



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

CO-OPERATIVES INCENTIVE SCHEME (CIS)

Programme Manager: CIS

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1. PREAMBLE

- 1.1 The purpose of this document is to provide the policy and guidelines of the Co-operatives Incentive Scheme (CIS).
- 1.2 The guidelines set out in this document aim to enable co-operatives to present their business cases to **the dti**, and provide a framework for **the dti** to evaluate such business cases. The purpose of the incentive is to advance certain policy objectives. It is thus not a guarantee that the incentive will be granted, and **the dti** reserves the right to allow or disallow the incentive, in its sole discretion, and any such decision will be final.
- 1.3 The guidelines for the CIS may be amended from time-to-time, as required. These amendments will be published on **the dti** website and in the Government Gazette, and will be of immediate effect upon publication.
- 1.4 Where the guidelines lend themselves to varying interpretations or do not deal with specific subject matter, the interpretation of **the dti** must be requested and such interpretation will be decisive and final; and may, from time-to-time, be published on **the dti** website.
- 1.5 Approval of applications will be subject to the availability of funds. **the dti** will endeavour to communicate to the public, in good time, should there be a likelihood of the exhaustion of funds available for allocation to new approvals.

Services Delivered by the dti

- 1.6 No fees or charges are levied for the processing or evaluation of any Co-operative Incentive Scheme (CIS) applications or claims.

- 1.7** Co-operatives are welcome to contact **the dti** directly and **the dti** officials or any of the business support agencies in the provinces working on the scheme will assist them with the process of how to complete applications.
- 1.8** Except for agencies owned by **the dti** and those that have agreements with **the dti**, **the dti** does not request or appoint any person or business entity external to **the dti** to approach applicants in respect of this programme. Applicants may approach **the dti** for assistance to apply for this incentive programme. Although an applicant may make use of the services of a consultant or representative, **the dti** does not accept liability for any loss or damage incurred due to an action or omission, including the giving of advice (with or without the knowledge of the applicant) of an applicant's consultant or representative.
- 1.9** **the dti** will only disclose information to the applicant directly.

2. DESCRIPTION OF THE COOPERATIVE INCENTIVE SCHEME

- 2.1** The Department of Trade and Industry (**the dti**) identified the promotion of co-operatives as one of its flagship projects for the year 2004/5. The brief for flagship projects also identified the development of co-operative enterprises as an initiative to address the needs of the second economy. The Co-operatives Development Act and Strategy are key documents for the success of this scheme.
- 2.2** The objective of Cooperative Incentive Scheme (CIS) is to improve the viability and competitiveness of co-operative enterprises by lowering the cost of doing business through an incentive that supports Broad-Based Black Economic Empowerment.
- 2.3** The CIS is designed to address the following market failures encountered by co-operative enterprises:
- Lack of working capital to allow effective market entry;
 - Lack of access to finance;
 - Lack of participation in the formal economy by co-operatives, in particular those owned by black persons (especially those in rural area), women, persons with disabilities and youth;
 - Low or non-participation by co-operative enterprises on current incentive programmes.
- 2.4** The CIS is a grant offered on a 90:10 cost-sharing basis, wherein **the dti** contributes 90% of the approved costs of project activities and the co-operative enterprise contributes 10% (or the remainder of the costs through existing assets, cash on hand, skills for the success of the project). Approved grants for the eligible activities on the application are paid directly to the preferred service providers by **the dti** finance office.
- 2.5** The **maximum grant** that can be offered to one co-operative entity under the CIS is R350, 000-00 (three hundred and fifty thousand rands). A co-operative enterprise can apply for multiple activities provided that the cumulative grant

awarded to the enterprise does not exceed the maximum grant offered. The R350,000-00 may be accessed in one application, or in a number of applications depending on what suits the individual co-operative.

3. MANDATORY CRITERIA

3.1 Eligible Entities

To be eligible for CIS, a co-operative enterprise must satisfy all the mandatory requirements as set out below:

- Be incorporated and registered in South Africa in terms of the Co-operatives Act of 2005.
- Emerging co-operatives with a majority black ownership.
- Have projects in any of the different economic sectors.
- Adhere to co-operative principles.
- Be owned by historically disadvantaged individuals (HDIs).
- Be biased towards women, youth and people with disabilities.

3.2 Eligible Activities

The intended projects activities must aim to enhance the viability of a co-operative through:

- Business development services (e.g. feasibility studies; business, manufacturing and production systems; and production efficiency and improvement, etc).

All MUST be linked to the activities applied for and not exceed more than 20% of the value applied for (i.e. total cost of all activities applied for)

- Technological improvements
- Machinery, equipment and tools
- Commercial vehicles
- Infrastructure linked to the project (e.g. 3-phase electricity; boreholes, etc.)
- Working capital:
 - Existing cooperatives: not more than R140 000
 - Start-ups: Up to 40% of the actual activities applied for

If the CIS Programme approves the **first project** at a **total cost of R200 000** and the **second project** at a **total cost of R188 889**, the funding that will be provided by **the dti** will be calculated as per the table below:

Project	Total Cost	Contribution by the dti (90%)	Contribution by the co-operative (10%)	Cumulative dti contribution
Project A	R200 000	R180 000	R20 000	R180 000
Project B	R188 889	R170 000	R18 889	R350 000

3.3 Non-Eligible Activities

CIS will not fund:

- Activities that are already funded by other government grants or parastatals
- Costs associated with tendering and tendering documentation
- Liquor related activities
- Gambling related activities
- Cost of acquiring buildings
- Cost of building of office structures and factories
- Operation cost such as rent and salaries

4. APPLICATION INFORMATION REQUIRED

To apply for CIS grant, the applicant must submit the following documents:

- Official dti application form
- Proof of registration of co-operative
- Proof of decision to apply for CIS funding
- Co-operative's Business Plan (as per **the dti** template)
- Three quotations per activity(ies) applied for
- Valid tax clearance certificate

- Financial Statement:
 - Existing co-operative: current and three years projections
 - Start-ups: three year projections
- Constitution (signed by all founder members)
- Directors (members) copies of CVs and certified copies of IDs
- Bank statement (current month)

4.1 Application form

This will be a duly signed (by authorised person as per the constitution of the co-operative), formal submission by the applying co-operative to indicate the intention to participate in the CIS. A standard application form is available from **the dti** offices or downloadable from **the dti** website: www.thedti.gov.za.

4.2 Proof of registration

Applicants must provide proof of registration in the form of a certificate of registration, indicating the name of the co-operative, its registration number, information about the registered office and the names of directors.

4.3 Proof of decision to apply for funding

The applying co-operative must be able to provide a resolution for it to apply for the CIS. This could be by way of attaching the minutes of meetings of the Co-operative Board or sessions during which the decision to apply for the grant was taken .

4.4 Co-operative Business Plan

Applicants must attach a business plan (a suggested format is available from **the dti** offices or downloadable from **the dti** website: www.thedti.gov.za)

4.5 Quotations

Should an application include purchase of goods and services, please include three comparative quotations for each activity applied for. Submitted quotations must be authentic (i.e. must indicate a company registration, vat and tax numbers, telephone numbers, addresses and contact name of the supplier)

5. MONITORING

5.1 Monitoring is an important component of the CIS programme. It aims to ensure administration efficiency and effectiveness. All approved projects will be monitored for a period of three years to assess how CIS contributes to stated development outcomes.

the dti or its appointed representative(s) will conduct site visits and complete a project monitoring report as part of the process **every six months after date of approval for a period of three years.**

5.1.1 There will be two levels of monitoring of approved and funded projects.

- The first level of monitoring will concern verification of funded activities on receipts of proof of payment.
- The second level of monitoring will be monitoring performance of funded projects as agreed at the application stage.

5.1.2 **the dti** official will compile and present monthly, a summary of the progress monitoring report to the Adjudication Board.

6. EVALUATION

Evaluation involves assessing the strengths and weaknesses of a CIS program to improve its effectiveness. It is a tool that will be used by CIS officials to review the performance of the CIS programme.

At this stage an annual consolidated report will be compiled on the progress and performance of the CIS programme. The CIS guidelines and policies will be annually reviewed.

Appendix A

Glossary of abbreviations, terms and definitions

ABBREVIATIONS

BEE:	Black Economic Empowerment
CEDU:	Co-operative Enterprises Development Unit
CIS:	Co-operative Incentive Scheme
EIDD:	Enterprise and Industry Development
LED:	Local Economic Development
NCASA:	National Co-operatives Association of South Africa
PFMA:	Public Finance Management Act
PSDU:	Products and Systems Development Unit
SEDA:	Small Enterprises Development Agency
SMME:	Small, Medium and Micro Enterprises
TEO:	The Enterprise Organisation
the dti:	The Department of Trade and Industry

TERMS AND DEFINITIONS

CIS Adjudication Committee

The Adjudication Committee is established with the responsibility for overseeing the implementation of CIS. It is an independent committee that, among other functions:

- Evaluates the applications;
- Adjudicates and approves or disapproves applications in respect of qualifying status;
- Recommends further investigations and specific actions to be taken with regards to applications and projects;
- Oversees project management, monitoring and evaluation of approved projects;
- Advises on proposed amendments to the relevant policy and legal framework.

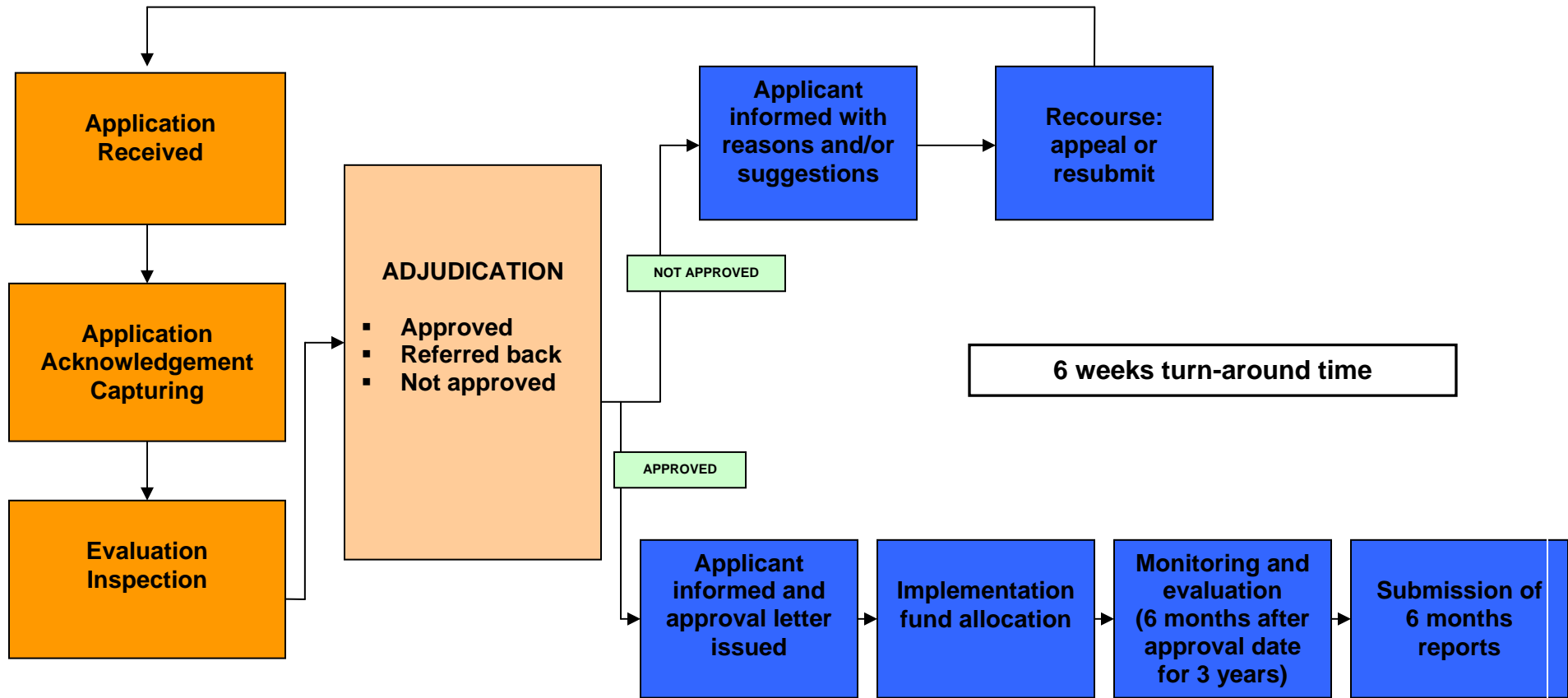
CIS secretariat

The secretariat is responsible for project management and administration, and is located within TEO. Its functions are to:

- Receive and evaluate applications.
- Present applications and reports to the Adjudication Committee.
- Carry out any tasks as delegated by the Adjudication Committee.
- Monitor, evaluate and report on all approved projects.
- Advise as regards proposed amendments to the relevant policy and legal framework.
- Co-ordinate all inspections.

Appendix B

Application and Administrative Process



CONTACT DETAILS FOR ENQUIRIES

CIS unit		
Contact Person	Tel number	E-mail
Donald Mabusela Director: CIS	(012) 394 1716	DMabusela@thedti.gov.za
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the dti Regional Offices		
Durban	(031) 305 3389	
Cape Town	(021) 480 8051	
Port Elizabeth	(041) 582 1267	
Physical address		
the dti Campus Building A 77 Meintjies Street, Sunnyside PRETORIA		
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Customer Contact Centre	0861 843 384	