

A decorative graphic on the left side of the slide, consisting of three overlapping circular frames. The top frame shows a close-up of solar panels. The middle frame shows a large industrial facility with several tall cooling towers and a body of water in the foreground. The bottom frame shows a helicopter lifting a large power line tower into place. Below this, another circular frame shows a worker in a safety harness working on a power line tower.

Transmission Supplier Engagement Forum – SDL&I

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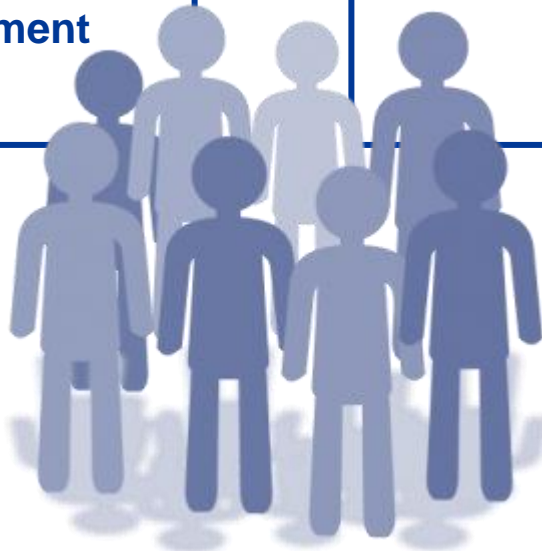
Purpose

The **objective** of government through various departments and across different spheres is to foster the creation of a **sustainable economy** by increasing the local supply base through **manufacturing** and other **industry-building activities**, develop **skills** and create **employment opportunities**.



Mandate

Our **mandate** is to achieve **maximum and sustainable local development impact** through leveraging Eskom's **procurement spend** in a manner that allows flexibility within the business in order to accommodate **government local development initiatives and policies**



- On 04 November 2022, National treasury gazetted Preferential Procurement Regulation 2022 which became effective on the 16 January 2023. Eskom was therefore mandated to revise its preferential procurement policy which was derived in the main from the impugned PPR 2017 in compliance to the Constitutional Court judgement and based on the framework prescribed in Section 2 of the Procurement Act.
- As a State-Owned Company, Eskom must align with the government's development and growth initiatives. It has committed itself to local development initiatives with the aim of increasing the competitiveness, and capability of its local supply base as well as support government's goals of shared growth, employment creation, poverty reduction and skills development
- All local development programs have the following key performance areas

Key performance areas	Definition
Skills development	Increasing the skill base (number and skill level) of South African workers in areas relevant to the energy sector and where there is a national scarcity of skills
Local content	Utilisation of Transmission spend to develop South African based manufacturers/suppliers by ensuring that local content in line with DTI designated commodities is adhered to and advanced
Industrialisation	Utilisation of Eskom and suppliers' spend to foster the establishment of new competitive industries in the Transmission sector
Employment and job creation	Creation of <u>new</u> jobs by suppliers as a direct result of Transmission business
Supplier development	Providing a platform to develop emerging suppliers, and further contribution to local developmental opportunities for national and international suppliers

- On the impugned PPPFA, pre-qualification requirements applied on BBBEE levels and subcontracting. Local Content was mandatory.
- With the new PPR, SDL&I requirements are now objective criteria which means that, tenderers must meet these requirements before contract award.
- Monitoring of SDL&I requirements is part of the contract, and to ensure that requirements are met, Suppliers/Contractors that fail to meet SDL&I commitments will be subjected into a penalty of 2.5% of the value of the contract.

- BBEE Point Scoring: Valid BBEE Certificates/Affidavits must be submitted.
- Local Content on Designated Commodities.
- Subcontracting requirements.
- Skills Development and Local Employment.
- NIPP (National Industrial Participation Program)

In term of the B-BBEE Codes of Good Practice and the BEE Commission guidelines:

“It is illegal for a measured entity to trade with an invalid/inconclusive or incorrect B-BBEE Verification Certificate. The procurement spend as a result of such an invalid document cannot be recognised during B-BBEE measurement, therefore, it is critical to determine the validity of B-BBEE certificates measured entities present in order to access an economic opportunity”.

To leverage **public expenditure** (both CAPEX and OPEX) made by **organs of state** to:

- **Develop and enhance** local manufacturing capability and capacity
- Support industrial **innovation** and technological **developments**
- Create **employment** and sustain jobs
- Boost **exports** and ensure suppliers are integrated into OEM's global value chains
- Support broader **economic empowerment** through the creation of black industrialists

In terms of the tendering process, tenderers are required to fill in the following documents to meet local content before award:

- ① SBD 6.2
- ② Annexure C
- ③ Annexure D
- ④ Annexure E

All forms must be filled in detail and signed (DTI presentation will elaborate and clarify further)

- Subcontracting, in this instance, will be treated as a condition for contract award. A supplier awarded a contract may not subcontract more than 25% of the value of the contract to any other entity that does not have an equal or higher B-BBEE status level of a contributor than the supplier concerned unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.

If feasible to subcontract for a contract above R30 million, Eskom:

- a) must apply subcontracting to previously designated groups.
- b) must advertise the tender with a specific condition for contract award that the successful tenderer must subcontract a minimum of 30% of the value of the contract to:

- (a) an EME or QSE;
- (b) an EME or QSE which is at least 51% owned by black people;
- (c) an EME or QSE which is at least 51% owned by black people who are youth;
- (d) an EME or QSE which is at least 51% owned by black people who are women;
- (e) an EME or QSE which is at least 51% owned by black people with disabilities;
- (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
- (g) a cooperative which is at least 51% owned by black people;
- (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
- (i) more than one of the categories referred to in paragraphs (a) to (h).

- Skills development and Local Employment are not an evaluation criteria but a contract undertaking which must be finalized at a contract stage with a successful tenderer/s
- Skills development will be done to benefit the local communities where the project will be executed.
- Tenderers can not charge Eskom on Skills development
- Suppliers/Contractors are expected to employ locals to avoid disruptions on site and also to ensure that there is benefit for local communities.

- Key industrial levers set out in the New Growth Path (NGP) and Industrial Policy Action Plan (IPAP) to support Industrial Development
- To attract foreign direct investment
- To stimulate manufacturing capacity
- To increase levels of competitiveness
- To create export markets
- To contribute to job creation or retention

- National Industrial Participation Program (NIPP)
- Applicable to ALL government purchases
- Imported Content is US\$5 million & above
- Attract Minimum of 30% NIPP obligation
- Formalized through National Industrial Participation Agreement (NIPP) Obligations
- Requires a 5 % Performance Guarantee

- Ensure sustainable economic growth
- Encourage Foreign Direct Investment (FDI) into South Africa
- Increase exports of South African 'value-added' goods and services
- Encourage research and development (R&D) collaboration in South Africa
- Facilitate access to new markets, and establish new trading partners
- Contribute to job creation in South Africa

- Completion of SBD 5 form
- An undertaking by a potential contractor to comply with NIPP once awarded a contract
- NIPP Obligation Agreement
- A formal Commitment to NIPP
- Performance Guarantee
- A recourse for the Department of Trade Industry and Competition (DTIC) on non-performance
- NIPP Business Plan
- A means to earn credits & offset obligation

Thank you

