

Annex K - IC³ Matrix

[Drafting Note: question raised as to whether this should be included in the document?

Do be discussed further with the procurement group.]

TNPA'S SUPPLIER DEVELOPMENT OBJECTIVES AND FRAMEWORK

1. To aid its implementation of Supplier Development, TNPA has adapted an existing framework from the DPE. This framework allows for a basic set of principles to be applied to appropriately target Supplier Development initiatives. Supplier Development initiatives aim to assist local suppliers in developing their competitive advantage through increasing their capability and capacity potential. Hence the framework has been termed the Increased Competitiveness, Capability and Capacity (IC³) Supplier Development Classification Matrix.
2. This framework encapsulates the types of Supplier Development opportunities which TNPA currently considers effective and allows TNPA to move its Supplier Development structure away from a dynamic policy environment towards a framework that is designed around general Supplier Development objectives. This enables TNPA to adopt a standard structure but also allows the flexibility to reconsider emphasis on certain aspects as objectives change. The IC³ Matrix (refer to Figure 1 below) categorises Supplier Development opportunities in a matrix based on their value, extent of industrial leverage and strategic importance to TNPA. Further categorisation of opportunities into the relevant quadrants is based on supplier-buyer power, industrial complexity, risk and the length of transaction period.

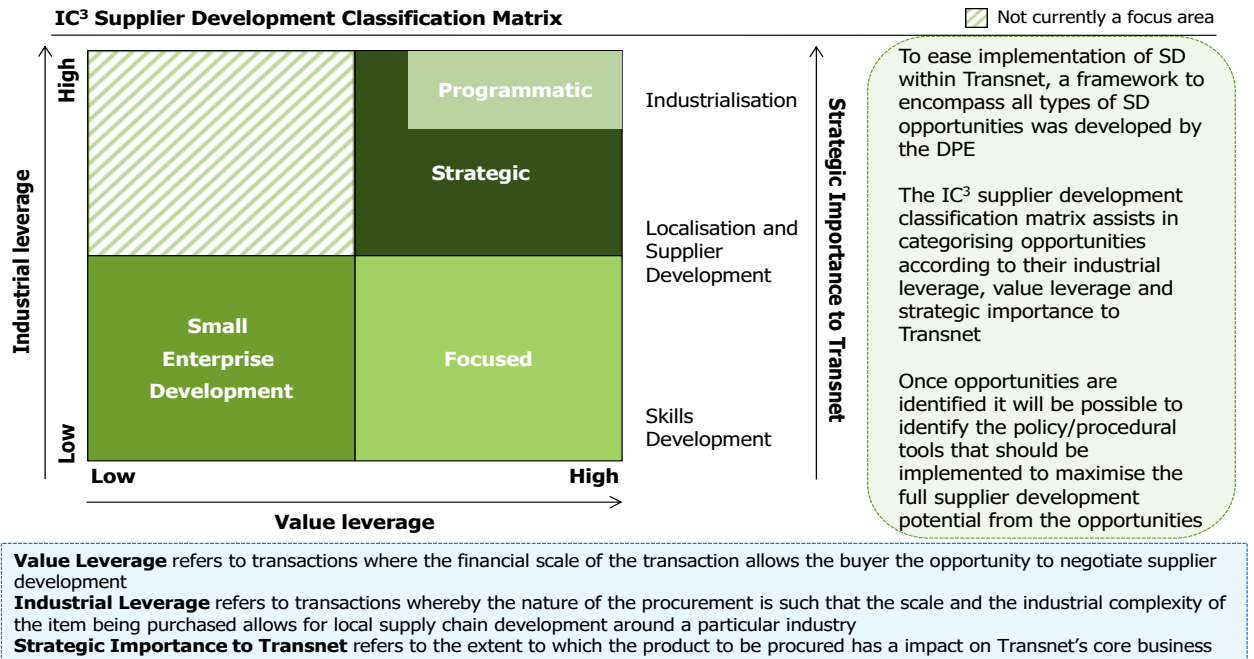


Figure 1: The IC³ Supplier Development Classification Matrix

3. In order for Bidders to successfully meet the needs of a particular initiative, a detailed understanding of each quadrant is required, and is provided below.

3.1. Programmatic

- 3.1.1. Programmatic initiatives follow a longer than normal planning horizon and generally exceed the funding capacity of TNPA's balance sheet. Collaboration between the state owned enterprise and Government is achieved through focused task teams whereby infrastructure development and industrialisation is achieved through joint support and in some cases public spending. Investment is focused in plant, technology and skills in both intermediate and advanced capabilities to develop competitive advantage.

3.2. Strategic

- 3.2.1. Strategic initiatives follow a three to five year planning horizon, involving investment in at least plant, technology and or skills in intermediate capabilities. This enforces the need for multinational

corporations and Original Equipment Manufacturers (**OEMs**) to develop a certain percentage of their products locally. Strategic initiatives can therefore be used to achieve TNPA's objectives by increasing the competitiveness, capability and efficiency of local suppliers. Strategic initiatives can sometimes focus on advanced capabilities, but will in most cases require Government support to develop local capability.

3.3. Focused

- 3.3.1. Focused initiatives include all high value transactions with limited industrial leverage and medium to low strategic importance. These initiatives address short to medium-term contracts that can be leveraged to encourage Supplier Development, with a focus on investment in technology or skills to enhance existing local capability. Emphasis will largely be placed on benefiting previously disadvantaged individuals. The overall result improves the socio-economic environment by creating competitive local suppliers and furthers objectives of empowerment, transformation and regional development.

3.4. Small Enterprise Development

- 3.4.1. Small Enterprise Development initiatives are typically of low value and have no industrial leverage as they are characterised by typically low complexity goods and high competition. These initiatives concentrate on increasing the capability of small local suppliers and are targeted toward historically disadvantaged individuals and communities, providing basic skills development and improving local employment and quality job creation. It includes a wide range of non-financial services that help entrepreneurs start new business and grow existing ones.