

# Enterprise Investment Programme (EIP)



## Introduction

The Enterprise Investment Programme (EIP) is an investment incentive offered by The Enterprise Organisation (TEO), to increase local and foreign investment, production capacity and employment, and to sustain economic growth. The EIP replaces the Small Medium Enterprise Development Programme (SMEDP) and is effective from July 2008 to 2014. The areas targeted by the programme are:

<b>Manufacturing</b>	Manufacturing Investment Programme (MIP)
<b>Tourism</b>	Tourism Support Program (TSP)
<b>Textiles</b>	Textile Industry Upgrading Incentive
<b>Foreign Investment</b>	Foreign Investment Grant (FIG)

## Benefits

Approved EIP applicants may receive:

- A non-refundable cash grant of between 15% and 30% of their investment in qualifying assets (new project or expansion) including:
  - Machinery and equipment / furniture and fittings
  - Commercial / tourism vehicles
  - Land and buildings
- Paid over 2 or 3 years
- A Foreign Investment Grant up to a maximum of R10m.

## Criteria for approval and measurement

To qualify for the EIP, a project must:

- Be a manufacturing or tourism project involving a qualifying activity
- Invest in qualifying assets
- Submit an application at least 3 months before commissioning of the new investment
- Be a qualifying legal entity
- Achieve a minimum score on the prescribed evaluation criteria
- Demonstrate compliance with the following eligibility criteria:
  - Prove commitment to the project (financing structure and funds sourced)
  - Prove viability through a business plan
  - Show that the incentive improves financial viability
  - Demonstrate a funding gap in terms of cash flow (for projects above R5M)
- Not be receiving concurrent investment incentive benefits
- In addition, expansion projects must demonstrate required increases in turnover, investment and employment.

## Evaluation criteria: Manufacturing

In addition to the criteria for approval and measurement described previously, manufacturing evaluation criteria are detailed on the reverse in Table 1: Economic Benefit Criteria for Manufacturing Projects above R5 000 000 (at least 4 points required), and Table 2: Development Impact Criteria for Manufacturing Projects below R5 000 000 (at least 50 points required). The project limit is based on the total investment in qualifying assets.

## Evaluation criteria: Tourism

In addition to the criteria for approval and measurement described previously, tourism projects must:

- Be a Level Four Contributor to BBBEE
- Invest in a qualifying sector of tourism
- Pay wages in line with the Department of Labour Hospitality sector wage rate
- Achieve minimum total number of jobs for the project (Refer Table 3)
- Be located outside of, or within a marginalized area of the metropolitan areas of Cape Town, eThekweni and Johannesburg.

## Textiles Industry Upgrading Incentive

Requirements for upgrades in the textile industry are relaxed by requiring an increase in P&M over base year of only 10%.

## Foreign Investment Grant (FIG)

An approved Foreign Investment Grant (FIG) applicant qualifies for the reimbursement of the transfer cost of machinery and equipment to South Africa from abroad. Applications will be considered on merit for foreign projects establishing for the first time.

The FIG will be limited to R10 000 000 or 15% of the value of qualifying imported machinery and equipment or the actual transport costs of relocating qualifying machinery and equipment.

The grant is conditional upon:

- Approval as an MIP project
- Use of technology that is not obsolete
- Second hand assets utilising the latest technology certified as such by a Department of Trade and Industry (DTI) appointed consulting engineer.

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**Table 1: Economic Benefit Criteria for Manufacturing Projects above R5 000 000**

Criteria	Description	Potential Points
A. Investment project within priority sectors	Projects involved in manufacturing under the following sectors: Capital/transport equipment and Metals fabrication; Chemicals, Plastic fabrication and Pharmaceuticals; Furniture; and Automotive and Components	4
A1. Expansion or upgrading project in the clothing and textile sector	Projects involved in the clothing and textile sector	4
B. Job per million Rand qualifying investment	<0,5	0
	>0,5 – 0,75	2
	>0,75 – 1	3
	≥ 1	4
C. Compliance with BB-BEE requirements	Achieve a required status in terms of the BB-BEE Code of Good Practice as follows:	
	BEE Scoring from 65 – 75 (Level 4 Contributor)	1
	BEE Scoring of more than 75 (Level 3 Contributor)	2
	BEE Scoring of more than 85 (Level 2 or more)	4

**Table 2: Development Impact Criteria for Manufacturing Projects below R5 000 000**

Factor		Points	Weighting	Score
A. Contribution to Broad Based Black Economic Empowerment (BB-BEE)	Non-Compliant Contributor (<30 points)	0	5	0
	Level 7 – 8 Contributor (≥30 points <45 points)	2		10
	Level 5 – 6 Contributor (≥45 points <65 points)	4		20
	Level 4 Contributor (≥65 points <75 points)	6		30
	Level 3 Contributor (≥75 points <100 points)	8		40
	Level 2 or above Contributor (>85 points)	10		50
B. Investment project in priority sector or clothing and textile	Manufacturing under the following Sectors: Capital/transport equipment and Metals fabrication; Chemicals; Plastic fabrication and Pharmaceuticals; Furniture; Automotive and Components; and Clothing and Textiles	5	4	20
C. Jobs created per million Rand qualifying Investment	<0,5	0	10	0
	≥0,5 – 1	3		30
	≥1 – 1,5	4		40
	≥1,5	5		50

**Table 3: Minimum Numbers of Jobs to be created – Tourism Projects only**

Investment Size	Non – Black Owned Companies		50% Black Owned Companies	
	Minimum Number of New Jobs	Minimum Net New Additional Jobs	Minimum Number of New Jobs	Minimum Net New Additional Jobs
Below R5m	8 Jobs	4 Jobs	3 Jobs	2 Jobs
R5m – R10m	10 Jobs	5 Jobs	N/A	N/A
R10m – R20m	12 Jobs	6 Jobs	N/A	N/A
R20m – R30m	15 Jobs	7 Jobs	N/A	N/A
R30m – R50m	20 Jobs	10 Jobs	N/A	N/A
R50m – R75m	30 Jobs	16 Jobs	N/A	N/A
R75m – R100m	50 Jobs	25 Jobs	N/A	N/A
R100m – R150m	70 Jobs	35 Jobs	N/A	N/A
R150m – R200m	85 Jobs	45 Jobs	N/A	N/A

An expansion project below R5 million which has three (3) employees in the base year would be required to employ an additional five (5) employees. To be considered, a similar project with six (6) employees has to employ an additional four (4) employees.