



Critical Infrastructure Programme (CIP)

ICA Operational Meeting

4 July 2018

Contents

- Objective
- Applicable Production Sectors
- Mandatory Conditions
- Grant Offering
- Eligibility Criteria
- Economic Benefit Criteria
- Qualifying infrastructure
- Qualifying Cost
- Non Qualifying Cost
- Grant Disbursement
- Appeal Process

Objective

- ❑ Leverage investment by supporting infrastructure deemed to be critical
- ❑ Stimulate investment growth in line with the NIPF and IPAP

Applicable Production Sectors

Production sectors in line with the industrialisation path as articulated in the IPAP

Clothing, Textiles, Leather and Footwear	Automotive	Metal fabrication
Capital and rail transport equipment	Mineral beneficiation (upstream and downstream)	Agro-processing
Forestry, timber, paper, pulp and furniture	Biofuels	Plastics, pharmaceuticals, chemicals and cosmetics
Business Process Services	Upstream and midstream oil and gas	Boatbuilding and associated services industry
Nuclear energy	Advanced manufacturing	Aerospace and defence
South African software industry	Public residential electrification programme for low cost housing	Electronics industry support
White goods		

Mandatory conditions

- The applicant must be a registered legal entity in South Africa. (not state owned)
- The project must be at least a level 8 Broad-Based Black Economic Empowerment (
- For foreign direct investment (i.e. foreign investors incorporated in South Africa), where it can be proven that such a foreign investor does not enter into any partnership arrangements in foreign countries, the Codes of Good Practice make a provision for the recognition of contributions in lieu of a direct sale of equity. Such contributions are referred to as **Equity Equivalent (EE)** contributions and count towards the ownership element of B-BBEE made by foreign investors
- For all projects, a grace period of 15 months after date of submission of the application is given for them to comply. In all cases, a B-BBEE certificate should be submitted at claim stage.
- The envisaged investment projects that may qualify for benefits under any investment incentive schemes offered by **the dti** are also eligible to apply for the CIP, provided it is not for the same infrastructure activity items proposed by the project.
- Projects that have applied for the Shared Economic Infrastructure Facility (SEIF) will not be funded or co-funded for the same infrastructure activity under CIP.

Grant Offering

- Applicant/s must submit a complete application at least 60 calendar days prior to commencement of infrastructure construction. If there is no response from the dti within 60 calendar days after submission of a complete application, applicant/s may continue to implement their plans but with an understanding that the dti's approval may or may not be granted. The applicant should, however, notify the dti in writing of its intention to commence with the infrastructure construction before approval
- The CIP offers a grant of 10% to 30% of the total qualifying infrastructural development costs, up to a maximum of R50 million, based on the achieved score in the Economic Benefit Criteria.
- Agro-processing applicants and state-owned Aerospace and Defence National Strategic Testing Facilities: The CIP will offer a grant of 10% to 50% of the total infrastructural development costs, up to a maximum of R50 million.
- Projects that alleviate water and/or electricity dependency on the national grid: The CIP will offer a grant of 10% to 50%, up to a maximum of R50 million.
- Distressed municipalities and state-owned industrial parks: The CIP offers a maximum grant of up to 100%, capped at R50 million for infrastructural developmental. Applicants are encouraged to make a contribution according to their affordability

Eligibility Criteria

- Financial Viability
 - Demonstrate commitment to planned infrastructure and investment project
 - Sources of finance
 - Evidence to commit funding of the infrastructure (Financiers or internal)
 - Letter of commitment
- Commitment to establish investment project (service investment in case of parks)
- Tax Clearance certificate
- Compliance with other statutory regulations
 - Environmental permits
 - Permits for use of land
 - Technical drawings (benefits)
 - Any other (Letter from Eskom for availability)
- Project Budget plans
 - Timeframe
 - Cost and budget (Quotations)
- Letter re PFMA (Public Finance Management Act) that company has implemented effective, efficient and transparent financial management and internal control systems

Economic Benefit Criteria

CRITERION	DESCRIPTION	MAX POINTS
B-BBEE* Compliance Requirements	<p>Achieve the required status in terms of the B-BBEE Code of Good Practice as follows:</p> <ul style="list-style-type: none"> · Level four (4) contributor 	25
Priority Sectors	<ul style="list-style-type: none"> · Sectors as identified in IPAP; · Projects in mineral beneficiation industries; agriculture and construction investments; mining and other labour absorbing sectors. 	20
Investment Value	<ul style="list-style-type: none"> · Total capital investment excluding infrastructure 	30
Location	<ul style="list-style-type: none"> · Projects in special localities such as industrial parks; agri-parks, Urban Renewal Development Nodes; Rural Development Nodes; business incubators and land for agricultural activities; or in any other area deemed to be economically depressed or with facilities that are classified as Aerospace and Defence National Strategic Testing Facilities required for the benefit of economic or sector growth. 	25
		100

Minimum score of 50

Economic Benefit Criteria

Total Points Scored	CIP Funding	Agro-Processing and state-owned Aerospace and Defence National Strategic Testing Facilities,
0 - 49	0%	0%
50 -59	10%	15%
60 -69	15%	20%
70 – 79	20%	30%
80 – 89	25%	40%
90 – 100	30%	50%

Qualifying Infrastructure

Supply basic services such as:	Examples
Transport	Roads
Electrical infrastructure	Rail and bridges
Bulk water supply	Electricity transmission lines
Sanitation	Sewer connections
Telecommunications	Sanitation
Place of trade operations	Storm water
<p>Any infrastructure that has implications of up-scaling the area's agro-production capacity through up-scaling the production demand in the area; and the business is likely to add competitiveness into the supply-chain and reduce the products being imported into the area.</p>	Telephone line
	Fibre
	Runways Landing strips
	Bulk water infrastructure (generation, storage, Purification and distribution)
	Fencing (only available to state-owned industrial parks)
	Silos and
	Broad band works

Qualifying costs

Support is offered towards the following:

- Costs incurred directly in the design, installation, construction and erection of the infrastructure.
- Costs incurred by the applicant in payment of third parties contracted to undertake the project.
- Infrastructure commissioning (quality assurance and certification) costs, but limited solely to the essential costs of commissioning officials and the test of equipment or machinery required.
- Costs related to the refurbishment of buildings within industrial parks.
- Any costs, which the Adjudication Committee in its sole discretion may deem as qualifying

Non-qualifying cost

Indirect costs such as cost elements that the applicant would have, in any case, incurred will not qualify for the grant. These include, but are not limited to the following:

- Work scoping, studies, plans and such cost elements that the applicant would have, in any case, incurred by way of payment of salaries or remuneration of permanently retained professional staff, including management;
- Equipment such as office business machines (computers, facsimile machines, printers, telephones and software tools or systems) and office furniture;
- Administrative buildings;
- Production machinery;
- Value Added Tax (VAT) payable in connection with the direct qualifying project costs;
- Maintenance and repair costs or any other costs incurred after the completion of the construction of the infrastructure and commissioning thereof;
- Costs associated with tendering documentation and the tendering process;
- Any other cost(s) that the Adjudication Committee, in its sole discretion, may deem as non-qualifying; and
- Tolled infrastructure.

Grant Disbursement

- Successful applicants will have to enter into a contract with **the dti**. Payments of claims to approved projects will be made based on verifiable infrastructure deliverables.
- In cases of approved distressed municipalities, the contract will be between the municipality and **the dti**, with the effect that **the dti** will pay the service provider based on the verifiable infrastructure deliverables.
- For payments to be processed, the client has to submit the following documents that constitute a valid claim; verified by external auditors to the CIP Secretariat:
 - A claim form;
 - A signed activity progress report verified by an external auditor;
 - Certified copies of invoices;
 - Proof of payment (e.g. Bank statement);
 - A valid tax clearance certificate; and
 - A valid level four (4) B-BBEE certificate or higher. (Level 8)
 - And any other documents deemed necessary by **the dti**.
- **the dti** reserves the right to verify the existence of the supported infrastructure and its quality.
- All payments will be governed by the terms and conditions of the contract between the successful applicant and **the dti**.

Appeal Process

Any dispute relating to an application decision taken by **the dti** is limited to one decision review request per application lodged within 30 calendar days from the date of the approval/rejection letter to the Director General/Appeals Committee.

Only one claim decision review with material motivation will be allowed per claimant for the duration of the incentive period. In instances where the project does not meet the performance requirements and is cancelled, the written decision review request must be submitted to **the dti**, Critical Infrastructure Programme (CIP) Guidelines 13 no later than 30 calendar days from the date of the cancellation letter to the Director General, or the right to a decision review will be forfeited.