PROGRAMME GUIDELINES

AGRO-PROCESSING SUPPORT SCHEME

© Department of Trade and Industry,

Physical Address
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0002
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## Abbreviations and Acronyms

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<th>Abbreviation</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>CIPC</td>
<td>Companies and Intellectual Property Commission</td>
</tr>
<tr>
<td>APSS</td>
<td>Agro-Processing Support Scheme</td>
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<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
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<tr>
<td>IRBA</td>
<td>Independent Regulatory Board for Auditors</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
</tr>
<tr>
<td>PRECCA</td>
<td>Prevention and Combating of Corrupt Activities Act</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SABS</td>
<td>South African Bureau of Standards</td>
</tr>
<tr>
<td>SARS</td>
<td>South African Revenue Services</td>
</tr>
<tr>
<td>SOP</td>
<td>Start of Production</td>
</tr>
<tr>
<td>the dti</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>VAT</td>
<td>Value-Added Tax</td>
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</table>
1. Preamble

1.1 The purpose of this document is to detail the policy and guidelines for the Department of Trade and Industry’s (the dti’s) Agro-processing Support Scheme (APSS).

1.2 The guidelines set out in this document are intended to enable enterprises to present their applications to the dti, and provide a framework for the dti to evaluate such applications.

1.3 Granting of the incentive or approval of the application will only be for entities that meet the objectives of the APSS as set out by these guidelines.

1.4 The 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 immediate effect upon publication thereof.

1.5 Where the guidelines lend themselves to varying interpretations or do not deal with specific subject matter, the interpretation of the dti must be requested, and such interpretation will be decisive and final; and may, from time-to-time, be published on the dti website.

1.6 Approval of applications will be subject to the availability of funds and compliance with the incentive guidelines and relevant provisions of the Public Finance Management Act (PFMA).

1.7 Approved applications will be based on a competitive process that utilises the dti economic benefit criteria.

2. Services Delivered by the dti

2.1 No fees or charges are levied by the dti for the processing or evaluation of any APSS applications or claims.

2.2 Applicants are welcome to contact the dti directly and the relevant officials will provide guidance on how to complete application or claim forms.

2.3 It is the responsibility of the applicant to ensure that the application submitted to the dti is accurate and complete.
3. **Description of the Agro-processing Support Scheme (APSS)**

3.1 **The Objectives of the APSS:**

The objective of the APSS is to stimulate investment by South African agro-processing/beneficiation (agri-business) enterprises. The investment should demonstrate that it will achieve some of the following:

3.1.1 Increased capacity,
3.1.2 Employment creation,
3.1.3 Modernised machinery and equipment
3.1.4 Competitiveness and productivity improvement,
3.1.5 Broadening participation.

3.2 **Description of Qualifying Processes/Projects**

3.2.1 New and existing agro-processing/beneficiation projects. This can also involve a wide range of processing or beneficiation activities of post-harvest, that result in value addition and/or enhanced storage life, such as cleaning, sorting, grading, waxing, controlled ripening, labelling, packing & packaging, warehousing, canning, freezing, freeze drying, wood carving, extrusion, synthesizing, polymerisation, and various levels of processing that change agricultural product form. In the forestry value-chain may also include sawing, pulping, peeling and preservation.

3.2.2 The APSS will be targeted at five (5) key identified sub-sectors (focus areas) as follows:

(i) Food and beverage value addition and processing (including Black winemakers);
(ii) Furniture manufacturing;
(iii) Fibre processing;
(iv) Feed production; and
(v) Fertilizer production.
3.2.3 Interpretation of the focus areas within each sector will be at the discretion of the dti. Agro-processing/beneficiation activities will be considered based on economic impact in terms of job creation, geographic spread and strengthening supply chains.

4. Mandatory Conditions

4.1 The applicants 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 a taxpayer in good standing.

4.1.3 Be involved in starting a new Agro-processing/beneficiation¹ operation or in expanding or upgrading an existing Agro-processing/beneficiation operation.

4.1.4 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 affidavit.

4.1.5 Undertake an investment project which should result in retaining and creating direct employment.

4.1.6 Indicate that the project will be able to boost the local capacity of identified product(s); or where possible prospects of export orientation.

4.1.7 Adhere to sectorial minimum wage and legislative requirements governing the sector.

4.1.8 Demonstrate that at least 50% of the inputs (raw materials) will be sourced from South African suppliers and that at least 30% of the inputs will be sourced from Black South African suppliers in particular.

4.1.8.1 Where inputs cannot be sourced locally and from Black suppliers, applicants must provide a motivation including a sourcing plan to adhere to 4.1.8 within 2 years.

4.2 Commencement date of the project or activities applied for must take place within 90 calendar days after the application has been approved.

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¹ Agro-processing/beneficiation (Food, Furniture, Fibre, Feed and Fertilizer processing)
5. **Eligibility Criteria**

5.1 An applicant must submit a completed application form and business plan with detailed agro-processing/beneficiation activity(ies), budget plans and projected income statement and balance sheet, for a period of at least three (3) years for the project. The project/business must exhibit economic merit in terms of sustainability.

5.2 The application must be submitted within the designated application window period, prior to start of processing/beneficiation or undertaking activities being applied for. Any assets bought and taken into commercial use or competitiveness improvements costs incurred before applying for the incentive will be considered as non-qualifying.

5.3 For existing entities, submit latest financial statements, reviewed by an independent external auditor or accredited person, not older than eighteen (18) months.

5.4 The approved entity may not reduce its employment levels from the average employment levels for a twelve-month period prior to the date of application, and these employment levels should be maintained for the duration of the incentive period/agreement.

5.4.1 That is, the total number of employees in the entity (inclusive of full-time and full-time equivalent) in each year of the incentive period may not be less than base year employment for a twelve (12) month period prior to the date of submission of the application, as defined in 5.4.

5.4.2 Any reduction in the total number of employees over the duration of the incentive, will disqualify the applicant. Any claims not yet evaluated or paid will immediately lapse and no obligation will accrue to the dti on such claims.

5.5 Minimum qualifying investment size, including competitiveness improvement cost, will be at least **one million rand (R1 million)**.

6. **Grant Offering**

6.1 The scheme offers a twenty percent (20%) up to a thirty percent (30%) cost sharing grant to a maximum of **twenty million rand (R20 million)** over a two (2) year investment period, with a last claim to be submitted within six (6) months after the final approved milestone. The cost-sharing grant percentage will be differentiated by (qualifying) enterprise and investment size as follows:
Table A

<table>
<thead>
<tr>
<th>Type of Applicant</th>
<th>Historical Costs of Assets</th>
<th>Qualifying Investment Costs</th>
<th>Grant Percentage</th>
<th>Maximum Grant Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Entity</td>
<td>N/a</td>
<td>R 1 million up to R10 million</td>
<td>30%</td>
<td>R3 million</td>
</tr>
<tr>
<td>Existing Entity</td>
<td>≤ R10 million</td>
<td>R 1 million up to R10 million</td>
<td>30%</td>
<td>R3 million</td>
</tr>
<tr>
<td>Existing Entity</td>
<td>&gt; R10 million</td>
<td>&gt; R10 million</td>
<td>20%</td>
<td>R20 million</td>
</tr>
<tr>
<td>New</td>
<td>N/a</td>
<td>&gt; R10 million</td>
<td>20%</td>
<td>R20 million</td>
</tr>
</tbody>
</table>

6.1.1 the dti may consider an additional 10% grant for projects that meet all Economic Benefit Criteria in the table below:

**Economic Benefit Criteria**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Employment</td>
<td>Increase base year employment by at least 25%</td>
</tr>
<tr>
<td>B. Transformation</td>
<td>Achieve a level 1 on B-BBEE codes of good practice</td>
</tr>
<tr>
<td>C. Geographical Spread</td>
<td>Projects located in state owned industrial parks or areas with unemployment higher than 25%(^2)</td>
</tr>
<tr>
<td>D. Local procurement</td>
<td>Procuring at least 70% of inputs or equipment and machinery that is locally manufactured</td>
</tr>
</tbody>
</table>

6.2 The maximum approved grant may be utilised on a combination of investment costs as described in Section 7 below provided the applicant illustrates a sound business case for the proposed investment activities.

\(^2\) As per latest National Census figures
7. Qualifying Assets and Investment Costs

The APSS offers support on a cost-sharing basis towards:

7.1 New Machinery and Equipment

7.1.1 New machinery and equipment (owned or capitalised financial lease), tools, and forklifts, at cost and will also include green technology, energy and resource efficiency equipment.

7.2 Commercial Vehicles

7.2.1 New commercial vehicles (owned or capitalised financial lease) are only eligible if such vehicles are to be used for commercial purposes linked to the production process. This includes vehicles such as collection, delivery and distribution vehicles.

7.2.2 Commercial vehicles must be registered in the name of the applicant.

7.2.3 Investments in commercial vehicles may not exceed 25% of the qualifying investment in machinery and equipment, up to a maximum grant amount of two million rand (R2 million).

7.3 Buildings

7.3.1 The investment in buildings must not exceed the qualifying investment in machinery, equipment and tools and is limited to a maximum grant amount of two million rand (R2 million).

7.4 Competitiveness Improvement Costs

7.4.1 Competitiveness costs to a maximum of ten percent (10%) of the qualifying investment in machinery and equipment and limited to a maximum grant amount of two million rand (R2 million).
<table>
<thead>
<tr>
<th>Focus Areas</th>
<th>Categories</th>
<th>Consulting Fees and Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conformity</td>
<td>Quality management improvement, Environmental management improvement, process capability improvement and Product quality improvement</td>
<td>- Cost of Installing or improving quality management systems; - Costs for preparations for certification and pre/initial assessment costs</td>
</tr>
<tr>
<td>Assessment</td>
<td></td>
<td>Costs for preparations for accreditation and pre-/initial assessment</td>
</tr>
<tr>
<td>Certification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accreditation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>Acquisition and deployment of systems</td>
<td>Acquisition software for integrated production management information systems</td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Non-Qualifying Costs

8.1 The following is a list of costs that do NOT qualify under this scheme:

8.1.1 Land;

8.1.2 Staff wages and salaries, and staff related costs incurred in implementing any of the above projects;

8.1.3 Passenger vehicles (i.e. such as sedans, luxury 4X4s, SUVs and People Carrier Minibuses, even if registered in the entity’s name);

8.1.4 VAT and finance charges on assets;

8.1.5 Rates and Taxes;

8.1.6 Costs incurred before approval.

8.1.7 Increase in investment cost as a result of exchange rate fluctuations and submitted after acknowledgement of the application or claim.
9. Grant Disbursements

9.1 Grant Payment Schedule and Performance Requirements

9.1.1 Disbursements will be made as per the approved milestones and will be based on actual costs incurred and performance criteria being met.

9.1.2 Approval of all assets applied for will be provisional pending the dti inspection or consulting engineer's assessment and recommendation at the claim assessment phase.

9.1.3 All claim payments are subject to the availability of funds.

9.2 Conditions for Grant Disbursement

9.2.1 It is the responsibility of the entity to submit a completed, duly signed claim form and provide accurate information to the dti in order to enable prompt evaluation and processing of the investment grant claim. The submission of incomplete claim form/s (incl. supporting documents) or inaccurate information may result in the termination of the agreement or forfeiture of a specific claim.

9.2.2 Grant disbursement is subject to the satisfactory verification of qualifying cost items and may include a physical on-site inspection by the dti at every claim stage or whenever necessary.

9.2.3 The commencement date of claims must be within a period of six (6) months from the approval date.

9.2.4 Failure to submit a valid claim within six (6) months from the approval date will result in the termination of the APSS grant agreement.

9.2.5 Payments shall be made directly into the bank account of the approved entity.

9.2.6 Should there be material changes to the main activities of the entity under which the grant was approved; the grant approval will be terminated or cancelled.

9.2.7 The following supporting documents must be submitted together with a completed claim form:
9.2.7.1 Latest financial statements not older than two (2) years from the applicant or authorised management accounts in the case of divisions, cost centres and branches;

9.2.7.2 A Factual Findings Report;

9.2.7.3 A valid B-BBEE certificate or affidavit to the B-BBEE codes of good practice level 1 to 4;

9.2.7.4 A valid tax clearance certificate of the entity;

9.2.7.5 A cancelled cheque/bank certificate and a completed credit order instruction form not older than six (6) months as written confirmation of the bank details of the approved entity;

10. **Legal Conditions**

10.1 The following are inter alia considered a circumvention of APSS Guidelines and will lead to the rejection of an application or claim:

10.2 Changing the business set-up, composition, structure or operations, processes or products in order to make the project qualify.

10.3 Manipulation of inter-company assets, products, services and processes.

10.4 Applicants receiving financial grant support from other government source(s) for the same assets and competitive improvement costs as those for which assistance is sought from the APSS.

10.5 Any other action that, at the sole discretion of the dti, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify for assistance under the APSS grant.

11. **Decision Review Process**

11.1 Any dispute relating to a decision (including the rejection of an application or claim) taken by the dti is limited to one (1) request for decision review per application lodged, within thirty (30) calendar days of the date of issue of the notification letter by the dti.
12. **Criminal, Misleading, Dishonest and/or Irregular Activities**

12.1 Should the applicant 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 dti at the time of application.

12.2 the dti may, upon a suspicion of any of the above activities, suspend payments that may be due or may become due to an applicant. the dti 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.

12.3 Findings of an investigation indicating such activities will be sufficient to allow the dti to cease all payments and reclaim any payments already made, with *mora* interest.

12.4 the dti 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.

12.5 A duty rests on the applicant and/or any other person that may benefit from the scheme to disclose everything that may have an influence on the adjudication of the application and/or claim. Failure thereof will lead to termination or cancellation or suspension of the application/claim and criminal prosecution and/or civil claim.

13. **Monitoring, Reporting and Impact Assessment**

13.1 All approved projects will be monitored by the relevant monitoring unit or division in order to assess their performance and that of the APSS.

13.2 the dti, and/or its appointed accredited consulting engineer, may conduct a site visit to projects at application stage, at any claim stage or within a period of 2 years after the last claim payment. A set of all financial statements, invoices and other relevant records must be retained and kept in a fireproof safe place, according to the South African Bureau of Standards (SABS) specifications, for at least five (5) years after submission of the claim to which it relates, or completion/termination of the APSS grant, whichever is the latest date. Such records must be made available to the dti inspector or consulting engineer upon request, failing which the APSS grant will be terminated or cancelled.
13.3 In order to evaluate the impact of the programme, the dti will require that for a period of two (2) years after completion of the incentive period, the client completes an annual project monitoring report.

**Annexure A: Glossary of Terms and Definitions**

| a. | ‘Applicant’ or ‘Entity’: This refers to a business registered as a legal entity is South Africa. The word ‘entity’ is used here to refer to an applying business, or one that has qualified for the incentive, or one which is claiming from the APSS. |
| b. | 'At cost': This refers to the actual asset price (cost) at purchase time, including capitalised development costs as certified by the external auditor. |
| c. | “Black”: Black people refer to African, Coloured and Indian persons who are natural persons and:

  a. Are citizens of the Republic of South Africa by birth or descent; or
  b. Are citizens of the Republic of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or
  c. Became citizens of the Republic of South Africa after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, had it not been for the Apartheid policy, would have qualified for naturalisation before then.

The definition of “Black people” now includes South African Chinese people as per the Pretoria High Court ruling on the 18th June 2008.” |
| d. | ‘Commencement date of production’: This refers to the date commercial production started. |
| e. | ‘Connected party/persons/non-arm’s length transactions’: A ‘connected party’, as described in the Income Tax Act, No. 58 of 1962, which, as at April 2007, could be defined, in relation to a natural person, as any relative, and any trust of which such natural person or such relative is a beneficiary.

In relation to this definition, ‘arm’s length transactions’ will mean the opposite. |
| f. | ‘Employees’: These are persons who work a minimum of forty (40) hours a week for the same employer and are on the employer’s payroll. |
| g. | ‘Financial year’: This denotes the period referred to in the entity’s financial statements, and as registered with the Companies and Intellectual Property Commission (CIPC), irrespective of the calendar period thereof. |
| h. | ‘Employment’: This term refers to contract/seasonal/temporary employees. One full-time employee will be the equivalent to 1 920 hours worked per year. |
| i. | Agro-processing/beneficiation: entails changing the form of a product originating from agriculture, forestry and fisheries. |
| j. | ‘APSS approval’: The document from the dti to the applicant, setting out the terms and conditions of the APSS incentive being offered to the applicant, which will by implication include the terms and conditions set out in these guidelines (‘implied terms’). |
| k. | ‘Independent external auditor’ or ‘accredited person’:

  - In respect of a Company, this means the independent external auditor.
  - In respect of a Close Corporation, this means practising members of the Commercial and Financial Accountants of South Africa (CFA-SA); practising members and Associate General Accountants (AGAs) of the
South African Institute of Chartered Accountants (SAICA) and/or AGAs; and individuals or enterprises/practices registered as auditors with the Independent Regulatory Board for Auditors (IRBA).

**l. Machinery and equipment and tools**: These are the machinery, implements, tools, utensils or articles used in a qualifying production process. ‘Machinery and equipment’ does not include inter alia commercial vehicles, office furniture, or office equipment.

**m. Material changes**: These are changes that, if known by the dti at application stage, could have affected approval of the project e.g. changes in business set-up, location, composition, structure of operations, processes or products as well as a change in the physical address/location of the approved project.

**n. Shareholding**: This refers to shareholding in a Company, membership in a Close Corporation, or membership/ownership of a Co-operative.

**o. Total investment costs**: In respect of new projects, this refers to the investment, qualifying and non-qualifying, to be made in the project. In respect of expansions, this refers to all additional investments qualifying and non-qualifying investments to be made in the expansion.

**p. the dti** refers to the Department of Trade and Industry care of The Enterprise Organisation, Block A, 77 Meintjies Street, Sunnyside, Pretoria; Private bag X84, Pretoria, 0001.

**q. Value-adding**: implies addition of value to a product "after which a buyer is willing to pay a price for the product that more than compensates for the cost of the inputs used in the process".

**r. Window period for applications**: 1st of June to 31st August and 1st October to 31st January 2018; A schedule of future windows will be published on the dti website.

Approved by:

_____________________
Dr. Rob Davies, MP
Minister of Trade and Industry

Date: