In order to access the CTFLGP, companies need to apply to the Desk by completing the relevant application as detailed in the document and emailing [ctflgp@idc.co.za](mailto:ctflgp@idc.co.za) .
- The Desk and / or IDC will perform a due diligence on the application and if found in order, the Desk will issue a confirmation of the funding amount after obtaining the necessary approvals. Upon approval, the Desk will set aside funds, which will be ring-fenced for the company concerned.
- **IMPORTANT NOTE: INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED.**

## **3. REDEMPTION PROCESS**

- A company can redeem its benefit by applying to the Desk as per the Guidelines and contract.

### **a. Verification by the Desk**

- The Desk reserves the right to carry out audits on activities of the applicant from time to time which may include a physical on-site inspection by the Desk at every claim stage or whenever necessary.
- If the Approval Panel finds that a grant was based on false information, or that applicants furnished misleading information, it will disallow the grant and recover the full amount paid to the company. Interest on such grant payments shall be levied at a prescribed rate from the day the grant was received.
- Should there be material changes to the main business under which the grant was approved, the client must advise the Desk immediately.
- The Approval Panel further reserves the right to authorise publication of full details, including company names, in cases of grant abuse.

### **b. Adjudication**

- The Desk will submit an analysis of each benefit and redemption application as well as all relevant documentation to an Approval Panel for adjudication. Any relaxation of the minimum requirements or conditions in this document is based on merit and is at the sole discretion of the Desk. The decision of the Desk will be final.

### **c. Disbursement**

- Once the Approval Panel has adjudicated an application, claim forms will be considered by the Desk for payment of approved interventions.
- Claim documents must be submitted at least 3 months before expiry of the agreement.
- Application of Funds and Impact Assessment of previous interventions to be conducted to the satisfaction of the IDC and / or its agents.
- Once payment has been processed, client to furnish the IDC with the supplier invoices, the proof of delivery and the proof of payments made (as evidenced by bank statements) within 30 days of disbursement date. Furthermore, the Desk will conduct asset verifications.
- Grants made by the programme will be made exclusive of Value Added Tax (VAT).
- Payments shall be made directly into the bank account of the approved recipient, **whether it be the applicant or a supplier of goods or services. The name of the account holder must be the same as that of the approved receiver.**

## **4. EXCLUSIONS AND LIMITATIONS**

Eligible projects will be financially supported only if the upgrading investment costs could be linked directly to productivity and competitiveness improvement activities in a company.

### **General exclusions and limitations**

- Entities that are already receiving incentives approved on recommendation by the Clothing and Textiles Competitiveness Programme or any other Government Programmes are required to declare such support as part of the application for the CTFLGP. A specific intervention / expenditure can benefit from more than one incentive as long as the combined grants do not exceed the cost of the intervention / specific expenditure.
- The Desk reserves the right to withhold, reject or terminate approval for projects or disbursements under the incentive programme if a project is seen to be circumventing the rules of the programme. The entity may not change the facts in its application, such as the business set-up or how it operates, in order to have the entity's project meet the prerequisites for qualification, when it does not meet the appropriate criteria. If the Desk

finds that the entity tried to circumvent or circumvented these guidelines, the entity will automatically be disqualified, and if an agreement has already been signed, the Desk will terminate that agreement and institute action to reclaim any moneys that have already been paid to the entity. The monitoring of projects is the responsibility of the Desk.

- **Section 21 companies or 'not-for-profit-or-gain' organisations, Trusts, partnerships, co-operatives, and individuals are specifically excluded from applying.**
- Grant approval and disbursements will cease if the entity ceases manufacturing or is liquidated.

## **5. ADDITIONAL CONDITIONS**

Amongst others, the following are considered a circumvention of the CTFLGP guidelines and will lead to the rejection of an application or claim:

- Changing the business set-up, composition, structure or operations, processes, or products to enable the project to qualify.
- Restructuring the business internally, forming a new entity or project, or phasing in or segmentation of investment to avoid exceeding maximum or differentiating levels.
- More than one (1) business in reasonable proximity or in a defined municipal area, owned by connected person(s), manufacturing generically the same or similar products, or delivering generically the same or similar services without, in the sole opinion of the Desk, any real commercial reason for the separation.
- Splitting up of an integrated production process, including where the one (1) process manufactures the raw material for another process, thereby excluding a non-qualifying process, or allowing two (2) projects to qualify for the incentives.
- Manipulation of inter-company assets, products, services, and processes.
- Any other action that, in the sole discretion of the Desk, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.

### **CTFLGP Funded Assets**

- All assets acquired using CTFLGP funds and sold to date need to be declared to the Desk. This applies to all funds received since inception of the CTCP (including PIP and CIP) and on into the CTFLGP.
- Permission must be obtained from the Desk prior to the disposal of any CTCP or CTFLGP funded assets within 5 years (except for textiles and leather processing which is 10 years) from date of acquisition.
- **A beneficiary may not alter its share capital during the validity of the funding agreement. without the prior approval of the Desk**
- A breach of these prohibitions will result in the recovery of the total capital disbursed plus any punitive interest prescribed by the funding agreement between the parties.
- The Desk requires confirmation that all CTFLGP or CTCP funded assets are at the premises of the client and in productive use. A letter from the auditor should be provided by the client every year for the duration of the contract confirming that all CTFLGP or CTCP funded assets are included in the asset register and that all the assets are in productive use, and that no CTFLGP or CTCP funded assets have been sold without the written permission of the Desk.
- For the duration of the loan period, recipients undertake to keep assets and business insured.

### **6. CRIMINAL, MISLEADING, DISHONEST AND/OR IRREGULAR ACTIVITIES**

- The Desk may, upon suspicion of any such activities, suspend payments that may be due or may become due to an applicant. The Desk shall not be liable for any damages or interest, pending the finalisation of any forensic investigation and any criminal proceedings brought as a result of the investigation.
- Findings of a forensic investigation indicating such activities will be sufficient to allow the Desk to place the entity and its management on IDC's delinquent register, cease all remaining payments and reclaim any payments made previously, with mora interest, and suspend the entity and its management from the CTFLGP.
- The Desk subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Applicants are requested to contact the dtic fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour.

- A duty rests with the applicant and/or any other person that may benefit from the CTFLCP to disclose all information that may influence the adjudication of the application and/or claim. Failure thereof will lead to termination / cancellation / suspension of the application / claim.

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## Annexure A: Qualifying HS Codes

To qualify for CTFLGP support, products must conform to the manufacturing processes as mentioned above **and** they must fall within the following chapters of the Harmonised System Code (HS Code) Commodity Classification [See Schedule No 1 General Notes, Part 1 - Chapters 1-99 Ordinary Customs Duty on SARS website -

<http://www.sars.gov.za/Legal/Primary-Legislation/Pages/Schedules-to-the-Customs-and-Excise-Act.aspx>]:

- Clothing & Textile Products of Chapters 50-63
- Leather Products of Chapters 41-42
- Footwear Products of Chapter 64

The following products could qualify partially depending on their composition and textile and/or leather content:

- Headgear which contains fabric of Chapter 65 (6501.00 and 6505.00.90)
- Umbrellas containing fabric of Chapter 66 (66.01)
- Parachutes of Chapter 88 (8804.00)
- Homeware products such as duvet inners, pillows, cushions, and eiderdowns of Chapter 94 (94.04, but excluding 94.04.21 “of cellular rubber or plastics, whether or not covered”, 94.04.29 “of other materials” and 94.01.61 “upholstered seats with wooden frames”).

**IMPORTANT NOTE: THE CTFLGP SPECIFICALLY EXCLUDES** goods manufactured for the automotive sector which qualifies for any incentive programme offered for that sector.