



**MINISTRY
PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA**

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Prof Malegapuru Makgoba
Interim Chair: Eskom SOC LTD
P O Box 1091
Johannesburg
2000

Dear Prof Makgoba

APPROVAL TO APPLY THE NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME (NIPP) TO ESKOM SOC LTD'S PROCUREMENT PROCESSES

The above matter refers.

As you are aware Government intends utilising procurement as one of the principal policy instruments to deepen and expand industrialisation and boost economic activity as part of a plan to resuscitate the local economy. Government uses the Competitive Supplier Development Programme (CSDP) and the NIPP to increase the competitiveness, capacity and capability of the local supplier base, reducing the import leakages, unlock growth, create jobs and develop skills.

I have been made aware that there are challenges with the implementation of the CSDP and therefore I am in agreement with the solution of applying the NIPP. However, given the current threshold on the NIPP I am concerned about the industrialisation opportunities that the country might lose on high value procurements with imported content higher than the current threshold.

Considering the recent situation that the global economy find itself in and the weak exchange rate (ZAR/USD), I have decided to grant Eskom approval to apply NIPP on its procurements with imported content of USD 5 million or more to avoid losing industrialization opportunities on high value transaction. Eskom is required to implement the NIPP as of the date of receipt of this letter as a special condition of the tender.

All tenders with an estimated value USD 5 million or more imported content, must be advertised with a condition that the winning bidder is expected to negotiate and enter into a NIPP obligation agreement with the DTIC before signing the contract but after award of the tender should the imported content of the contract exceed or equal to USD 5 million. Eskom should on a quarterly basis provide the Department with a report on all contracts awarded with imported content of equal/more than USD5 million during that quarter. In consultation with the DTIC, compliance on these contractual obligations will be monitored and in the event of non-compliance by the Supplier/Obligor penalties will be applied as per paragraph 8.3 of the NIPP Guidelines.

I trust you find the above in order.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P J Gordhan', with a stylized flourish at the end.

P J GORDHAN, MP
MINISTER
DATE: 07-08-2020

CC: Mr Ebrahim Patel, Minister of Trade, Industry and Competition, MP