

United Nations Development Programme



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Location: South Africa

Application Deadline: 20th October 2020

Category: Services

Type of Contract: Local Consultant, Individual Contract

Languages Required: English

Date when the selected candidate is expected to start: Upon signature of the contract by both parties.

Expected Duration of Assignment: 50 working days

Title: Feasibility study to determine the viability of local manufacturing of grid/off grid inverters in order to justify the current designation of inverters.

1. INTRODUCTION

The South African Wind Energy Project Phase 2 (SAWEP 2) is funded by the Global Environment Facility (GEF) with the Department of Mineral Resources and Energy (DMRE) as the Executing Entity/Implementing Partner, and supported by the United Nations Development Program (UNDP) South Africa Country Office. The project objective is to overcome barriers to the attainment of South Africa's 2010 Integrated Resource Plan target of 3,320 MW of wind power generation online by 2018/19.

In order to achieve this, the project focusses on four components: *Component 1: Monitoring and Evaluation of the implementation of local content requirements*, *Component 2: Resource-mapping and wind corridor development support for policy-makers*, *Component 3: Support for the development of small-scale wind sector* and *Component 4: Training and human capital development for the wind energy sector*. Each component is associated with specific outputs and a set of activities.

2. BACKGROUND

The revised Preferential Procurement Policy Framework Act (PPPFA) regulations which came into effect on the 7 December 2011 and empower the Department of Trade and Industry (the DTIC) to designate industries, sectors and sub-sectors for local production at a specified level of local content. This provision applies solely to procurement by organs of state.

Section 9 of the revised regulations to the PPPFA empower the DTIC to designate certain industries that are of 'critical importance' for local manufacture by organs of state and public entities. Eskom, national, provincial and local procurement programmes must comply with the PPPFA when they issue tenders inter alia for the procurement of renewable energy.

Inverters are currently designated in terms of the PPPFA and it is unclear whether the local market can supply the total range of products (grid/off grid inverters) and whether it can achieve volume and /or quality and testing specifications. Inverters were originally designated, since there were local manufacturers of off grid and grid tied inverters in the country, but since the slowdown in bid rounds of renewable energy projects, manufacturers of grid tied inverters closed down due to economic reasons. There are currently still off grid inverter manufacturers in the country.

The Department of Mineral Resources and Energy (DMRE) has been tasked, by the Presidency, to be the lead department in drafting the South African Renewable Energy Masterplan (SAREM). The Department of Trade, Industry and Competition (DTIC), represented by the CD: Green Industries, has been designated as a supporting department and is tasked with those sections of the Masterplan which deal with localisation of renewable energy technologies and components and renewable energy industrial development.

The masterplans fall under the reimagined industrial strategy for South Africa. The DTIC forms the secretariat and co-ordinator for the masterplans within government, and PPGI (Public Private Growth Initiative) within the sectors. Masterplans are developed off the basis of a common framework. The governance structure for masterplans can be adapted, but generally consists of:

- A broad consultative working group of interested parties
- An industry reference group (of about 15 people from relevant government departments, labour, the sector and academics) that interacts with the researchers in the development of the masterplan.
- An executive oversight committee, chaired by the relevant Minister and consisting of two or three representatives from labour and business.

The masterplan is an industrial plan of action for a defined sector and a mechanism to bring government and the sector together to develop a coordinated plan. It is further a way in which to form a common evidence base for the sector, including forming a joint view on the challenges/opportunities, targets and objectives. Masterplans live through the action plan, monitored and evaluated as part of a structured, accountable process within government and the sector.

- It focusses on encouraging optimal industry growth for good of the industry and broader society
- Encourage sustainable investment in the sector
- Identify employment opportunities and skills development requirements
- Identify national, regional, broader international possibilities
- Identify opportunities to deepen industrialisation (cross-sector linkages)
- Identify new horizon projects and opportunities

3. OBJECTIVE

To conduct a study and submit a report and research findings supplemented by recommendations and Value Matrix Diagram that can be used by the South African Government and stakeholders in the determination of a procurement policy position

regarding grid-tied/off-grid inverters as part of a masterplan for the renewable energy industry in South Africa.

The revised Preferential Procurement Policy Framework Act (PPPFA) regulations which came into effect on the 7 December 2011 empower the Department of Trade and Industry to designate industries, sectors and sub-sectors for local production at a specified level of local content.

As part of the existing designation of renewable systems, inverters are designated at 40% prescribed local content. However, in recent years the DTIC has received several requests for exemption from the designation due to an inability to source the required inverters in the local market. It is therefore necessary to re-evaluate local supply of the local market and whether it can supply the total range of products (grid/off grid inverters) in the volumes demanded and to the required quality and testing specifications.

4. SCOPE OF WORK

The consultant is required but not limited to focus on amongst others the following areas of assessment by making use of relevant documentation and conducting a desktop study which is supported through consultation with stakeholders and recommendations based on strategic analyses (e.g. SWOT, gap analysis, macro-economic, value chain) of its findings.

4.1 Market for grid/off grid inverters

- a) Describe and analyse the market for grid/off grid inverters globally and locally.
- b) Considerations for designation of industries / products in terms of the PPPFA: Section 9 of the revised regulations to the PPPFA empower the DTIC to designate certain industries that are of 'critical importance' for local manufacture by organs of state and public entities.
- c) Considerations which should influence the decision to designate certain industries should include the following considerations.
- d) Alignment with policy objectives (e.g. re-imagined industrial strategy, NIPF, IRP 2019, legislation, regulation etc.) particularly where such designation contributes to:
 - Creation and retention of decent jobs
 - Advancement of sectors identified as part of the IPAP and Growth Path
- e) In making such an assessment and in order to inform procurement guidelines, an industry profile must first be developed. It should broadly address the following broad questions:
 - How significant is public procurement in relation to the local industry?
 - What is the existing structure and capacity of the local industry?
 - What role can public procurement play in raising / retaining employment in the industry, sequentially upscaling the industry and raising its competitiveness? Upscaling here implies increases in both the volume of products produced as well as value-added. Competitiveness implies an increasing ability on the industry to compete against imports and possibly move into export markets.
 - What considerations should National Treasury and procurement officers take into account to ensure that no excessive price premium is paid, in the structure of tenders in specific designated industries?

- f) Section 5 below sets out the structure, content and indicative data sources for such an industry study.

4.2 Industry Profile Study

4.2.1 Significance of public procurement for the industry

- 4.2.1.1 The higher the existing or potential level of public procurement, the greater the impact will be of designating an industry in terms of employment and value-added. Estimate the current and future level of public and private procurement.

4.2.2 Industry structure

4.2.2.1 Domestic production and employment

- Indicate the number of domestic manufacturers in the industry
- Existing and potential levels of output (volume and value where appropriate), sales, value-added and capacity
- Existing and potential employment levels
- Levels of industry concentration and competition, including identification of the large / lead / dominant firms in the industry, with information disaggregated by firm where possible

4.2.2.2 Imports

- Import volumes and values
- Percentage import penetration

Data sources:

- *Customs and Excise / Statistics South Africa HS and SIC data (accessible via Quantec)*
- *Industry associations*

4.2.2.3 Industry multipliers

- Industry growth and employment multipliers, where available / applicable

Data sources:

- *To be estimated from input-output tables by e.g. IDC, CSID*

4.2.3 Competition and price considerations

- An assessment of the levels of competition amongst domestic suppliers
- Recommendations on considerations that National Treasury and procurement officers should take into account to avoid undue price premia e.g. whether
 - Two-stage tendering should take place with price negotiations
 - International price benchmarks should be used

4.2.4 Availability and security of supply

- An assessment of the current ability of the industry to supply public demand (the RE new generation allocation in the IRP 2019 that is predominantly wind and solar PV, be used as an estimate of the expected demand for inverters).

- An assessment of the ability of the industry to sequentially scale up to meet future demand
- Recommendations on any up-front exemptions for specific products that are not, cannot be or are unlikely to be made locally, or would command such a price premium that they cannot justify inclusion in the designation.

4.2.5 Recommendations

- Overall recommendations on:
 - Whether the industry should be designated
 - Competition and price considerations that should be taken into account in the tender process
 - Up-front exemptions

4.3 Verification and Enforcement

4.3.1 Various forms of pre- and post-tender verification is possible

4.4 Stakeholders

Construct and describe a matrix of public, private, government and agencies that can play a key role (indicating key role and responsibility) in the establishment of a grid/off grid inverter industry in South Africa

- IPP's
- Eskom
- Municipalities
- Commercial and Investment banking: Investec, IDC, DBSA, venture capital etc
- NERSA
- CEF
- National and Provincial Government
- SABS
- CSIR, SANEDI, R&D institutions, universities etc
- SAWEA
- Private sector
- Donors

4.5 Government Role

Provide an assessment and analysis of Government's potential role and impact it has on the establishment of a South African grid/off grid inverter industry with specific focus on key departments such as DMR&E, DTIC, DSI, National Treasury in terms of policy, regulation, industrial development support schemes and coordination.

- Policy (e.g. Re-imagined industrial strategy, NIPF, IRP), legislation, regulation etc.
- Finance
- Coordination
- Partnerships
- Procurement
- Job creation

4.6 Strategic Analysis

- 4.6.1 Analysis of policy, legal and regulatory framework, value chain and stances adopted by other countries and potential competitors and those at a similar economic level towards renewable energy deployment.
- 4.6.2 Macro-economic or equivalent impact assumptions, scenarios and analysis, including assessment of the investment options and the likely impact of actively pursuing a local grid/off grid inverter components and services industry on:
- GDP
 - National accounts, Balance of payments
 - Labour requirements (skilled, semi-skilled and unskilled)
 - Household income
 - Employment creation (manufacturing, operational phase, entrepreneurship)

4.7 Key Questions

Should the designation of inverters remain?

What will the impact be if we remove the designation of inverters?

Can the current designation of inverters be amended? – propose changes

5. DELIVERABLES

Deliverable	Description, Content
Deliverable 1: Inception Report	Attend inception briefing meeting, and thereafter produce Inception Report detailing comprehensive approach and methodology, work plan and timeline of activities, and related specific details
Deliverable 2: Progress report 1	See 4.1 to 4.7 Market, technology, Industry, R&D, stakeholders, Gov role, strategic analysis and recommendations
Deliverable 3: Final Report	Incorporating revisions, and confirming approval

6. CONTRACT PERIOD

The project should be completed within 50 working days of signing of the contract.

7. MINIMUM REQUIREMENTS

- The service provider should have a post graduate degree in science, energy, economics, engineering or related field.
- Proven experience in working in the renewable energy industry and related
- Knowledge of the international and local renewable energy environment
- Professional, hands-on experience and proven track record on report writing of projects of a similar nature and size.
- Experience in professional communication and reporting at all levels.

8. PROJECT ADMINISTRATION

Whilst the contract is held with UNDP, the work will be overseen by the Project Coordination Unit (PCU).

9. EVALUATION CRITERIA

The evaluation of proposals will be conducted according to UNDP procurement rules. A two-stage procedure is utilised in evaluating the proposals, with evaluation of the technical proposal being completed prior to any price proposal being opened and compared. The price proposal of the proposals will be opened only for submissions that passed the minimum technical score of 70% of the obtainable score of 100 points in the evaluation of the technical proposals. The technical proposal is evaluated on the basis of its responsiveness to the Term of Reference (TOR) **and candidates may be requested to make a presentation to the Technical Evaluation committee.** In the Second Stage, the price proposal of all contractors, who have attained minimum 70% score in the technical evaluation will be compared.

Contract will be awarded to the least costly technically qualified proposal, where the approach to the work, qualifications and experience (Technical proposal) will be weighted a maximum of 70%, and the price offer (Financial proposal) which will be weighted a maximum of 30%.

Technical Evaluation Criteria

Evaluation Criteria	Max score
Documented experience and knowledge of the renewable energy environment	20
Proposed Methodology (A clear methodology. The methodology must outline how the Scope of Work will be carried out according to each deliverable with an understanding of the assignment).	25
Proposed Work Plan (Detailed work plan with milestones, timelines and resources and designated responsibilities of the team leader and individual members must be indicated in the proposal for achieving of the deliverables).	25
Professional, hands-on experience and proven track record on report writing of projects of a similar nature and size	10
Experience in professional communication at workshops and stakeholder consultations	10
Qualifications	10

10. RESPONSE FORMAT

To facilitate the analysis of responses, all interested parties are required to prepare their response in accordance with the instructions outlined in this section. All proposals should be electronically generated. The vendor will be hired on a UNDP contract.

Applicants are required to submit the following:

- A Technical Proposal: Letter of Interest, stating why you consider your service suitable for the assignment and a brief methodology on the approach and implementation of the assignment;
- Evidence and examples of similar projects that have been successfully completed;
- Personal CVs highlighting qualifications and experience in similar projects;
- Work references - contact details (e-mail addresses) of referees (organisation for whom you've produced similar assignments);
- All-inclusive financial proposal indicating consultancy fee (South African Rand) and a breakdown of expenses (unit price together with any other expenses) related to the assignment. The proposal must incorporate all the costs travel etc for the service provider to achieve the required deliverables, including the organization and payment of the one day stakeholder workshop venue and catering (workshop participants to cover their own travel and accommodation costs etc and where applicable).

Applicants are required to submit the following documents to bid.pretoria@undp.org on or before the **20th October 2020** with the subject line: **Job Code Title and Reference Number**.

11. CONTACT PERSON

For any enquiries regarding this call for proposal, contact the UNDP procurement.enquiries.za@undp.org
