

## ***From the desk of Marc – October 2015***

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This is **extremely** important and relates to the DTI and the Manufacturing Competitiveness Enhancement Programme (MCEP).

The MCEP Programme has been suspended until April 2016. A letter received by ourselves in respect of one of our clients today from the DTI reads as follows



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

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### **RE: MANUFACTURING COMPETITIVENESS ENHANCEMENT PROGRAMME (MCEP)**

Your application under **the dti's** Manufacturing Competitiveness Enhancement Programme (MCEP) has reference. Please note that due to the success of the MCEP in reaching the required objectives, the Department of Trade and Industry (**the dti**) is temporarily suspending (halting) new applications for the programme with immediate effect, as all available funding is fully subscribed.

If your application has been approved by the MCEP Technical /Adjudication Committee; please ignore this letter. However, if your application has not yet been approved by the MCEP Technical / Adjudication Committee; please note that your application will be rejected and you will have to re-apply in April 2016 when the new application window will open.

Thank you for the interest shown in the incentive scheme. We regret the inconvenience this might have caused

Yours sincerely,

**Strategic Partnerships and Customer Care**

**Date: 27 / 10 /2015**

What this document purports to say is:

- that the scheme has been oversubscribed and,

- is accordingly being suspended for the remainder of the government current financial year which ends on 31 March 2016 as far as new applications are concerned.
- It then goes on (bizarrely in our view) to make this suspension applicable to applications which have as yet not been adjudicated irrespective of when they may have been lodged, seemingly regardless of the reasons why they may as yet not have been adjudicated or why they may have been tardily attended to.

It then goes on to (very strangely) suggest that if an applicant's application has not been approved, presumably to date, it will be rejected and will have to re-apply in April 2016 when a new "application window" will open.

What this document does not address is:

1. It is silent on appeals. If an application has previously been rejected on grounds which are unacceptable to the applicant, the applicant has accordingly appealed and its appeal is ultimately upheld, be it by DTI or through the legal process, it logically follows that it cannot fall into this suspension but that is nonetheless not addressed at all.
2. Why DTI has not simply held the applications which were received prior to but are unadjudicated by the date of implementation of this suspension until April 2016 and then adjudicated them rather than suggest that they re-apply is strange. Alternatively, they could have proceeded to be approve those applicants and their claims paid post April 2016, as it is in any event most unlikely that applicants obtaining approval would be paid by that date in any event.
3. Re-application without some form of waiver and/or relaxation of a key requirement to the scheme will in all probability result in a number of applicants applications in their entirety or part of the investment which forms part of their unadjudicated application to date, being totally ineligible for the MCEP incentive if they apply in April 2016 as to do so would offend clause 3.3.6 of the programme guidelines which reads "*Applicant/s*

*must submit a complete application at least 60 calendar days prior to commencement of commercial use of the assets or undertaking the activities being applied for.”* That would mean that for all applicants which have assets or interventions which have been taken into commercial production prior to 30 May 2016 (i.e. 60 calendar days after 1 April 2016) those assets or interventions would become ineligible by operation of this clause unless it is waived or relaxed.

Our comments above are obviously limited to that which appear in the communication issued to date and further clarification may emerge.

It is our view that this may be no more than the product of an attempt to ensure that the current financial year's budget is not exceeded. How much of the incentives approved in the remainder of the government's current financial year which ends in March 2016 would actually be paid in this period, given the backlogs which it has allowed to build up is a moot point. Our great concern is that planning requires a conducive environment in which to effectively occur. An element of that environment is certainty. Has that been met in this instance? Not at all. Plans for capital projects which have now taken place and will not benefit from that which was carefully planned so as to be realized have simply been derailed at the stroke of a pen. It is often lamented that the manufacturing sector invests insufficiently and sits on reserves which could be mobilized to create economic activity. If the enabling environment is woefully lacking, what responsible board would make decisions which can be negated on a whim?

Til next time

*Marc*