

SUPPLIER DEVELOPMENT, LOCALISATION AND INDUSTRIALISATION TARGETS

1. OBJECTIVE CRITERIA – Local Content and Local-to-site beneficiation

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 submit proposals before it is eligible for award in accordance with Section 2 (1) (f) of the Preferential Procurement Policy Framework Act (PPPFA).

1.2. Transformation – BBEE Retention or Improvement 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 its B-BBEE scorecard, ERI also requests that Respondents submit B-BBEE improvement 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. Enterprise and Supplier Development (ESD)

In order to increase the number of designated groups in this sector, the successful supplier shall sub-contract 30% of the contract an Exempted Micro Enterprise (EME) which is wholly owned, managed and controlled by black people living in rural or underdeveloped areas or townships. Every subcontracting 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 local municipality where the service will be consumed. Local to site areas are defined per Table 2. Priority will be given to beneficiaries under Level 1 per Business Unit below.

Table 2: Local to site classification

Business Unit	Level 1	Level 2	Level 3
Kusile GCD	Nkangala DM and BHS	Nkangala DM and BHS	Mpumalanga and BHS
Kusile Gx	Balmoral, Ogies, Phola and BHS	Emalahleni LM and Victor Khanye LM	Mpumalanga
Kendal	Ogies, Phola, Wilge and Delmas	Emalahleni LM and Victor Khanye LM	Mpumalanga
Kriel	Kriel , Rietspruit and Leandra	Emalahleni LM, Bethal, Leandra	Mpumalanga
Matla	Kriel and Leandra	Emalahleni LM, Bethal, Leandra	Mpumalanga
Tutuka	Lekwa LM	Gert Sibande DM	Mpumalanga
Grootvlei	Dipaleseng LC, Villiers	Gert Sibande DM, Villiers	Mpumalanga and Villiers
Duvha	eMalahleni	Nkangala DM	Mpumalanga
Komati	Middelburg, Koornfontein, Blinkpan, Bank Colliery, Brey farm	Emalahleni, Middelburg	Mpumalanga
Hendrina	Pullenshope, Hendrina, Kwazamokuhle, Middelburg	Nkangala DM	Mpumalanga



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Arnot	Kwazamokuhle, Belfast, Middelburg, Rietkuil, Machadadorp	Nkangala DM	Mpumalanga
Camden	Msukaligwa LM	Gert Sibande DM	Mpumalanga
Majuba	Dr Pixley Ka Isaka Seme LM	Gert Sibande DM	Mpumalanga
Dx MOU - Emalahleni Zone	Sector areas	Nkangala DM	Mpumalanga
Dx MOU - Ermelo Zone	Sector areas	Gert Sibande DM	Mpumalanga
Dx MOU - Mbombela Zone	Sector areas	Ehlanzeni DM	Mpumalanga
Lethabo	Sector areas	Sedibeng DM and Fezile Dabi DM	Gauteng and Free State
Medupi/ Matimba	Sector areas	Waterberg DM	Limpopo
Rosherville	City of Johannesburg	Johannesburg Metro	Gauteng

3.3.1. Pre-requisites for an Enterprise Development Plan:

Eskom concluded Enterprise Development (ED) agreements with various designated groups interested in accessing procurement opportunities within the related supply of tools sector at various sites. The successful supplier shall develop assigned ED beneficiaries on behalf of Eskom. The successful supplier may not own a stake or shares (strictly 0% shareholding) in the assigned Eskom ED beneficiary, either directly or through a flow through or modified principles calculation. The Eskom 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 Eskom's areas of operation classified as Local to Site; and
- iii. Wholly Black Owned, controlled and managed, classified as an Exempted Micro-Enterprise (EME)

3.3.2. Requirements for the ED program:

The successful supplier will conduct a needs analysis on the assigned Eskom 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 Eskom 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 Eskom 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

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

The Eskom 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 offer valued at R80 000.00 per ERI assigned student at a registered and accredited South African university.

The skills development initiative will not be part of the weighting criteria however as a condition for contract award, the successful supplier shall offer a bursary valued at R80 000 to an ERI assigned beneficiary at a registered and accredited South African university, for every R4.8 million invoiced of the cumulative contract amount.

Training of candidates

The successful supplier shall offer a university bursary in favour of an ERI assigned student 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.

Reporting

At task order stage successful supplier will be required to submit a plan to ERI for approval as part of the implementation schedule, which sets out the following in detail:

- Details of South African university including year of study and full time programme;

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 or assigned by ERI.

2. Monitoring and reporting of SDL&I commitments



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- 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 **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 _____