



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

CRITICAL INFRASTRUCTURE PROGRAMME

© Department of Trade, Industry and Competition

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GLOSSARY OF TERMS

AC	Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BoQ	Bill of Quantities
CIP	Critical Infrastructure Programme
COVID 19	Coronavirus 2019
EE	Equity Equivalent
IFB	Industrial Financing Branch
IP	Industrial Policy
IPPs	Independent Power Producers
NIPF	National Industrial Policy Framework
PFMA	Public Finance Management Act
SARS	South African Revenue Services
SEZ	Special Economic Zones
the dtic	Department of Trade, Industry and Competition
VAT	Value Added Tax

1. Preamble

- 1.1 The purpose of this document is to provide guidelines for the Critical Infrastructure Programme¹ (CIP), a programme that aims to support businesses, state-owned strategic testing facilities, revitalisation of state-owned industrial parks, strategic feasibility studies and COVID 19 infrastructure, by stimulating and encouraging investment through efforts of lowering infrastructure costs.
- 1.2 The guidelines set out in this document are intended to enable applicants to present their applications to the Department of Trade, Industry and Competition (**the dtic**) and provide a framework for **the dtic** to evaluate such applications.
- 1.3 The incentive applications will be approved only for projects that meet the CIP criteria as interpreted by these guidelines and are within the mandate of **the dtic**. In order to qualify for the incentive, eligible projects have to apply to and receive approval from **the dtic**, and any such decision will be final.
- 1.4 These guidelines may be amended from time to time as deemed necessary by **the dtic**. Amendments will be published on **the dtic**'s website and effected upon publication.
- 1.5 Where the guidelines are subject to varying interpretations or do not deal with specific subject matter, the interpretation of **the dtic** must be requested or sought and such interpretation will be decisive and final.
- 1.6 Approval of applications will be subject to the availability of funds and compliance with the relevant provisions of the Public Finance Management Act, (Act No. 1 of 1999), (PFMA) and any other relevant legislation.
- 1.7 Submission of an application does not necessarily imply an approval, applications are subjected to an adjudication process by an independent **Adjudication Committee** (AC).

¹ The infrastructure is deemed "critical" to the investment if such investment would not take place without the said infrastructure or the said investment would not operate optimally.

2. Services Delivered by the dtic

- 2.1 No fees or charges are levied by **the dtic** for the processing or evaluation of any CIP applications or claims.
- 2.2 Applicants are welcome to contact **the dtic** directly and **the dtic** officials will provide guidance on how to complete applications or claim forms. **the dtic** will engage with CIP applicants only.
- 2.3 It is the responsibility of the applicant to ensure that the application submitted to **the dtic** is accurate and complete. **the dtic** does not make use of any agents/consultants to promote the CIP and will not be accountable for any service delivered or failure thereof by any agent/consultant facilitating the CIP application on behalf of the applicant.

3. Programme Description

- 3.1 CIP is an investment incentive that the South African government is implementing to stimulate investment growth in line with the Industrial Master Plans and the National Industrial Policy Framework (NIPF).
- 3.2 It is a cost-sharing (except in the case of state-owned industrial parks and distressed municipalities) incentive that is available to approved applicants as may be approved by the AC.
- 3.3 The programme aims to leverage investment by supporting infrastructure, agro-processing projects, state owned testing facilities, South African film and television studios and cinemas, state-owned industrial parks, strategic feasibility studies and projects that alleviate dependency on the national grid, water and sanitation networks deemed critical or of a strategic nature, thereby lowering the cost of doing business.
 - 3.3.1 In the case of infrastructure projects alleviating dependency on the national grid, water and sanitation networks, the municipality/Eskom/relevant authority must be involved. The investor must obtain a concurrence from the municipality/Eskom/relevant authority that even if the infrastructure is within private control, the municipality/Eskom/relevant authority has documented concurrence that it has access to the infrastructure.
 - 3.3.2 Clean/green energy infrastructure for the purposes of selling to other institutions/customers on condition that the rate of supply takes the CIP grant into consideration, will qualify.
- 3.4 Municipal/Eskom infrastructure projects located within a Special Economic Zone (SEZ) can be supported under CIP. However, the relevant authority must give concurrence that it has access to the infrastructure. Such infrastructure should not be funded/supported under the SEZ fund.
- 3.5 Projects where the infrastructure and the investment are the same, that is, where the investment is the actual infrastructure, will be considered. The applicant must be transformed in terms of ownership and the projects must show meaningful black professionals participation in the management of the operations.

4. Mandatory Requirements

4.1 The applicant must:

4.1.1 Be a registered legal entity in South Africa (SA) in terms of the following:

4.1.1.1 Companies Act No. 71 of 2008 (as amended).

4.1.1.2 Close Corporations Act No. 69 of 1984 (as amended).

4.1.1.3 Co-operatives Act No.14 of 2005 (as amended).

4.1.1.4 Municipality.

4.1.1.5 State-owned agencies e.g. PFMA listed entities and other state-owned enterprises based on the strategic nature of the project as determined by the AC.

4.2 Projects where the investment is the actual infrastructure should demonstrate black ownership, and the projects must show meaningful black professionals participation in the management of the operations.

4.3 National and Provincial Governments cannot apply but can contribute (financially or otherwise) towards projects.

4.4 The applicant must be at least a level six (6) Broad-Based Black Economic Empowerment (B-BBEE) contributor, in terms of the Codes of Good Practice for B-BBEE. This requirement takes into account the exemptions in terms of Exempt Micro Enterprises and Qualifying Small Enterprises as set-out in terms of the Codes of Good Practice.

4.5 A valid tax clearance certificate from the South African Revenue Services (SARS) of the applying entity.

4.6 A resolution that authorises the application and the investment project.

4.7 Signed infrastructure Bill of Quantities (BoQ), where applicable.

4.8 Compliance with all other statutory regulations, where applicable:

4.8.1 Permits or authorisations from relevant authorities applicable to the specific project.

4.8.2 Project budget plan/s for the infrastructure project and the expected investment, should contain the following details:

4.8.2.1 The timeframe and infrastructure items associated with each main project activity.

4.8.2.2 Description of each of the main project activities and sub-activities associated with the infrastructure project.

4.8.2.3 The financial cost and budget associated with each major project activity.

- 4.9 The envisaged investment project that may qualify for benefits under any investment incentive schemes offered by **the dtic**, are eligible to apply for the CIP, provided it is not for the same infrastructure activity.
- 4.10 **the dtic** reserves the right to request other documentation that may be relevant in its adjudication of the application.

5. Offering Criteria

5.1 Applicants must submit complete applications prior to development of infrastructure construction.

5.2 Applicants at their own risk, may commence with infrastructure development after a CIP Site Visit, with an understanding that **the dtic's** approval may or may not be granted.

Type of Applicant	Generic Investments	State-Owned Testing Facilities	SA Film & Television Studios and Cinemas	Strategic Infrastructure Feasibility Studies	State-Owned Industrial Parks	Municipalities
Incentive Offerings	<p>10% to 30% of total qualifying infrastructural development costs capped at R50 000 000 based on an economic benefit criteria.</p> <p>10% to 30% of total COVID-19 qualifying infrastructural development costs capped at R30 000 000 based on an economic benefit criteria.</p> <p>Quality standards accreditation of industrial manufacturing infrastructure and related products produced to enhance competitiveness.</p>	<p>50:50 cost sharing of total qualifying infrastructural development costs capped at R50 000 000.</p>	<p>30:70 (30% <i>the dtic</i> and 70% <i>applicant</i>) cost sharing for SA owned film & television studios and cinemas capped at R50 000 000.</p>	<p>80:20 (80% <i>the dtic</i> and 20% <i>applicant</i>) cost sharing towards strategic infrastructure feasibility studies inside SEZs capped at 5% of project value to a maximum of R50 000 000.</p> <p>60:40 (60% <i>the dtic</i> and 40% <i>applicant</i>) cost sharing towards strategic infrastructure feasibility studies outside SEZs capped at 5% of project value to a maximum of R50 000 000.</p>	<p>100% of total qualifying infrastructural development costs capped at R50 000 000. Value Added Tax (VAT) is payable in connection with the direct qualifying project costs in the case of State-Owned Industrial Parks.</p>	<p><i>Distressed municipalities</i> 100% support towards strategic infrastructure studies, capped at R10 000 000.</p> <p><i>Distressed municipalities or investor in distressed municipality</i> 15% to 100% of total qualifying infrastructural development costs capped at R50 000 000.</p> <p><i>Other municipalities</i> 15% to 50% of total qualifying infrastructural development costs capped at R50 000 000.</p>

Type of Applicant	Generic Investments	State-Owned Testing Facilities	SA Film & Television Studios and Cinemas	Strategic Infrastructure Feasibility Studies	State-Owned Industrial Parks & SEZs	Municipalities
Eligibility Criteria	Infrastructure project will service existing, new, expansion and upgrading of investment. Create new jobs or sustain and retain current jobs.	Facilities servicing products in the commercialisation phase or product development of the new generation.	Film infrastructure will service existing, new, expansion and upgrade of investment. Create new jobs or sustain and retain current jobs. Provincial government and municipalities to contribute towards the infrastructure. The infrastructure supported must be accessible to other producers.	Strategic infrastructure feasibility studies with a pilot plant, where applicable, industrial investment infrastructure that includes beneficiation, transformation, local content, new industries, new technology and trackable strategic mobile infrastructure. Create new jobs or sustain and retain current jobs.	Revitalise or upgrade stateowned industrial parks. Create new jobs or sustain and retain current jobs.	
Qualifying Infrastructure	Structural foundations and permanent network facilities. Infrastructure not limited to ² bulk infrastructure, roads, rail sidings, bridges, telephone lines/networks, fibre, towers, landing strips, hydrogen and water infrastructure, oil and gas permanent storage tanks and pipes, broadband works, shared wash or processing plants (provided there's a need) infrastructure relating to beneficiating mining commodities. In the case of agro processing shared silos, shared irrigation, shared boreholes, shared cold storage, shared reservoirs, dams, dam walls, shared pack houses and bulk infrastructure.	Immovable testing facility machinery, equipment and upgrading of existing buildings e.g. clean rooms.	Film studio and cinema top structures, water tanks and bulk infrastructure. Excludes machinery and equipment.	Strategic industrial infrastructure feasibility study costs. Pilot plant equipment.	Establishment of new or upgrading bulk infrastructure, refurbishment of top structures, fencing & bulk infrastructure.	

² The list is not exhaustive.

<i>Type of Applicant</i>	<i>Generic Investments</i>	<i>State-Owned Testing Facilities</i>	<i>SA Film & Television Studios and Cinemas</i>	<i>Strategic Infrastructure Feasibility Studies</i>	<i>State-Owned Industrial Parks & SEZs</i>	<i>Municipalities</i>
<i>Qualifying Costs</i>	Direct costs incurred in actual design, installation, construction and erection of infrastructure. Direct costs incurred by the applicant in payment of third parties contracted to undertake the project.	Commissioning (quality assurance and certification) costs, limited solely to essential costs of commissioning officials and the test of equipment or machinery required.	Direct costs related to film studio construction, refurbishment of buildings, water tanks and bulk infrastructure.	Direct costs related to the feasibility study.	Direct costs related to refurbishment of buildings within industrial parks, fencing and new or upgrading bulk infrastructure.	
Any cost(s) the AC, in its sole discretion, may deem as qualifying.						

6. Non Qualifying Costs (this refers to projects with cost sharing)

- 6.1 Indirect costs elements that the applicant would have, in any case, incurred will not qualify for the incentive.
- 6.2 Equipment such as office business machines (computers, facsimile machines, printers, telephones and software tools or systems) and office furniture.
- 6.3 Administrative buildings.
- 6.4 Value Added Tax (VAT) payable in connection with the direct qualifying project costs in the case of CIP Private Applications. In the case of State-Owned Industrial Parks, VAT will be payable.
- 6.5 Maintenance and repair costs or any other costs incurred after the completion of the construction of the infrastructure and commissioning thereof.
- 6.6 Costs associated with tendering documentation and the tendering process.
- 6.7 Toll gate infrastructure.
- 6.8 Cost associated with research and development other than that improves the current product or develops the current product to the next generation.
- 6.9 Equipment, tools and machinery for the purposes of manufacturing.
- 6.10 Production machinery and equipment for cinemas, film and television studios.
- 6.11 In the case of Feasibility Studies:
 - 6.11.1 Pre-feasibility study costs.
 - 6.11.2 Indirect costs that the applicant would have, in any case, incurred will not qualify for the incentive.
 - 6.11.3 Costs incurred prior to receiving project approval from **the dtic**.
 - 6.11.4 Costs for activities receiving government funding for the same scope of work of the same project.
 - 6.11.5 VAT payable in connection with the direct qualifying project costs.
 - 6.11.6 Internal salaries and wages.
- 6.12 Any other cost/s that the Adjudication Committee, in its sole discretion, may deem as non-qualifying.

7. Incentive Disbursement

- 7.1 Approved applicants will enter into a contract with **the dtic** and payments of claims to approved projects will be based on qualifying deliverables.
- 7.2 The approved applicant has to submit mandatory documents deemed necessary by **the dtic** for payments to be processed, such as a minimum level 6 B-BBEE Certificate and a valid Tax Clearance Certificate.
- 7.3 **the dtic** reserves the right to verify the existence of the supported deliverables and their quality.
- 7.4 All payments will be governed by the terms and conditions of the contract between the approved applicant and **the dtic**.
- 7.5 Reimbursement/payment to approved applicants will be subject to the submission and verification of claims by **the dtic**.
- 7.6 All mandatory requirements must be fulfilled before any disbursement.

8. General Conditions

- 8.1 Should there be any material changes relating to the approved project, **the dtic** must be notified in writing.
- 8.2 **the dtic** may under exceptional market or economic circumstances consider adjusting the requirements and conditions of the incentive approval. Any such adjustments will be at the sole discretion of **the dtic**. The decision of **the dtic** will be final.
- 8.3 **the dtic** will conduct a project monitoring progress report bi-annually and will require incentive beneficiaries to complete and submit a project monitoring report at the end of each financial year to measure the outputs and outcomes of the project.
- 8.4 **the dtic** has the right to request any information deemed necessary from the approved applicant.
- 8.5 In order to evaluate the impact of the incentive, **the dtic** requires that, for a period of two (2) years after completion of the claim period, the approved applicant submits a project monitoring report annually. This requirement forms part of the legal contract between **the dtic** and the approved applicant.
- 8.6 A co-funding letter from a financier supporting the project must be submitted, where applicable.
- 8.7 Letters of intent from private investors are required in the case of private Industrial Parks/private developers.

9. Legal Conditions

- 9.1 The following are *inter alia* considered circumvention of CIP Guidelines and will lead to the rejection of an application or claim:
- 9.1.1 Changing the business set-up, composition, structure/operations or sector in order to make the project qualify;
 - 9.1.2 Manipulation of inter-company assets and infrastructure; and
 - 9.1.3 Any other action that, in the sole discretion of **the dtic**, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.
- 9.2 Designated infrastructure items should be procured locally.

10. Decision Review Process

- 10.1 Any dispute relating to a decision taken by **the dtic** is limited to one decision review request per application lodged within thirty (30) working days from the date of the approval/rejection letter to the Director General, after thirty (30) working days no appeal will be considered.

11. Criminal, Misleading, Dishonest and/or Irregular Activities

- 11.1 **the dtic** may, upon alleged offence or suspicion of contravention of any act or pending litigation of any such activities, suspend payments that may be due or may become due to the applicant. **the dtic** shall not be liable for any damages or interest, pending the finalisation of any investigation and any criminal proceedings brought as a result of the investigation.
- 11.2 Findings of a forensic investigation indicating such activities will be sufficient to enable **the dtic** to cease all payments and reclaim any payments already made, with *mora* interest.
- 11.3 **the dtic** subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Applicants or any other persons should contact **the dtic** fraud hotline on 0800 701 701 to report any suspicious behaviour.
- 11.4 Responsibility rests on the applicant and any other person that may benefit from the incentive to disclose everything that may have an influence on the adjudication of the application and/or claim. Failure thereof will lead to termination or cancellation or suspension of the application or claim, and criminal prosecution and any other civil claim may ensue.

12. Monitoring and Evaluation

- 12.1 All approved projects may be monitored to assess how CIP is contributing towards the strategic objectives of the incentive and its intended outcomes.
- 12.2 In addition to the site inspection at each claim stage, **the dtic** may conduct focus group sessions, rapid appraisals and evaluation studies, as and when required. Approved applicants are required to participate in these processes in order to inform how best to improve the effectiveness and efficiency of the incentive. These processes may occur up to three (3) years after the final claim and the company may be required to provide supporting documentation for verification purposes.
- 12.3 In order to evaluate the impact of the programme, **the dtic** may require the company to submit performance information up to a period of three (3) years from the last claim payment. Supporting documentation to verify the information may be required.

13. Conclusion

- 13.1 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. The Guidelines represent **the dtic's** operational interpretation of Cabinet Memorandum: No. 18 of 2000.

14. Glossary of Terms and Definitions

Adjudication Committee	An independent committee, according to Income Tax Act No. 58 of 1962, comprising officials from the dtic and any persons appointed by the Minister for the purpose of adjudicating, approving and monitoring of any application under the CIP.
Agro-Processing Projects	Projects linked to an investment in agro-processing industry, which is a subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Transforming products that originate from agriculture, forestry and fisheries.
Applicant	Entities that seek (to apply for) CIP funding.
Broad-Based Black Economic Empowerment	Broad-Based Black Economic Empowerment Act 53 of 2003 as Amended by Act 46 of 2013 is a specific government policy to advance economic transformation and enhance the economic participation of Black people in the South African economy.
Commencement Date	Date of CIP application site visit .
Critical Infrastructure	In terms of the CIP, the infrastructure is deemed “critical” to the investment if such investment would not take place without the said infrastructure or the said investment would not operate optimally.
Date of Approval	The date on which the adjudication committee approves a project for funding under the CIP. It takes into account the risk that the applicant would have undertaken due to timeline pressures by commencing the infrastructure after the date of the site visit .
Date of Site Visit	The date on which the CIP business unit inspects the site on which the proposed infrastructure will be developed.
Distressed Municipality	A municipality whose budget is totally from or provided by the National Treasury and whose revenue is inadequate for its critical services and projects or shows a decline in economic activities as a result of disinvestment bringing about an adverse and prolonged economic condition.
Economically Distressed Area	An area (town, community or other geographic area) that is designated as a distressed area by the Department, based on indicators of economic distress or dislocation, including but not limited to unemployment, poverty and job losses.
Full-time Employment or Employees	Persons that work at least forty (40) hours a week for the same employer and receive wages that are in line with rates as determined by the Department of Labour. <i>Equivalent to contract or seasonal or temporary employees, 1 920 hours worked per year will be an equivalent of one full-time employee.</i>
Funding Agreement	A binding written agreement between two or more persons or entities that is enforceable by law.
Incentive	An instrument for policy implementation. Subsidies given by government and its agencies to a private or public sector commercial project, because of the expected public benefits arising from such projects.

Infrastructure	<p>Refers to the structural foundations or permanent network facilities via which business and society in general receive or supply basic services such as transport, electricity, water, sanitation, telecommunications, etc. Examples of infrastructure include but are not limited to roads, rail, bridges, electricity transmission lines, sewer connections, sanitation, storm water, telephone lines, fibre, runways, landing strips, bulk water infrastructure (generation, storage, purification and distribution), fencing (only available to state-owned industrial parks) silos, broad band works, etc.</p> <p>Notwithstanding the above definition of infrastructure, CIP will for the purposes of supporting new and expansion of fixed investment include the connection of the new investment project to an infrastructure network, scarce storage and purification facilities that are part of the plant or business, which will be freely accessible and utilised by other businesses, where possible.</p>
Infrastructure Development	Refers to the construction and improvement of basic foundational services in order to stimulate economic growth and improvements in quality of life improvement.
Infrastructure Development Costs	Costs incurred for the acquisition and construction of infrastructure.
Industrial Park	An area zoned and planned for the purpose of industrial development (as opposed to residential use). Industrial Parks may contain oil refineries; ports; warehouses; distribution centres; chemical plants; plastics manufacturers; airports; steel manufacturers; food and beverage processors; to name a few examples.
Investment Project	Any private or public sector investment.
Mega Projects	Investment projects that have an investment value of over R1 billion.
Minister	The Minister of Trade, Industry and Competition, unless otherwise stated.
Project	It is a planned commercial undertaking or a long-term task, for purposes of adjudication. A project can be considered as a set of activities that might be approved or rejected as a whole.
Projects alleviating dependency on the national grid, water and sanitation networks	Infrastructure projects alleviating dependency on the national grid, water and sanitation networks, the municipality or Eskom or relevant authority must be involved. The investor must obtain a concurrence from the municipality or Eskom or relevant authority that even if the infrastructure is within private control, the municipality or Eskom or relevant authority has a documented concurrence that it has access to the infrastructure.
South African Owned Film & Television Studios & Cinemas	SA owned film & television studios and cinemas with minimum level 6 B-BBEE status.
Secretariat	CIP administrative business unit consists of the dtic officials or such other persons as appointed by the Director-General for the purpose of management and administration of the CIP.
State-Owned Testing Facilities	Means a state-owned technical infrastructure facility that should test, calibrate, inspect and evaluate industry products as per its stringent requirements. The technical infrastructure should keep-up with the industry's evolving innovations that are essential in giving it the competitive advantage and bringing in the much needed foreign revenue and be able to issue safety and quality certificates that are domestic and or international recognised.

Strategic Industrial Infrastructure Feasibility Studies	Studies that lead to transformation of sector or industry or benefiting local resource or new technology or improve local content as designated by the dtic's industrial procurement and industrial objectives. The feasibility study must include a pilot plant or industrial investment infrastructure. The ultimate investment must locate within the borders of South Africa.
Strategic Industrial Infrastructure	Projects that lead to transformation of sector or industry or benefiting local resource or new technology or improve local content as designated by the dtic's industrial procurement and industrial objectives.

Approved by:

Ms Malebo Mabitje-Thompson

Acting Director-General: Department of Trade, Industry and Competition

Date: 15/12/ 2021