



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

Capital Projects Feasibility Programme 2017

CPFP Secretariat

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1. Preamble

- 1.1 The purpose of this document is to provide the guidelines for the Capital Projects Feasibility Programme (CPFP), an incentive programme that facilitates feasibility studies that are likely to lead to high-impact bankable projects which stimulate value-adding economic activities in South Africa.
- 1.2 The guidelines set out in this document are intended to enable applicants to present their applications to the Department of Trade and Industry (**the dti**) and provide a framework for **the dti** to evaluate such applications.
- 1.3 The granting of the incentive or approval of the application will only be for applicants that meet the objectives of the programme as interpreted by these guidelines. To qualify for the incentive, participating applicants have to apply and receive approval from **the dti**, and any such decision will be final.
- 1.4 These guidelines may be amended from time to time, as deemed necessary by **the dti**. These amendments will be published on **the dti** website and will be of effect after publication.
- 1.5 Where the guidelines lend themselves to varying interpretations or do not deal with a specific subject matter, the interpretation of **the dti** must be requested and such interpretation will be decisive and final.
- 1.6 Approval of applications will be subject to the availability of funds and compliance with the incentive guidelines as well as relevant provisions of the Public Finance Management Act (PFMA).

2. Services delivered by the dti

- 2.1 No fees or charges are levied by **the dti** for the processing or evaluation of any applications or claims.
- 2.2 Applicants are welcome to contact **the dti** directly and **the dti** officials will assist them to complete the application or claim forms.
- 2.3 **the dti** will not be accountable for any service delivered or failure thereto by any other person or consultant who facilitates the application or claim forms on behalf of the investors.

3. Programme Description

- 3.1 The primary objectives of the programme is to facilitate feasibility studies that are likely to lead to high-impact projects which will stimulate value-adding economic activity in South Africa as this will have greater impact on South Africa's industrial policy objectives. The secondary objectives of the programme include:
- 3.1.1 Attracting high levels of domestic and foreign investments;
 - 3.1.2 Strengthening international competitiveness of South African manufacturing and capital goods sectors;
 - 3.1.3 Creating sustainable jobs in South Africa;
 - 3.1.4 Creating a long-term demand for South African manufacturing and capital goods and services;
 - 3.1.5 Stimulating upstream and downstream linkages with SMMEs; and
 - 3.1.6 Stimulating project development in Africa and in particular, the Southern African Development Community (SADC) countries as well as support for the objectives of the New Partnership for Africa's Development (Nepad).
- 3.2 The programme provides support to facilitate feasibility studies in the manufacturing and capital goods sectors.
- 3.3 The programme makes a contribution in a form of a reimbursable cost-sharing grant payable according to agreed milestones as pre-determined at approval stage by **the dti** as follows:
- 3.3.1 50% of the total feasibility study costs for **capital projects** outside Africa and 55% of total feasibility study costs for capital projects in Africa excluding South Africa.
 - 3.3.2 50% of the total feasibility study costs for **manufacturing projects** with total assets above R30 million and 70% of the total feasibility study costs for manufacturing projects with total assets below R30 million in South Africa.
- 3.4 The guidelines document provides the criteria to assess applications and the process of applying for the incentive thereof. The guidelines are approved and

issued by the Minister of Trade and Industry for the purpose of ensuring clarity on the aim and requirements of the incentives programme. The guidelines will be amended by **the dti** from time to time, as it deems appropriate.

4. Eligibility Criteria

4.1. The qualifying applicant must:

- 4.1.1 Be a South African registered legal entity in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008; the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended);
- 4.1.2 Be a taxpayer in good standing and must in this regard provide a valid tax clearance certificate;
- 4.1.3 Be in compliance with the requirements of Broad-Based Black Economic Empowerment (B-BEEE) and must in this regard achieve at least level eight (8) contributor status in terms of the B-BBEE Codes of Good Practice (refer to <http://bee.thedti.gov.za>);and
- 4.1.4 Demonstrate financial commitment to undertake the feasibility study and must in this regard provide a written confirmation of a contribution to the financial requirement to invest in the project.

4.2 The qualifying project must be:

- 4.2.1 A new project, expansion or rehabilitation of existing project in the manufacturing sector or capital goods sectors;
- 4.2.2 Meet the minimum South African local content and must in this regard achieve fifty percent (50%) for total goods and seventy percent (70%) for total professional services of which ten percent (10%) should be sub-contracted to South Africa black-owned professionals/ firms; and
- 4.2.3 Situated anywhere in the world (excluding South Africa) for capital projects feasibility studies or situated in South Africa (excluding the rest of the world) for manufacturing projects feasibility studies.

5. Mandatory Conditions

- 5.1 The applicant should either register a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa or set up a separate cost centre solely dedicated for the purpose of participating in this programme.
- 5.2 The findings of the pre-feasibility study report must indicate that the project has an adequate chance of being bankable and implementable.
- 5.3 Only one application will be considered per entity including its associates or connected parties and subsidiary companies during the course of the execution of the bankable feasibility project.
- 5.4 The applicant applying for a manufacturing feasibility study located within South Africa must be:
 - 5.4.1 A manufacturing entity that undertakes an investment project for either upgrading or expanding its operations to produce generically the same products, or investing in competitiveness enhancing activities of existing operations;
 - 5.4.2 Engaged in manufacturing Standard Industrial Classification (SIC 3);
 - 5.4.3 Producing a pre-feasibility study report in the prescribed format, confirming that the expected project minimum investment will be at least R15 million.
- 5.5 The applicant must provide a clear detailed time period and project schedule within which the project emanating from the feasibility study will be realized.
- 5.6 The project that is anticipated to emerge from the feasibility study must fulfil the objectives of the programme.

6. Non-eligible Costs

- 6.1 Pre-feasibility costs;
- 6.2 Administration costs;
- 6.3 Internal salaries and wages;
- 6.4 Normal overhead costs for the business activities;
- 6.5 Costs incurred prior to receiving project approval from **the dti**; and
- 6.6 Costs for activities receiving government funding for the same scope of work of the same project

7. Grant Approval

- 7.1 The approval of the grant is calculated as a percentage of the total cost of the feasibility study and is payable according to completed milestones as pre-determined at approval stage by **the dti**.
- 7.2 The approval of the feasibility study will be capped to a maximum reimbursable cost-sharing grant of R8 million.
 - 7.2.1 **the dti's** grant contribution will be capped at five percent (5%) of the cost of the envisaged investment project limited to R8 million.
- 7.3 The applicant is required to inform and request approval from **the dti** should the agreed milestone dates and/or scope of work change by sending a formal request and a revised schedule of milestones activities.
- 7.4 If the approval is granted, the applicant will receive the approval letter with the Terms and Conditions which need to be accepted, the letter with Terms and Conditions must be signed and returned to **the dti** within ten (10) working days of deemed receipt. Failure to comply with requirement will render the approved grant to be withdrawn.

- 7.5 **the dti**, or duly appointed representative, reserves the right to carry out inspections and site visits from time to time, on activities of the approved applicant in addition to technical reviews of project deliverables.

8. Application Procedure

- 8.1 The applicant must submit the following documents to apply for the programme:

- 8.1.1 Completed application form;
- 8.1.2 Valid B-BBEE Certificate of compliance or affidavit where applicable;
- 8.1.3 Valid tax clearance certificate;
- 8.1.4 Audited or independently reviewed financial statements for entities that are required by the Companies Act, the Close Corporations Act or the Co-operatives Act; or
 - 8.1.4.1 Financial projections for new entities;
- 8.1.5 Curriculum Vitae of the main study team;
- 8.1.6 Copy of the pre-feasibility study report (not more than two years old);
- 8.1.7 Two company references;
- 8.1.8 Company profile;
- 8.1.9 Copy of signed MoU, MoA, joint ventures and off-take agreements.
- 8.1.10 Company Registration Document;
- 8.1.11 Board Resolution indicating the financial commitment to undertake and co-finance the feasibility study; and
- 8.1.12 Letter(s) of intent from potential financiers and market off-take agreements.

- 8.2 The applicant must provide additional information with regards to the project background:

- 8.2.1 Project Executive Summary;
- 8.2.2 Description of the project;
- 8.2.3 Scope of the project;
- 8.2.4 Location of the project (country / city);
- 8.2.5 Analysis of competition;
- 8.2.6 Description of project idea and study parameters;
- 8.2.7 Motivation for the study / Project Objectives;
- 8.2.8 Likely impact of the project (exports/ jobs/ BEE/ SMEs);

- 8.2.9 Owner of the final project, whether it is a public or private sector organization and its credibility at local level;
 - 8.2.10 Credit rating of the country;
 - 8.2.11 Political, economic and currency risks;
 - 8.2.12 Maximum financial exposure; and
 - 8.2.13 Detailed review of investment code issues.
- 8.3 The application must include the following project information with regards to:
- 8.3.1 Market analysis: Description of demand and market;
 - 8.3.2 Owner capacity, local knowledge and ability to operate;
 - 8.3.3 Operator capacity and local knowledge;
 - 8.3.4 Ability to secure financing;
 - 8.3.5 Declaration of commercial benefit from the project;
 - 8.3.6 Resources and infrastructure: Availability of critical inputs and possible strategies;
 - 8.3.7 Location and environmental impact;
 - 8.3.8 Engineering and technology: Project engineering and availability of the technology and equipment;
 - 8.3.9 Detailed financial analysis: Estimated costs of project implementation; possible sources and structuring of programming for the project;
 - 8.3.10 Details of potential take-off agreements;
 - 8.3.11 Local content cost estimation for the anticipated capital and operational project costs for the project by cost type of goods and services produced within SA; and
 - 8.3.12 Other requirements for the project to be successful (e.g. additional infrastructure, export credit insurance cover etc.).
- 8.4 The application for the manufacturing project feasibility study must include the following pre-feasibility project information:
- 8.4.1 Description of the product/service;
 - 8.4.2 Market Assessment;
 - 8.4.3 Marketing Strategy;
 - 8.4.4 Technical or Production analysis;
 - 8.4.5 Prototype or Sample Product;
 - 8.4.6 Management Capacity;

- 8.4.7 Financial Analysis;
 - 8.4.8 Required Financing;
 - 8.4.9 Likely impact of the project (Export, jobs, B-BBEE, SMMEs); and
 - 8.4.10 Regulatory requirements.
- 8.5 A completed application form and supporting documents must be submitted at least two (2) months prior to the commencement date of the feasibility study.

9. Claim Procedure

- 9.1 The applicant must submit the following documents to claim for activities conducted under the programme:

- 9.1.1 Completed claim form;
- 9.1.2 Copy of approval letter;
- 9.1.3 Completed supplier maintenance form;
- 9.1.4 Valid tax clearance certificate;
- 9.4.5 Copy of invoices;
- 9.1.6 Proof of payment (Bank Statements);
- 9.1.7 Timesheets¹ for internal professionals supported by employment contracts and Unemployment Insurance Fund returns for the professionals claimed for (signed by an authorized senior official of the company)
- 9.1.8 Progress Report on achieved milestones;
- 9.1.9 Proof of applicant's contribution towards milestone claiming; and
- 9.1.10 Confirmations of relevant statutory and/or regulatory approvals.

- 9.2 A claim form and supporting documents must be submitted at least one (1) month after the completion of the approved milestone(s) and preferably a maximum of two (2) claims for manufacturing projects in South Africa.

10. Legal Conditions

- 10.1 The applicant is subject to the *schedule* (as attached), a copy of which can also be obtained from **the dti's** website or from the Secretariat. The applicant is

¹ Professional services fee are payable according to the Consulting Engineers South Africa (CESA) rates.

required to sign a copy of this schedule in order to confirm that it has been read and clearly understood.

11. Decision Review Process

- 11.1 Any dispute relating to an application decision taken by **the dti** is limited to one decision review request per application lodged within 30 calendar days from the date of the approval/rejection letter to the Director-General/Appeals Committee.
- 11.2 Only one claim decision review with material motivation will be allowed per claimant for the duration of the incentive period. In instances where the project does not meet the performance requirements and is cancelled, the written decision review request must be submitted to **the dti**, no later than 30 calendar days from the date of the cancellation letter to the Director-General, or the right to a decision review will be forfeited.

12. Monitoring and Evaluation


- 12.1 All approved applicants will be required to complete at intervals, a monitoring and evaluation questionnaire in a manner prescribed by **the dti** to assess how the programme is contributing towards the strategic objectives of the incentive and its intended outcomes.
- 12.2 **the dti** may conduct site visits with all the approved applicants at each claim stage. A site visit report will be completed as part of this process.
- 12.3 **the dti** may conduct monitoring site visits, focus group sessions and rapid appraisals as and when required. Approved applicants are required to participate in this process and a monitoring report will be completed as part of this process.
- 12.4 The approval will be reviewed annually based on performance monitoring of the applicant and subsequent claims will be evaluated in light of this performance monitoring.

- 12.5** The approved applicants are required to submit a performance report annually for the duration of the incentive and also submit a final performance report at the end of the incentive period with a project close out presentation.

Appendix A: Glossary of Terms and Definitions

ABBREVIATIONS	
the dti	The Department of Trade and Industry
B-BBEE	Broad-Based Black Economic Empowerment
CPFP	Capital Projects Feasibility Programme
SMME	Small Medium Micro Enterprises
IDAD	Incentive Development and Administration Division
MoU/A	Memorandum of Understanding/ Agreement

DEFINITIONS	
Applicant	<ul style="list-style-type: none"> • South African registered legal entity in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008; the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended); • Taxpayer in good standing and must in this regard provide a valid tax clearance certificate; • Compliant with the requirements of Broad-Based Black Economic Empowerment (B-BBEE) and must in this regard achieve at least level eight (8) contributor status in terms of the B-BBEE Codes of Good Practice; and • Demonstrate financial commitment to undertake the feasibility study and must in this regard provide a written confirmation of a contribution to the financial requirement to invest in the project.
CPFP Adjudication Committee	A Committee composed of members responsible for recommending and approving CPFP applications
Bankable Project	A project certain to bring profit or a project proposal which is deemed viable and acceptable for a financial institution to finance
CPFP Secretariat	the dti official(s) responsible for receiving, evaluating and presenting received CPFP applications to the Adjudication Committee for approval
Completed Study	A complete study or final feasibility report encompassing but not limited to market, technical, social and environmental, organizational, legal regulatory, financial, risk management and institutional model specifics, to execute the envisaged project and supplemented with a final close out presentation.


 Approved by
 Dr. Rob Davies