

National Workshop of Industrial Involvement

Industrial Involvement Policy Considerations

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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.

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

Government driven process

- Government decision for Nuclear participation
- Develop an infrastructure to coordinated and implement role out plan
- Socio economic enhancement programs

Skills development

- Major initial government funding
- Restructuring and / or development of skills institutes for appropriate skills development
- External training through vendors and related technology transfer programs

Technology transfer

- Major initial government funding
- Long term transfer programs
- Cooperation agreements
- Purchase of standardised plant

Localisation

- Significant initial government funding to establish relevant industry
- Government mechanisms to assist development of local industry
 - Tax incentives
 - Import / Export incentives
 - “Red tape” elimination, minimising bureaucracy
- Manufacturing to nuclear standards
 - Skills development
 - Establish manufacturing capability, capacity
- Develop export market, competitive environment
- Strategic alliances and IP buy out and or transfer
- Standardisation of plant

Funding

- Initial funding, strong government input
- Various alternatives applied as programs progressed

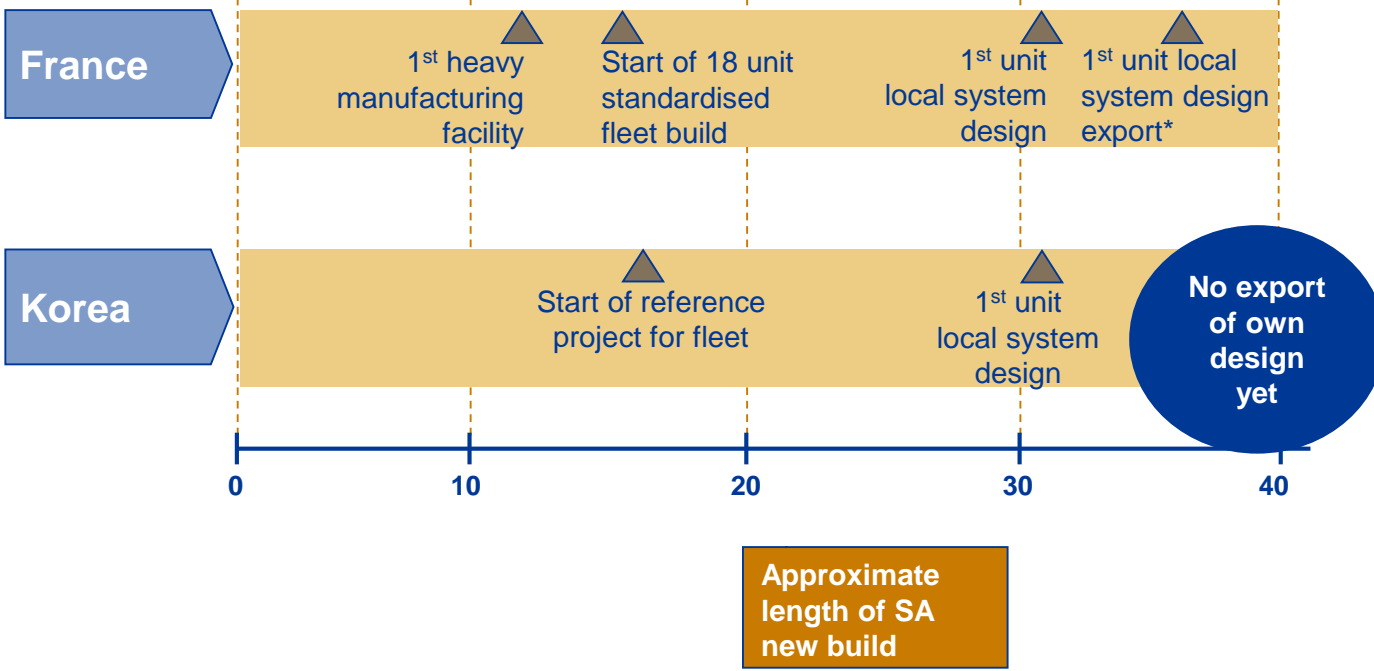
INTERNATIONAL EXPERIENCE, TOWARDS SELF RELIANCE

ILLUSTRATIVE

Major milestones from order of first plant

Yrs

▲ Major milestones



Implications for South Africa

The journey towards globally competitive PWR plant design is likely to extend longer than the planned new build programme

However, South Africa has unique circumstances that might expedite this process

- Design (PBMR)
- Fuel manufacture (NECSA)
- O&M (Koeberg)
- Synergies between PWR and PBMR in industrialisation programme

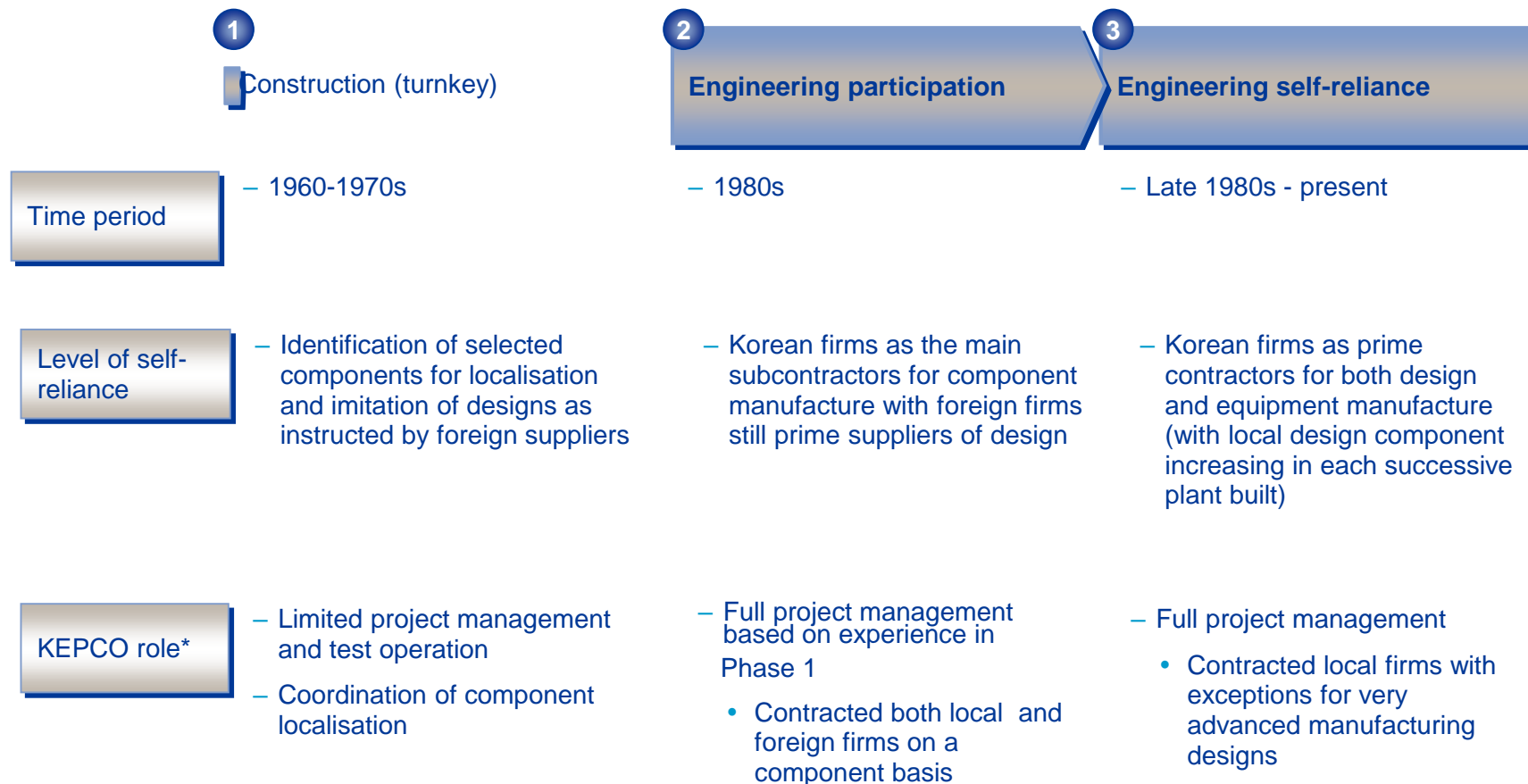
OTHER COUNTRIES HAVE TAKEN UP TO 40 YEARS TO PRODUCE GLOBALLY COMPETITIVE NUCLEAR POWER PLANT BUILD PROGRAMMES

FRANCE Started from a higher INDUSTRIAL BASE than KOREA, took nearly 40 YEARS to complete export of local system

	1 Construction (turnkey)	2 Westinghouse participation	3 Export of local components	4 Export of local system design
Time period	1956-1959	1959-1982	1982-1992	1992-present
Level of self-reliance	<ul style="list-style-type: none"> Minimal (turnkey construction) 	<ul style="list-style-type: none"> Westinghouse licence to and investment in Framatome* enabled increasing levels of local component manufacture 	<ul style="list-style-type: none"> Full manufacturing self-reliance Continued use of licenced design, with progressive patents to trademark technology development End of Westinghouse investment in Framatome 	<ul style="list-style-type: none"> Complete design and manufacturing self-reliance
Level of exports	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Limited exports based on licenced design 	<ul style="list-style-type: none"> Increased exports of French components and licenced design 	<ul style="list-style-type: none"> Export of local system design and component design and manufacture
State role**	<ul style="list-style-type: none"> Limited co-ordination of component localisation Ownership of utility (EDF) 	<ul style="list-style-type: none"> Increasing levels of project management (Framatome) Co-ordination of component localisation Utility ownership (EDF) 	<ul style="list-style-type: none"> Full project management (Framatome) Utility ownership (EDF) Policy influence/implementation 	<ul style="list-style-type: none"> Full project management (Framatome/Areva) Utility ownership (EDF) Policy influence/implementation

KOREA'S EXPERIENCE, TOWARDS SELF RELIANCE

Development of the Korean nuclear power industry, 1960-2007



- Nuclear industry is long term 60+ years creating opportunities
 - Front end,
 - Power utility construction and operation & maintenance,
 - Back end
- Volume over time
- Initial cost of manufacturing plant setup built into equation
- Local viability Gen 3+ into Gen 4 technology first
- Export opportunities for industry
- Gaining competitive advantage Gen 3+ into Gen 4
- IP & Technology transfer

There are several initiatives and acts that affect local development, and they are primarily managed by four different government departments

Policies/initiatives

Accelerated and Shared Growth Initiative for South Africa (ASGI-SA)

National Industry Policy Framework (NIPF)

Industrial Policy Action Plan (IPAP)

National Industry Participation Programme (NIPP)

Competitive Supplier Development Programme (CSDP)

New Growth Path (NGP)

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.

Legislation

- Public Finance Management Act (PFMA)
- Preferential Procurement Policy Framework Act (PPPFA)

Broad-Based Black Economic Empowerment Act (BBB-EE)

Construction Industry Development Board Act (CIDB)

Constitution of the Republic of South Africa

National Skills Development Act

International Trade Administration Act

The National Small Business Act

Competition Act

Companies Act

Reconstruction and Development Programme Fund Act

Regional Industrial Development Act

State Tender Board Act

The Prevention and Combating of Corrupt Activities Act

Corruption Act

Promotion of Administrative Justice Act

- NT
- DTI
- DPE
- DPW

- SOEs increasingly utilised as front line implementation channels for the concept of a “Developmental State”
- Increased reporting time and demands for different stakeholders

Eskom, like all state-owned enterprises, operates in a complex policy and legislative environment

NGP linked policy	Description	Stated priority goals
1 New Growth Path <i>Presidency</i>	<ul style="list-style-type: none"> The NGP developed by the Economic Development Department in 2010 frames a new approach to unlocking economic growth In essence the aim is to target limited capital and capacity at activities that maximise the creation of decent work opportunities Growth path areas include: Strengthening competition policy, Procurement reform to support local procurement, Reform of broad-based BEE, Stepping up skills development, African regional development, Tourism, Creation of employment, Strategy for the green economy, Reducing cost drivers across the economy, Long-run perspective on mining development, including directions for infrastructure and skills, Youth employment, Spatial development within South Africa, Greater focus on Enterprise Development. 	<ul style="list-style-type: none"> Targets <ul style="list-style-type: none"> Five million jobs by 2020 - reduce unemployment from 25% to 15%
2 IPAP 2 <i>the dti</i>	<ul style="list-style-type: none"> Policy to implement the strategic NGP ideas with specialised action plans for the major industries that have the biggest impact with respect to the NGP goals Defines time lines and responsible government departments for action plans Focuses on manufacturing and other value-added sectors. Areas of influence for Eskom include: Fleet procurement (Coal, steel power pylons), Green industries (Wind, Solar) and Advanced manufacturing (Nuclear). 	<ul style="list-style-type: none"> IPAP 2 has a target of 129,000 jobs over the next three years
3 CSDP <i>DPE</i>	<ul style="list-style-type: none"> Allows for investment in the supplier's own supply chain to help reduce cost and develop the supplier Supplier development plans consist of usage of specification, procurement and strategic sourcing by SOEs towards local supplier development Policy developed by DPE and key SOEs 	<ul style="list-style-type: none"> Local industry growth by increasing the participation of the local industry from 60% to 70% of the SOE capex and opex expenditures by 2012 Achieve competitiveness and increase local capability and capacity
4 B-BBEE <i>the dti</i>	<ul style="list-style-type: none"> Embeds BEE in PPPFA guidelines so that public entities consider black economic empowerment within their preferential procurements Aligned preference points system which allows to split preference points between B-BBEE and other goals like local supplier development 	<ul style="list-style-type: none"> Facilitate broad based black economic empowerment
5 IRP <i>DoE</i>	<ul style="list-style-type: none"> Integrated Resource Plan (IRP) for South Africa, initiated by the Department of Energy (DoE) revised every two years, lays out the proposed generation new build fleet for South Africa for the period 2010 to 2030. 	<ul style="list-style-type: none"> Includes a new build of 9,6 GW of nuclear; 6,3 GW of coal; 17,8 GW of renewables; and 8,9 GW of other generation sources.

New Growth Plan (Presidency)

Description

- **Focus:** Job Creation through:
 - accelerating employment creation primarily through direct employment schemes, targeted subsidies and/or a more
 - expansionary macroeconomic package.
 - supporting labour-absorbing activities, especially in the agricultural value chain, light manufacturing and services, to generate large scale employment.
 - increasingly supporting knowledge- and capital-intensive sectors in order to remain competitive.
- **Focus:** Deeping the domestic and regional market by growing employment, increasing incomes and undertaking other measures to improve equity and income distribution, and to widen the market for South African goods and services through a stronger focus on exports to the region and other rapidly growing economies.
- **Focus:** Developmental state to transform towards a more equitable, decent work-generating and green economy, leveraging its resource and regulatory capacity, to align market outcomes with development needs though identified economic challenges and innovative solutions. Accordingly, *the document mentions re-orientation of the state agencies including the SOE's to achieve the development goals.*
- **Growth path areas include**
 - Strengthening competition policy
 - Procurement reform to support local procurement
 - Reform of broad-based BEE to support employment creation and broad-based equity and ensure alignment across all economic sectors
 - Stepping up skills development, including through reform of the SETA system and the National Skills Development Strategy
 - African regional development
 - Tourism
 - Creation of employment through agriculture, agro-processing and rural development
 - Strategy for the green economy
 - Reducing cost drivers across the economy
 - Long-run perspective on mining development, including directions for infrastructure and skills
 - Youth employment
 - Spatial development within South Africa.
 - Greater focus on Enterprise Development.

IPAP 2 (the dti)

Description

- **Key Points:**
 - Encouragement of localisation and supplier development within SOE's has led to new policies, processes and systems and increased capacity-building to embed supplier procurement leverage more systematically.
 - Important for the sector-specific training programmes (SETA & NSF) and skills facilities to emerge directly from industry demands in relation to detailed Customised Sector Programmes.
 - Champion the South African Renewables Initiative (SARi) aimed at drawing in international concessional funding to achieve greater critical mass of renewable energy generation hand-in-hand with localisation of manufacturing related to renewables.
- **Action Items:**
 - Amendment of regulations to the Preferential Procurement Policy Framework Act (PPPFA) to empower the dti to **designate sectors** of critical importance.
 - Proposals for a **revised National Industrial Participation Programme (NIPP)**, which includes the Competitive Supplier Development Programme (CSDP), will seek to introduce Fleet, Indirect and Direct procurement provisions. Pre-tender processes in relation to strategic tenders, with domestic production and supplier development requirements built up-front into strategic tenders, will be embodied in the revised framework.
 - The **NEDLAC Crisis Response Process** has re-emphasised the need to consider lowering tariffs on intermediate inputs into manufacturing and other productive sectors. It has also identified scope for the selective use of tariffs under the following circumstances:
 - Potential for significant creation and/or retention of sustainable jobs;
 - Potential for significant import replacement.
 - Streamline the skills delivery system through SOE-Skills Delivery Fora and dedicated Industry-Skills Partnerships for artisans, technicians and engineers in growth and new or 'emerging' sectors.
 - Support of the National Centres of Excellence to integrate sector competitiveness and skills needs.
- **Focus:** Identification of strategic procurement 'fleets' and development of long-term procurement and local-content plans
 - Key elements of the **coal-fired electricity building programme** procured by Eskom;
 - Key elements of the **nuclear electricity building programme** procured by Eskom;
 - Work with procuring entities to identify local procurement plus supplier development requirements in tenders.

IPAP 2 (the dti)

Description

Key focus areas identified as relevant to Eskom are focused within two clusters:

CLUSTER 1 – QUALITATIVELY NEW AREAS OF FOCUS

- **Basic iron and steel and basic non-ferrous metals and Metal products** with a focus on procurement demand management for large contracts.
- **Identification of fleet programmes or products** to make investments in associated supply chains viable and thereby promote local manufacturing:
 - Key inputs related to Eskom's **coal-fired-electricity building programme**.
 - the dti to submit the designation of **steel power pylons**
- **Benchmarking and matchmaking programme** with the goal of initiating an exit strategy for the United Nations Industrial Development Organisation (UNIDO)
- **National Foundry Technology Network**
- Identification of opportunities to develop new **'green' and energy-efficient industries** and related services:
 - **Wind**
 - **Concentrated Solar Thermal power** is a promising renewable energy generation option in SA, but is relatively small on a global scale. This presents the country with an opportunity for developing competitive local manufacturing.
 - **Roll-out of national solar-water-heating programme** to achieve manufacturing and installation capacity.
 - Demonstrate viability of **Concentrated Solar Thermal (CST) power** as a major renewable energy generation source

CLUSTER 3: SECTORS WITH POTENTIAL FOR DEVELOPMENT OF LONG-TERM ADVANCED CAPABILITIES

- **Advanced Manufacturing**
 - **Nuclear component and equipment manufacturing** will have a **cost in excess of R1 trillion**. This will place enormous strain on the balance of payments and without an effective localisation programme, will have severe consequences for the South African economy.
 - A **fleet approach** will be adopted for the purchasing of **nuclear plants** with the **first unit** will be in commercial operation in **2023**. The target is 9 600 MW of installed nuclear capacity by 2030.
 - **Nuclear build programme**
Promoting procurement for the nuclear building programme to ensure localisation and participation in global nuclear value chains. **The nuclear building programme presents a huge opportunity for new investment and joint ventures (JVs) to supply both local and global markets.**
 - **Conformity assessment framework for the South African nuclear industry.**

CSDP
(DPE)

Description

- **Key Points:**
 - A procurement practice that contributes toward competitiveness by leveraging SOE procurement spend to develop a local supplier base indirectly by placing influence on the multi-national company or OEM (international and national) to develop downstream South African suppliers.
- **Goals:**
 - Further the long-term commercial interests of the SOE, by:
 - improving the competitiveness of the services being provided by SOE (through savings resulting from more competitive suppliers);
 - increasing the security of supply for SOE;
 - providing the potential advantages of local supply versus imports, including:
 - removal of exposure to foreign currency fluctuations in terms of pricing
 - lower stock level requirements
 - greater responsiveness
 - ease of communication
 - shorter delivery times
 - being part of an industrial cluster
 - increased potential for collaborative partnerships and innovation for local conditions.

B-BBEE (the dti)

Description

- **Outline:** B-BBEE is an integrated and coherent socioeconomic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.

Key Points:

- Broad-based black economic empowerment refers to the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:
 - increasing the number of black people that manage, own and control enterprises and productive assets;
 - facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
 - human resource and skills development;
 - achieving equitable representation in all occupational categories and levels in the workforce;
 - preferential procurement; and
 - investment in enterprises that are owned or managed by black people.

Objectives:

- Successful implementation of the South African B-BBEE strategy will be evaluated against the following policy objectives:
 - Increase the number of black people who have ownership and control of existing and new enterprises,
 - Increase the number of black people who have ownership and control of existing and new enterprises in the priority sectors of the economy that government has identified in its microeconomic reform strategy,
 - Increase the number of new black enterprises, black-empowered enterprises and black-engendered enterprises,
 - Increase in number of black people in executive and senior management of enterprises,
 - Increasing the proportion of ownership and management of economic activities vested in community and broad-based enterprises (such as trade unions, employee trusts, and other collective enterprises) and co-operatives,
 - Increased ownership of land and other productive assets, improved access to infrastructure, increased acquisition of skills, and increased participation in productive economic activities in under-developed areas,
 - Accelerated and shared economic growth,
 - Increased income levels of black persons and a reduction of income inequalities between and within race groups.



IRP
(DoE)

Description

- **Integrated Resource Plan** refers to the co-ordinated schedule for generation expansion and demand-side intervention programmes, taking into consideration multiple criteria to meet electricity demand.

Main objectives are aligned to key local development objectives to measure impact

Key performance area	Definition
1 Skills development	<ul style="list-style-type: none">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
2 Localisation	<ul style="list-style-type: none">Utilisation of Eskom and suppliers' spend to develop South African based suppliers relevant to the energy sector (focusing primarily on BBB-EE and Black Owned suppliers)
3 Industrialisation	<ul style="list-style-type: none">Utilisation of Eskom and suppliers' spend to foster the establishment of new competitive industries in the energy sector
4 Job creation	<ul style="list-style-type: none">Creation of new jobs by suppliers as a direct result of Eskom business
5 Supplier development	<ul style="list-style-type: none">Providing a platform for SA-based suppliers to develop into national and international suppliers, including a platform for emerging suppliers to develop the ability to do business with Eskom.

Analysis to understand the supply environment

Demand Analysis and Projects Grouping

Supply Analysis

Predominant Local Development Focus

Key activities	<ul style="list-style-type: none">• Obtained and understanding of external Governmental policy and legislative environment influencing Eskom• Reviewed the Eskom Strategy within its corporate plan for the future direction of the organisation.• Analysed Eskom's Capex, Opex and historical spend to determine its full value interlinked to the associated spend timeline, example of sources of information Capital Projects Execution, Generation TLC, Distribution, Transmission, PDD and historical spend from the PowerAdvocate tool.• Projects were then grouped according to similarity and subject-matter into project or commodity focus.	<ul style="list-style-type: none">• Project groupings under went a high-level analysis of the supply environment conducted by collecting relevant information from subject matter experts within Eskom asking the following questions:<ul style="list-style-type: none">– Are there Long Lead Times?– Commodity highly utilised?– Quality Concerns from local supply?– Is there only a Sole Supplier?– Is it Locally Manufactured?– Is the Local Industry shrinking?– Is the local Market Competitive vs. Foreign?– Is the commodity Of Strategic or Operational Importance to Eskom?– Is there Opportunity to enhance B-BBEE (EME/BWO)?– Do you have any further views on how the commodity industry can be improved or developed?	<ul style="list-style-type: none">• Project and commodity groupings were then classified according to their potential for:<ul style="list-style-type: none">– Industrialisation– Localisation -– Skills development– Job creation– Exempted Micro Enterprise (EMEs) development
Key outputs	<ul style="list-style-type: none">• Government requirements for local development• CAPEX• Projects and commodity groupings	<ul style="list-style-type: none">• Local developing opportunities matrix per project and commodities	<ul style="list-style-type: none">• Projects and commodity grouping according to predominant local development objective

1 Skills Development empowers the labour force and secures economic growth

Eskom views the development of critical and scarce skills in South Africa as crucial to the successful localisation and industrialisation of industry in support of its Supplier Development and Localisation objectives.

Strategic Objectives

Skills Development Objective:

- The key objective of skills development is to ensure that scarce skills are developed through leveraging Eskom's procurement spend. This should result in a skilled local workforce supplemented by the **appropriate technology and intellectual property required** to ensure future Localisation and Industrialisation opportunities, and hence sustainability of the specific industries (these are ultimately demand dependent though).

Skills Development Focus Areas:

- Develop the critical skills required by the National Scarce skills list.
- Develop the critical skills required by Eskom.
- Empowering of non-graduates into skilled artisans .
- Leadership institute and Eskom Academy of learning .
- Youth development and support programmes.
- Supporting programmes for skill development in communities.

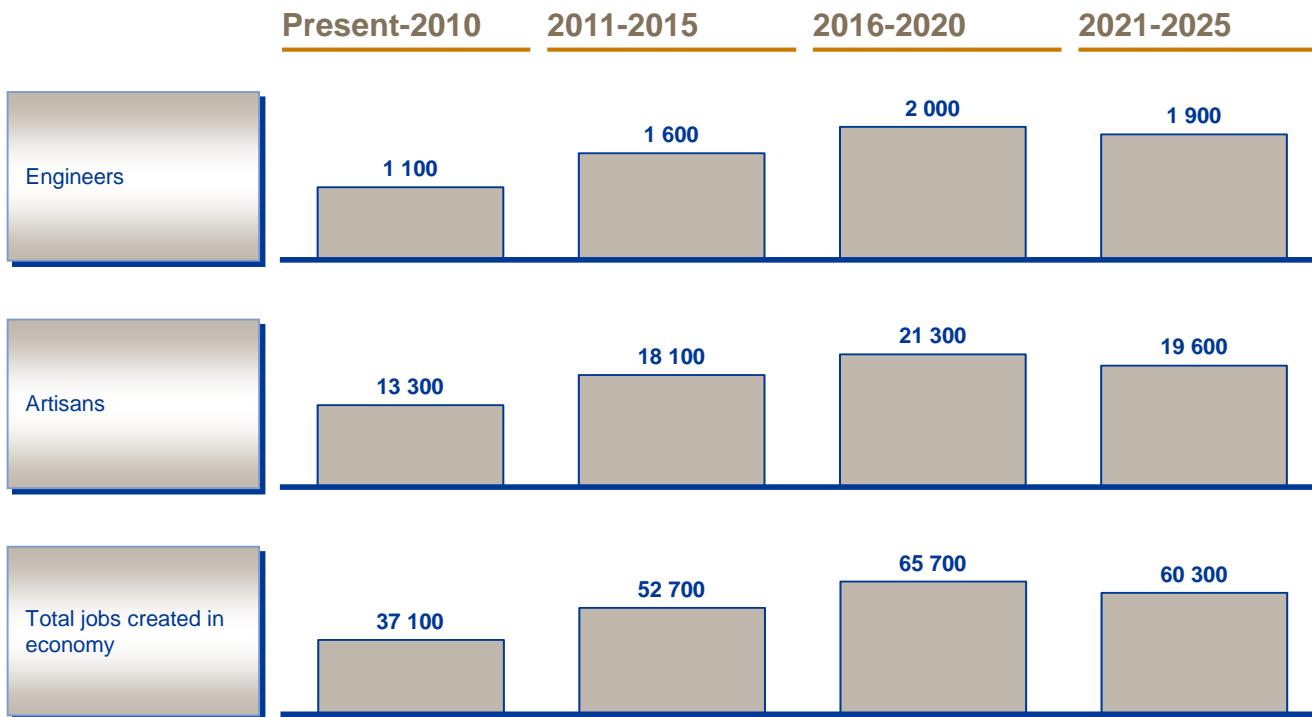
Intended Outcomes

- An increased local skill base relevant to the energy sector where there is a national scarcity of skills.
- Implementation of a number of strategic skills development initiatives.
- Contribution towards industrialisation and localisation objectives.

A SIGNIFICANT RAMP-UP IN SKILLS OVER TIME IS REQUIRED TO DELIVER ON THE JOURNEY TOWARDS GLOBAL NUCLEAR STANDARDS

Skill requirements* of new build and related exports over time**

ESTIMATE



Critical skills interventions are required in the short-term in order to meet the build requirements

- Increases to pipeline of engineers and artisans
- Importing of talent from overseas where possible

In the long-term, there must be a ramp-up of training over time to keep up with increasing demand for skills

* Next project phase will define specific skill types required and how it will be achieved

** Cumulative annual skill requirements (not additional)

Source: Stats SA; US Bureau of Labour Statistics; TSAPRO team analysis

2 Localisation encourages the development of a local manufacturing capability and capacity

Localisation initiatives follow a medium term planning horizon, including investment in local manufacturing capability and capacity, technology transfer and skills development. Multinational organisations and original equipment manufacturers are encouraged to develop and/or procure a certain percentage of their products locally.

Strategic Objectives

Localisation Objective:

- Localisation will focus on influencing foreign organisations to develop local downstream suppliers. This will be achieved through initiatives targeted at the foreign suppliers and aims to ensure the development of a competitive local industry initially focusing on the energy sector, but then expanding its reach across industries.

Localisation Focus Areas:

- Investment in local manufacturing plants and/or procurement from local agents and manufacturers,
- Technology transfer utilising local knowledge for development,
- Subscribing to the relevant B-BBEE levels,
- Engaging with black owners/suppliers,
- Local job creation as well as skills development,
- Local Content,
- Local content to site.

Intended Outcomes

- The development of South African based suppliers that will contribute directly to the South African energy sector,
- The successful transfer of technology, skills and innovation to the local industry from foreign-based suppliers,
- The enablement of smaller local companies to have a larger share of the Eskom's capital and procurement spend.

Technology transfer is the critical success factor to industrialise nuclear

Programme objectives

- Develop PWR project management, design and manufacturing capabilities
- Apply transfer synergies to coal components
- Successfully commercialise PBMR
- Create globally competitive SA nuclear industry

Activities

Plan for transfer

- Set strategic vision and map key stakeholders
- Carry out supply chain capability and readiness audits
- Create business plans and negotiate accordingly

Receive technology

- Establish pilot / turnkey plant
- Adapt tech using source and local R&D
- Utilise local supply chain where possible

Scale up involvement

- Scale up production locally with increasingly local technology and supply chain
- Establish own R&D department

Start system design

- Leverage own R&D to develop system design
- Establish pilot production facility

Launch local technology

- Scale up production for own design
- Start serving export market

Participants

- Eskom, industry and TSAPRO coordinating mechanism
- CSIR, the dti ,Eskom
- Eskom, OEM, industry
- Eskom, OEM, local R&D
- OEM, industry with support
- OEM, industry with support
- Technology recipients across supply chain
- Industry with support
- the dti
- Industry with support

Source: TSAPRO team

3 Industrialisation secures economic growth and fosters a new competitive local industry

Industrialisation initiatives often require long-term planning and support and often exceed the funding capacity of Eskom's balance sheet. Industrialisation initiatives are identified within IPAP2, through strategic initiatives identified by the dti, or by Eskom itself as a strategic fleet. Collaboration between State owned enterprises and Government departments, with the support of local industry is required to ensure success through the consolidation of resources.

Strategic Objectives

Industrialisation Objective:

- To foster the establishment of new, or the expansion of existing manufacturing capacity and capability to create competitive industries through the utilisation of Eskom and its suppliers' procurement spend.

Industrialisation Focus Areas:

- Development of new industries, that will meet both domestic and international demand.
- Expansion of existing industries in alignment with both domestic and international demand.
- Increased job creation.
- Skills development.
- Downstream supplier development.
- Potential increased exports of the specific product.
- An expanded local industry that will ensure security of supply of the specific commodities to Eskom, while ensuring capital is retaining in the local economy.

Intended Outcomes

- The development of new technology, skills sets and innovation locally, providing the platform to be a leader in the manufacturing and development of a specific commodity.
- The successful transfer of technological capability and skills development through the investment in local manufacturing capacity.
- Enabling Government to meet its industrialisation growth targets, which also contribute towards localisation, job creation, and skills development targets.

4 Job Creation ensures the economic growth and development of South Africa

Job Creation focuses on the creation of direct and indirect new jobs as a result of Eskom procurement spend. Through its new build capital and procurement spend, complemented by its focus Industrialisation, Localisation and Supplier Development objectives, Eskom will be able to meet the required growth aspiration to achieve the required development of employment opportunities.

Strategic Objectives

Job Creation Objective:

- By using the procurement spend of Eskom, assist Government to achieve the job creation targets outlined in the New Growth Path.

Job Creation Focus Areas:

- Jobs during Project Planning and Development Phase.
- Jobs during Project Execution Phase.
- Jobs during the operation and maintenance phase.
- Local Community Jobs creation.

Intended Outcomes

- Ensure a large number of jobs are created during the project implementation of new build programmes with further jobs created in manufacturing and support services across the Eskom procurement spend areas.

5 Supplier Development creates a sustainable and competitive local supplier industry

Eskom views Supplier Development as providing a platform for SA-based suppliers to develop into national and international suppliers. Eskom realises the potential of emerging market suppliers to provide to the success of the local industry. EME development will assist local suppliers to improve their skills by placing an increased emphasis on providing small businesses with opportunities and preferential trading terms, with increased focus on black woman owned enterprises, impact on youth, people with disabilities and region specific initiatives resulting in quality job creation.

Strategic Objectives

Intended Outcomes

Supplier Development Objective:

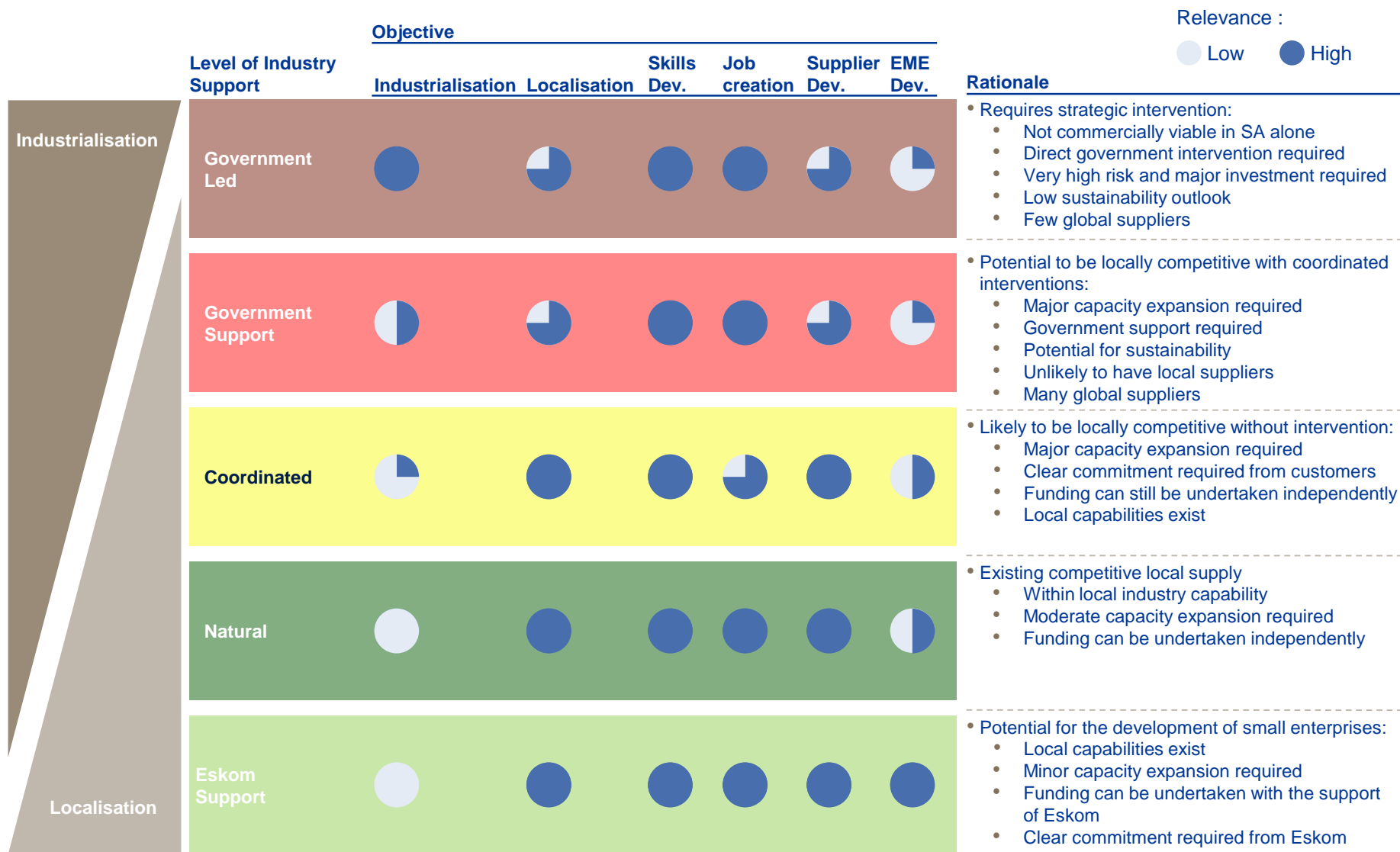
- Provide a platform for SA-based suppliers to develop into national and international suppliers, including a platform for emerging suppliers to develop the ability to do business with Eskom.

Supplier Development Focus Areas:

- Encourage the development of local suppliers.
- Investment in technology or skills that enhance existing local industry capability.
- Benefit previously disadvantaged individuals.
- Creating and enhancing suppliers within the local industry furthering Government's objectives of empowerment, transformation and regional development.

- Ensure local suppliers improve their performance, enhance their existing production and skills capabilities.
- Provide a platform through which local suppliers can test their local innovations for export promotion.
- Ensure self-sustainability across industries independent of Eskom.
- Development of a local industry supporting preferential procurement outcomes through the development of skills, job creation and rural development.

While a predominate focus and support will guide overall strategy development, multiple objectives could be pursued



Relevance :

● Low ● High

- **Prioritise Industries** of a strategic nature requiring detailed strategy creation.
- **Targets** will be based on the character of the identified industries requiring detailed **market analysis**. Some strategies will focus on commodities only (mainly manufacturing), whereas others require a holistic view of the package – with due consideration to the entire value chain (addressing jobs and skills at construction level).
- **Collaboration based relationships** will be established through Industry Hubs.
- Inclusion of other **SOC's and Eskom subsidiaries** will form part of every strategy – where it makes sense for such institutions to be the implementation partner of a specific strategy.
- On-going analysis on spend to continually identify opportunities for supplier development (set asides, etc)
- Internal policies and procedures will allow for the **transparent interaction, selection and development of objectives**.

SD & L guiding principles were informed by significant challenges identified through the new build programme

High cost of input material

- Description**
-
- Local South African companies (e.g. steel, cement, certain chemicals) are expensive.
 - Strong international vendors often dictate price.
 - Adds to cost of programmes and requires strong negotiation skills and rapid conclusion.
-

Shortage of skills

- Shortage of technical and professional skills in South Africa poses unique challenges.
 - Adds to cost of programmes, slows the programmes down and place a reliance on international labour.
 - Example, Eskom expects to use an estimated 1,300 to 1,500 highly skilled welders until 2015 at its Medupi and Kusile construction sites, but will remain reliant on foreign welders due to the expertise required to work on exotic materials used during construction.
-

Limited access to funding

- Global financial crisis resulted in an unfriendly debt environment.
 - Due to South Africa's multiple social priorities, Government has been unable to commit additional funding from tax revenue.
-

Guiding principles

- **Prioritise Industries** of a strategic nature requiring detailed strategy creation.
- **Targets** will be based on the character of the identified industries requiring detailed **market analysis**.
- **Collaboration based relationships** will be established through Industry Hubs.
- Internal policies and procedures will allow for the **transparent interaction, selection and development of objectives**.

The nature of the industry and procurement time frame will guide the detail and content of the local development strategy

Job creation

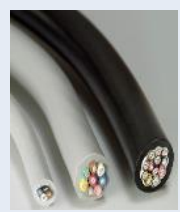
Time horizon
(years)

0

Skills development

Standard Guidelines

- SD & L targets are generated based on predetermined weightings.



Localisation

2

Medium-term and short-term Strategy

- Detailed sourcing strategies developed by commodity teams with support from SD & L.



5

Long-term Strategy

- Detailed strategies are developed by the Supplier Development and Localisation Function.



Industrialisation

- The scope of Supplier Development and Localisation strategies will be determined by the nature of the industry and procurement time frame.

Most countries involved in nuclear programmes have identified that their programmes are of national importance and the relevant governments have developed, supported and implemented phased programmes for industrialisation through dedicated institutions.

Relevant government departments and potential industry suppliers need to develop an optimal industrialisation strategy and take ownership of this process to guide the development of local industry going forward in the best interests of the country.

Relative size of the fleet and the related build strategy can offer positive financial savings and major industrialisation opportunities for the benefit of the country.

The nuclear programme is a long-term programme and has many different aspects attached to it from mining activities through to completing the cycle with waste management activities. This programme, therefore, offers many opportunities for the labour market as well as related socio economic benefits.

The “appetite” by Government, Vendor and Industry will dictate the pace, how and what is economically viable to industrialise



Thank you