

Manufacturing Competitiveness Enhancement Programme - Update

The Manufacturing Competitiveness Enhancement Programme (MCEP) was first launched in June 2012 and aimed at providing support to the manufacturing sector.

The latest revision of the MCEP guidelines were published on 1 April 2014 and will be effective

for all applications submitted after this date.

Below is a summary of the most significant changes which have been made to this incentive programme.

Decrease of incentive benefit!

The overall benefit which was available under MCEP has significantly decreased with the introduction of new lower maximum allowances for the different components of MCEP.

Component limits have been decreased as follows:

Capital: - The maximum benefit available under the capital component of MCEP has decreased

from R50 million to R30 million.

Green technology: - The maximum benefit available under the green component of MCEP has

decreased from R50 million to R20 million.

Enterprise Level Competitiveness Enhancement (ELCI)- The maximum benefit available under

the competitiveness component of MCEP has decreased from being only limited by the overall

MCEP benefit ceiling to:

- R2 million for applicants with a historic asset value below R5 million;
- R5 million for applicants with a historic asset value between R5 million and R200 million;
- and
- R10 million for applicants with a historic asset value of R200 million and above.

This is a significant reduction from the previous benefit which was available under this component.

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Skills development - ELCI!

The definition of qualifying costs for skills development has been narrowed and now excludes

training related costs for marketing, financial, human resources and information technology related training costs. Qualifying training related costs will only include training related to:

- Production development;
- Product and quality management;
- Skills directly related to manufacturing and/or engineering services; and
- Conformity assessment services (only for conformity assessment services staff members).

Information technology - ELCI!

The definition of qualifying IT related costs has also been amended and now excludes costs related to software for sales, accounting and human resource management which was previously

listed as qualifying costs. In terms of the new guidelines, only software costs for integrated production management information systems will be deemed to be qualifying costs.

Broad Based Black Economic Empowerment!

The B-BBEE requirements have been made stricter and certain discretion has been removed. Previously applicants with a B-BBEE level lower than 4 could apply and be approved for MCEP if

a B-BBEE plan was submitted showing the DTI how the applying entity would get to a level 4

status within a 4 year period. The guidelines have been amended to change the period in which

level 4 status must be reached from four years to 2 years.

Another significant change is the fact that for new applicants from 1 June 2015, only a B-BBEE

status of level 4 and above will qualify for MCEP. No B-BBEE plans will be allowed from 1 June

2015.

Release of new cluster specific MCEP guidelines!

New guidelines have been released which specifically govern MCEP cluster applications.

Salaries, wages, rent and general office costs are now deemed to be non-qualifying costs. The following organisations are excluded from the MCEP cluster incentive:

- Export councils;
- Industry associations;
- Government funded entities; and
- Trusts.

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The benefit available under the cluster incentive has remained unchanged at a 80:20 cost sharing grant limited to R50 million.

Private sector defence industry!

The private sector defence industry is now specifically supported under the new MCEP guidelines however, any majority locally or foreign state owned enterprise will be excluded from

benefitting under MCEP.

Feasibility studies!

The maximum benefit available for qualifying feasibility study costs has increased from R7.5 million to R8 million and a new limit of R1 million has been introduced for conformity assessment studies.

Specific exclusions and limitations!

Entities manufacturing tobacco products will not be eligible for the MCEP incentive.

Furthermore, entities where a development finance institution has a majority shareholding will

only be supported on a case by case basis provided an exit strategy is provided. No applications from trusts will be considered.

Double dipping!

A specific provision has been inserted to ensure that activities and/or assets that have benefitted

under other Department of Trade and Industry programmes will not qualify for MCEP. The guidelines are silent on incentive from other Government institutions.

Employment reporting!

Applicants applying for MCEP will now have to submit the average employee numbers for a 12

month period before the date of application. This has changed from the previous wording which required that base year employment figures should be submitted with the MCEP application.

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