



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

# PROGRAMME GUIDELINES

---

---

## CRITICAL INFRASTRUCTURE PROGRAMME (CIP)

---

---

*Programme Manager: Critical Infrastructure  
Programme  
The Enterprise Organisation  
Department of Trade and Industry  
Private Bag X84  
Pretoria, 0001  
Website: [www.the dti.gov.za](http://www.the dti.gov.za)  
Call Centre: 0861 843 384*

**the dti** Campus  
*77 Meintjies Street,  
Sunnyside  
Pretoria, 0002  
Gauteng, South Africa*

**TABLE OF CONTENTS**

<b>ABBREVIATIONS .....</b>	<b>iii</b>
<b>DEFINITIONS .....</b>	<b>iii</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>vi</b>
<b>1 PROGRAMME DESCRIPTION.....</b>	<b>1</b>
<b>1.1 OBJECTIVES OF THE CIP .....</b>	<b>1</b>
<b>2 FUNDING REQUIREMENTS .....</b>	<b>2</b>
<b>2.1 ELIGIBLE ENTITIES .....</b>	<b>2</b>
<b>2.2. QUALIFYING INFRASTRUCTURE.....</b>	<b>3</b>
<b>2.3 QUALIFYING COSTS.....</b>	<b>3</b>
<b>2.4 NON-QUALIFYING COSTS.....</b>	<b>4</b>
<b>2.5 MANDATORY REQUIREMENTS .....</b>	<b>4</b>
<b>3 ADJUDICATION CRITERIA .....</b>	<b>6</b>
<b>ANNEXURE A: POINT SCORING REQUIREMENTS .....</b>	<b>7</b>
<b>CONCLUSION.....</b>	<b>8</b>

## ABBREVIATIONS

AB	Adjudicating Board
BEE	Black Economic Empowerment
CIP	Critical Infrastructure Programme
DDG	Deputy Director General
DEAT	Department of Environmental Affairs and Tourism
<b>the dti</b>	The Department of Trade and Industry
ECA	Environmental Conservation Act
GDP	Gross Domestic Product
LG	Local Government
NEMA	National Environmental Management Act
NT	National Treasury
PFMA	Public Finance Management Act
PPP	Public - Public Partnership
SARS	South African Revenue Services
SDI	Spatial Development Initiatives
SMME	Small, Medium and Micro Enterprises
TEO	The Enterprise Organisation
VAT	Value Added Tax

## DEFINITIONS

Adjudication Board	An independent board comprising officials of the Department of <b>the dti</b> , National Treasury and any persons appointed by the Minister of Trade and Industry for the purpose of adjudicating, approving and monitoring of any application under the CIP
Applicant	Entities that seek CIP funding
Black Economic Empowerment	An integrated coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people who manage, own and control the country's economy, as well as significant decreases in income inequalities
Infrastructure	<p>It refers to the structural foundations or permanent network facilities via which enterprises and society in general receive or supply basic services such as transport, electricity and water, sanitation, telecommunications etc. Examples of infrastructure include roads and bridges, electricity transmission lines, water pipelines, sewers, and telephone lines, as well as their associated generation, storage, purification and other facilities that supply, protect or in anyway facilitate the networks and systems.</p> <p>It is a public good characterised by open access to networks and systems, and public ownership, except where the state has concessioned these to a private party or privatised a state-owned entity in this respect.</p>

	<p>Infrastructure, unless concessioned by the state, cannot be owned and controlled by a private enterprise, and does not include facilities that are part of the “plant” or process of a production facility or enterprise</p> <p>Notwithstanding the above definition for infrastructure, the CIP will for the purposes of supporting new and expansion fixed investment:</p> <p>Include the connection of the new investment project to an infrastructure network, scarce storage, and purification facilities that are part of the plant or enterprise, but which will be freely accessible and utilised by other enterprises.</p>
Critical Infrastructure	In terms of the CIP, the infrastructure for which funds are required is deemed to be “critical” if the investment would not take place without the infrastructure, and without the CIP funding contribution OR if the investment and infrastructure projects can go ahead without the CIP contribution, it can be proved that it would be of a smaller scale, or lower quality, or would be established at a later stage than the period when it is needed.
Gross Domestic Product	The total value of all goods and services produced in the geographic boundaries of a country in a particular period (usually one year)
Incentive Scheme/Programme	It is an instrument for policy implementation. Subsidies given by government and its agencies to a private/public sector commercial project, because of the expected public benefits arising from such projects
Income Per Capita	The average income per person and it is calculated by dividing the total income in the country by a country's population
Investment Project	It is any private/public sector investment in the following sectors: manufacturing/construction, services, mining, agriculture, but excluding retail and social services.
Mega Projects	These are investment projects that are normally over R1 b.
Project	<p>Certain activities that have a single definable <i>purpose, end-item or result</i>, usually specified in terms of cost, schedule and performance requirements. Every project is <i>unique</i>, and involves <i>temporary</i> activities, <i>uncertainty</i> and <i>risk</i>.</p> <p>It is a planned commercial undertaking, or a long-term task, which fulfils the criteria as discussed in Section 2.1-2.5</p> <p>For the purpose of adjudication, a project can be considered as a set of activities that might be approved or rejected as a whole.</p>

Secretariat	CIP Secretariat consists of <b>the dti</b> officials, or such other persons as appointed by the Director General for the purpose of management and administration of the CIP.
Small, Medium and Micro-Enterprises	The National Small Business Act (Act 102 of 1996 as amended) classifies SMMEs into four categories: (1) micro, which includes survivalist enterprises, (2) very small, (3) small, and (4) medium.  SMMEs as used in this document exclude survivalist enterprises.
Minister	Shall mean the Minister of Trade and Industry, unless otherwise stated.
Public-Private Partnership	(As defined by the National Treasury) is a commercial transaction between an institution and a private party in terms of which:  (a) The private party performs an institutional function on behalf of the institution for a specified or indefinite period; or acquires the use of state property for its own commercial purposes for a specified or indefinite period;  (b) The private party receives a benefit for performing the function or by utilising state either by way of:  (i) Compensation from a revenue fund; (ii) Charges or fees collected by the private party from users or customers of a service provided to them; or (iii) A combination of such compensation and such charges or fees.
Contract	A binding written agreement between two or more persons or entities that is enforceable by law.
Date of Approval	The date on which the Adjudication Board approves a project for funding under the CIP.

## **EXECUTIVE SUMMARY**

These guidelines are designed to provide interested parties with the information they will need to make an informed decision as to whether they should apply for funding. The guidelines also outline the information that potential applicants will need to include in an application. Applicants and those responsible for the administration of the program will generally operate in accordance with the criteria set out in these guidelines. Applicants should read these guidelines as well as the application form prior to making a decision to submit an application form.

The nature and objectives of the programme, the funding requirements including the mandatory requirements that prospective applicants have to meet are detailed in this guideline. Finally, the point scoring requirement and the adjudication criteria to which all applicants are subjected are outlined in the document.

## 1 PROGRAMME DESCRIPTION

The CIP is a non-refundable, cash grant that is available to the approved beneficiary upon the completion of agreed milestones or as may be approved by the Board. The scheme covers between 10% and 30% of the total cost of development costs of the qualifying infrastructure. For all applicants, a point scoring system will apply.

The approved beneficiary will be reimbursed in two phases upon receipt of such claims from the entity (The approved amount to be claimed in each of the phases will be determined by the beneficiary).

For the purpose of adjudication, consideration is given to the following main issues:

- Mandatory requirements
- Achieving minimum performance requirements (on which point scoring is applied. **(Please see Annexure A)**)
- The extent to which the project is deemed a critical infrastructure.

In terms of the CIP, the infrastructure for which funds are required is deemed to be “critical” if the investment would not take place without the infrastructure, and without the CIP funding contribution OR if the investment and infrastructure projects can go ahead without the CIP contribution, it can be proved that it would be of a smaller scale, or lower quality, or would be established at a later stage than the period when it is needed.

The CIP supports only the construction of the infrastructure that enables the investor to undertake a defined fixed investment, or the expansion of existing fixed investment. Under no circumstances will the CIP fund the investment itself, nor can the infrastructure be the investment, nor the investment be infrastructure in nature.

### 1.1 OBJECTIVES OF THE CIP

The CIP is an incentive for projects that support infrastructure necessary for the establishment of identified private sector investment projects. The key objectives of the programme are to:

- Support the competitiveness of South African industries by lowering business costs and risks.

- Provide targeted financial support for physical infrastructure that will leverage strategic investment with positive impact on the economy.
- Stimulate upstream and downstream linkages, taking into account government priorities such as growth and employment, BEE, Integrated Rural Development, Urban Renewal Strategies and Spatial Development.

## **2 FUNDING REQUIREMENTS**

At the time of submitting an application for funding, applicants **must** satisfy the requirements as set out in Section 2.

### **2.1 Eligible Entities**

Entities that could qualify for the CIP grant are:

2.1.1 Private sector enterprises that are legal entities, incorporated and registered in terms of the Companies Act (Act No. 69 of 1984, as amended), and any external legal entity registered in terms of Chapter XIII of the Companies Act (Act No. 61 of 1973, as amended).

2.1.2 Public sector enterprises (i.e. public entities)

2.1.3 Private/public partnerships (PPP) comprising:

2.1.3.1 A local government and a private legal entity

2.1.3.2 A local government and a public enterprise; or

2.1.3.3 A public enterprise and a private legal entity

2.1.3.4 A combination of any of the above.

CIP will fund PPPs only if they meet the criteria as set down by the National Treasury.

## **2.2 Qualifying Infrastructure**

It is intended that:

- The component of the infrastructure installed or constructed beyond the point of supply i.e. inside the private property/yard/fence of the client company for the sole use by a specific investment project will not be funded under this programme.
- A project application that is submitted to the Secretariat after the construction of the infrastructure project has commenced shall not be considered.
- The infrastructure installed or constructed should be accessible to the general public and other investors.

The infrastructure contemplated to qualify under this programme:

Refers to the structural foundations or permanent network facilities via which enterprises and society in general receive or supply basic services such as transport, electricity and water, sanitation, telecommunications etc. Examples of infrastructure include roads and bridges, electricity transmission lines, water pipelines, sewers, and telephone lines, as well as their associated generation, storage, purification and other facilities that supply, protect or in anyway facilitate the networks and systems.

## **2.3 Qualifying Costs**

The costs that may qualify for the CIP grant are the following:

- 2.3.1 Costs incurred directly in the design, installation, construction and erection of the infrastructure
- 2.3.2 Costs incurred by the applicant in payment of third parties contracted to undertake the project
- 2.3.3 Infrastructure commissioning (quality assurance and certification) costs; but limited solely to the essential costs of commissioning officials and the test equipment or machinery required.
- 2.3.4 Any costs, which the Adjudication Board in its sole discretion deems as qualifying.

## **2.4 Non-qualifying Costs**

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

- 2.4.1 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
- 2.4.2 Equipment such as office business machines (computers, facsimile machines, printers, telephones, and software tools or systems) and office furniture.
- 2.4.3 Value Added Tax (VAT) payable in connection with the direct qualifying project costs
- 2.4.4 Maintenance and repair costs or any other costs incurred after the completion of the construction of the infrastructure and commissioning thereof
- 2.4.5 Costs associated with tendering documentation and the tendering process
- 2.4.6 Any other cost(s) that the Adjudication Board, in its sole discretion, deems as non-qualifying.

## **2.5 Mandatory Requirements**

For an application to be considered by the Adjudication Board, the following documents should be submitted with every application:

### **2.5.1 Applicant's State of Financial Affairs**

- 2.5.1.1 A guaranteed source of additional funding to complete the infrastructure project is required. (Example: a letter of intent from a financial institution etc)
- 2.5.1.2 Written undertakings by the source(s) mentioned above stating that at least 70% matching grant as additional funding would be provided.
- 2.5.1.3 Historical audited financial statements for the past three financial years
- 2.5.1.4 Projected financial statements for the next three years or over the lifespan of the proposed project.

## **2.5.2 Commitment To Establish Investment Projects**

A written undertaking by the investor that the infrastructure project to be funded will:

- 2.5.2.1 Service new investment project(s) in South Africa that will contribute to the growth of the economy, which investment project(s) will create direct and indirect employment opportunities as well as the retention of existing employment
- 2.5.2.2 Service the expansion(s) of existing investment project(s) in South Africa that contribute to the growth of the economy, which investment project(s) will sustain or retain current jobs and will create additional direct and indirect employment opportunities.

## **2.5.3 Long-Term Commercial Viability**

- 2.5.3.1 Summary information that demonstrates long-term commercial viability of the intended investment project.

## **2.5.4 Applicant's State of Tax Affairs**

- 2.5.4.1 A valid Tax Clearance Certificate associated with the applicant, obtained from the South African Revenue Services (SARS)

## **2.5.5 Compliance With All Other Statutory Regulations**

- 2.5.5.1 Environmental permits from the relevant authorities e.g. DEAT
- 2.5.5.2 Permits or authorisation regarding land use
- 2.5.5.3 Technical drawings, and designs (or at least preliminary designs), including details of capacity and technical specifications of the infrastructure
- 2.5.5.4 Health and safety permits
- 2.5.5.5 Other permits that may be applicable to the specific project
- 2.5.5.6 If in the process of acquiring the necessary permits, proof of considerations by the relevant authorities must be submitted.

## **2.5.6 Project Budget Plans**

- 2.5.6.1 Project plan(s) for the infrastructure project and the expected investment. The project plans should contain the following details:
  - The timeframe and key milestones associated with each main project activity
  - Description of each of the main project activities and sub-activities associated with the infrastructure project.

- The financial cost and budget associated with each major project activity.  
(Applicants are kindly advised that budgets based on “order of magnitude” estimation are not acceptable)

### **2.5.7 Other Documents**

2.5.7.1 **the dti** reserves the right to request other documentation that may be relevant in its adjudication of the application

## **3. ADJUDICATION CRITERIA**

**ALL** projects (including SIP approved projects) will be subjected to the CIP Point Scoring Criteria as per Annexure A, and shall qualify for a grant of between 10% and 30% of the total infrastructure costs.

**Annexure A: POINT SCORING REQUIREMENTS**

<b>CRITERION</b>	<b>DESCRIPTION</b>	<b>MAX POINTS</b>
Contributing to Investment and Economic Growth	An infrastructure project shall be regarded as contributing to investment and economic growth where it shall service an investment project or expansion of existing investment project. Total Investment includes plant, machinery and buildings that will be used for production (excluding office buildings).	60
Contribution To Direct Employment	The number of direct construction jobs to be created per every R1m spent during infrastructure development and investment projects	20
Benefiting Economically depressed areas.	An investment project shall be regarded as benefiting an economically depressed area if the said project is located in an Urban Renewal Development node, Rural Development nodes, Spatial Development Initiatives (SDIs) or any other area that is deemed to be economically depressed. Depressed area is described based on unemployment figures. (And where the unemployment rate– as published by Stats SA - is higher than the national average	10
Contribution to other socio-economic benefits	An infrastructure development project shall be regarded as contributing to other socio-economic benefits where it commits to additional BEE/SMME development/procurement.	10
<b>TOTAL</b>		<b>100</b>

## **CONCLUSION**

These guidelines have been designed to provide interested parties with the information they will need in order to make an informed decision as to whether they should apply for funding. It represents **the dti's** operational interpretation of **Cabinet Memorandum: No. 18 of 2000**.