

UNDERSTANDING THE UPTAKE OF THE DTI FUNDING PROGRAMMES BY COMPANIES AND HOW THE FUNDING CRITERIA ENCOURAGES INNOVATION

Review of Innovation Measurement in South Africa 8 November 2011

Tumelo Marivate
Chief Director
The Enterprise Organisation



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



G

1



CONTENT

Strategic Overview

Industrial Development

Manufacturing Investment Cluster
Infrastructure Investment Cluster
Services Investment Cluster

Encouraging Innovation in Industrial Development

Broadening Participation Cluster

Encouraging Innovation in Broadening Participation

Trade , Investment & Export Cluster

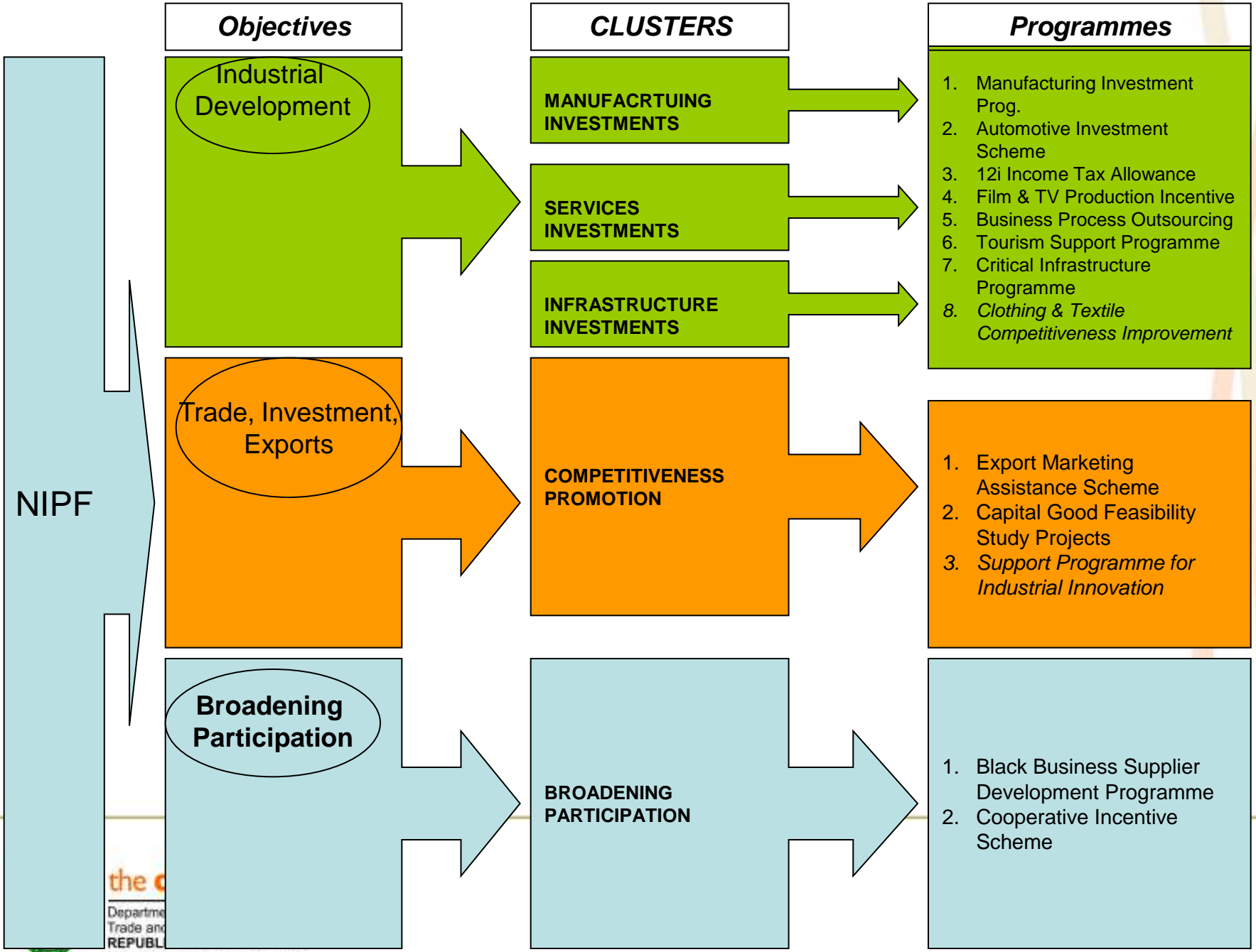
Encouraging Innovation

Support for Programme for Industrial Innovation



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



INDUSTRIAL DEVELOPMENT MANUFACTURING INVESTMENT CLUSTER OUTLINE OF PROGRAMMES

PROGRAM	PURPOSE	TARGET	OFFERING	BUDGET (11/12)	MAX FUNDING PER PROJECT	NO. PROJECTS APPROVED	TOTAL INCENTIVE APPROVED (EXPENDIT)
Manufacturing Investment Programme (MIP) - May 2008 to 2014	Promote investment in manufact. sector	Manufacturers with emphasis on lead sectors with investment up to R200m	<ul style="list-style-type: none"> •15-30% grant for qualifying investment in land & buildings, machinery & equipment and commercial vehicles •15% transportation costs for imported machinery & equipment by FDI 	R674m	R30m for the investment grant and R10m for the Foreign Investment Grant	846	R2,3bn (R198m) Invest: R18,6b
Automotive Investment Scheme (AIS) – July 2009	Grow auto sector through investment in manufacturing that increases plant production volumes and	<ul style="list-style-type: none"> •Light motor vehicle manufacturers producing 50,000 units per plant within 3 years •Component manufacturers that are part of light motor vehicle 	20-30% grant for qualifying investment in machinery & equipment, tooling & buildings.	R947m	N/A	36	R2,2bn (R294m) Inv: R8.9bn

INDUSTRIAL DEVELOPMENT MANUFACTURING & INFRASTRUCTURE INVESTMENT CLUSTER OUTLINE OF PROGRAMMES

PROGRAM	PURPOSE	TARGET	OFFERING	BUDGET 11/12	MAX FUNDING PER PROJ	NO. PROJECTS APPROVED	TOTAL INCENTIVE APPROVED (EXPENDIT)
12 i (Investment and training allowance) - July 2010	To promote industrial upgrading and new investment in manufact.	Medium to large manufacturers with investment between R30m and R1.5bn	<ul style="list-style-type: none"> • Training allowance: max R36 000 per person • Max 55% of qualifying investment costs in machinery & equipment 	N/A	Invest allowance of R900m and training allowance of R30m	4	R1.3bn - inv R13m –train
Critical Infrastructure Programme (2000)	leverage strategic investment projects supporting infrastructure critical for such projects to establish	Private & public sector enterprises	30% grant for development costs of critical infrastructure		R30m	42	R1.7bn (R1,1bn)



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

**INDUSTRIAL DEVELOPMENT
SERVICES INVESTMENT CLUSTER
OUTLINE OF PROGRAMMES**

PROGRAM	PURPOSE	TARGET	OFFERING	BUDGET 11/12	MAX FUNDING PER ENTERPRISE	NO. PROJECTS APPROVED	TOTAL INCENTIVE APPROVED (EXPENDITURE)
BPS (Business Process Services) Incentive – January 2011	Encourage the creation of employment opportunities from the offshore market	Enterprises offering Business Process Services to the offshore market	<ul style="list-style-type: none"> Operational Incentive of R112,000 per job created in 2011/12; R104,000 per job created in 2012/13 and R88,000 per job created in 2013/14. 	R143.1m	Unlimited	10	R158m Inv: R5,5bn
Film & TV Production 2004 to date	To grow the film industry to create jobs and to transfer skills	Local and foreign film producers	<ul style="list-style-type: none"> 15% of qualifying South African Expenditure for foreign films 25-35% of qualifying South African Production Expenditure for local films 	R260m	R20m	169	R704m (R378m)

STRATEGIES TO ENCOURAGE INNOVATION

- New investments or substantively increased levels of activity
- Acquisition of **new technology** – machinery & equipment
- New entrants to the manufacturing sector (HDIs) – secondhand assets - engineer certificate acceptable technology levels
- Foreign investments – increase level of technology & demonstration effect in industry
- Relocation cost - only support relocation of latest technology
- Business Process Services – encourage organisational innovations (knowledge management systems; globally competitive)
- Film & TV Production Incentive – Qualifying South African Production Expenditure

INDUSTRIAL DEVELOPMENT ENCOURAGING INNOVATION

Reciprocity / Conditionalities – Automotive Investment Programme

- 5 Economic Benefit criteria – 3 of which impact on innovation & projects that contribute to more economic benefit criteria, receive a higher grant
- Local tooling expenditure - at least 10% (OEM) or 20% (component) tooling budget spent locally
- 5% of total investment spent on applied **R&D, design or development** aimed at improving production competitiveness (cannot be less than R50m for OEMs or R1.5m for component manufacturers)
- **New** components, intermediate **products or processes** not currently manufactured or performed in South Africa; or creation of new markets for current components manufacturers; or the introduction of a substantial new foreign first tier supplier of components not currently manufactured in South Africa.

INDUSTRIAL DEVELOPMENT ENCOURAGING INNOVATION

Reciprocity / Conditionalities – 12 I Tax Allowance

- Improved energy efficiency with emphasis on cleaner production technology
- Innovative: use of new technology or processes that will materially **improve production time, reduce production costs, improve product quality or improve product longevity.**
- General business linkages: acquiring goods and services from SMEs
- Location in industrial development zone
- Direct employment creation and Skills development

BROADENING PARTICIPATION CLUSTER OUTLINE OF PROGRAMMES

PROGRAMME	PURPOSE	TARGET	OFFERING	BUDGET 11/12	MAX FUNDING PER ENTERPRISE	NO. PROJECTS APPROVED	TOTAL INCENTIVE APPROVED (EXPENDITURE)
Black Business Supplier Development Programme (BBSDP) 2002 to date	Broader participation of black-owned SMMEs through provision of business development services	<ul style="list-style-type: none"> • Majority black owned entities • R250k to R35m turnover • 1 year trading 	<ul style="list-style-type: none"> • 80:20 cost sharing grant for business development services • 50:50 cost sharing grant for tools, machinery and equipment 	R88m	R1 000 000	10 761	R458m (R304m)
Cooperative Incentive Scheme (CIS) 2006 to date	Broader participation by promoting the development of cooperatives	<ul style="list-style-type: none"> • Registered co-operative • Operate in the emerging sector • Manufacturi 	90:10 cost sharing grant for machinery, equipment & business development services	R44m	R350 000	455	R100m (R92)m

BROADENING PARTICIPATION CLUSTER

ENCOURAGING INNOVATION

QUALIFYING INTERVENTIONS

- Upgrading capability of the enterprise's management – e.g. business management, sales management, business information technology.
- Improving management systems, entry to new markets or general competitiveness of business
 - **Organisation and management improvements** (e.g. structures and functions);
 - *Management information systems (including production, sales and accounting software);*
 - *Quality assurance (e.g. International Organisation for Standardisation (ISO), certification, accreditation and grading costs);*
 - **Patenting and intellectual property rights;**
 - **Production and productivity improvements;**
 - **Product improvements;**
 - *BEE rating and certification; and*
 - *Expansion modernisation strategy and planning.*
- Acquisition of machinery, equipment for:
 - **Cleaner production**
 - **ICT**
 - **Productivity & efficiency**

TRADE, EXPORT & INVESTMENT COMPETITIVENESS INVESTMENT CLUSTER OUTLINE OF PROGRAMMES

PROGRAM	PURPOSE	TARGET	OFFERING	BUDGET 11/12	MAX FUNDING PER ENTERPRISE	NO. PROJECTS APPROVED	TOTAL INCENTIVE APPROVED (EXPENDITURE)
Export Marketing and Investment Assistance (EMIA) 1997 to date	To develop export market for SA goods and services and recruit FDI	Export ready manufacturers	Cost sharing grant for exhibition costs, marketing material & research in foreign markets	R17,5 m	N/A	7295	R453m (R351m)
Capital Projects Feasibility Programme 2005 to date	Promote the export of SA capital goods and services	Capital goods sectors and consulting engineers	Cost sharing grant (max 55%) for feasibility study costs	R9.8 m	R5m	22	R67m (R32m)



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

TRADE, INVESTMENT, EXPORTS ENCOURAGING INNOVATION

ORGANISATIONAL INNOVATION - EMIA

- Individual Exhibitions - Access for goods and services to a **new market**
- Primary market research & FDI recruitment –**new sales & distribution methods & external relations** with other firms
- Individual missions – registration of **patents** in foreign countries
- Training & business development support for emerging exporters
- **Feasibility studies** located outside SA, stimulate local exports and facilitate market for SA capital goods and service
 - Use current skills & knowledge to address capital goods requirements in Africa

SUPPORT PROGRAMME FOR INDUSTRIAL INNOVATION

PROGRAM	PURPOSE	TARGET	OFFERING	MAX FUNDING PER ENTERPRISE
Product Process Development Scheme	Encourage technology development for new products & processes	SMMEs (Below R13m t/o; < 50 jobs; < R5m assets)	• 50-85% of development costs	R1m
Matching Scheme	Encourage technology development for new products & processes with focus on significant advances in technology	SMEs (Below R51m t/o; < 200 jobs; < R19m assets)	•50-75% of development costs	R3m
Partnership Scheme	Encourage technology development for new products & processes	Large enterprises	•50% of development costs repayable after commercialisation project	R3m



ENCOURAGING INNOVATION SUMMARY

1. Address some of the challenges that hamper innovation

- Reduce capital costs by providing funding for machinery, equipment & software to be used to improve products, production and /or processes
- Contribute to some of the costs of innovation – business development services, research & development costs
- Contribute to funding for market research and commercialisation costs as well as finding cooperation partners
- Encourage training on the new technologies employed by the companies
- Encourage adoption of new technologies

2. Programmes focused on innovation

3. Offer more assistance to companies whose projects have increased economic benefits – which include innovation measures

THANK YOU



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA