



MUNISIPALITEIT DAWID KRUIPER MUNICIPALITY

POLICY 011/2022 RAADSBELEID

SUBJECT/ONDERWERP: INVESTMENT INCENTIVE POLICY

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1. DEFINITIONS

For the purpose of this policy, unless otherwise stated, the following definitions shall apply

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| Council | Means the Municipal Council of Dawid Kruiper Municipality, established in terms of the Municipal Systems Act, Act No, 32 of 2000 |
| Incentive | Any measurable advantage accorded to specific enterprises or categories of enterprises by or at the direction of government / municipality |
| Capital Contribution (Development Charge) | The Development Charge as outlined in the approved Council Development Contribution Policy, means a once-off charge imposed by The Municipality of Dawid Kruiper on a developer as a condition of approval of a land development application in order to cover the cost of |

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| | bulk infrastructure or engineering services required as a result of an intensification of land use as permitted by the Land Use Planning Act, 2014 (Act 3 of 2014) (LUPA). This charge was previously known as the Bulk Infrastructure Contribution Levy (BICL) |
| Collaborative Forum | An internal forum coordinated by the Office of the Municipal Manager that is responsible for identifying and assessing major development and investment initiatives/projects within the municipal area |
| Incentive Package | The list of approved incentives that may be negotiated with investors. |
| Policy | The policy for Investment Incentives, or any other policy adopted by the Council in relation to Investment Incentives, as in force. |

2. PREAMBLE

- 2.1 Dawid Kruiper Municipality commits to create a mutual beneficial investment friendly environment for a developer or investor through improved Investment facilitation processes
- 2.2. This Investment Incentive Policy represents Dawid Kruiper Municipality's intent to attract, promote and secure lucrative and sustainable investments;
- 2.3. The policy is focused on targeted investment in five catalytic zones, whereby the nature and scale of the proposed investment will stimulate significant economic benefits, employment creation and value-add to the municipal economy;
- 2.4. Investment Incentives are part of the toolkit to diversify the economy and are available to investors in return for specific development objectives;
- 2.5. The level of incentive applicable to a development or project will be determined by the eligibility criteria contained within this policy; and

3. LEGISLATIVE AND REGULATORY CONTEXT

This policy is developed in the context of the following legislative prescripts, policies and strategies;

- 3.1. The Constitution of the Republic of South Africa, 1996
- 3.2. Municipal Finance Management Act (MFMA), Act no 56 of 2003 and related regulations
- 3.3. Municipal Property Rates Act (MPRA), Act No 6 of 2004
- 3.4. Spatial Planning Land Use Management Act, No 16 of 2013
- 3.5. Dawid Kruiper Municipality Property Disposal Policy
- 3.6. Dawid Kruiper Municipality Property Rates Policy
- 3.7. Dawid Kruiper Municipal Tariff Policy
- 3.8. Dawid Kruiper Municipality Integrated Development Plan (IDP)
- 3.9. Dawid Kruiper Municipality Spatial Development Framework (SDF)
- 3.10. Dawid Kruiper Municipality Environmental Management Plan
- 3.11. Dawid Kruiper Municipality Human Settlement Plan
- 3.12. Dawid Kruiper Municipality Transport Plan
- 3.13. Dawid Kruiper Municipality Local Economic Development Strategy
- 3.14. Dawid Kruiper Municipality Tourism Development Plan

4. STRATEGIC CONTEXT

The Investment Incentive Policy responds to the municipality's strategic objective, namely, "*Creating an enabling environment for economic growth, job creation and alleviation of poverty*". Taking cognizance of the most critical development and transformation needs for accelerated economic growth, the municipality will use investment incentives as a tool to create a more conducive environment for private

sector investment, to stimulate economic growth, and to assist with employment creation and development of the catalytic zones as set out in SDF.

5. SPATIAL CONTEXT

Investment Incentives aim to encourage investors to shift an investment decision towards a particular strategically identified region, sector and / or project. In Dawid Kruiper Municipality, incentives will be used to influence investors to invest key catalytic zones that are intra-municipal zones of spatial and economic activity. They cut across wards in Dawid Kruiper and are aligned to the Integrated Development Plan, Vision 2030 and the Spatial Development Plan.

These zone are:

- Precinct Plan
- Anton Lubovski Industrial Link
- Tourism Corridor and Facility
- Hakskeenpan Resort and Tourism Development
- Uppington Industrial Park
- Northern Riverbank Development

6. DESIRED OUTCOMES

This Investment Incentive Policy aims to:

- 6.1. Enhance the creation of a favourable economic climate to attract and retain investment in the local economy;
- 6.2. Create suitable conditions for investors to participate in the implementation of key catalytic projects and initiatives;
- 6.3. Define the investment incentive package available to investors; and
- 6.4. Provide the necessary principles, processes and approval procedures that will enable a transparent incentive management dispensation.

7. GENERAL PRINCIPLES

- 7.1. **Affordability of full financial costs**
The introduction of investment incentives should not jeopardise the municipality's ability to provide the desired levels of services to residents now and in the future, within the confines of their respective financial capacities. The investment incentive package must always (unless impossible) be subjected to an economic/financial modelling exercise to gauge the potential current and future impact on the municipality's ability to meet its service delivery targets.
- 7.2. **Employment Creation**
The policy must respond to the municipality's strategic objective, namely, "*Creating an enabling environment for economic growth, job creation and alleviation of poverty*". The investment incentive package must lead to creation of sustainable job opportunities in the private sector.
- 7.3. **Targeted Catalytic Zones**
The investment incentives will only be available in specific areas as set out in ANNEXURE.....

Incentives will be mainly geared towards priority sectors as outlined in the eligibility criteria. The aim is to attract/or push specific investment into specific area in line with the municipal Spatial Development Framework.

7.4. Legal

The investment incentive package must comply with all relevant policies and applicable legislation.

7.5. Transparent

The availability of investment incentives should be public knowledge. As such, granting of investment incentives will be done in accordance with the eligibility criteria and principles contained within this policy.

7.6. Simplicity and Continuity

The policy is customized to fit the Dawid Kruiper Municipality environment and create an enabling investor-friendly environment that provides a supportive platform for new business to develop and existing business to grow and expand. The structure of the policy is easy to understand and does not require complex administration and thus ensure a quick turnaround time of applications and approvals.

8. INVESTMENT ENABLING FACTORS

The municipality utilizes a number of tools at fast tracking, unblocking and reducing red tape in doing business in Dawid Kruiper. This include but not limit to:

- 8.1. The Economic Development and Investment Desk (LED)
- 8.2. The Online Building Plan Module (In Process)
- 8.3. Infrastructure Master Planning; and
- 8.4. Investment in the catalytic zones.

9. THE INVESTMENT INCENTIVE PACKAGE

The following incentives are offered to qualifying investors in terms of the eligibility criteria:

Table 1:- Non-Financial Incentives

| Activity No | Category | Description |
|--------------------|--|--|
| 1 | Dedicated Investment Facilitation Officer | A dedicated Development and investment support Officer will act as a single point of contact for prospective investors, providing continuity of advice and assistance in helping to meet individual business requirements |
| 2 | Fast Tracked Development Application Process | <ol style="list-style-type: none"> 1. Guaranteed development application timeframes, including provision of pre-lodgement meetings, dedicated assistance and guidance 2. Time-frame commitments for compliant applications are as follows: <ol style="list-style-type: none"> a) Land-use application: Three months b) Building plan decision: 3 weeks c) Occupancy certificate: 10 working days |

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| 3 | Business Assistance | Case | Assistance to obtain economic and business data needed to prepare project analysis and viability studies |
| 4 | Property Assistance | Location | Assistance to prospective investors searching for ideal sites or building premises with Dawid Kruiper municipal area. |
| 5 | Socio Economic Enhancements | | <ul style="list-style-type: none"> ▪ Strategic Spatial location and transport network along the N10 and N14, linking to major cities. ▪ Farming value chain. ▪ Abundant Human capital and labour in the area, ▪ Hard Infrastructure available (Buildings, bulk services). ▪ Recreational facilities available. ▪ FET College available. ▪ Municipal Cleanliness and maintenance of services. ▪ Broadband Connectivity.; ▪ Natural Radiation for alternative energy. ▪ Strategic location for renewable energy. ▪ Low cost for doing business ▪ Hospitable community ▪ Abundance of natural resource e.g. Sun & land ▪ Diverse of local culture ▪ Weather conducive for solar energy and vehicle testing ▪ Host international Airport for exporting ▪ Good air and road network |

Table 2: Financial Incentives

| No | Activity | Category | Description |
|----|----------|---|---|
| 1 | | Development Application Fees | <p>a) Applies to all land use and building plan fees. Reduced building plan application fees and land use management application fees, apply to non –residential development as follows;</p> <ul style="list-style-type: none"> i. building plan application fee ii. if the building plan is less than 1000m²: 30% rebate on scrutiny fees iii. if the building plan is more than 1000 m²: 50% rebate on scrutiny fees iv. land use management application fee: 20% rebate on land use applications |
| 2 | | Rebates on Capital Contribution (Development Charges) | <p>A rebate offered to qualifying developments as per Council Capital Contribution Policy that specifies the appropriate methodology to determine the contributions payable by developers towards the cost of bulk municipal engineering services.</p> <p>Capital contribution to be paid over a period of time (to be decided on)</p> |
| 3. | | Availability of Investment ready land | Investments in the priority sectors in terms of this policy will obtain access to Council land that has required development rights and permits in place |

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| 4. | Electricity Services | <p>a) provision of free quotations with regards to development approvals, upgrades, downgrades, extensions on existing infrastructure and new installations</p> <p>b) Provision of free consumer consultation with regards to saving on consumption or demand, tariff calculations, downgrading and upgrading of existing supplies, relocation and consolidation of consumer transformers, overheads or installation of new infrastructure</p> <p>c) Approval of reduction in developer's contribution after diversity maximum demand to a minimum of 3kva per erf depending on the installation, erf size and developer's consultant calculations.</p> <p>d) Access charges on notified maximum demand will be phased in over four years from the date of connection applicable to commercial and industrial usage only. A rebate on the notified demand access charge will be 75% in year one, 50% in year two, 25% in year three and 0% in year four.</p> |
| 5. | Property rated rebates | <p>a) Phasing in of property rates charges over four financial years from the first property evaluation through a supplementary valuation roll after the issue of an occupation certificate, provided that approval be obtained from the national Minister of Co-operative Governance and Traditional Affairs.</p> <p>b) A rebate of 75% in year one, 50% in year two, 25% in year three and 0% in year four.</p> |

10. **ELIGIBILITY AND COUNTER-PERFORMANCE CRITERIA**

The following criteria will be applied to determine investor eligibility for incentives:

Table 3: Eligibility and Counter-Performance Criteria

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| 1. General Criteria | The Investment must constitute a new development or expansion of an existing investment within the catalytic zone. |
| 2. Sectorial Criteria | <p>a) The Investment incentive package is specifically targeted to businesses operating in the following manufacturing sectors:</p> <ul style="list-style-type: none"> i) Manufacturing related logistics; ii) Agro-processing; and iii) ICT and electronics. <p>b) In line with Council priority projects, incentives will be available for the following initiatives: -</p> <ul style="list-style-type: none"> i) CBD regeneration projects (mixed use residential and retail facilities); and ii) Tourism (Hotel and conference centres) |
| 3. Spatial Criteria | Applicants will have to fall within the following catalytic zones or directly in the Dawid Kruijer Municipal jurisdiction in order to |

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| | <p>qualify for incentives:</p> <ol style="list-style-type: none"> I. Precinct Plan II. Anton Lebowski Industrial Link III. Tourism Corridor and Facility IV. Hakskeenpan Resort and Tourism Development V. Upington Industrial Park VI. Northern Riverbank Development |
| 4. Employment Creation | Applies to both sectoral and spatial criteria. The proposed investment must create new and sustainable full time employment to be eligible for the Investment incentives package. South Africans must occupy 80% of new jobs with at least 50% being residents of Dawid Kruiper Municipality. |
| 5. General conditions | <ol style="list-style-type: none"> a) The applicant must have a valid Tax Clearance Certificate and must keep this valid for the duration of the investment contract. b) The municipality accounts linked to the property owner or investor must be fully paid before entering into an investment contract. |
| 6. Counter-performance criteria and proviso's | <ol style="list-style-type: none"> a) Failure to develop within 12 months, or incompleteness of the development within three years, will result in the approved investment incentive package lapsing and deferred payments becoming payable; b) Job targets should be reached within 24 months of the commencement date of operations. Failure to do so will result in all approved incentives contracts lapsing and deferred payments becoming payable. c) The investment must be consistent with provisions of the Integrated Development Plan and Spatial Development Framework as approved by Council, and subject to relevant land-use and building control approval. d) The applicant and all businesses associated with it must be in good standing with Council and SARS. e) The premises out of which the business will be (is) operating must comply with the National Building Regulations and Standards Act; f) The investment must comply with the applicable environmental, labour and heritage legislation, and/or any other applicable legislation or policy; and g) All financial incentives are subject to the Council budgeting processes as prescribed by National Treasury. |

11. APPLICATION AND ASSESSMENT PROCESS

11.1 Applications for the investment Incentive Package are to be made formally through an application process. The Development and Incentive Desk in the Office of Local Economic Development serves as the single-point of contact;

11.2 Applications will be evaluated as per the eligibility criteria. Other factors to be considered include but are not limited to:

- a) Expected economic impact of the project/business
- b) Income generation for residents;
- c) Level to which the project contributes to economic diversity;
- d) Growth potential of the business and access to market;
- e) Ability to leverage additional economic growth in the future;
- f) Corporate Social investment spend; and
- g) Anticipated environmental impacts of the project

11.3 The Senior Manager LED & Tourism shall complete an evaluation report of the incentive application together with a draft incentive contract, which shall be approved by the Municipal Manager; and

11.4 If the criteria are not met, applicants will be informed and discussions may be entered into around adjustments to scope, which could allow for further consideration.

12. APPROVAL PROCEDURE

12.1 The Municipal Manager is mandated to approve the investment incentive package; and

12.2 The signed incentive contract shall become the legal binding agreement between Dawid Kruiper Municipality and the investor.

12.3 The following require incentive approval from Council:

- a) Projects outside the policy framework and criteria, which will require special assistance or is of special importance to the development of the economy; and
- b) Any recommendations or contracting outside the policy criteria on geographical location.

13. ROLE-PLAYERS

To ensure effective implementation of this investment incentive Policy, the following Departments/Divisions are responsible for the management of certain incentives as set out in section 9 of this policy.

Table 4: Role-players

| ROLE-PLAYERS | RESPONSIBILITY |
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| Office of the Municipal Manager | Act as a one-stop shop for investments in the Dawid Kruiper area. |
| Local Economic Development and Tourism | Responsible for the development, administering and monitoring of the investment Incentive Policy. |
| Spatial Planning Division | Responsible for conceptualizing spatial targeting of incentives in identified catalytic zones. |
| Engineering, Finance, Building Control and Land-use Management | Responsible for the budget, incentive allocation, provision of certain incentives, inclusion in tariff bundle and assessment of services available. |

14. MONITORING AND EVALUATION

- 14.1 The LED & Tourism Division is responsible to monitor the implementation of this policy;
- 14.2 A comprehensive assessment of the investment incentive policy will be conducted after three years from the date of Council’s approval.
- 14.3 The investment Incentive Policy must be reviewed annually to ensure that it complies with the municipality strategic objectives and current legislation; and
- 14.4 Council reserves the right to review, replace or abolish any incentive contract.

15. IMPLEMENTATION PLAN

The implementation of the investment incentive Policy is aligned with the proposed implementation Integrated Economic Growth Strategy Implementation Plan. The implementation below outlines key activities for the 2022/2023 and 2023/2024 financial years respectively. The Investment Incentive Policy will be effective 1 July 2023.

Table 5. Implementation Plan

| ACTIVITY | OUTCOME | SECTION | DATE |
|--|--|---------------------------|------|
| 1. Enabling regulatory environment | Finalise the investment incentive Policy | LED & Tourism | |
| 2. Investment Incentive Policy SOP | Develop and finalise the investment incentive policy Standard Operating Procedures | LED & Tourism | |
| 3. Appropriate tariffs to be included in the tariff book | Ensure that the respective Divisions allow for appropriate tariffs to be included in the tariff book | Relevant user departments | |
| 4. Marketing material | Develop marketing material to promote the investment incentive policy | LED & Tourism | |

CONTINUOUS REVIEW

This policy will be reviewed annually to ensure that it complies with the municipal strategic objectives, current legislation, and changing economic environment.