

# Aquaculture Development and Enhancement Programme (ADEP)

a sub-programme of the Enterprise Investment Programme

## PROGRAMME GUIDELINES



the dti

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



© Department of Trade and Industry, January 2013.

Aquaculture Development and Enhancement Programme Manager  
The Enterprise Development  
The Department of Trade and Industry

**the dti** Campus  
77 Meintjies Street  
Sunnyside  
Pretoria  
0002

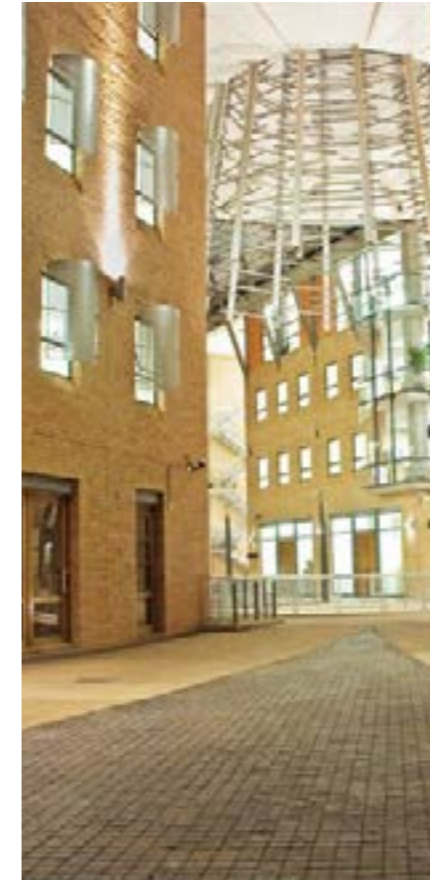
**the dti**  
Private Bag 86  
Pretoria  
0001

**the dti** Customer Contact Centre: 0861 843 384

**the dti** Website: [www.thedti.gov.za](http://www.thedti.gov.za)

These guidelines provide the criteria for assessing applications for the Aquaculture Development and Enhancement Programme (ADEP) and the process of applying for the incentive. The guidelines are approved and issued by the Minister of Trade and Industry for purposes of ensuring clarity on the aims and requirements of the incentive programme. **the dti** reserves the right to amend these guidelines as it deems appropriate. Furthermore, **the dti** has a right, in its sole discretion, to provide rulings on the interpretation of these guidelines. In instances where the guidelines seem not to be specific, revised guidelines will be published on **the dti** website and will be effective immediately.

## CONTENTS



Abbreviations and Acronyms .....	2
1. Preamble .....	3
2. Services delivered by <b>the dti</b> .....	4
3. Programme Description .....	4
4. Qualifying Projects .....	6
5. Eligibility Criteria.....	7
6. Transitional Provisions.....	8
7. Evaluation Criteria .....	8
8. Qualifying Costs.....	10
9. Non-Qualifying Costs .....	13
10. Exclusions and Limitations.....	13
11. Application for the Grant.....	14
12. Incentive Calculation .....	14
13. Incentive Payment and Disbursement .....	15
14. Claims Submission .....	16
15. Monitoring and Evaluation Reporting .....	19
16. Application Process.....	20
Annexure A: Glossary of Terms and Definitions .....	21

## ABBREVIATIONS AND ACRONYMS

ADEP	Aquaculture Development and Enhancement Programme
ADZs	Aquaculture Development Zones
B-BBEE	Broad-Based Black Economic Empowerment
DAFF	Department of Agriculture, Forestry and Fisheries
NASF	National Aquaculture Strategy Framework
NCPC	National Cleaner Production Centre
NGP	New Growth Path
PFMA	Public Finance Management Act
PRECCA	Prevention and Combating of Corrupt Activities
SEZs	Special Economic Zones
SIC	Standard Industry Classification
<b>the dti</b>	The Department of Trade and Industry

## 1. Preamble

- 1.1. The purpose of this document is to provide guidelines for the implementation of the Aquaculture Development and Enhancement Programme (ADEP).
- 1.2. The guidelines set out in this document are intended to enable enterprises to present their applications to **the dti** and provide a framework for the department to evaluate such applications.
- 1.3. Granting of the incentive or approval of the application will only be for projects that meet the objectives of the ADEP as interpreted by these guidelines. In order to qualify for the incentive, participating projects have to apply and receive approval from **the dti**, and any such decision will be final, subject to the decision review process conditions as set out in section 14.7.
- 1.4. These guidelines may be amended from time to time as deemed necessary by **the dti**. These amendments will be published on **the dti** website and will be of immediate effect after publication.
- 1.5. 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.
- 1.6. Approval of applications will be subject to compliance with the incentive guidelines and relevant provisions of the Public Finance Management Act (PFMA).

## 2. Services delivered by the dti

- 2.1. No fees or charges are levied by **the dti** for the processing or evaluation of any ADEP applications or claims.
- 2.2. Applicants are welcome to contact **the dti** directly and officials will provide guidance on how to complete application or claim forms.
- 2.3. **the dti** does not make use of any agent or consultant to promote the ADEP. **the dti** will not be accountable for any service delivered or failure thereof by any other person or consultant who facilitates the application/claim forms on behalf of the enterprise.

## 3. Programme Description

- 3.1. The objective of the Aquaculture Development and Enhancement Programme (ADEP) is to stimulate investment in the aquaculture sector with the intention to:
  - Increase production;
  - Sustain and create jobs;
  - Encourage geographical spread; and
  - Broaden participation.

- 3.2. The incentive programme is available to South African-registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under the following Standard Industry Classifications (SIC<sup>1</sup>):
  - SIC 132: Fish hatcheries and fish farms; and
  - SIC 301 and 3012<sup>2</sup>: Production, processing and preserving of aquaculture fish.
- 3.3. The ADEP offers a reimbursable cost-sharing incentive of up to a maximum of **R40 million** for investments in:
  - Machinery and equipment;
  - Bulk infrastructure;
  - Owned land and/or buildings;
  - Leasehold improvements; and
  - Competitiveness improvement activities
- 3.4. The incentive is provided directly to approved applications for new, upgrading or expansion projects.
- 3.5. The guidelines provide the criteria to assess applications and the process of applying for the incentive. The guidelines are approved and issued by the Minister of Trade and Industry for purposes of ensuring clarity on the objectives and requirements for applying for the incentive programme.

**The ADEP incentive is effective from 1 September 2012 to 31 March 2018.**

---

<sup>1</sup> See definitions on page 24.

<sup>2</sup> Production and preservation in this document applies only to aquaculture products.

## 4. Qualifying Projects

The following types of marine and freshwater projects will be considered:

### 4.1. Primary Aquaculture Operations

- Brood stock operations;
- Seed production operations;
- Juvenile (spat, fry, fingerling) operations, including hatchery and nursery facilities; and
- On-growing operations, including, but not limited to, rafts, net closures, net pens, cages, tanks raceways and ponds.

### 4.2. Secondary Aquaculture Operations

- Primary processing for aquaculture (post-harvest handling, eviscerating, packing, quick freezing);
- Secondary processing for aquaculture (filleting, portioning, packaging);
- Tertiary processing for aquaculture (value adding: such as curing, brining, smoking, further value adding such as terrines, roulades, pates, paters); and
- Waste stream handling for aquaculture (extraction of fish oils, protein beneficiation, organic fertilizers, pet feeds, animal feeds).

### 4.3. Ancillary Aquaculture Operations

- Aquaculture feed manufacturing operations;
- Research and development projects related to aquaculture;
- Privately owned aquaculture veterinary services (farm inspections, disease surveillance and control, histopathological analysis, etc. specifically for the aquaculture industry).

## 5. Eligibility Criteria

- 5.1. The applicant must be a registered legal entity in South Africa in terms of the following legislative requirements:
  - The Companies Act, 2008 (Act No. 71 of 2008) as amended; The Companies Act, 1973 (Act No. 61 of 1973) as amended;
  - The Close Corporations Act, 1984 (Act No. 69 of 1984) as amended; The Co-operative Act, 2005 (Act No. 14 of 2005) as amended;
  - A registered higher or further education institution;
  - A licensed and/or registered research institution.
- 5.2. Be compliant with applicable aquaculture legislative requirements. In this regard, applicants will be required to submit proof of compliance from either a national or provincial government department<sup>3</sup> responsible for aquaculture.
- 5.3. Be a taxpayer in good standing and must provide a valid tax clearance certificate before disbursement of the incentive.
- 5.4. In cases where entities within a group of companies are registered separately and paying their own taxes (i.e. can produce their own tax clearance certificates), the holding company and each of its subsidiaries may in their own right apply.

---

3

*This may either be from DAFF, Provincial Departments of Agriculture, Health or Water Affairs.*

5.5. Applicants must submit a complete ADEP application at least 60 calendar days prior to commencement<sup>4</sup> of the commercial use of the assets or undertaking activities being applied for.

## 6. Transitional Provisions

6.1. Projects that have a start of production and/or operation date between 1 September 2012 and 31 March 2013 will be considered if they apply for the programme despite the completed application form not complying with the requirements of the number of days allowed for submission of the application as set out in paragraph 5.5. Such applications must be lodged before 31 May 2013.

## 7. Evaluation Criteria

7.1. To qualify for the ADEP incentive, a project must achieve a minimum score of four in the following economic benefit criteria table:

<sup>4</sup> Refers to start of production or operation for commercial purposes i.e. excludes testing and commissioning phase.

### Economic Benefit Criteria

Criteria	Description	Score
i) <b>Capital investment</b>	< R5m	1
	≥ R5m < R30m	2
	≥ R30m – R200m	3
ii) <b>New full-time job creation</b>	1 job per R1 million investment	1
	>1 - 2 jobs per R1 million investment	2
	>2 or more jobs per R1 million investment	3
iii) <b>Geographic spread</b>	Aquaculture establishments in areas with unemployment above 25%	1
	Aquaculture Development Zones and Special Economic Zones (IDZs, Industrial Parks, etc.)	2
	Aquaculture Development Zones and Special Economic Zones (IDZs, Industrial Parks etc.) in areas with unemployment above 25%	3
iv) <b>Contribution to Broad-Based Black Economic Empowerment (B-BBEE) and achieve required status in terms of the B-BBEE Code of Good Practice</b>	B-BBEE scoring from ≥ 65 but < 75 (Level 4 contributor)	1
	B-BBEE scoring from ≥ 75 but < 85 (Level 3 contributor)	2
	B-BBEE scoring from ≥ 85 but < 100 (Level 2 contributor)	3
	B-BBEE scoring ≥ 100 (Level 1 contributor)	4

investment in land and/or buildings, leasehold improvements, machinery and equipment and bulk infrastructure.

## 8. Qualifying Costs

8.1. Owned land and/or buildings at cost.

8.1.1. The investment in qualifying owned land and/or buildings must constitute land and/or buildings at cost, acquired for the purpose of the aquaculture project and must be owned by the applicant. The land and/or building costs must be directly associated with the purchase, renovation or construction of an aquaculture facility for the investment project under consideration and be located on a land or sea area that has been zoned for aquaculture commercial, industrial or mixed use.

8.2. Leasehold improvements capitalised in the balance sheet.

8.3. Machinery and equipment (owned or capitalised financial lease) at costs.

8.4. Commercial vehicles and work boats (owned or capitalised financial lease).

8.4.1. They are eligible only if they are:

- Registered in the name of the applicant (legal entity); and
- Used for commercial purposes linked to the aquaculture operation such as collection, delivery and/or distribution.

8.4.2. The investment in such vehicles or work boats should not exceed 50% of the cost of the qualifying

8.5. Bulk infrastructure (limited to bulk water and electrical infrastructure) that is part of a defined aquaculture investment. The bulk infrastructure costs should directly support the qualifying aquaculture project.

8.6. Aquaculture feed cost may qualify for the grant up to a maximum of 5% of qualifying investment in assets and infrastructure.

8.7. Research and development costs (excluding salaries of employees).

8.8. **Competitiveness improvement activities as defined below:**

FOCUS AREAS	CATEGORIES	CONSULTING FEES AND EXPENSES
Process improvement/ Optimisation	Process improvement	Introducing new improved processes
Conformity assessment	Accreditation	Costs for preparations for accreditation and pre-/initial assessment certification accreditation costs.

FOCUS AREAS	CATEGORIES	CONSULTING FEES AND EXPENSES
Skills development	Training accredited by SAQA [not longer than 12 months] in: <ul style="list-style-type: none"> <li>- Aquaculture Development;</li> <li>- Marketing;</li> <li>- Financial Management;</li> <li>- Information Technology (IT);</li> <li>- Human Resources (HR);</li> <li>- Environmental, Product and Quality Management.</li> </ul>	Course fees
Energy and Resource Efficiency Improvements	Water, waste and energy efficiency improvement	Introducing new technology and/ or processes leading to resource efficiency improvements

8.9. Second-hand (previously used) machinery, equipment, commercial vehicles and work boats can be regarded as qualifying investment costs provided they meet the following conditions:

- 8.9.1. Assets purchased from a connected party must be at a fair market value;
- 8.9.2. The assets may be acquired locally or abroad from existing aquaculture establishment(s), a liquidation sale, public auction, through an offer directly to the liquidator, or a bona-fide machine dealer. The applicant must provide the liquidation order or auctioneer report reflecting the source of the relevant machinery and equipment;

8.9.3. All imported second-hand assets must be accompanied by an engineer's<sup>5</sup> report certifying the level of technology, whether it is equivalent or better than the level currently in use in South Africa. The intention is to ensure that assets brought into the local sector are of an acceptable level of technology and fair value; and

8.9.4. Applying projects that are majority black or women-owned, and all projects with an investment of R5 million and below, may invest up to 100% in second-hand assets, without making an equivalent investment in new assets

## 9. Non-Qualifying Costs

- 9.1. Operational costs, i.e. electricity, salaries, etc.
- 9.2. Costs related to non-cultured fishing activities such as catching or harvesting of species from their natural habitat.

## 10. Exclusions and Limitations

- 10.1. Costs incurred by projects where parastatals, government entities or its agencies are either the major shareholder/s or have a majority representation on the board of directors, may be considered for approval under ADEP if they provide an exit plan or strategy for the project.

---

<sup>5</sup> The engineer should be registered with the Engineering Council of South Africa (ECSA).



10.2. Applicants receiving financial and/or incentive support from other government sources for the same assets as those for which assistance is sought from the ADEP will be excluded.

10.3. Applications in respect of a project that constitutes a subsection (division, branch or profit centre) of a registered legal entity referred to in paragraph 5, must be submitted by the legal entity. Financial information must be provided for both the legal entity as a whole and the project.

## 11. Application for the Incentive

- 11.1. The applicant must submit the following documents to the relevant Programme Manager at **the dti**:
- A fully completed official application form;
  - Latest available audited financial statements for the entity and authorised management accounts for the project;
  - Proof of compliance from relevant department;
  - Incorporation certificate; and
  - Any other information and/or documents that may be required by **the dti**.

## 12. Incentive Calculation

12.1. The investment incentive on offer is capped at a maximum of **R40 million**.

12.2. The investment incentive is as follows:

	Minimum Score: 4, as per the Economic Benefit Criteria table in 7.1	Minimum Score: 8 as per the Economic Benefit Criteria table in 7.1	Maximum grant
Investment size determined as follows:	Incentive Percentage	Incentive Percentage	Cap
≤ R5m	40%	45%	R2.25 million
> R5m ≤ R30m	30%	35%	R10.5 million
> R30m – R200m	20%	25%	R40 million

## 13. Incentive Payment and Disbursement

- 13.1. The incentive is disbursable over two payment periods, subject to the approved applicant meeting all the requirements of the economic benefit criteria.

Year	Claim Stages	Disbursement	Performance Requirements	Documents Required
Claim 1	<b>Stage 1:</b> Commencement of commercial production/ operation	Grant percentage of actual investment made limited to 50% of total approved grant for the year	<ul style="list-style-type: none"> <li>Minimum investment of 30% of the total approved qualifying investment made</li> <li>B-BBEE certificate</li> </ul>	<ul style="list-style-type: none"> <li>Claim form with resolution of Board members</li> <li>Factual Findings Report must be completed, signed by an independent registered auditor or independent external accredited person</li> <li>Valid tax clearance certificate or cession</li> <li>Bank stamped credit order with cancelled cheque</li> </ul>
Claim 2	<b>Stage 2:</b> End of first full 12 months after start of commercial production / operations	Grant percentage of actual investment made, less amount paid at Stage 1	<ul style="list-style-type: none"> <li>Minimum investment of 60% of the total approved qualifying investment</li> <li>Achieve and maintain conditions for points allocated at application stage for economic benefit criteria.</li> </ul>	<ul style="list-style-type: none"> <li>Claim form with resolution of Board members (if different to application stage)</li> <li>A full Factual Findings Report and financial statements signed by independent registered auditor or independent external accredited person.</li> </ul>

## 14. Claims Submission

- 14.1. To claim for the ADEP incentive, the entity must submit the following documents to **the dti**:
- 14.1.1. An originally completed claim form duly signed by the entity and an independent external auditor or accredited person;
  - 14.1.2. Audited financial statements for the entity and authorised management accounts for the project;
  - 14.1.3. Audited asset list(s) of total assets of the project;
  - 14.1.4. An original valid Tax Clearance Certificate of the entity;
  - 14.1.5. A cancelled cheque and a Credit Order Instruction, as written confirmation of the bank details where payment must be made; and
  - 14.1.6. A certificate of compliance with the Codes of Good Practice for B-BBEE, where the entity's turnover is more than R5 million, or such amount as determined by **the dti** from time to time.
- 14.2. The approval letter for the ADEP will indicate the following:**
- 14.2.1. The commencement and termination of claim; and
  - 14.2.2. The total incentive that has been approved;
  - 14.2.3. The qualifying costs that are approved for an ADEP incentive per annum.
- 14.3. To enable speedy and correct processing of the claim, the applicant should provide complete and accurate information to the dti.**

#### 14.4. Schedule of claims

- 14.4.1. The earliest that a claim can be submitted is at the start of commercial operation (Stage 1 claim).
- 14.4.2. The earliest that the second claim can be submitted is at the end of first full 12 months of commercial operation.

#### 14.5. Conditions for cancellation of claims

- 14.5.1. If the first claim is not submitted six months after the commencement of commercial production/operation, the grant approval will be cancelled.
- 14.5.2. If the second claim is not submitted six months after the end of the first full 12 months of operation, the grant approval will be cancelled.
- 14.5.3. For claim forms submitted by companies or in respect of projects of companies, the Factual Findings Report shall be provided by the independent registered auditor of the company.
- 14.5.4. The Factual Findings Report for grant claims by a Close Corporation or Co-operative with a project with total investment in land, building, machinery/furniture and equipment and commercial vehicles of R30 million and above, as per approval letter, must be provided by an independent registered auditor.
- 14.5.5. The Factual Findings Report for grant claims by a Close Corporation or Co-operative with a project with a total investment project in land, building, machinery/furniture and equipment and commercial vehicles of below R30 million, as per approval letter, may be provided by an independent, external accredited person and/or an independent registered auditor.

#### 14.6. Additional legal conditions

- 14.6.1. The following are, inter alia, considered a circumvention of the ADEP guidelines, and will lead to the rejection of an application or a claim:
  - Changing the business set-up, composition, structure or operations, processes or products in order to make the project qualify
  - Manipulation of inter-company assets, products, services and processes, and any other action that, in the sole discretion of **the dti**, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.

#### 14.7. Decision review process

- 14.7.1. Any dispute relating to a decision (including the rejection of an application) taken by **the dti** is limited to one adjudication committee review per application and/or claim lodged within such time as set out in the letter of notification.

#### 14.8. Criminal, misleading, dishonest and/or irregular activities

- 14.8.1. **the dti** may, upon actual offence or suspicion of contravention of any act/investigation/pending litigation any such activities, suspend payments that may be due or may become due to an applicant. **the dti** shall not be liable for any damages or interest, pending the finalisation of any forensic investigation and any criminal proceedings brought as a result of the investigation;
- 14.8.2. Findings of a forensic investigation indicating such activities will be sufficient to allow **the dti** to cease all payments and reclaim any payments already made, with *mora* interest.;

14.8.3. **the dti** subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (PRECCA). Applicants are requested to contact **the dti** fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour;

14.8.4. A duty rests on the applicant and/or other person that may benefit from the scheme to disclose everything that may have an influence on the adjudication of the application and/or claim. Failure thereof will lead to termination, cancellation or suspension of the application/claim, and criminal prosecution and/or civil claim.

## 15. Monitoring and Evaluation Reporting

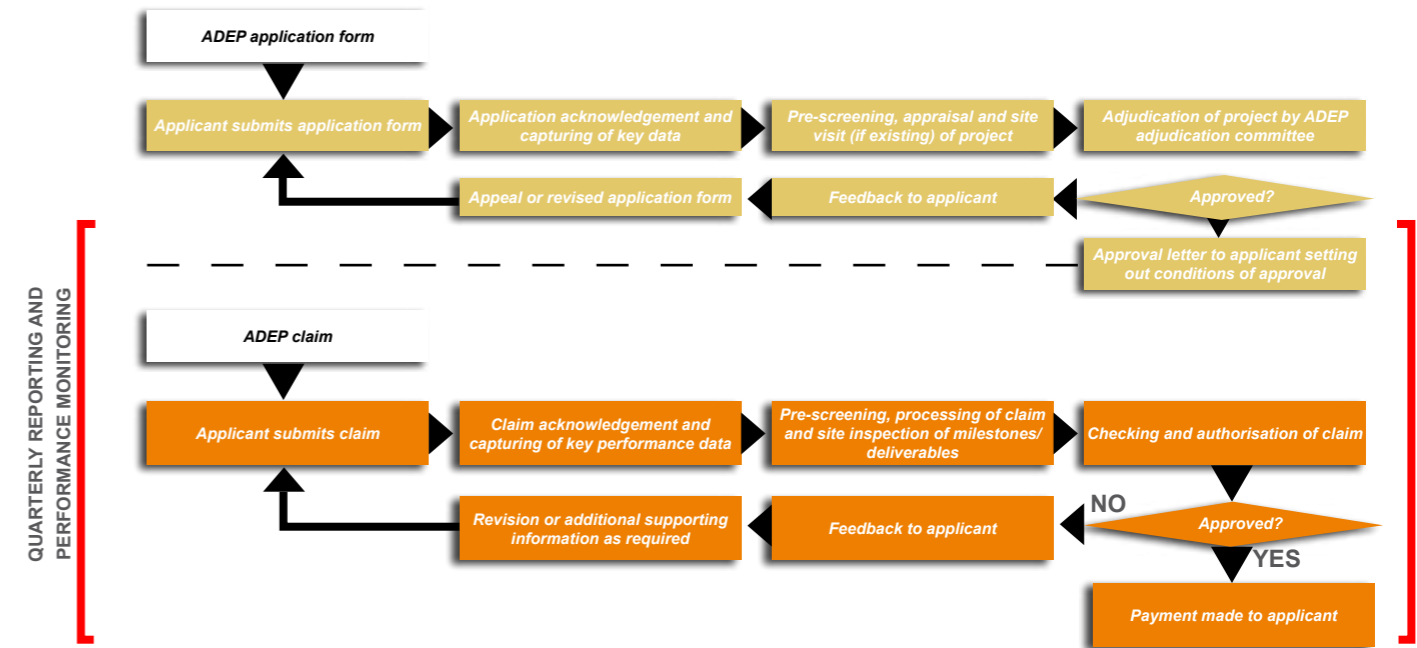
15.1. All approved applicants will be monitored to assess how the ADEP incentive is contributing towards the strategic objectives of the programme and its intended outcomes.

15.2. **the dti** may conduct site visits as and when required; a monitoring report will be completed as part of this process.

15.3. Approved applicants are also required to submit performance reports at the end of the incentive period, annually for a period of three years to the Incentive Development and Administration Division's Monitoring and Evaluation Unit.

## 16. Application Process

16.1. The application and claim processes are as follows:



## Annexure A: Glossary of Terms and Definitions

- a. **'ADEP Agreement'**: A document containing an offer from **the dti** to the applicant setting out the terms and conditions of the ADEP incentive being offered to the applicant, which will by implication include the terms and conditions set out in these guidelines ('implied terms');
- b. **'Accredited person'**: A person/agency that performs/undertakes a systematic, independent and documented process for obtaining audit evidence and evaluating it objectively;
- c. **'Adjudication Committee'**: An independent body, established by the Minister, to adjudicate applications under the ADEP;
- d. **'Applicant'**: An entity applying for the ADEP matching grant. Note that the word 'applicant' is used interchangeably with entity depending on its appropriateness;
- e. **'Aquaculture'**: Is the farming of aquatic organisms including crocodiles, alligators, amphibians, finfish, molluscs, crustaceans and plants where farming refers to their rearing up to juvenile and/or adult phase under captive conditions;
- f. **'Broadening participation'**: This refers to government initiative(s) aimed at promoting economic transformation that provides meaningful participation of previously disadvantaged individuals in the economy by ensuring, among others, broad-based and effective right to equality, increased employment, more equitable income distribution, equal opportunity and access to services;
- g. **'Connected party/persons/non-arm's length transactions'**: Connected, as described in the Income Tax Act, No. 58 of 1962, which, as at April 2007, reads as follows: in relation to a natural person any relative; and any trust of which such natural person or such relative is a beneficiary; And in relation to this definition, "arm's length transactions" will mean the opposite;
- h. **'Date of application'**: The date an application is received by **the dti**;
- i. **'Entity'**: A business registered as a legal entity in South Africa. The word entity is used here to refer to a business applying, or one that has qualified for any of the incentives, or is claiming for the ADEP incentive;
- j. **'Fair Market Value (FMV)'**: Is an estimate of the market value of a property or asset, based on what a knowledgeable, willing and unpressured buyer would probably pay to a knowledgeable, willing and unpressured seller in the market.
- k. **'Financial year'**: Period referred to in the entity's financial statements and as registered with the Companies and Intellectual Property Commission (CIPC), irrespective of the calendar period thereof;
- l. **'Fish'**: For the purpose of this document the term is used as a collective, i.e. it includes finfish, shellfish, molluscs, crustaceans and any aquatic animal/plant which is harvested for human consumption;
- m. **'Full-time equivalent jobs'**: Refers to contract/seasonal/temporary job, 1,920 hours worked per year will be an equivalent of one full-time job;
- n. **"Jobs"**: Persons who work a minimum of 40 hours a week for the same employer and are on the employer's payroll i.e. direct jobs;
- o. **'Material Changes'**: Changes that, if known at application stage, could have affected approval of the project e.g. changes to business setup, composition, structure of operations, location, processes or products;
- p. **'Operational costs'**: The day-to-day expenses incurred in running an enterprise (business), which includes both fixed and variable costs. Fixed costs such as overhead – remain the same regardless of the number of products produced; variable costs such as raw materials – vary according to how much/many products are produced;
- q. **'Shareholding'**: Includes reference to shareholding in a Company; membership in a Closed Corporation; members or owners in a Co-operative;

- r. **'SIC 132'**: Refers to the operation of fish hatcheries (breeding, rearing, cultivation) producing oyster spat, mussel and other mollusc seeds, post larvae shrimp, crustacean seeds, fish fry and fingerlings. This refers also to fish farming, and service activities to operators of fish hatcheries or fish farms;
- s. **'SIC 3012'**: Refers to the preserving of fish and fish products by processors such as drying, smoking, curing, salting, immersing in brine, dehydrating, quick freezing and the production of fresh, chilled or frozen fish fillets or roe, including caviar and caviar substitutes;
- t. **'Work boat'**: Refers to a fishing boat or a vessel for fishing; often has a well to keep the catch alive. In other words, it's a boat used for work such as commercial fishing or transporting fish freight (rather than for sport, passenger or naval services).

**Approved by:**



---

**Dr Rob Davies, MP**  
**Minister of Trade and Industry**  
**Date: 01 / 02 / 2013**

**Notes:**

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

**the dti** Campus  
77 Meintjies Street  
Sunnyside  
Pretoria  
0002

**the dti**  
Private Bag X84  
Pretoria  
0001

**the dti** Customer Contact Centre: 0861 843 384

**the dti** Website: [www.thedti.gov.za](http://www.thedti.gov.za)



**the dti**

Department:  
Trade and Industry  
**REPUBLIC OF SOUTH AFRICA**

