

MEMORANDUM

Reference: NIPP/0
1/2021

To: Procurement and Supply Chain Management, End-users and Risk and Governance Structures
From: Solly Tshitangano, Chief Procurement Officer
Date: 8 December 2020
SUBJECT: IMPLEMENTATION OF THE NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME (NIPP)

1. PURPOSE

The purpose of this memorandum is to inform all Procurement and Supply Chain Management staff, governance committees and end-users that the National Industrial Participation Programme (NIPP) is to be implemented in bid processes (where applicable). The NIPP implementation is aligned to the Eskom localisation drive, as well as the broader industrialisation agenda of the South African government's strategy to realise local manufacturing and production.

2. BACKGROUND

Government has moved to utilising public procurement as leverage to support and expand industrialisation and boost the local economy. Eskom requested the shift from the Competitive Supplier Development Programme (CSDP) to NIPP and the Department of Public Enterprises (DPE) heeded the request. The DPE Minister, having been made aware of the challenges experienced with the implementation of CSDP, approved in a written letter, the application of implementing NIPP with immediate effect as from 7 August 2020.

The NIPP policy and guidelines were fully endorsed by Cabinet on 30 April 1997. In terms of the Cabinet decision, all state and parastatal purchases/lease contracts (for goods, works, services) entered into after this date, are subject to the NIPP requirements. Follow the link http://www.thedtic.gov.za/wp-content/uploads/Nip_Guidelines2013.pdf for the revised NIPP guidelines issued in 2013 by the Department of Trade, Industry and Competition (the dtic). These guidelines are binding on all government departments, spheres of government and state-owned companies (SOCs), unless so exempted by the dtic. However, **the revised NIPP requirements are under review and the guidelines should be used for background information for now until the review is published.**

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As Eskom will no longer apply CSDP as envisaged by the objectives of the CSDP programme, it will, however, apply the NIPP where applicable. It will apply the principles of the NIPP together with the Minister for Public Enterprises' conditions for approval of implementation of the NIPP.

The NIPP obligation is triggered by the imported content of a contract and not the entire contract value. The NIPP obligation will amount to 30% of the imported content of the contract. The Minister of Public Enterprises has granted approval for Eskom to apply NIPP to its procurement transactions with imported content equal to or in excess of US\$5 million.

3. NIPP CONTENT IN THE TENDERS AND ESKOM REPORTING TO THE DTIC

3.1 The following narrative must be captured in all tenders that have import/ foreign content equal to or in excess of USD\$5 million:

“NIPP is a programme that seeks to leverage economic benefits and support the development of South African industry by effectively utilizing the instrument of government procurement. The NIPP programme is mandatory on all government and parastatal purchases or lease contracts (goods and services) with an imported content equal to or exceeding US\$5 million.

The programme is targeted at the South African and foreign industries, enterprises, and suppliers of goods and services to government / parastatals, where the imported content of such goods and services equals to or exceeds US\$5 million. The first customer of NIPP is the South African industry that benefits through the NIPP business plans which, when implemented generate new or additional business activities through one or more of the following: investment, export opportunities, job creation, increased local sales, SMME and BEE promotion, R & D and technology transfer.

Companies with a NIPP obligation are required to sign this obligation agreement with The Department of Trade, Industry and Competition (the dtic) before the contract with Eskom Holdings SOC Ltd, as a purchasing entity, is signed. The obligation agreement governs the relationship between the dtic and supplier. It defines the NIPP obligation value/s, requirements to fulfil the NIPP obligation, performance milestones, performance monitoring processes and the NIPP credit allocation criteria

All tenders with an import content that is equal to or exceeds the threshold of US\$5 million, compels the winning bidder to negotiate and enter into a NIPP obligation agreement with the dtic before signing the contract with Eskom.”

3.2 Reporting requirements

For all contracts in excess of US\$5 million, the Procurement and Supply Chain Management Department must furnish the following information to the dtic five working days after the award of the tender (note that if a contract is not subsequently concluded, the dtic must be informed accordingly):

- ☐ Bid number;
- ☐ Description of the goods or services;
- ☐ Date on the letter of intent to award the contract;

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- ☐ Name, address and contact details of the contractor;
- ☐ Value of the contract; and
- ☐ Imported content of the contract, if possible.

The dtic and Eskom are required to provide the DPE with a quarterly report on all contracts awarded with imported content equal to or more than US\$5 million during that quarter. For this purpose, Eskom's Procurement/ SDL&I must report to the dtic on the last business day of the quarter for the purposes of consolidation and reporting to the DPE.

4. EFFECTIVE DATE AND IMPLEMENTATION

The effective date of this directive is as of the date of signature.

5. ENQUIRIES

Enquiries regarding this directive may be directed to MalekeMD@eskom.co.za Yolisa.Mangcu@eskom.co.za [/Sanah.Nthate@eskom.co.za](mailto:Sanah.Nthate@eskom.co.za)

Procurement and Supply Chain Management functions are required to disseminate this information throughout their function and to respective end user departments.

PP



Solly Tshitangano

CHIEF PROCUREMENT OFFICER

Date: 25 February 2021

Language edited



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