

Alternative funding for electrical infrastructure

Critical Infrastructure Programme (CIP)



Critical Infrastructure Programme (CIP): Supporting business and growing the economy

The South African Government via the Department of Trade and Industry (the dti) **offers grants** through the Critical Infrastructure Programme (CIP) to, **state-owned aerospace and defence national strategic testing facilities** and other enterprises in both the **private** and **public** sectors to stimulate investment and business growth by lowering infrastructure costs.

The programme aims to enhance investment by supporting infrastructure that is deemed critical, thus lowering the cost of doing business.

The CIP is a cost-sharing incentive available to approved applicants or infrastructure projects upon completion of verifiable milestones or approval by the programme's Adjudication Committee.

Where infrastructure sustainability or availability is at risk of limiting an investment opportunity, or results in an investment not being able to fully deliver on its potential or operate optimally, the particular infrastructure will be classified as 'critical'.

This programme supports the construction of bulk infrastructure that enables an investor to undertake a defined new fixed investment or the expansion or sustainment of an existing fixed investment. Examples of infrastructure that may be considered are:

- Electricity transmission and distribution systems
- Electrical systems or equipment (smelters, furnaces, etc.)
- Waste storage facilities
- Sewerage systems
- Disposal and treatment systems
- Bulk water supply
- Conveyor or transportation facilities for solid fuel, water storage, purification and distribution systems
- Roads and railroad systems
- Telecommunication networks
- Fuel supply systems
- Industrial parks (fencing and refurbishment of existing buildings in industrial parks)

Note: Grants are in the form of non-refundable, tax-free cash payments.



Requirements for valid applications

- Applicants must be **registered legal or local government (municipal)** entities in South Africa.
- Applicants must be at least **level four Broad-Based Black Economic Empowerment** (B-BBEE) contributors in terms of the Codes of Good Practice for B-BBEE. This requirement considers exemptions in the case of companies and enterprises that pre-qualify as Qualifying Small Enterprises (QSEs).
- The B-BBEE Codes of Good Practice make provision for the **recognition of contributions via a direct sale** of equity for foreign direct investors who did not enter into any partnership arrangements with another country.
- All projects are given a **grace period of 15 months** (after the date of submission of the application) to comply with B-BBEE requirements. In all other cases, an application should be **submitted together with a B-BBEE certificate**.
- Envisaged **investment projects** that may **qualify** for benefits under any investment incentive schemes offered by the dti are also eligible to apply for CIP grants provided that they are not for the same infrastructure activity items proposed by these projects.
- The CIP will **not fund or co-fund** projects that have applied for the Shared Economic Infrastructure Facility (SEIF) for the same infrastructure activity.
- Projects must be **installed or constructed** beyond the point of supply, already be in progress, open to the public or other investors and have a **guaranteed** source for the balance of funding.
- Projects must be **commercially viable** over the long-term and contribute to job creation and economic growth.



Application process

Step 1:

Submit a **signed** application together with all relevant supporting documentation to the dti at least 60 days prior to commencement of infrastructure construction.

Step 2:

A dti official **inspects** the applicant's site.

Step 3:

The project is **evaluated** and **presented** to the CIP Adjudication Committee.

Step 4:

The committee takes a **decision** and **informs** the applicant accordingly.

The application process takes an average of 60 working days, provided all relevant documentation has been submitted and all requirements have been met.



Claims process and grant disbursement

The dti allows **two claims** per CIP project per the department's financial year, which runs from **1 April** to **31 March** the following year. A **second claim** should be submitted before **31 December** to allow for processing and payment. Claims would, therefore, typically be submitted between **1 April and 31 December**.

A CIP grant is approved per project and may, therefore, be approved for more than one project per legal entity at the same time.



Programme benefits

The CIP offers:

- Grants 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.
- Grants of **10% to 50%** of the total qualifying infrastructural development costs (**up to a maximum of R50 million**) to agro-processing applicants and strategic state-owned aerospace and defence testing facilities.
- Grants of **10% to 50%** of the total qualifying infrastructural development costs (**up to a maximum of R50 million**) to projects that reduce water dependency.
- Grants of **10% to 50%** of the total qualifying infrastructural development costs (**up to a maximum of R50 million**) to renewable energy projects.
- A maximum grant of up to **100% (capped at R50 million)** for infrastructure development in distressed municipalities and state-owned industrial parks.

(Applicants in the last mentioned category are encouraged to make a financial contribution according to affordability.)



Qualification assessment

Qualifying economic benefit criteria	Maximum points
BBBEE	
-Level 4 contributor (15 points)	
-Level 3+ contributor (25 points)	25
Priority sector*	20
Investment value	30
Located in a Special Economic Zone	25
Total (maximum)	100

Legend

B-BBEE	Broad-based Black Economic Empowerment
SEZ	Special Economic Zone
*Priority Sector as identified in the Industrial Policy Action Plan (IPAP)	

A project must achieve a minimum score of fifty (50) for contribution to industrial policy objectives. The funding matrix in accordance with the economic benefit criteria is as follows:

Funding Matrix*:	
Total points scored	CIP Funding (Qualifying Grant Percentage)
0 – 49	0%
50 – 59	10%
60 – 69	15%
70 – 79	20%
80 – 89	25%
90 – 100	30%

**Note: See the aforementioned information on the maximum funding of 50% for certain infrastructure projects under the heading “Programme Benefits”.*



Internet search “Critical Infrastructure Programme (CIP)” for more information.



Alternatively, call the Department of Trade and Industry at 012 394 5827 and ask to speak to an advisor who specialises in the Critical Infrastructure Programme (CIP).



Or, contact a consultancy firm specialising in incentives and grants. (A list of specialist consultants can be found at www.eskom.co.za/idm).

Footnote: Disclaimer:

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