



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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**PROGRAMME GUIDELINES
PRODUCTION INCENTIVE PROGRAMME
FY2012/2013**

**VERSION 2
APRIL 2012**



ABBREVIATIONS AND ACRONYMS	3
1. PREAMBLE.....	4
2. SERVICES DELIVERED BY THE CTCP DESK	5
3. PROGRAMME DESCRIPTION	5
4. DETAILED PROGRAMME DESCRIPTION	9
5. DESIGN HOUSES.....	12
6. MANDATORY CONDITIONS	13
7. APPLICATION PROCESS.....	14
8. REDEMPTION PROCESS	15
9. QUALIFYING EXPENDITURE	20
10. EXCLUSIONS AND LIMITATIONS.....	22
11. ADDITIONAL CONDITIONS	23
12. CRIMINAL, MISLEADING, DISHONEST AND/OR IRREGULAR ACTIVITIES .	24
13. CONTACT DETAILS OF THE CTCP DESK	26
14. REQUIRED DOCUMENTATION CHECKLIST.....	28
APPENDIX A:	29
BENEFIT APPLICATION FORM FOR THE PRODUCTION INCENTIVE PROGRAMME.....	29
APPENDIX B:	32
REDEMPTION APPLICATION FORM FOR THE PRODUCTION INCENTIVE PROGRAMME.....	32
APPENDIX C:	40
TYPICAL WORLD CLASS MANUFACTURING (WCM) MEASURABLES.....	40
APPENDIX D:	41
EMPLOYMENT BY CATEGORY.....	41



ABBREVIATIONS AND ACRONYMS

CMT:	Cut, Make and Trim
CSPs:	Customised Sector Programmes
CIP:	Competitiveness Improvement Programme
CTCP:	Clothing and Textiles Competitiveness Programme
EIP:	Enterprise Investment Programme
FICA:	Financial Intelligence Centre Act
IDC:	Industrial Development Corporation of South Africa Limited
MVA:	Manufacturing Value Addition
NGOs:	Non-Governmental Organisations
PIP:	Production Incentive Programme
PRECCA:	Prevention and Combating of Corrupt Activities Act
ROI:	Return on Investment
SIC:	Standard Industrial Classification
SMEs:	Small and Medium Enterprises
SBU:	Strategic Business Unit
the dti:	The Department of Trade & Industry
VAT:	Value Added Tax
WCM:	World Class Manufacturing



1. PREAMBLE

- 1.1 The purpose of this document is to provide the policies and guidelines of the **Production Incentive Programme (PIP)** as part of the overall **Clothing and Textiles Competitiveness Programme (CTCP)**.
- 1.2 The CTCP is a programme of the Department of Trade and Industry (“**the dti**”) to stabilise employment and to improve overall competitiveness in the clothing, textiles, footwear, leather and leather goods manufacturing industries. The PIP is administered by the CTCP Desk at the IDC on behalf of **the dti**.
- 1.3 The PIP is aimed at structurally changing the Clothing, Textiles, Footwear, Leather & Leather Goods manufacturing industries by providing funding assistance to invest in competitiveness improvement interventions.
- 1.4 The guidelines set out in this document seek to enable companies to present their business cases to the **CTCP Desk** of the **Industrial Development Corporation of South Africa Limited (IDC)**, and provide a framework for the **CTCP desk** to evaluate such cases.
- 1.5 The PIP consists of two components, namely an Upgrade Grant Facility and an Interest Subsidy for Working Capital Facility.
- 1.6 The guidelines for the PIP may be amended from time to time, as deemed necessary by **the dti** and the CTCP desk. These amendments will be published on the CTCP website (www.ctcp.co.za) and will be of immediate effect upon publication.



1.7 Where the guidelines lend themselves to varying interpretations or do not deal with a specific subject matter, interpretation by the CTCP desk should be requested. Such interpretation will be decisive and final, and may from time to time be published on the CTCP website.

1.8 Approval of applications will be subject to the availability of funds. The CTCP 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.

2. SERVICES DELIVERED BY THE CTCP DESK

2.1 No fees or charges are levied for the processing or evaluation of any PIP application or claim.

2.2 Companies are welcome to contact the CTCP desk directly for assistance in completing application or claim forms.

2.3 The CTCP desk will only disclose information pertaining to an application or claim to the applicant directly.

2.4 Refer to Paragraph 12 for Contact Details of the CTCP Desk

3. PROGRAMME DESCRIPTION

3.1 The CTCP aims to help the industry upgrade its processes, products and people. This is expected to move the industry up the value chain to activities that are far more sustainable than competing against “sweatshop” labour practices and pervasive government subsidisation in other developing countries. Currently levels of profitability in the industry are so low that there is little appetite to upgrade. The PIP is meant to encourage and support upgrading and competitiveness improvement programmes in the sector.



3.2 The PIP consists of a combination of an Upgrade Grant Facility, which is meant to focus on competitiveness improvement and an Interest Subsidy for Working Capital Facility which is meant to support working capital requirements resulting from past and future upgrading interventions.

3.3 The PIP is a market-neutral incentive offered to the subsectors listed under paragraph 3.8 below, resulting in an incentive benefit equal to 7.5% for the year ending 31 March 2013 of a company's Manufacturing Value Addition (MVA). The MVA will be calculated as follows:

Sales
Less:
Sales value of Goods Manufactured outside of South Africa
Less:
Sales value of other Bought in Finished Goods
Less:
Material Input Costs (Used in the manufacturing process)
Less:
Outsourced CMT costs
=
MVA

3.4 The benefit thus determined will be referred to as the Benefit Ceiling which is the maximum amount that will be available to an applicant in a specific financial year.

3.5 The MVA calculation must be based on audited financial statements not older than 15 months.



- 3.6 The MVA calculation must be independently verified by the company's auditors and the auditors' confirmation letter submitted to the CTCP Desk together with the benefit application.
- 3.7 A confirmation of the approved Benefit Ceiling will be issued to qualifying applicants. The amount available under the Benefit Ceiling can only be accessed on presentation of proof of qualifying expenditure to the satisfaction of the CTCP Desk, and/or the acceptance of liability for interest charges on a working capital loan obtained from the IDC or any reputable financial institution.
- 3.8 The PIP is available to the following (collectively referred to as the "the sector"):
- Clothing manufacturers;
 - Textile manufacturers;
 - Cut, Make and Trim (CMT) operators;
 - Footwear manufacturers;
 - Leather goods manufacturers and
 - Leather processors (Specifically for Leather Goods and Footwear industries).
 - Design Houses (Provided the design house partners with one or more CMT's)

IMPORTANT NOTE: The PIP specifically excludes goods manufactured for the automotive sector which qualifies for any incentive programme offered for that sector.

- 3.9 The applicant can decide how it wants to utilise its allocated benefit. Applicants can either use the full benefit as an Upgrade Grant Facility or for an Interest Subsidy Facility or a combination of both. The following example is provided for clarity:



Calculated MVA: R15 000 000

7.5% Benefit Ceiling R1 125 000

OPTION 1: Use full benefit for Upgrade Grant

R1 125 000 available to applicant to claim qualifying expenditure

OPTION 2: Use full benefit for Interest Subsidy

R1 125 000 available as interest subsidy at current prime rate of 9% equates to a Working Capital Facility of R12 500 000 to be applied for via the IDC. The Interest Subsidy can also be used for existing facilities with a reputable financial institution.

OPTION 3: Use for both the Interest Subsidy and the Upgrade Grant Facilities

You might opt for the following:

- R675 000 Upgrade Grant facility
- R450 000 Interest Subsidy Facility which equates to a R5 000 000 Working Capital Facility to be applied for via the IDC

3.10

The incentive programme provides investment support to South African manufacturing entities in the clothing, textiles, footwear, leather and leather-goods industries based in South Africa. Design Houses are, however allowed to participate in the programme as per Clause 5 of this document.



4. DETAILED PROGRAMME DESCRIPTION

4.1 Upgrade Grant Facility

4.1.1 An Upgrade Grant is available to provide financial support to the industry to assist it in attaining higher levels of competitiveness.

4.1.2 An Upgrade Grant can be used for the following:

- upgrading of existing plant and equipment;
- acquisition of new plant and equipment which will have the effect of improving the overall competitiveness of the applicant;
- developing people;
- improving manufacturing processes;
- optimising materials used;
- developing new products; or
- market development (excluding normal day to day marketing expenses such as advertising) as part of a clearly defined strategy.

4.1.3 An Upgrade Grant can also partly be used in conjunction with the Competitiveness Improvement Programme (CIP). Companies qualifying for an Upgrade Grant have the option of using it towards funding their own contribution of 25% (Cluster level application) or 35% (Company level application) required in terms of the CIP up to a maximum of 100% for Small and Medium Enterprises (SMEs) and 75% for others. (Please refer to the CIP guidelines for details).



Example:

IF YOU ARE A SMALL OR MEDIUM ENTERPRISE:

An individual company that has received approval for CIP grant funding is required to contribute 35% of Qualifying Expenditure from its own funding. The Upgrade Grant Facility can be used to fund the full requirement of 35%.

If it is an SME Cluster, the cluster should jointly contribute 25% of the Qualifying Expenditure. The Upgrade Grant Facility can be used to fund the full requirement of 25%.

IF YOU ARE NOT A SMALL OR MEDIUM ENTERPRISE:

An individual company that has received approval for CIP grant funding is required to contribute 35% of Qualifying Expenditure from its own funding. The Upgrade Grant Facility can be used to fund 26.25% of the required 35%, thus the company needs only to contribute 8.75% from its own funding sources.

If it is a Cluster, the cluster should jointly contribute 25% of the Qualifying Expenditure. The Upgrade Grant Facility can be used to fund 18.75% of the required 25%, thus the cluster needs only to contribute 6.25% from its own funding sources.

- 4.1.4 Companies that have existing loans from any financial institution to fund expenditure for purposes that would have qualified under the Upgrade Grant Facility will be able to utilise their Upgrade Grant to settle or partially settle these loans.
- 4.1.5 The Upgrade Grant, together with the Interest Subsidy, may not exceed the Benefit Ceiling.
- 4.1.6 Participating companies need to conform to the mandatory conditions as per paragraph 6 below.



4.2 Interest Subsidy for Working Capital Facility

- 4.2.1 Commercial banks have considerably reduced overdraft facilities to manufacturing companies since the onset of the economic crisis. This incentive aims to reduce the cost of funding to companies that have been able or are successful in raising working capital facilities with the IDC, or any reputable financial institution (existing facilities only). The raising of such a working capital facility stands separate from the PIP and has to be applied for independently from any application under the PIP.
- 4.2.2 An Interest Subsidy equal to the ruling prime interest rate will be made available to participating companies. The applicant for working capital will be required to only pay the difference between the interest rate determined through the IDC's or any reputable financial institution's normal pricing model and the ruling prime lending rate. The IDC will apply normal due diligence procedures to ensure economic merit of the applications and normal IDC fees will be applicable on such facilities. As normal, IDC funding requirements include the provision of sufficient security. The IDC's minimum funding amount of R1 million will apply.
- 4.2.3 This facility will be made available for a limited period only and will reduce over time.
- 4.2.4 The Interest Subsidy, together with the Upgrade Grant may not exceed the Benefit Ceiling.
- 4.2.5 Participating companies need to conform to the mandatory conditions as per paragraph 6 below.



4.3 Auditing Fees

4.3.1 Where the PIP requires the Company to incur Auditing Fees which are in addition to the company's normal statutory requirements, the Company can, at the discretion of the CTCP desk, in addition to the normal uses of the PIP, use their benefit to fund these additional costs.

5. DESIGN HOUSES

5.1 A Design House will be defined as a product design and related services entity which outsources some or all of its manufacturing to CMT's. Related services may include sample making, production development, pre-production planning, fabric sourcing, pattern making, quality control, labelling, packaging, distribution and delivery.

5.2 Design Houses wanting to be considered for a benefit under the PIP must partner with one or more of its local CMT's in order to qualify for a benefit. The following will apply:

5.2.1 The Design House must operate as an independent legal entity.

5.2.2 CMT's must be Bargaining Council Compliant.

5.2.3 The MVA will be calculated based on the audited financial statements of the Design House. The CMT's may or may not participate in the PIP and they will have to claim separately and on their own account.

5.2.4 The integrated MVA to be audited and signed-off by the applicant's auditors.

5.2.5 The Design House will be required to spend at least 50% of its benefit on selected CMT's. If, for example, a Design House partners with 20 CMT's, the Design House can select a number of CMT's they wish to spend the benefit on. A Business Plan will be required to motivate and measure the intervention. The intervention must improve the competitiveness of the CMT(s).



- 5.2.6 The Design House must provide proof of outsourced CMT work by providing an audited reconciliation per CMT to their financial statements and evidence of Bargaining Council Compliance for each CMT that it partners with.

6. MANDATORY CONDITIONS

- 6.1 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). Section 21 companies or 'not-for-profit-or-gain' organisations are specifically excluded from applying.
- 6.2 The operations of the company applying must be classifiable as manufacturing (SIC code 3) in terms of the 'Standard Industrial Classification of all Economic Activities'. Design Houses are, however allowed to participate in the programme.
- 6.3 The applicant must be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate.
- 6.4 The Applicant must, where applicable, be bargaining council compliant and must, in this regard, provide evidence of compliance.
- 6.5 The applicant must comply with all relevant environmental regulations, applicable to its operations and must, in this regard, provide evidence of compliance.
- 6.6 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 CTCP Desk at the time of application.



- 6.7 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 CTCP Desk.

7. APPLICATION PROCESS

- 7.1 In order to access the PIP, companies need to apply to the CTCP Desk at the IDC by completing the Benefit Application Form (see Appendix A) and the Redemption Application Form (see Appendix B). The following documents must be submitted:

- Completed Benefit Ceiling Application accompanied by the following:
 - Business Plan;
 - Audited financial statements;
 - Audited MVA calculation;
 - Valid Tax Clearance Certificate;
 - Valid and acceptable Confirmation of Bargaining Council Compliance (Where applicable);
 - Evidence of compliance to relevant environmental regulations, where applicable;
 - Management accounts not older than 3 months;
 - Financial projections to the next financial year end;
 - Documents in support of FICA compliance;
 - Overall World Class Manufacturing (WCM) measurables (see Appendix C) for the latest financial year end;
- Completed Redemption Application Form accompanied by:
 - Invoices and or quotations in support of qualifying expenditure under the redemption claim (interventions);
 - Quantifiable WCM variables indicating the competitiveness improvement resulting from the interventions above.

Incomplete applications will not be processed.

- 7.2 In addition, applicants need to provide the CTCP Desk with their latest Audited Financial Statements. The MVA must be calculated using Audited Financial Statements not older than 15 months.



- 7.3 The CTCP Desk will perform a due diligence on the application and if found in order, the desk will issue a confirmation of the PIP benefit amount after obtaining the necessary approvals. Upon approval, the CTCP desk will set aside funds, which will be earmarked for the company concerned. The company's allocated funds for the year will be available to them for a period of two years from the approval date of the PIP benefit.
- 7.4 In order to access the Interest Subsidy for Working Capital Facility, a company will need to apply to the Textiles and Clothing Strategic Business Unit (SBU) at the IDC if it does not already have a working capital facility. As the IDC will be carrying the risk in allocating the loan facility the applications will have to be adjudicated according to the requirements of the Textiles and Clothing SBU. For existing facilities with a reputable financial institution the applicant needs to provide the IDC with acceptable evidence of the terms of the facility i.e. a Facility Letter or Contract.
- 7.5 The PIP is an annual programme and the effective date for receipt of applications under this programme is 01 April 2012.
- 7.6 Applications have to be submitted with the CTCP Desk before 31 January 2013. **Applications submitted after that will not be considered.**
- 7.7 The PIP is a long term programme which will run for a minimum period of six (6) years from 1 April 2010.
- 7.8 The company will have to redeem its benefit as per the provisions of paragraph 8 below.

8. REDEMPTION PROCESS

A company can redeem its benefit by applying to the CTCP Desk for an Upgrade Grant or for an Interest Subsidy. Invoices on upgrading expenditure should not be dated prior to 01 April 2011.



8.1 Application for redemption

8.1.1 Upon submitting the benefit application form to the CTCP Desk, applicants have to also submit a completed Redemption Application Form as set out in Appendix B of this document.

8.1.2 The Application Forms must be accompanied by a Business Plan to describe the upgrading expenditure incurred or to be incurred and/or the working capital interest subsidy requirement of the applicant.

8.1.3 The redemption application for an Upgrade Grant should, amongst others, provide the following details:

- Description of the impact of the **upgrading intervention** in terms of productivity or competitiveness improvements: A clear identification of the **elements to be measured**, the current status of each element and projections for improvements thereof as a result of the interventions. Please refer to Appendix C for typical World Class Manufacturing (WCM) measurables. Where other measurables are identified that more clearly demonstrates the impact of the intervention, these can also be used. The elements to be measured must be a combination of both financial and operational indicators.
- The budget for the project being claimed for and the justification for such support, indicating dates at which reimbursement will be required and the outputs against which payment will be requested. The budget should include actual costs to be incurred in implementing the project.

8.1.4 The redemption application for an Interest Subsidy should provide details of a working capital loan obtained from the IDC. For existing facilities with a reputable financial institution acceptable evidence of



the terms of the facility needs to be provided. i.e. a confirmation Letter from the Financial Institution indicating the facility amount, interest rates and interest paid for the claim period.

8.1.5 Additional company information required:

- **Company profile:** Background, present situation, ownership, financial situation, profitability and present markets.
- **Business objectives:** What, how and by when. The impact of the objectives should also be stated.
- **Conclusion:** The conclusion should state the plan's overall impact and highlight its competitiveness enhancement. It should specifically refer to impact on employment and the sustainability of the company's business model.

Please refer to the Quick Guide for a comprehensive list of requirements.

8.2 **Verification by the CTCP desk**

8.2.1 The CTCP 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 CTCP desk at every claim stage or whenever necessary.

8.2.2 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.

8.2.3 Should there be material changes to the main business under which the grant was approved, the grant approval will be cancelled and the entity will be expected to re-apply to the **CTCP desk**.



- 8.2.4 The Approval Panel further reserves the right to authorise publication of full details, including company names, in cases of grant abuse.

8.3 **Adjudication**

The CTCP Desk will submit the benefit and redemption applications as well as all relevant documentation to an Approval Panel who will adjudicate an Upgrade Grant and/or an Interest Subsidy. Any relaxation of the minimum requirements or conditions in this document is based on merit and is at the sole discretion of the **CTCP desk**. The decision of the **CTCP desk** will be final.



8.4 Disbursement

- 8.4.1 Once the Approval Panel has adjudicated an Upgrade Grant facility, redemption claims in the form of invoices on upgrading expenditure will be considered by the CTCP desk for reimbursement of approved upgrade expenditure already incurred or for payment of approved upgrade expenditure to be effected.
- 8.4.2 Invoices of all qualifying expenditure already incurred should not be dated prior to 01 April 2011. The PIP benefit will be available for utilisation within a period of 24 months only from the approval date. It is envisaged that historical qualifying expenditure will not be supported from 01 April 2013 onwards, unless the expenditure had been approved in the current year.
- 8.4.3 Upgrade Grants made by the programme will be made exclusive of Value Added Tax (VAT).
- 8.4.4 Payments shall be made directly into the bank account of the approved receiver, whether it be the applicant (on reimbursement of expenditure already effected) or a supplier of goods or services to be expended. The name of the account holder must be the same as that of the approved receiver.
- 8.4.5 On adjudication of an Interest Subsidy, the CTCP desk will pay the amount of the Interest Subsidy directly into the applicant's working capital account with the IDC based on the terms and conditions approved. In the case of the Interest Subsidy being reimbursed to applicants who have facilities with reputable financial institutions, the CTCP desk will reimburse the applicant on a 6 monthly basis.



9. QUALIFYING EXPENDITURE

9.1 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, Process, Product and Market Development. Following are non exhaustive examples of qualifying interventions:

9.1.1 People

Intervention	Description
Training	World-class manufacturing principles. 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.
	ISO 9000 - 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.
	HIV/Aids programmes.
	Employee-employer relationship building.

9.1.2 Product

Intervention	Description
Product-related supply chain integration	Quick and reliable delivery time.
	Fashion design, pattern design and manufacturing integration process.
	Process development. The introduction of new processes into mainstream production.
	Technology focus (automation). 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.



9.1.3 Process

Intervention	Description
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.

9.1.4 Market Development

Intervention	Description
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 thereof.
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10. EXCLUSIONS AND LIMITATIONS

10.1 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. All expenditures incurred wholly and exclusively on a qualifying activity will be considered for support, as long as these expenditures are adequately motivated by a business plan.

10.2 **Non-qualifying cost**

The following are examples of costs that do **NOT** qualify under the Upgrade Grant:

10.2.1 Normal operating costs.

10.2.2 Staff costs.

10.2.3 Upgrading of vehicles.

10.2.4 Land and buildings.



10.3 General exclusions and limitations

10.3.1 Entities that are already receiving incentives approved on recommendation by the **Clothing and Textiles Competitiveness Programme** or the **Enterprise Investment Programme (EIP)** are required to declare such support as part of the application for the **PIP**. A specific intervention / expenditure can benefit from more than one incentive as long as the combined grants do not exceed the total cost of the intervention / specific expenditure.

10.3.2 The **CTCP 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 **CTCP 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 **CTCP 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 CTCP desk of the IDC.

10.3.3 Non-governmental organisations (NGOs), Trusts, Co-operatives, Partnerships, and Foreign Governments are explicitly excluded from participating in this programme directly or indirectly.

10.3.4 **Grant approval and disbursements will cease if the entity ceases manufacturing or is liquidated.**

11. ADDITIONAL CONDITIONS

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



- a. Changing the business set-up, composition, structure or operations, processes or products to enable the project to qualify.
- b. Restructuring the business internally, forming a new entity or project, or phasing in or segmentation of investment to avoid exceeding maximum or differentiating levels.
- c. 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 **CTCP desk**, any real commercial reason for the separation.
- d. 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.
- e. Manipulation of inter-company assets, products, services and processes.
- f. Any other action that, in the sole discretion of the **CTCP desk**, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.

12. CRIMINAL, MISLEADING, DISHONEST AND/OR IRREGULAR ACTIVITIES

- 12.1 **The CTCP desk** may, upon suspicion of any such activities, suspend payments that may be due or may become due to an applicant. **The CTCP 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.



- 12.2 Findings of a forensic investigation indicating such activities will be sufficient to allow the **CTCP desk** to cease all payments and reclaim any payments already made, with *mora* interest.
- 12.3 The **CTCP 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 dti** fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour.
- 12.4 A duty rests with the applicant and/or any other person that may benefit from the PIP 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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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

26



13. CONTACT DETAILS OF THE CTCP DESK

Mr. Joy Balepile
Programme Manager
Tel: +2711 269 3762
+2711 269 3000
Fax: +2711 269 3126
Email: joyb@idc.co.za

Ms Eukeria Chiwara
Account Manager
Tel: +2711 269 3424
+2711 269 3000
Fax: +2711 269 3126
Email: eukeriac@idc.co.za

Mr. Khothatso Khoapa
Account Manager
Tel: +2711 269 3401
+2711 269 3000
Fax: +2711 269 3126
Email: KhothatsoK@idc.co.za

Ms Phemelo Lekoma
Account Manager
Tel: +2711 269 3202
+2711 269 3000
Fax: +2711 269 3126
Email: phemelol@idc.co.za

Mr. Nduma Maluleka
Account Manager
Tel: +2711 269 3884
+2711 269 3000
Fax: +2711 269 3126
Email: Ndumam@idc.co.za

Mr. Makweng Nkoana
Account Manager
Tel: +2711 269 3174
+2711 269 3000
Fax: +2711 269 3126
Email: makwengn@idc.co.za

Mr. Happy Nyalungu
Account Manager
Tel: +2711 269 3584
+2711 269 3000
Fax: +2711 269 3126
Email: happyn@idc.co.za

Ms Zandile Nyangane
Fund Administrator
Tel: +2711 269 3150
+2711 269 3000
Fax: +2711 269 3126
Email: zandilen@idc.co.za



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

27



Ms Gillian Venter

Fund Administrator

Tel: +2711 269 3593

+2711 269 3000

Fax: +2711 269 3126

Email: gillianv@idc.co.za

Physical Address:

Industrial Development Corporation

19 Fredman Drive

Sandown

2196

Postal Address:

P O Box 784055

Sandton

2146



14. REQUIRED DOCUMENTATION CHECKLIST

	YES	NO
1. Benefit Application Form (Appendix A)	<input type="checkbox"/>	<input type="checkbox"/>
2. Valid Confirmation of Bargaining Council Compliance.	<input type="checkbox"/>	<input type="checkbox"/>
3. Proof of environmental Regulations Compliance.	<input type="checkbox"/>	<input type="checkbox"/>
4. Valid Tax Clearance Certificate.	<input type="checkbox"/>	<input type="checkbox"/>
5. FICA Documents (Refer to Quick Guide).	<input type="checkbox"/>	<input type="checkbox"/>
6. Audited Financial Statements (not older than 15 months)	<input type="checkbox"/>	<input type="checkbox"/>
7. Audited Manufacturing Value Add Calculation on the Auditors Letterhead.	<input type="checkbox"/>	<input type="checkbox"/>
8. Latest management accounts (not older than 3 months).	<input type="checkbox"/>	<input type="checkbox"/>
9. Completed Redemption Application Form (Appendix B)	<input type="checkbox"/>	<input type="checkbox"/>
10. Business Plan	<input type="checkbox"/>	<input type="checkbox"/>
11. World Class Manufacturing (WCM) Measurables (Appendix C).	<input type="checkbox"/>	<input type="checkbox"/>
12. Completed Employment by Category Form (Appendix D)		
13. Employment equity plan as submitted to the Department of Labour.	<input type="checkbox"/>	<input type="checkbox"/>

COMMENTS

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PLEASE NOTE THAT AS PER THE REVISED 2012/13 PRODUCTION INCENTIVE PROGRAMME GUIDELINES, WE ARE UNABLE TO PROCEED WITH YOUR APPLICATION UNLESS ALL REQUIRED DOCUMENTATION IS PROVIDED TO THE IDC.



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Trade and Industry
REPUBLIC OF SOUTH AFRICA

29



APPENDIX A:

BENEFIT APPLICATION FORM FOR THE PRODUCTION INCENTIVE PROGRAMME

1. COMPLETE THE FOLLOWING TABLE WITH THE REQUIRED DETAILS:

Name of organisation (in full)	
Company Registration Number	
Date of Application	
Company Banking Details: Account Name: Bank: Branch: Branch code: Account number:	
Tax Reference Number	
Tax Clearance Certificate No	
Expiry Date of Tax Clearance Certificate	
VAT Reference Number	
Bargaining Council Compliance Certificate / Letter (Y / N)	
Validity Period of Bargaining Council Compliance Certificate / Letter	
Environmental Regulations applicable to the organisation	
Financial Year End Date	
Date of Latest Audited Financial Statements	



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



From Your Latest Audited Financial Statements please provide the following:

<i>Sales</i>	
Less: Sales value of Goods Manufactured outside of South Africa	
<i>Less: Other Bought in Finished Goods</i>	
<i>Less: Material Input Costs</i>	
<i>Less: Value of Outsourced CMT</i>	
<i>Calculated MVA</i>	
<i>Calculated Benefit Ceiling (7.5% of Calculated MVA)</i>	

Provide your projected Figures below:

<i>Sales</i>	
Less: Sales value of Goods Manufactured outside of South Africa	
<i>Less: Other Bought in Finished Goods</i>	
<i>Less: Material Input Costs</i>	
<i>Less: Value of Outsourced CMT</i>	
<i>Projected MVA</i>	
<i>Projected Benefit Ceiling (7.5% of Projected MVA)</i>	
<i>Capital Expenditure</i>	
Physical address of applicant	
Postal address of applicant	
Organisations representative	
Telephone number	
Cell phone number	
Fax number	



E-mail address	
Description of organisation and industry sector	
Description of products/ services made/provided	
SIC number	
Employment by category: (management, technical, skilled/ semi-skilled, unskilled) Provide number, gender and race per category.	Refer to Appendix D



APPENDIX B:

REDEMPTION APPLICATION FORM FOR THE PRODUCTION INCENTIVE PROGRAMME

Name of Applicant:

Company Registration Number:

Banking Details of Applicant:

Contact Person:

Contact Details:

Applicants wishing to access funding from the PIP have to submit a business plan and a completed redemption application form (See below). A business plan is required from the company outlining its intended expenditure on upgrading interventions for a given year and also to demonstrate how the grant assistance fits in with the company's development plan to ensure the improvement of productivity and competitiveness of the company.

The following is only a proposed layout:

- **Company profile** - background, present situation, ownership, product/service, financial situation, profitability and present markets.
- **Findings** from market and competitiveness analysis.
- **Business objectives:** what, how, by when and state the impact (be very specific and quantify where possible) and how it will be measured.
- **Competitiveness enhancement:** How will the grant make the company more competitive? What are the key competitive issues in the market and how will you address these?
- **Intervention plan:** List of activities in support of competitiveness enhancement objectives and justification in terms of its impact. State the cost of each activity and how its impact will be measured. (See Appendix C).
- **Conclusion:** State the plan's overall impact and highlight its competitiveness enhancement.



What would you like to do with your benefit? (Please tick appropriate box):

UPGRADE GRANT:

- Pay historical qualifying expenses – complete Table 1
- Pay planned qualifying expenses – complete Table 2
- Settle loans/other facilities from any financial institution (incl IDC) – complete Table 3
- Fund own contribution to CIP – complete Table 4

Please note that if you have selected any of the above you have to supply a business plan outlining the claim in detail.

INTEREST SUBSIDY FOR WORKING CAPITAL FACILITY:

- Apply for Working Capital Facility with IDC – complete Table 5
- Existing Working Capital Facility with any reputable financial institution (incl IDC) – complete Table 6

DECLARATION:

I hereby declare that the information in this application is a fair and true reflection of the intended project and that the company has no pending litigation against it, the outcome of which may have a material impact on the company’s financial position. I am aware of the fact that the information which I have submitted above will have a material bearing on the adjudication of the application, and if it therefore subsequently appears that any information in the application (together with any addendums) was not correct, or that certain information was omitted, the **CTCP desk** will be entitled to withdraw or amend its approval, and without prejudice to its rights recover any amounts already paid or withhold further payments due.

Signature of authorised official:

Date: _____

SIGNED

NAME IN PRINT

CAPACITY

Entities that are already receiving incentives approved on recommendation by the **Clothing and Textiles Competitiveness Programme** or the **Enterprise Investment Programme** are required to declare such support as part of the application for the **Production Incentive Programme**. A specific intervention /expenditure can benefit from more than one incentive as long as the combined grants do not exceed the total cost of the intervention / specific expenditure.

TABLE 1: REDEEMING HISTORICAL QUALIFYING EXPENDITURE

ACTIVITY	BRIEF DESCRIPTION	DATE IMPLEMENTED	KEY WCM VARIABLE IMPACTED (See Appendix C of the PIP Guidelines)	OUTPUT EXPECTED	BY WHEN? (TIME FRAME)	MEASUREMENT OF WCM VARIABLE PRE-IMPLEMENTATION	CURRENT MEASUREMENT	PROJECTED MEASUREMENT	INVOICE	COST	DID YOU RECEIVE ANY GRANT MONEY FOR THIS?

Please submit Invoices and Proof of Payment.

PLEASE PROVIDE DETAILS OF PREVIOUS INTERACTION WITH AND SUPPORT RECEIVED FROM THE DTI OR OTHER GOVERNMENT DEPARTMENTS.

Also indicate whether any other government or other external funds have been solicited for the project, and for what purpose or activities these funds have been or will be applied.

PLEASE PROVIDE DETAILS OF APPROVED INCENTIVES BY THE CLOTHING AND TEXTILES COMPETITIVENESS PROGRAMME OR THE ENTERPRISE INVESTMENT PROGRAMME.

Entities that are already receiving incentives approved on recommendation by the **Clothing and Textiles Competitiveness Programme** or the **Enterprise Investment Programme** are required to declare such support as part of the application for the **Production Incentive Programme**. A specific intervention /expenditure can benefit from more than one incentive as long as the combined grants do not exceed the total cost of the intervention / specific expenditure.

TABLE 2: PLANNED QUALIFYING EXPENDITURE

ACTIVITY	BRIEF DESCRIPTION	DATE TO BE IMPLEMENTED	KEY WCM VARIABLE THAT WILL BE IMPACTED	OUTPUT EXPECTED	BY WHEN? (TIME FRAME)	MEASUREMENT OF WCM VARIABLE PRE-IMPLEMENTATION	CURRENT MEASUREMENT	PROJECTED MEASUREMENT	ESTIMATED COST	EXPECTED DATE OF COMPLETION	Have you applied /received any funds from another Grant?

Please cross reference with your Business Plan (more specifically the Intervention Plan).

PLEASE PROVIDE DETAILS OF PREVIOUS INTERACTION WITH AND SUPPORT RECEIVED FROM THE DTI OR OTHER GOVERNMENT DEPARTMENTS.

Also indicate whether any other government or other external funds have been solicited for the project, and for what purpose or activities these funds have been or will be applied.



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



PLEASE PROVIDE DETAILS OF APPROVED INCENTIVES BY THE CLOTHING AND TEXTILES COMPETITIVENESS PROGRAMME OR THE ENTERPRISE INVESTMENT PROGRAMME.

Entities that are already receiving incentives approved on recommendation by the **Clothing and Textiles Competitiveness Programme** or the **Enterprise Investment Programme** are required to declare such support as part of the application for the **Production Incentive Programme**. A specific intervention expenditure can benefit from more than one incentive as long as the combined grants do not exceed the total cost of the intervention / specific expenditure.

TABLE 3: CURRENT LOANS/FACILITIES WITH ANY FINANCIAL INSTITUTION (INCL IDC)

FACILITY	FINANCIAL INSTITUTION	ORIGINAL AMOUNT	OUTSTANDING BALANCE AS OF TODAY	AMOUNT TO BE SETTLED WITH UPGRADE FACILITY?	HOW WAS THE FUNDS APPLIED?	KEY WCM VARIABLE IMPACTED	EXPECTED OUTPUT	MEASUREMENT OF WCM VARIABLE PRE-IMPLEMENTATION	CURRENT MEASURE=MENT	PROJECTED MEASUREME NT

Please provide Legal Agreements, Suspensive Sale Agreements OR Facility Letters

PLEASE PROVIDE DETAILS OF PREVIOUS INTERACTION WITH AND SUPPORT RECEIVED FROM THE DTI OR OTHER GOVERNMENT DEPARTMENTS.

Also indicate whether any other government or other external funds have been solicited for the project, and for what purpose or activities these funds have been or will be applied.

PLEASE PROVIDE DETAILS OF APPROVED INCENTIVES BY THE CLOTHING AND TEXTILES COMPETITIVENESS PROGRAMME OR THE ENTERPRISE INVESTMENT PROGRAMME.



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Trade and Industry
REPUBLIC OF SOUTH AFRICA



TABLE 4: FUND OWN CONTRIBUTION TO CIP

CLUSTER OR INDIVIDUAL COMPANY APPLICATION	PROJECT	TOTAL AMOUNT OF PROJECT	OWN CONTRIBUTION REQUIRED?	AMOUNT TO BE SETTLED WITH UPGRADE FACILITY?



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TABLE 5: APPLYING FOR WORKING CAPITAL FROM IDC

FACILITY APPLIED FOR FROM THE IDC	AMOUNT APLLIED FOR FROM THE IDC	INDICATIVE INTEREST RATE FROM IDC TERM SHEET (IF AVAILABLE)	AMOUNTS ALREADY CLAIMED UNDER THE PIP



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TABLE 6: EXISTING WORKING CAPITAL FACILITY WITH ANY REPUTABLE FINANCIAL INSTITUTION (INCL IDC)

FACILITY APPROVED BY THE FINANCIAL INSTITUTION	AMOUNT APPROVED BY THE FINANCIAL INSTITUTION	INTEREST RATE CHARGED BY THE FINANCIAL INSTITUTION (PER LEGAL AGREEMENT)	AMOUNTS ALREADY CLAIMED UNDER THE PIP



APPENDIX C:

TYPICAL WORLD CLASS MANUFACTURING (WCM) MEASURABLES

FINANCIAL INDICATORS	
Indicator	Measure
Turnover	Annual company turnover in Rand value
Value added	Value added in Rand value
Number of employees	Number of employees at (choose a particular date for all)
Cost of sales breakdown	COS contribution divided into overheads, material, and labour
Operating Profit	Profit from operations
Capital investments	Capital investment as a % of sales Return on investments (ROI)
OPERATIONAL INDICATORS	
Market drivers	Operational performance measures
Cost control	Total inventory holding Raw materials inventory holding Work in progress inventory holding Finished goods inventory holding
Quality	Customer return rates Internal rework rates Return rates to suppliers
Value chain flexibility	Customer lead times ex-production Manufacturing throughput times Production downtime due to machine, line, style or quality change over (or merges)
Value chain reliability	On time and in full delivery to customers - Delivery reliability on in-full delivery to customers Downtime due to machine breakdowns Downtime due to materials and people unavailability
Human resource development	Training spend as % remuneration Absenteeism rates Labour turnover rates

