

Business Day

Start-up funding now available in reopened project

by [Fifi Peters](#), 20 September 2016, 05:40



TRUE METTLE: The reopened MCEP, a programme to improve competitiveness in manufacturing industries, will now accommodate black industrialists in need of start-up capital. Picture: FINANCIAL MAIL

THE manufacturing competitiveness enhancement programme (MCEP) was partially reopened on Monday, after a year-long suspension, to accommodate black industrialists in need of start-up funding.

Start-ups were previously excluded from the programme.

The new dispensation announced by Trade and Industry Minister Rob Davies on Monday would permit emerging industrialists receiving aid of up to R50m each under MCEP's industrial financing loan facility.

This is the tranche of the competitiveness enhancement programme that was reopened.

The loans would be disbursed at an interest rate of 4% and would be repayable over a maximum seven-year period, Davies said.

So far, 20 of the 100 black industrialists that government intends to set up have applied for the lending facility.

Davies said repayments from existing manufacturers who had taken a loan under the old dispensation had enabled the partial reopening of the new MCEP window. The value of repayments currently stood at about R500m.

The production incentive component, which allows for existing manufacturers to get a cash grant for refurbishments to their equipment or to invest in training, would remain closed until the Treasury allotted funding in the medium-term budget speech in October.

Davies said he was hopeful they would get budget funding.

As well as black industrialists, the new programme would also support existing manufacturers in need of pre-and post-working capital.

The maximum amount an applicant could receive for a working capital loan would be capped at R50m and would also attract a 4% fixed interest rate over the seven-year payment term.

The MCEP was suspended temporarily in October last year after the number of applicants far exceeded the R5bn that was originally set aside for it.

The programme was established in May 2012 to cushion local manufacturers from the effects of the global financial crisis by supporting them in various ways.

Since its inception, the MCEP has supported 1,153 entities to the value of R7.2bn to secure capital equipment and improve their business processes to enhance their competitiveness.

The minister said the programme had leveraged about R30.8bn in private sector investment and had retained more than 200,000 jobs.

Speaking on behalf of the business community, John Purchase, who is CEO of the Agricultural Business Chamber as well as a member of the National Economic Development and Labour Council (Nedlac), said business strongly welcomed the reopening of the MCEP. "It is a matter that was discussed at length in Nedlac and we implored that we would like to see this programme continuing again after it had been suspended," he said.

Purchase said that in the previous round of the MCEP, the agro-processing sector had received about 60% of the funding available. He said he expected the new round to further enhance the potential of the industry.

Other sectors supported by the programme included the metals fabrication, plastics and chemicals industries.

Tony Ehrenreich, who is Cosatu's Western Cape provincial secretary and a member of Nedlac himself, said labour also supported the refloat.

"Any measure that could contribute to saving jobs and creating more job opportunities is welcomed," he said.