

## Government Grants – South Africa

The government gives out funds which neither accrue interest nor need to be repaid but there are strict guidelines for application, involving black economic empowerment, developing the economy and creating jobs, amongst others. The funds can only be spent in the manner stipulated by the provider.

The DTI provides financial support to qualifying companies in various areas including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment. The following information was supplied by the [DTI website](#) : A Guide to incentive schemes 2014/15. Please note that as the information is now somewhat historic, grant amounts may have changed.

### Automotive Investment Scheme (AIS)

The AIS is designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain. The AIS provides for a non-taxable cash grant of 25% of the value of qualifying investment in productive assets, as approved by the DTI. An additional non-taxable cash grant of 5-10% may be made available for projects that significantly contribute to the development of the automotive sector.

### Capital Projects Feasibility Programme (CPFP)

The CPFP is a cost-sharing programme that contributes to the cost of feasibility studies likely to lead to projects outside South Africa that will increase local exports and stimulate the market for South African capital goods and services. The programme's contribution is in the form of a grant of up to 50% of the feasibility study costs for projects outside Africa and 55% for projects in Africa. The grant for the feasibility study is capped at R8 million (VAT exclusive).

### Clothing and Textile Competitiveness Improvement Programme (CTCIP)

The CTCIP aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capability to innovate.

### Critical Infrastructure Programme (CIP)

The CIP aims to enhance investment by supporting critical infrastructure, thus lowering the costs of investment. Grants are made available to approved eligible enterprises upon the completion of the infrastructure project concerned. Infrastructure for which funds are required is deemed to be 'critical' if the investment would not take place without the said infrastructure or the said investment would not operate optimally. The scheme offers a grant of a minimum of 10% to a maximum of 30% of the total infrastructural development costs, based on the score achieved in the Economic Benefit Criteria. The maximum available grant per project is capped.

### Manufacturing Competitiveness Enhancement Programme (MCEP).

The objectives are :

- to encourage enterprises to upgrade their production facilities, processes, products and upskill workers
- to provide for the upgrading of sectors to maximize output and employment
- to expand existing Industrial Development Corporation (IDC) distressed funding facility to small and medium enterprises, and reduce the cost of capital for distressed enterprises
- to reduce the price of working capital for exporters and businesses participating in Government infrastructure programmes
- to strengthen the responsiveness of available incentive schemes to the current economic challenges

The benefits are :

- Non-taxable grant calculated as a percentage of Manufacturing Value Added (MVA) and capped as follows:

- 10% of MVA - enterprises with more than R200 million in assets
- 20% of MVA - enterprises with assets >R30 million and <R200 million
- 25% of MVA - enterprises with assets >R5 million and <R30 million
- 25% of MVA - 100% black-owned enterprises and enterprises with assets below R5 million - direct cost sharing
- MVA = sales/turnover - sales value of imported goods - sales value of other bought in finished goods - material input costs used in manufacturing process
- Available over a two-year period

### People-Carrier Automotive Incentive Scheme (P-AIS)

The incentive is designed to stimulate a growth path for the people-carrier vehicles industry through investment in new and/or replacement models and components that will result in new employment, retention of current employment and/or strengthen the automotive vehicles value chain. Different benefits apply to Semi- or Complete-Knocked-Down vehicle assemblers and component manufacturers.

### Production Incentive (PI)

Under the PI, applicants can use the full benefit as either an upgrade grant facility or an interest subsidy facility, or a combination of both.

### Section 12I Tax Allowance Incentive (12I)

The 12I Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilize only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

### Support Programme for Industrial Innovation (SPII)

The SPII is designed to promote technology development in industry in South Africa through the provision of financial assistance for the development of innovative products and/or processes. The SPII specifically focuses on the development phase, which begins at the conclusion of basic research and ends when a pre-production prototype has been produced.

### Aquaculture Development Enhancement Programme (ADEP)

The ADEP is an incentive programme available to South African-registered entities engaged in primary, secondary and ancillary marine and freshwater aquaculture activities classified under SIC 132 (fish hatcheries and fish farms) and SIC 301 and 3012 (production, processing and preserving of aquaculture fish). The ADEP offers a reimbursable cost-sharing grant up to a maximum of R40 million qualifying costs in machinery and equipment (owned or capitalized financial lease); bulk infrastructure; owned land and/or buildings; and leasehold improvements; competitiveness improvement activities; and commercial vehicles and work boats (owned or capitalized financial lease).

### Black Business Supplier Development Programme (BBSDP)

This is a cost-sharing grant offered to small black-owned enterprises with a predominantly black management team to improve their competitiveness and sustainability so they are able to become part of the mainstream economy and create employment. The BBSDP provides a grant to a maximum of R1 million (R800 000 maximum for tools, machinery and equipment and R200 000 maximum for eligible enterprises to improve their corporate governance, management, marketing, productivity and use of modern technology). Enterprises must have a turnover of R250 000 to R35 million per year and have been operating and trading for at least one year.

### Co-operative Incentive Scheme (CIS)

The CIS is a 100% grant for registered primary co-operatives, in the emerging economy to acquire competitive business development services. The maximum grant per co-operative is R350 000.

### Technology and Human Resources for Industry Programme (THRIP)

THRIP is a partnership programme funded by the dti. On a cost-sharing basis with industry, THRIP supports science, engineering and technology research collaborations focused on addressing the technology needs of participating firms and encouraging the development and mobility of research personnel and students among participating organisations.



## Incubation Support Programme (ISP)

Aims to develop incubators into successful enterprises with the potential to revitalise communities and strengthen local and national economies. The ISP encourages partnerships in which big business assists SMMEs with skills transfer, enterprise development, supplier development and marketing opportunities.

The following costs are eligible for support :

- Business development services (e.g. business advisory services, coaching and mentoring, training, facilitation of funding, production efficiency and improvement, quality and standards acquisition)
- Market access
- Machinery, equipment and tools
- Infrastructure linked to incubators (buildings, furniture)
- Feasibility studies for establishing and expanding incubators
- Product or service development
- Information and Communication Technology (ICT)
- Operational costs

## Business Process Services (BPS)

The BPS incentive aims to attract investment and create employment in South Africa through offshoring activities. The new/existing project must employ at least 80% youth (between the ages of 18 and 35); have created 50 new offshore jobs in South Africa by the end of three years from inception and be financially viable, inter alia.

## Export Marketing and Investment Assistance (EMIA)

*National Pavilions at International Events* : to showcase local products at international trade exhibitions. The EMIA scheme bears costs for space rental, the construction and maintenance of stands, electricity and water charges, as well as freight charges, up to a maximum of three cubic metres or two tonnes per exhibitor. *International Trade Exhibition Assistance* : the DTI provides financial assistance to Export Councils, Industry Associations, Provincial Trade and Investment Promotion Agencies (PIPAs), Joint Action Groups (JAGs), Export Clubs and Chambers of Commerce for international trade exhibitions where there is no National Pavilion scheduled/approved. The EMIA scheme bears costs for the rental of exhibition space, stand-building, services, freight-forwarding and travel, but will exercise discretion on the market and sector. Applicants manage the entire project on behalf of the DTI, including all procurement matters. Assistance is also given to South African exporters who seek to conclude export orders with foreign buyers and to those attracting foreign direct investment (FDI) into South Africa.

## Film and Television Incentives

Various incentives support our film production and post-production industry, including :

- the Foreign Film and Television Production *and Post-Production Incentive* to attract foreign-based film productions to shoot on location in South Africa and conduct post-production activities in the country
- the South African Film and Television Production and Co-Production Incentive assists local film producers in the production of local content
- the South African Emerging Black Filmmakers Incentive enables emerging black filmmakers to take up big productions and contribute towards employment opportunities

## Sector-Specific Assistance Scheme (SSAS)

The SSAS is a reimbursable 80:20 cost-sharing grant offering financial support to Export Councils, JAGs and Industry Associations. There are two sub-programmes, namely Generic Funding and Project Funding for Emerging Exporters (PFEE). The maximum allocation per project is R1.5 million.

The National Youth Development Agency (NADA) addresses youth development issues at National, Provincial and Local government level with the aim of improving the lives of the youth in South Africa and it does so through various provisions including :

- the provision of information

- career guidance services
- mentorship
- skills development and training
- entrepreneurial development and support
- health awareness programmes and involvement in sport

At a Community level the NYDA encourages young people to be involved in community development activities, social cohesion activities, national youth service programmes and dialogues. At a Provincial and National level the NYDA facilitates the participation of youth in developing key policy inputs which shape the socio-economic landscape of South Africa.

### Manufacturing Investment Programme (MIP)

This programme is a reimbursable cash grant to local and foreign-owned manufacturers who wish to establish new facilities or expand existing ones.

### Technology Transfer Fund (TTF)

- Design, formulation, materials and methods transfer, including design improvement and optimisation;
- Know-how, knowledge, skills and expertise transfer, including training and mentoring related to the technology being transferred;
- Designs, equipment, systems, machinery and tooling directly related to the product and process technology being transferred;
- The know-how, knowledge, skills and expertise required to operate and maintain the equipment, systems and machinery, including training and mentoring related to the technology being transferred;
- Expert labour costs regarding the technology, where such costs do not exceed 20% of the total approved TTF funding;
- Intellectual Property payments (e.g. Licensing Agreements) and expertise transfer payments to enable the TTF transaction.
- Travelling and subsistence claims relating to the technology transfer transactions, subject to Adjudication Panel's prior approval;
- Legal and expert resource expenses regarding the negotiations, agreement and transfer of the technology;
- Business training, development and mentoring; and
- General business services, e.g. equipment, machines, facilities or processes that are utilised to provide repairs, examinations, overhauls, support or assistance in some form or other, as well as specialised equipment, machines or processes are utilised to provide support for manufacturing, mining, agro-processing or service enterprises.

### National Empowerment Fund (NEF)

Established by the National Empowerment Fund Act No 105 of 1998, the NEF (an agency of the DTI) provides financial and non-financial support to black-empowered businesses. The company provides business loans from R250 000 to R75 million to those who are directly involved with their business, across a range of sectors, for start-up, expansion and equity acquisition purposes.