

ECONOMIC RECOVERY PROGRAMME - INTEREST MAKE-UP SCHEME

CRITERIA

© Department of Trade, Industry and Competition

Physical Address
The Department Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

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1. Preamble

- 1.1 The COVID 19 pandemic has created profound disruptions to the economy that has negatively affected companies. As part of its Economic Recovery Programme, an Interest Make-Up Scheme will be implemented by the Department of Trade, Industry and Competition (**the dtic**) to assist companies in “financial distress” while sustaining existing jobs and productive capacity. The scheme will be implemented alongside other private and public sector economic support initiatives.

2. Services Delivered by the Department

- 2.1 No fees or charges are levied by the Department for the processing or evaluation of any applications or claims.
- 2.2 **the dtic** will only disclose information pertaining to an application or claim to the applicant directly,
- 2.3 Approval of applications will be subject to the availability of funds and compliance with the programme guidelines and relevant provisions of the Public Finance Management Act (PFMA).

3. Programme Description

- 3.1 The objectives of the scheme are to:
 - 3.1.1 Provide support to companies that are “financially distressed” as an impact of the Covid-19 pandemic. In terms of this scheme, this means that the company:
 - 3.1.1.1 is unlikely to pay all of its debts as they become due and payable for the upcoming six months,
 - 3.1.1.2 is unable to fund its operating activities within the immediate ensuing six months, and
 - 3.1.1.3 with the support provided the company can prove that it has a fair chance of recovery.
- 3.2 The scheme will support distressed companies in the manufacturing and related sectors of the economy with a focus on promoting economic inclusion to support equitable economic growth through:
 - 3.2.1 Increasing the localisation of production activities within the value chain.
 - 3.2.2 Increasing worker participation as shareholders, especially Women, Youth and People living with disabilities.
 - 3.2.3 Maintaining current employment.

4. Mandatory conditions

4.1 The applicant must:

- 4.1.1 Be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended).
- 4.1.2 Be an existing business with a trading history of more than 12 months.
- 4.1.3 Be a taxpayer in good standing and must, in this regard provide a valid tax clearance certificate at application.
- 4.1.4 Be involved in the manufacturing and related sectors of the economy.
- 4.1.5 Have a business case/turnaround strategy that demonstrates that the entity can prove it can be viable with support and lead to future sustainability.
- 4.1.6 Have a Financier (public or private) in place that supports the business case/turnaround strategy.
- 4.1.7 Ensure that current employment is safe-guarded.
- 4.1.8 Defer the payments of Director's emoluments.
- 4.1.9 Defer payments to inter-related companies, connected companies and payment of royalties.
- 4.1.10 Incorporate additional management capacity and expertise to improve the viability of the company.
- 4.1.11 Reduce the salaries of Executive and Senior Management.
- 4.1.12 Must be B-BBEE compliant in terms of the B-BBEE codes (achieve level 1 to level 4) and submit a valid B-BBEE certificate of compliance or sworn affidavit, as per revised B-BBEE codes published in October 2013 (as amended) until 31st December 2024.
- 4.1.13 Commit to local procurement.

5. Support offering:

- 5.1 The purpose of the scheme is to offer financially distressed qualifying applicants an opportunity to access grant funding to off-set interest costs on working capital. Support will be based on the following:
 - 5.1.1 A business case/turnaround strategy that is supported by a private or public sector financier that is registered with the Financial Sector Conduct Authority (FSCA).
 - 5.1.2 A business case/turnaround strategy plans that demonstrates the business recovering within a reasonable timeframe of 18 – 36 months.
 - 5.1.3 The business enhancing management capacity and expertise.
 - 5.1.4 Off-setting interest costs up to the prime interest rate on working capital facilities that have been negotiated by the applicant with a primary lender that is registered with the FSCA.

- 5.1.5 The grant funding is limited to a maximum of R2 million per applicant.
- 5.1.6 The interest rate and terms applicable for the working capital facilities are to be negotiated by the applicant with the primary lender. The grant funding will be based on the ruling prime interest rate on the day of approval of the grant.

- 5.2 Any other similar economic support that has been partly paid or paid by other Government entities will be excluded for purposes of support within this package.

6. Application Process

- 6.1 This will be outlined on **the dtic** website.

7. Exclusions and Limitations

- 7.1 Entities that are already receiving incentives for the same support offered.
- 7.2 Disbursements will cease if the entity ceases manufacturing or is liquidated.
- 7.3 No conflict of interest or related party transactions will be allowed. Conflict of interest occurs when there is a direct or indirect conflict, in fact or appearance, between the interest of a shareholder / member / management of an organisation. It applies to financial, economic and other interests in any opportunity from which the organisation may benefit as well as the use of property (assets) of the organisation, including information. It also applies to shareholders / members / management's related parties holding such interest.

8. Conditions for Disbursement

- 8.1 It is the responsibility of the entity to submit and provide accurate information to **the dtic** in order to enable prompt evaluation and processing of the payments. The submission of incomplete or inaccurate information may result in the termination of the agreement.
- 8.2 Payment is subject to the satisfactory verification of qualifying cost items and may include a physical on-site inspection by **the dtic** whenever necessary.
- 8.3 Payments shall be made based on a payment schedule with the applicant's primary lender into a designated bank account relating to the approved entity.