

SUPPLIER DEVELOPMENT LOCALISATION AND INDUSTRIALISATION TARGETS

1. OBJECTIVE CRITERIA

Specific Goals - Implementing the programmes of the Reconstruction and Development Programme (RDP)

Eskom Rotek Industries (ERI) is using this procurement opportunity to promote socio-economic transformation, empowerment of small enterprises, rural and township enterprises, designated groups and promotion of local industrial development. It is against this background, therefore that ERI reserves the right to award the contract to a supplier that commits to Transformation - B-BBEE Improvement or Retention Plan, Enterprise and Supplier Development, Skills Development, Job Creation and Socio Economic Development in favour of beneficiaries residing within the Local Municipalities where the service will be consumed.

1.1. Supplier Development & Localisation Matrix

The SDL&I Matrix is not an evaluation criterion, however the successful supplier is under obligation to accept the SDL&I objectives before it is eligible for award in accordance with Section 2 (1) (f) of the Preferential Procurement Policy Framework Act (PPPFA).

TABLE 1: SUPPLIER DEVELOPMENT AND LOCALISATION COMPLIANCE MATRIX FOR SUPPLIERS AND CONTRACTORS				
Criteria	Weight (%)	Total Target (%)	Proposed Target (%)	Total Overall Weighted Score
Local Content to South Africa	50.00%	100.00%		
Sub-Contracting	30.00%			
Skills Development	20.00%			
Total Score	100.00%			
Total Supplier Development and Localisation Score				

1.2. Transformation – BBEE Improvement or Retention Plan

Transformation remains an area of focus, where ERI continuously strives to align itself with national transformation imperatives to unlock growth, drive industrialisation, create employment and contribute to skills development.

ERI encourages its suppliers to constantly strive to improve their B-BBEE rating. Whereas Respondents will be allocated points in terms of a preference point system based on specific goals, ERI also requests that Respondents submit B-BBEE improvement or retention plan.

Respondents are therefore requested to indicate the extent to which they will maintain (only if the Respondent is a Level 1) or improve their B-BBEE status over the contract period. Respondents are requested to submit their B-BBEE Improvement Plan as an essential document with their bid.

Respondents with a B-BBEE recognition status of Level 5 to Level 8 or non-compliant, shall migrate and achieve as a non-negotiable a milestone of Level 4 by the end of the first year of the contract and thereafter improve at least one B-BBEE Level higher of each year from the second year of the contract.

1.3. Subcontracting and Enterprise & Supplier Development (ESD)

In order to increase the number of designated groups in this sector, the successful supplier shall subcontract a minimum of 30% of the contract to:

- an EME or QSE which is at least 51% owned by black people living in rural or underdeveloped areas or townships.

Eskom Rotek Industries (ERI) will make available a list of suppliers registered on a database approved by National Treasury to provide the goods and services in respect of the applicable designated group per the subcontracting commitment from which successful suppliers will select the subcontracting beneficiaries.

The successful supplier is responsible for all due diligence on its subcontractors. The successful supplier is not allowed to conclude a subcontracting arrangement(s) or agreement(s) with its subsidiary or businesses related to it as part of the minimum 30% subcontracting commitment. The successful supplier may only conclude a subcontracting agreement in line with the minimum 30% subcontracting commitment after obtaining relevant approval from ERI.

Every subcontracting linked to the commitment above, shall be accompanied by the Enterprise and Supplier Development (ESD) plan aligned to the relevant code of the Department of Trade Industry and Competition's Codes of Good Practice as amended and must answer the following two key questions:

- i. What is being done to enhance the financial capacity of beneficiary? and
- ii. What is being done to improve the operational capacity of beneficiary

Subcontracting will be limited to designated groups located within the province(s) where the service will be consumed.

1.3.1. Pre-requisites for an Enterprise Development Plan:

ERI concluded the Enterprise Development (ED) agreements with various designated groups interested in accessing developmental opportunities through procurement within the turbine and Gen Consumables at ERI work stations and various sites. The successful supplier shall develop the assigned ED beneficiaries on behalf of ERI. The successful supplier may not own a stake or shares (strictly 0% shareholding) in the assigned ERI ED beneficiary, either directly or through a flow through or modified principles calculation. The ERI assigned ED beneficiary that qualifies for development shall:

- i. Be a legal entity registered with National Treasury's Central Supplier Database;
- ii. Reside or located within ERI's areas of operation classified as Local to Site; and
- iii. Wholly Black Owned, controlled and managed, classified as an Exempted Micro-Enterprise (EME)

1.3.2. Requirements for the ED program:

The successful supplier will conduct a needs analysis on the assigned ERI ED beneficiary to identify developmental areas. This will be followed by the formulation of a development program with milestones aimed at eliminating identified gaps. The successful supplier will then develop a schedule of activities to address the identified developmental areas.

The successful supplier will also allocate resources for development of the ERI ED beneficiary and assign an ED champion. The ED champion will be suitably qualified and experienced to monitor progress and complete portfolio of proof for activities for submission to ERI within agreed timelines. The successful supplier shall comply with at least five requirements from the list below:

1. Management and labour skills transfer;
2. Shorter payment terms less than 14 days;
3. Guarantee(s) provided on behalf of a beneficiary entity;

4. Interest-free loan with no security requirements;
5. Establishment of administrative systems;
6. Establishment of cost controls systems;
7. Planning, tendering and programming skills transfer;
8. Business skills transfer with emphasis on entrepreneurial and negotiation skills;
9. Technical skills transfer with emphasis on innovation;
10. Legal compliance;
11. Procurement skills transfer;
12. Establish credit rating/ history;
13. Establish financial loan capacity/ history;
14. Contractual knowledge transfer

1.3.3. Process of monitoring and reporting related to the ESD program:

The ERI assigned representative shall:

- Ensure that all the pre-requisites for an ED relationship have been met over the agreed timelines of the contract in order to recognize the ED Program;
- Ensure that the ED Program complies with the requirements; and
- Interview and inspect any relevant documentation including premises for the ED beneficiary and selected staff to verify ED Program compliance to contractual SDL&I commitments.

1.4. Skills Development

Considering the overall budget, duration of the contract, opportunities for growth in this industry and the industries annual contribution to skills development levies, the successful supplier is obliged to develop skills through a bursary valued at R60 000.00 per ERI assigned beneficiary at a registered and accredited South African university of ERI's choice, for every R4.8 million invoiced of the cumulative contract amount.

The skills development commitment shall be carried out within one month of reaching or exceeding the R4.8 million threshold. The skills development commitment (i.e. a bursary valued at R60 000.00 for every R4.8 million invoiced) will be ceded to a designated bank account as prescribed by ERI for future transfer to the relevant university as identified by ERI.

1.5. Job Creation

To be completed by the tenderer

Number of jobs to be created as a direct result of this contract	
Number of jobs to be retained as a direct result of this contract	

- The successful supplier must indicate in the table above the number of jobs to be created and / or retained as a direct result of this contract.
- The expectation will be that the successful supplier has a core team, which will be made up of specialised skills that may not be sourced in the areas surrounding the site. It will be required that at least **50%** of all semi-skilled and **100%** of all unskilled labour that will be utilised in executing the works, will be within Local Municipality where the service will be consumed

1.6. Socio Economic Development

The successful supplier shall spend 1% of the contract amount to fund the Corporate Social Investment initiative(s) aimed at empowering black communities as identified by ERI. The CSI commitment (i.e. 1% of every invoiced amount) will be ceded to a special account as prescribed by ERI for consolidation with contributions from other suppliers.

2. Monitoring and reporting of SDL&I commitments

- a. The successful supplier shall on a quarterly basis submit a report to ERI in accordance with the SDL&I Data Collection Template on its compliance with the SDL&I obligations.
- b. ERI shall review the quarterly report submitted by the successful supplier within 60 (sixty) days of receipt of the reports and notify the successful supplier in writing if its SDL&I obligations have not been met.
- c. Upon notification by ERI that the successful supplier has not met its SDL&I obligations, the successful supplier shall be required to implement corrective measures to meet those SDL&I obligations before the commencement of the following quarter, failing which the SDL&I penalty clause shall be invoked.

3. SDL&I Penalty

- a. At the end of each quarter, ERI will apply a penalty of 2.5% of the invoiced amount excluding VAT for the successful supplier's failure to meet SDL&I obligations during that period.

Every contract shall be accompanied by the SDL&I implementation schedule which must be completed by the successful supplier and returned to the SDL&I representative for acceptance



Supplier Development Localisation and Industrialisation Undertaking
Supply and Delivery of Reamers and Drills.

before contract award. This will be used as a reference document for monitoring, measuring and reporting on the supplier's progress in delivering on the successful supplier stated SDL&I commitments.

Signed _____ Date _____

Name _____ Position _____

Company
Name _____