

**PROGRAMME GUIDELINES**  
**Clothing, Textiles, Footwear & Leather Growth**  
**Programme (CTFLGP)**

**Working Capital Interest Subsidy (WCIS)**

**(Effective 1 October 2020)**

**VERSION 1**

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**ABBREVIATIONS AND ACRONYMS**

<b>CMT:</b>	Cut, Make and Trim
<b>CTFLGP:</b>	Clothing, Textiles, Footwear & Leather Growth Programme
<b>FICA:</b>	Financial Intelligence Centre Act
<b>IDC:</b>	Industrial Development Corporation of South Africa Limited
<b>MOA:</b>	Memorandum of Agreement
<b>NGOs:</b>	Non-Governmental Organisations
<b>PAP:</b>	Projects Approval Panel
<b>PRECCA:</b>	Prevention and Combating of Corrupt Activities Act
<b>MVA:</b>	Manufacturing Value Addition
<b>NGOs:</b>	Non-Governmental Organisations
<b>PRECCA:</b>	Prevention and Combating of Corrupt Activities Act
<b>ROI:</b>	Return on Investment
<b>SBU:</b>	Strategic Business Unit
<b>SIC:</b>	Standard Industrial Classification
<b>SMEs:</b>	Small and Medium Enterprises
<b>the dtic:</b>	The Department of Trade, Industry & Competition
<b>VAT:</b>	Value Added Tax
<b>WCIS:</b>	Working Capital Interest Subsidy
<b>WCM:</b>	World Class Manufacturing

## 1. PREAMBLE

- 1.1 The purpose of this document is to provide the policies and guidelines of the **Working Capital Interest Subsidy (WCIS)** grant funding for qualifying companies. This is the initial component of the revised **Clothing & Textiles Competitiveness Programme (CTCP) now renamed the Clothing, Textiles, Footwear & Leather Growth Programme (CTFLGP)**.

The CTFLGP is a programme of the Department of Trade, Industry and Competition (“**the dtic**”) aimed at structurally changing the clothing, textiles, footwear, leather & leather goods manufacturing industries by providing funding assistance that will result in sustainability, innovation, economic and export growth as well as employment creation by improving overall competitiveness in these sectors.

The unexpected Covid-19 pandemic and the resultant economic downturn have resulted in further revising the CTFLGP to allow for immediate relief to affected companies.

- 1.2 For the year ending 31 March 2021, the CTFLGP will comprise of a Working Capital Interest Subsidy (WCIS) only. This fund is an interest subsidy at the prevailing prime interest rate on working capital loans to the benefit ceiling of R700 000 per applicant. These guidelines will be amended to include other components of the Programme as and when it is deemed necessary and aligned to the funding availability. Amendments will be published on the CTCP website ([www.ctcp.co.za](http://www.ctcp.co.za)).

- 1.3 The CTFLGP will be administered by the CTCP Desk at the **Industrial Development Corporation of South Africa Limited (IDC)** on behalf of **the dtic**.

- 1.4 The guidelines set out in this document seek to enable companies to present their business cases to the **CTCP Desk** of the **IDC** and provide a framework for the **CTCP Desk** to evaluate such cases.
- 1.5 Where the guidelines lend themselves to varying interpretations or do not deal with a specific subject matter, interpretation by the CTCP Desk should be requested. Such interpretation will be decisive and final and may from time to time be published on the CTCP website.
- 1.6 **Approval of applications will be subject to the availability of funds.** The CTCP Desk will endeavour to communicate to the public, in good time, should there be a likelihood of no funds being available for allocation to new approvals.

## **2. SERVICES RENDERED BY THE CTCP DESK**

- 2.1 No fees or charges are levied by the IDC for the processing or evaluation of any CTFLGP application or claim.
- 2.2 Companies are welcome to contact the CTCP Desk directly for assistance in completing application or claim forms.
- 2.3 The CTCP Desk will only disclose information pertaining to an application or claim to the applicant directly, or to a third party designated in writing by the applicant.

## **3. PROGRAMME DESCRIPTION**

- 3.1 The CTFLGP is available to the Clothing, Textiles, Footwear, Leather and Leather Goods Sectors. Qualifying sectors should form part of one or more of the following processes:
- Clothing manufacturing;
  - Textile manufacturing;

- Cut, Make and Trim (CMT) operators in the manufacturing processes mentioned;
- Footwear manufacturing;
- Leather goods manufacturing;
- Leather processing (specifically for the Leather Goods and Footwear Industries) and
- **The participation of Design Houses, even where the Design House partners with one or more CMT's, is excluded.**

3.2 To qualify for CTFLGP support, products must conform to the manufacturing processes as mentioned above **and** they must fall within the following chapters of the Harmonised System Code (HS Code) Commodity Classification detailed on the following SARS website:

<http://www.sars.gov.za/Legal/Primary-Legislation/Pages/Schedules-to-the-Customs-and-Excise-Act.aspx>:

- See Schedule No 1 General Notes, Part 1 - Chapters 1-99 Ordinary Customs Duty: Clothing & Textile Products of Chapters 50-63
- Leather Products of Chapters 41-42
- Footwear Products of Chapter 64

The following products could qualify partially depending on their composition and textile and/or leather content:

- Headgear which contains fabric of Chapter 65 (6501.00 and 6505.00.90)
- Umbrellas containing fabric of Chapter 66 (66.01)
- Parachutes of Chapter 88 (8804.00)

**IMPORTANT NOTE: THE WCIS SPECIFICALLY EXCLUDES** goods manufactured for the automotive sector which qualifies for any incentive programme offered for that sector.

## 4. DETAILED PROGRAMME DESCRIPTION

### 4.1 Working Capital Interest Subsidy (WCIS)

#### 4.1.1 Objectives

The purpose of this incentive is to offer financially distressed qualifying applicants an opportunity to access short-term industry stabilisation funding to mitigate the consequences of the COVID-19 pandemic.

#### 4.1.2 General Principles

- Applicants are required to submit a comprehensive application to the Desk.
- All applicants (businesses) must show economic merit and sustainability.
- Approval is subject to availability of funding at the time.
- **THE APPLICATION WINDOW SHALL BE OPEN FROM 1 OCTOBER TO 30 NOVEMBER 2020.**
- **Applications will be processed on a first come / first served basis.**
- 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.

#### 4.1.3 Extent of Grant

- The WCIS will be a grant in the form of a subsidy towards interest on working capital facilities, paid or payable during the period from 1 April 2020 to 31 March 2022.
- The interest subsidy is limited to a maximum of R700 000 per applicant.
- In addition, should an applicant have unredeemed and redeemable PIP benefits awarded in previous years, i.e. before 31 March 2020, these benefits may also be used towards subsidising interest on working capital facilities for interest paid

or payable during 1 April 2020 to 31 March 2022 to the maximum of the approved unredeemed benefit ceiling.

- While the interest rate and terms applicable to underlying working capital facilities are to be negotiated by the applicant with the primary lender, the WCIS will be based on the ruling prime interest rate on the day of approval of the grant.

#### 4.1.4 **Application Process**

##### 4.1.4.1 **New Working Capital Facilities:**

If an applicant wishes to receive a WCIS grant on a working capital loan to be provided by any Lender, the following process should be followed:

1. Application to be sent to the CTCP Desk.
2. CTCP Desk to check the application for completeness of the information and to complete a due diligence process ensuring the business operations are aligned with the R-CTFL masterplan objectives;
3. Approval of the WCIS grant by PAP subject to:
  - Proof of funding within 3 months.
  - Audit confirmation of the interest portion of the working capital facility calculated at the ruling prime rate as approved by the Panel.

Should you wish to apply to the IDC for the working capital facility, the application process is described in the following link:

<https://www.idc.co.za/clothing-textiles>

##### 4.1.4.2 **Existing Working Capital Facilities:**

If an applicant wishes to receive a WCIS grant on an existing working capital facility from any Lender acquired within 12 months prior to the effective date of these guidelines, the following process should be followed:

1. Application to be registered by the CTCP Desk;
2. CTCP Desk to check the application for completeness of the information and to complete a due diligence process ensuring



the business operations are aligned with the R-CTFL masterplan objectives;

3. Approval of the WCIS grant by the PAP.

4.1.4.3 **IMPORTANT NOTE: INCOMPLETE APPLICATIONS WILL BE REJECTED.**

4.1.4.4 Once the CTCP Desk has performed a due diligence on the application and if found in order, the Desk will issue a confirmation of the funding amount after obtaining the necessary approvals. Upon approval, the CTCP Desk will set aside funds, which will be earmarked for the company concerned.

#### 4.1.5 Summarised Options Table

	<b>A. WCIS using unutilised PI</b>	<b>B. WCIS 2020-21 application</b>
<b>Existing Working Capital Loan Facility</b>	Existing Facilities must have been obtained within 12 months prior to the effective date of the guidelines  Interest subsidy applicable from 1 <sup>st</sup> April 2020 or from date of approval if the facility is obtained after the 1 <sup>st</sup> April 2020 up to 31 <sup>st</sup> March 2022  Maximum WCIS is limited to the unredeemed PIP funds as approved by the Panel	Existing Facilities must have been obtained within 12 months prior to the effective date of the guidelines  Interest subsidy from 1 <sup>st</sup> April 2020 or from date of approval if the facility is obtained after the 1 <sup>st</sup> April 2020 up to 31 <sup>st</sup> March 2022  Maximum WCIS is R700 000/ applicant
<b>New Working Capital Loan Facility approved by IDC or other lenders from 1<sup>st</sup> Oct 2020</b>	Interest subsidy available from the date of approval of the facility up to 31 March 2022  Maximum WCIS is limited to the unredeemed PIP funds as approved by the Panel	Interest subsidy from the date of approval of the facility up to 31 March 2022  Maximum WCIS R700 000/ applicant
<b>Funding available</b>	<b>Unutilised Production Incentive. Change of redemption allowed.</b>	<b>R 100 million 2020-21 First come first served basis</b>
	<b>The applicant can apply for both A &amp; B</b>	

## **5. MANDATORY CONDITIONS**

- 5.1 Each applicant is required to submit a Business Plan motivating interventions and showing alignment to CTFL Master Plan with measurable metrics of outcomes aligned to the completed CTFLGP M&E Questionnaire.
- 5.2 No conflict of interest or related party transactions allowed. Conflict of interest occurs when there is a direct or indirect conflict, in fact or in 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.
- 5.3 The applicant must be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Close Corporations Act, 1984 (as amended).
- 5.4 The applicant must provide documents in support of FICA compliance to IDC's satisfaction.
- 5.5 The operations of the company applying must be classifiable as manufacturing (13 for textiles, 14 for wearing apparel or 15 for leather, etc.) in terms of the 'Standard Industrial Classification of all Economic Activities' and the relevant chapters of the HS codes as referred to above.
- 5.6 The applicant must be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate or PIN.
- 5.7 The Applicant must, where applicable, be bargaining council compliant and must, in this regard, provide evidence of compliance.
- 5.8 The applicant must comply with all relevant environmental regulations, applicable to its operations and must, in this regard, provide evidence of compliance.
- 5.9 Should the company 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 CTCP Desk at the time of application.

- 5.10 Should the company have any intentions or plans to retrench or downsize its manufacturing processes, such intentions or plans must be brought to the attention of the CTCP Desk.
- 5.11 The applicant should demonstrate that the business is solvent, profitable and sustainable even without CTFLGP support. Evidence is to include:
- Audited financial statements (not older than 18 months);
  - Management accounts (not older than 3 months) are required;
- Should a company not currently be profitable the application should be supported by a detailed turnaround plan, to the CTCP Desk's satisfaction, that demonstrate that the company will be profitable and sustainable going forward.
- 5.12 Applicants that benefited from the CTCP in previous years should demonstrate the positive impact that the previous CTCP interventions had on the business' financial position as well as operational measures against targets previously set in Form 4.
- 5.13 IDC reserves the right to audit recipients and / or applicants based on the outcome of the audits, further funding may or may not be considered.

## **6. REDEMPTION PROCESS**

A company can redeem its benefit by applying to the CTCP Desk as detailed in each contract.

### **6.1 Verification by the CTCP Desk**

- 6.1.1 The CTCP Desk reserves the right to carry out audits on activities of the applicant from time to time which may include a physical on-site inspection by the CTCP Desk at every claim stage or whenever necessary.
- 6.1.2 If the PAP finds that a grant was based on false information, or that applicants furnished misleading information, it will disallow the grant and recover the full amount paid to the company. Interest on such grant

payments shall be levied at a prescribed rate from the day the grant was received.

6.1.3 Should there be material changes to the main business under which the grant was approved, the grant approval will be cancelled, and the entity will be expected to re-apply to the CTCP Desk.

6.1.4 The PAP further reserves the right to authorise publication of full details, including company names, in cases of grant abuse.

## 6.2 **Adjudication**

The CTCP Desk will submit the benefit and redemption applications as well as all relevant documentation to the PAP who will adjudicate the incentive to the applicant. Any relaxation of the minimum requirements or conditions in this document is based on merit and is at the sole discretion of the **CTCP Desk**. The decision of the **CTCP Desk** will be final.

## 6.3 **Disbursement**

6.3.1 Once the PAP has adjudicated the incentive, claim forms / proof of payment will be considered by the CTCP Desk for reimbursement of interest on working capital already incurred or for payment of interest on working capital to be affected. Claim documents must be submitted within 3 months of approval.

6.3.2 Interest subsidy payments by the Programme will be made exclusive of Value Added Tax (VAT).

6.3.3 Interest paid by the applicant (from 1 April 2020), to be reimbursed retrospectively to a maximum of the ruling prime rate on the day of the WCIS approval.

6.3.4 Disbursement to applicants to be made bi-annually on proof of payment by the applicant.

## 6.4 Exclusions and Limitations

- 6.4.1 Working capital interest expenditures incurred will be considered for support, if adequately motivated by a business plan.
- 6.4.2 Entities that have already received working capital restructuring from commercial lenders should declare such deferrals in WCIS application.
- 6.4.3 Entities that are already receiving incentives approved on recommendation by the **Clothing and Textiles Competitiveness Programme (CTCP)** or any other Government Programmes are required to declare such support as part of the application for the CTFLGP. A specific intervention / expenditure can benefit from more than one incentive as long as the combined grants do not exceed the total cost of the intervention / specific expenditure.
- 6.4.4 The CTCP Desk reserves the right to withhold, reject or terminate approval of a grant or disbursements under the incentive programme if an applicant is seen to be circumventing the rules of the programme. The entity may not change the facts in its application, such as the business set-up or how it operates, in order to have the entity meet the prerequisites for qualification, when it does not meet the appropriate criteria. If the CTCP Desk finds that the entity tried to circumvent or circumvented these guidelines, the entity will automatically be disqualified, and if an agreement has already been signed, the CTCP Desk will terminate that agreement and institute action to reclaim any moneys that have already been paid to the entity. The monitoring of projects is the responsibility of the CTCP Desk of the IDC.
- 6.4.5 Section 21 companies or 'not-for-profit-or-gain' organisations, Trusts, partnerships, co-operatives and individuals are specifically excluded from applying.
- 6.4.6 **Grant approval and disbursements will cease if the entity ceases manufacturing or is liquidated.**

## 7. ADDITIONAL CONDITIONS

Amongst others, the following are considered a circumvention of the CTFLGP guidelines and will lead to the rejection of an application or claim:

- 7.1 Changing the business set-up, composition, structure or operations, processes or products to enable the project to qualify.
- 7.2 Restructuring the business internally, forming a new entity or project, or phasing in or segmentation of investment to avoid exceeding maximum or differentiating levels. More than one (1) business in reasonable proximity or in a defined municipal area, owned by connected person(s), manufacturing generically the same or similar products or delivering generically the same or similar services without, in the sole opinion of the **CTCP Desk**, any real commercial reason for the separation.
- 7.3 Splitting up of an integrated production process, including where the one (1) process manufactures the raw material for another process, thereby excluding a non-qualifying process, or allowing two (2) projects to qualify for the incentives.
- 7.4 Manipulation of inter-company assets, products, services and processes.
- 7.5 Any other action that, in the sole discretion of the CTCP Desk, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.

### 7.6 CTCP and CTFLGP Funded Assets

- 7.6.1 All assets acquired using CTFLGP funds and sold to date need to be declared to the CTCP Desk. This applies to all funds received since inception of the PIP, CIP and on into the CTFLGP.

- 7.6.2 Permission must be obtained from the CTCP Desk prior to the disposal of any CTFLGP, CIP or PIP funded assets within 5 years (except for textiles which is 10 years) from date of acquisition.
- 7.6.3 A beneficiary may not alter its share capital or dispose of any CTFLGP, CIP or PIP funded assets without the prior approval of the CTCP Desk.
- 7.6.4 A breach of these prohibitions will result in the recovery of the total capital disbursed plus any punitive interest prescribed by the funding agreement between the parties.
- 7.6.5 The Desk requires confirmation that all CTFLGP, CIP or PIP funded assets are at the premises of the client and in productive use. A letter from the auditor should be provided by the client every year, confirming that all CTFLGP, CIP or PIP funded assets are included in the asset register and that all the assets are in productive use, and that no CTFLGP, CIP or PIP funded assets have been sold without the permission of the CTCP Desk.

## 8. CRIMINAL, MISLEADING, DISHONEST AND/OR IRREGULAR ACTIVITIES

- 8.1 **The CTCP Desk** may, upon suspicion of any such activities, suspend payments that may be due or may become due to an applicant. **The CTCP Desk** 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.
- 8.2 Findings of a forensic investigation indicating such activities will be sufficient to allow the **CTCP Desk** to place the entity and its management on IDC's delinquent register, cease all remaining payments and reclaim any payments made previously, with *mora* interest, and suspend the entity and its management from the **CTFLGP**.

8.3 The **CTCP Desk** subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Applicants are requested to report unethical behaviour anonymously by calling 0800303336, SMSing 39640 or emailing [idc@tip-offs.com](mailto:idc@tip-offs.com). Alternatively, contact **the dtic** fraud hotline on 0800 701 701.

8.4 A duty rests with the applicant and/or any other person that may benefit from the CTFLGP to disclose all information that may influence the adjudication of the application and/or claim. Failure thereof will lead to termination / cancellation / suspension of the application / claim.

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