



## KWAZULU-NATAL PROVINCE

ECONOMIC DEVELOPMENT, TOURISM  
AND ENVIRONMENTAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

# KZN CANNABIS AND HEMP COMMERCIALISATION PROGRAMME

## CALL FOR PROPOSALS GUIDELINES

**JUNE 2023**

Department of Economic Development, Tourism and Environmental Affairs

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## 2. ACRONYMS USED IN THIS DOCUMENT

<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>SMMEs</b>	Small Medium and Micro Enterprise
<b>NGOs</b>	Non-Governmental Organisations
<b>NPOs</b>	Non-Profit Organisations
<b>CBOs</b>	Community Based Organisations
<b>VAT</b>	Value Added Tax
<b>EDTEA</b>	Department of Economic Development, Tourism and Environmental Affairs
<b>KZN</b>	KwaZulu-Natal
<b>PDIs</b>	Previously Disadvantaged Individuals
<b>CHCP</b>	Cannabis and Hemp Commercialization Programme

### **3. INTRODUCTION**

The KZN Department of Economic Development, Tourism and Environmental Affairs recognizes the potential of the cannabis and hemp sector in delivering upon the KwaZulu-Natal growth and development plan and driving the facilitation of a radically transformed, inclusive and sustainable economic growth for the province. The objective of the Cannabis and Hemp Commercialization Programme (CHCP) is to stimulate investment by the KwaZulu-Natal public sector and further attract more investments towards the growth and beneficiation of the cannabis enterprises. Cannabis is viewed as one of the catalysts towards economic development, and as such, will provide economic stability, job creation, poverty reduction and improved health for the KZN citizens. The Department invites submission of proposals for funding that have a legal status to submit proposals for the Cannabis and Hemp Commercialisation Programme. The proposal must align with wider government objectives and the objectives of government and the CHCP:

- Broaden KwaZulu-Natal's participation in the cannabis and hemp sector;
- Enhance competitiveness, innovation and economic growth of the cannabis sector in KZN (manufacturing, localisation and value-addition);
- Stimulate investment by public and private sector in the cannabis and hemp sub-sector;
- Develop emerging processors in the cannabis and hemp sector;
- Create jobs, alleviate poverty and eradicate inequality;
- Support the cannabis' sector's contribution to economic growth;
- Enhance research and development in the sector;
- Capacity building and develop cannabis and hemp related skills;
- Empower and transform the cannabis and hemp sector with a particular focus on the Previously Disadvantaged Individuals (PDI's);
- Create conducive environment which promotes access to export markets;

### **4. RATIONALE OF THE CALL FOR PROPOSALS**

EDTEA recognizes the potential of the cannabis and hemp sector in delivering upon the KwaZulu-Natal growth and development plan and driving the facilitation of a radically transformed, inclusive and sustainable economic growth for the province. The Department has therefore allocated funding towards the development of this sector,

as a step towards achieving inclusive growth through the commercialization of the cannabis. This process will be guided by the Department's new Cannabis and Hemp Commercialisation Programme that provides equal opportunity to project promoters to access funding.

## **5. PURPOSE OF THE CANNABIS AND HEMP COMMERCIALISATION PROGRAMME**

The objective of the Cannabis and Hemp Commercialisation Programme is to stimulate investment by the KwaZulu-Natal public sector and further attract more investments towards the growth and beneficiation of the cannabis enterprises. Cannabis is viewed as one of the catalysts towards economic development, and as such, will provide economic stability, job creation, poverty reduction and improved health for the KZN citizens.

The Cannabis and Hemp Commercialisation Programme aims to achieve the following:

- Broaden KwaZulu-Natal's participation in the cannabis and hemp sector;
- Enhance competitiveness, innovation and economic growth of the cannabis sector in KZN (manufacturing, localisation and value-addition);
- Stimulate investment by public and private sector in the cannabis and hemp sub-sector;
- Develop emerging processors in the cannabis and hemp sector;
- Create jobs, alleviate poverty and eradicate inequality;
- Support the cannabis' sector's contribution to economic growth;
- Enhance research and development in the sector;
- Support with modernised machinery and equipment;
- Capacity building and develop cannabis and hemp related skills;
- Empower and transform the cannabis and hemp sector with a particular focus on the Previously Disadvantaged Individuals (PDI's);
- Create conducive environment which promotes access to export markets;
- Grow and develop Small Medium and Micro Enterprises.

## 6. ELIGIBLE TO SUBMIT PROPOSAL

6.1 The Cannabis and Hemp Commercialisation Programme is primarily targeting two (2) key sub-sectors (focus areas) identified as cannabis (medicinal purposes) and industrial hemp) value addition and processing thereof.

6.2 The following commodities: **Manufacturing and Product Development Operations** will be targeted:

- Cosmetics and Body Care Products
- Foods and Animal Feeds
- Nutraceuticals
- Beverages (non-alcoholic)
- Textiles
- Building Material
- Paper
- Industrial Products

6.3 Alignment with EDTEA mandate, the **Organisations eligible to apply in the Cannabis and Hemp Sector should be registered:**

- Small, Medium and Micro-Enterprises (SMMEs),
- Cooperatives,
- Legally established Non-Governmental Organisations (NGO's) or Non-Profit Organisations (NPO), Community Based Organisations (CBO's) and Social Enterprises.
- Registered higher or further education institution
- Licensed and/or registered research institution; or
- Municipalities

6.4 Proposal Aligned with EDTEA mandate:

- Create jobs (sustainable and temporary);
- Empowerment of historically disadvantaged groups – blacks, youth, women and disabled;
- Promoting value addition and beneficiation;
- Promoting innovation;

- Initiatives within KZN priority sectors – exceptions allowed;
- Alignment with municipal IDP/LED, provincial and national strategies;
- Partnerships with private sector which will assist in leveraging further funding;
- Promoting specific sectors and clusters of industry to increase equitable participation along value the chain;

#### 6.5 Targeted beneficiaries:

- In line with the recommendations of the goals of NDP, the departmental policy has targeted to achieve the following quotas:
  - Women
  - Youth including graduates
  - People with disabilities
  - HDI (Black)
  - Cooperatives
  - Geographical Location
  - Local Content
- Across the above quotas, the funding allocation should be 60% to black Africans.
- Black Africans in this call for proposals refers to African, Coloured and Indian persons who are natural persons and;
- Farm- dwellers
- LGBTQ;
- a) are citizens of the Republic of South Africa by birth or descent; or
- b) are citizens of the Republic of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa Act of 1993.

#### 6.6 Location/Geographic Area:

All proposals have to be in respect of projects within the various districts in KZN province.

#### 6.7 Eligible Applicant must:

- Be directly responsible for the preparation and management of the project, not acting as an intermediary;

- Demonstrate stable and sufficient financial resources to ensure the continuity of their organisation throughout the project and, if necessary, to play a part in financing it;
- Be able to demonstrate their capacity to manage activities corresponding with the size of the project for which the fund is requested;
- Act as the lead organisation and, if selected, be the contracting party;
- Research and Development costs that will be capped at 10% of the total EDTEA contribution;
- Market development and access costs that will be capped at 20% of the total EDTEA contribution;
- The following costs are not covered by the Cannabis and Hemp Commercialisation Programme; Bulk Infrastructure, Business plans, Environmental Impact Assessments. *EDTEA reserves the right to exclude certain applications/costs which have not been specifically listed on the aquaculture call for proposal document.*
- The grant is provided in respect of the approved applications for new, upgrading or expanding projects but EDTEA shall utilize its own supply chain management processes for the purposes of procurement thereto.
- This call for proposal and ensuing guidelines is effective for the 2023/2024 financial year ending on 31 March 2024.

*NB. Preference will be given to project activities that will have a positive economic impact within the rural areas and townships of KZN. Furthermore, proposals that are either received from PDI's, Women, Youth, Disabled people and Cooperatives are for the sustainable benefit of the aforementioned groupings of individuals will positively influence the scores.*

## **7. MANDATORY CONDITIONS**

The applicants must:

7.1 Be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended).



7.2 Be a taxpayer in good standing.

7.3 Be involved in starting a new or existing processing Cannabis and Hemp project or in expanding or upgrading an existing Agro-processing project;

7.4 Be involved in a Cannabis and Hemp project which should result in creating and or retaining direct employment;

7.5 Adhere to sectorial minimum wage and legislative requirements governing the sector;

7.6 Demonstrate that at least 60% of the inputs (raw materials) will be sourced from South African suppliers/growers and that at least 40% of the inputs will be sourced from local Black South African suppliers in particular; where inputs cannot be sourced locally and from Black suppliers, applicants must provide a motivation including a sourcing plan.

## 8. QUALIFYING COSTS/AREAS OF SUPPORT

8.1 The Cannabis and Hemp Commercialisation Programme offers support on the following assets/:

- **New processing Machinery and Equipment:** New machinery and related equipment (owned or capitalised financial lease) and tools at cost.
- **Marketing Material/Platforms:** Branding and packaging materials including digital platforms; labelling of products; marketing & packaging material)
- **Occupational Health and Safety**-training of beneficiaries on safety standards; establishment of safety protocols; appointment of safety officer and ensuring that the factory adheres to health and safety regulations
- **Audit & Compliance**-production equipment; materials and other equipment used during the processing of products that they comply with the food production regulations

- **Product & factory certification-** ensuring that the factory and production lines comply and get certification in line with international accreditation including training on various compliance standards such as HACCP; GFSI; ISO 9001; ISO 22000; Global G.A.P; Local G.A.P.
- **Infrastructure Development/Refurbishment: Land and or Buildings:** This includes refining of old and existing buildings to be used for commercial purposes linked to the production process.
- **Commercial Vehicles:** (Owned or capitalised financial lease) are only eligible if such vehicles are to be used for commercial purposes linked to the production process. This includes vehicles such as collection, delivery and distribution vehicles.
- **Pack- house/Manufacturing Facility:** This involves the establishment of a pack house facility/manufacturing facility/factory for processing/manufacturing of commodities
- **Competitiveness Improvement Costs:** This includes costs associated with skilled workforce, inexpensive raw materials, controlled costs, and efficient operations to create maximum value to consumers (these may be capped at a certain percentage of total funding and will be different on a project by project basis).

## 9. FUNDING EXCLUSIONS

- Pre-feasibility and feasibility proposal;
- Funding for training initiatives except where training is an ancillary component of the application;
- Research funding applications, excluding action research;
- Applications or activities whose outcomes are solely directed towards the interests of a single individual;
- Proposals from non-registered SA companies;
- Applications which have received grant funding from other government departments for the same proposal;
- Socially undesirable or illegal initiatives e.g. arms manufacture;
- Initiative promoting party political agenda;

- Proposals from businesses owned by all Government employees;
- Proposals for projects/initiatives located outside KZN;
- Procurement/ lease of land;
- Staff wages and salaries, and staff related costs incurred in implementing any of the above projects;
- VAT and finance charges on assets;
- Rates and Taxes;
- Costs incurred before approval
- Increase in investment cost as a result of exchange rate fluctuations and submitted after acknowledgement of the application.

## **10. APPLICATION PROCESS AND MONITORING**

10.1 Applications/proposals will undergo intense administrative and technical assessments. EDTEA reserves the right to request further details, information and documentation from applicants.

10.2 An applicant must submit a business plan with detailed processing/manufacturing activities, budget plans and projected income statement and balance sheet, for a period of at least three (3) years for the project.

10.3 The proposal must be submitted within the designated application timeframe period, prior to commencement of the project or undertaking related activities applied for.

10.4 All approved projects will be monitored by the EDTEA Agribusiness Unit in order to assess their performance.

10.5 EDTEA will seek specialist support from sister departments, Entities and Academia such as Universities for further assistance.

10.6 Closing date and time

- Proposals window will be opened for 3 weeks from the date of the official placement of the advertisement of call for proposals (19 June to 10 July 2023).

10.7 Delivery address

Submissions may be posted to the following address:

Department of Economic Development, Tourism and Environmental Affairs  
Private Bag X915  
Pietermaritzburg  
3200

Or hand delivered on the designated call for proposals box situated at:

270 Jabu Ndlovu Street (Loop Street)  
Foyer: Ground Floor  
Pietermaritzburg

10.8 Respondents are to ensure that their applications are complete, original or certified where necessary and delivered timeously to the correct address. Late applications will not be accepted or considered. The call for proposal submission box is open 8 hours a day, 5 days a week. Telephonic, telegraphic, telex, facsimile or e-mailed proposals will not be accepted.

## **11. LEGAL CONDITIONS**

- a. The following conditions among others are considered a breach of the funding agreement and will lead to a termination of the application.
- b. Changing the business set-up, composition, structure or operations, processes or products in order to make the project qualify.
- c. Manipulation of the company assets, products, services and processes.
- d. Applicants receiving financial grant support from other government source(s) for the same assets and competitive improvement costs as those for which assistance is sought from the Cannabis and Hemp commercialisation Programme.

## **12. DECISION REVIEW PROCESS**

12.1 Any disagreement relating to a decision (including the dismissal of an application) taken by **EDTEA** is limited to one (1) request for decision review per application lodged, within thirty (30) calendar days of the date of issue of the notification letter by EDTEA.

### **13. REPORTING AND ADDITIONAL INFORMATION**

- The guideline document for additional information & clarification as well as the requirements for addressing, delivery, closing and assessment of submissions can be obtained from: Mr Mbongiseni Ndhlela email address: [mbongiseni.ndlela@kznedtea.gov.za](mailto:mbongiseni.ndlela@kznedtea.gov.za) and/or Ms Nqobile Hlabisa, email address: [nqobile.hlabisa@kznedtea.gov.za](mailto:nqobile.hlabisa@kznedtea.gov.za)
- The physical address for collection of the above-mentioned document is 270 Jabu Ndlovu Street, Pietermaritzburg, 3200. Documents may be collected during working hours from 8h00 am to 16h00 Monday to Friday from the 19<sup>th</sup> of June 2023).
- All queries or requests for clarification or further information regarding this invitation must be submitted to the Department in writing at the latest five (5) working days prior to the invitation closing date.