the **dtic**

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

AGRO-PROCESSING SUPPORT SCHEME (APSS)

SEPTEMBER 2022

Physical Address

the dtic Campus

77 Meintjies Street

Sunnyside

Pretoria

0002

the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

Contents

Abbreviations and Acronyms

CIPC	Companies and Intellectual Property Commission
APSS	Agro-Processing Support Scheme
IDC	Industrial Development Corporation
IRBA	Independent Regulatory Board for Auditors
IT	Information Technology
PFMA	Public Finance Management Act
PRECCA	Prevention and Combating of Corrupt Activities Act
R&D	Research and Development
SABS	South African Bureau of Standards
SARS	South African Revenue Services
SOP	Start of Production
the dtic	Department of Trade, Industry and Competition
VAT	Value-Added Tax

1. Preamble

1.1 The purpose of this document is to detail the guidelines for the Department of Trade, Industry and Competition's (**the dtic**'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 dtic**, and provide a framework for **the dtic** 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 dtic**. These amendments will be published on **the dtic** 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 dtic** must be requested, and such interpretation will be decisive and final; and may, from time-to-time, be published on **the dtic** 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 dtic** economic benefit criteria.

2. Services Delivered by the dtic

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

2.2 Applicants are welcome to contact **the dtic** 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 dtic** 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 (primary, secondary and tertiary processing) or beneficiation activities that result in value addition and/or enhanced storage life, including but not limited to cleaning, sorting, grading, waxing, controlled ripening, labelling, packing & packaging, ripening, refrigeration, cold storage facilities, canning, freezing, freeze drying, wood carving, extrusion, synthesizing, polymerisation. In the forestry value-chain it may also include sawing, pulping, peeling and preservation.

3.2.2 The APSS will be targeted at six (6) key identified sub-sectors (focus areas) as follows:

(i) Food and beverage value addition and processing
(For wine making only 70% black owned and managed entities will be supported. For carbonated soft drinks only entities with a turnover of less than R5 million will be supported)
(ii) Furniture manufacturing
(iii) Fibre processing
(iv) Feed production
(v) Fertilizer production
(vi) Essential Oil production

3.2.3 Other agro-processing sub-sectors as determined by **the dtic** may be considered based on economic merit.

3.2.4 Interpretation of the focus areas within each sector will be at the discretion of **the dtic.** 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/beneficiation[1] 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 expansion or upgrading investment project, which should result in retaining and/or creating direct employment. For new projects, applicants must undertake an investment project, which should result in the creation of new 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 and the compliance requirements governing the sector.

4.1.8 Demonstrate that at least 50% of the inputs[2] 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 and/or Government Departments, State Owned Entities (SOEs) or similar Government Institutions.

[1] Agro-processing/beneficiation (Food, Furniture, Fibre, Feed and Fertilizer processing and Essential oil production)

[2] Raw material from agriculture for further processing with an exception of pack houses where the input may include packaging materials.

4.1.8.1 Where inputs cannot be sourced locally, 100% black owned and managed applicants may source from suppliers within the African continent. In this regard, detailed confirmation of establishment point of suppliers must be provided.

4.1.8.2 Based on merit, furniture applicants will be considered irrespective of them not meeting section 4.1.8 of the guideline.

4.2 If the investment proposition shows economic merit, **the dtic** may consider the business case through a competitive bid process on a quarterly basis.

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

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.

5.2.1 If there is no response from **the dtic** within 30 calendar days after submission of a complete application, such applicant may take into commercial production its qualifying investment assets for commercial use or undertake implementation of competitiveness improvement activities, and such investment assets or competitiveness improvement activities will not be disqualified on the basis of having been in commercial use or being undertaken before approval.

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.[3]

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 dtic** on such claims.

6. Grant Offering

6.1 The scheme offers a reimbursable grant of between 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 the last claim to be submitted within six (6) months after the final approved milestone.

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

Economic Benefit Criteria

Criteria	Description
A. Employment	Increase base year employment by at least 25%
B. Transformation	Achieve a level 1 on B-BBEE codes of good practice
C. Geographical Spread	Projects located in state owned industrial parks or areas with unemployment higher than 25%[4]
D. Local procurement	Procuring at least 70% of inputs or equipment and machinery that is locally manufactured

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.

[3] Base year employment for new enterprises shall be deemed as the average employment levels achieved in the first twelve (12) months from start of production.

[4] 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 (owned or capitalised financial lease), tools, forklifts and is limited 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 and equipment (owned or capitalised financial lease), tools, forklifts and is limited to a maximum grant amount of **two million rand (R2 million)**.

7.4 Competitiveness Improvement Costs

7.4.1 Competitiveness improvement costs to a maximum of ten percent (10%) of the qualifying investment in machinery and equipment (owned or capitalised financial lease), tools, forklifts and is limited to a maximum grant amount of **two million rand (R2 million)**.

Focus Areas	Categories	Qualifying Costs
Conformity Assessment Certification	Quality management improvement, Environmental management improvement, process capability improvement and Product quality Improvement	Cost of Installing or improving quality management systems Costs for preparations for certification and pre/initial assessment costs
	Accreditation	Costs for preparations for accreditation and pre-/initial Assessment
Information technology systems	Acquisition and deployment of systems	Acquisition of software for integrated production management information systems
Logistics improvements	Logistics arrangement and systems	Improvement of logistics efficiencies e.g. introducing logistic systems
Resource and Energy Efficiency Improvement Processes	Energy Efficiency Improvement Water Usage Improvements Waste Management	Introduction of new improved processes that leads to energy savings Improved energy efficiency technology e.g. solar panels, pumps Water re-use improvement technology Technology for recycling, re-use of waste
Technology Transfer	Transfer and technology improved process performance	Transfer and technology costs for improved product and processes performance

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 Increase in investment cost as a result of exchange rate fluctuations and submitted after acknowledgement of the application or claim

8.1.7 Beer and spirits

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 dtic** 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 dtic** 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 dtic** 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 and the project must be in production or have started with commercial production.

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:

9.2.7.1Latest 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 bank confirmation of the account details of the approved applicant

10. Legal Conditions

10.1 The following are inter alia considered a circumvention of the 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 dtic**, 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 and/or claim and/or cancellation of an approved project) by **the dtic** may be subjected to an internal appeal.

11.2 An appeal must be lodged within thirty (30) days of the date of issue as set out in the notification letter.

11.3 An applicant (hereinafter referred to as "the appellant) who is aggrieved by any decision taken by **the dtic** is limited to one (1) appeal in respect of that decision as the same matter may not be referred back for appeal unless the matter has been referred back for further information/investigation.

11.4 The appeal must be accompanied by a written explanation setting out the decision appealed against and the issues to be considered and any documentary evidence upon which the appeal is based.

11.5 Although there is no prescribed format for the submission for an appeal, the appeal must:

11.5.1 Be submitted in duplicate, if submitted physically.

11.5.2 Attach a letter communicating the decision appealed against.

11.5.3 If longer than 15 typed pages (excluding annexures), contain an executive summary of no more than two pages, be indexed and paginated.

11.5.4 Be signed by and provide full details of the Appellant or his/her/its representative and, in the latter instance, include proof of mandate to lodge the appeal on behalf of the applicant.

11.6 An appeal must be lodged with the Director: Legal Services: Industrial Financing Branch at the following email address: Appeals@thedtic.gov.za or hand delivered at:

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION
the dtic Campus, 77 Meintjies Street
Block A
Sunnyside, Pretoria, 0002
Attention: Director: Legal Services
INDUSTRIAL FINANCING BRANCH

11.7 Receipt of the appeal will be acknowledged in writing within five (5) working days of such receipt.

11.8 The outcome of the appeal will be communicated to the Appellant.

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 dtic** at the time of application.

12.2 **the dtic** may, upon a suspicion of any of the above activities, suspend payments that may be due or may become due to an applicant. **the dtic** 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 dtic** to cease all payments and reclaim any payments already made, with *mora* interest.

12.4 **the dtic** 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 dtic** fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour.

12.5 A duty rests on the applicant and/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 applicants will be monitored to assess how the incentive programme is contributing towards the strategic objectives and its intended outcomes.

13.2 Monitoring information required from applicants will form part of the claim forms. Upon receiving the claim forms, the Department may conduct online surveys and or online/on site interviews with approved applicants to verify the requested information and obtain any other information relating to the performance of the incentive.

13.3 Performance Information may be requested from the approved applicant for a period of three years after the final claim is paid in order to determine the effectiveness of the incentive.

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 dtic 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 dtic"** refers to the Department of Trade, Industry and Competition and Industry, 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".

Approved by:

Name:_____________________

Signature: _________________

Position: __________________

Date: _____________________