

## Contribution to society

### In support of government initiatives

#### Asgisa

The government-led Accelerated and Shared Growth Initiative for South Africa (Asgisa) aims to ensure that the country achieves economic growth, focusing on poverty and unemployment.

Eskom is ideally positioned to make a significant contribution to the Asgisa initiative through our core business of supplying electricity, our massive procurement and our capital expansion programme. Eskom's contribution to Asgisa is mainly through leveraging associated activities for developmental benefit.

Leveraging these associated activities includes the following:

- continuing the rollout of electrification
- maximising local content, the participation of black economic empowerment (BEE), small and medium enterprises (SME) and black women-owned enterprises (BWO), as well as skills development for the rollout of the build programme
- maximising skills development by having 4 000 learners registered in our learner pipeline

#### Free basic electricity

Government aims to bring relief to low-income households through the national electricity basic services support tariff, thereby ensuring optimal socio-economic benefits from the national electrification programme. Qualifying customers are eligible for 50kWh of free electricity a month.

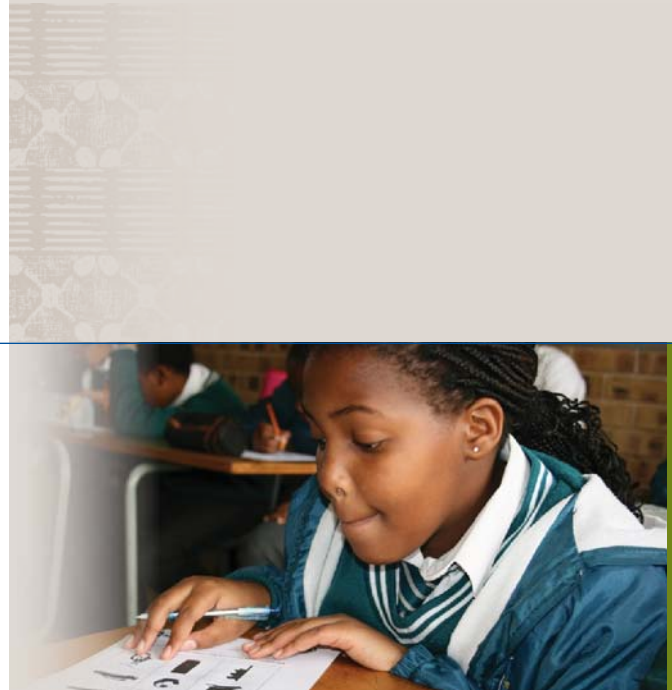
Two categories of customers receive free basic electricity (FBE):

- customers who receive a monthly electricity bill, which is adjusted to allow for their free electricity entitlement
- customers who buy prepaid electricity tokens and collect their monthly free basic electricity token from an electricity vendor

Eskom provides FBE in its supply areas and this is recoverable from municipalities at a standard tariff. Any under-recoveries from differences between the customer tariff and the applied free basic electricity standard tariff, implementation costs or other costs, are recoverable from government. Eskom has engaged with various inter-governmental stakeholders to find a sustainable solution for any under-recoveries that arise as a result of providing FBE under the current policy and guidelines.

<sup>1</sup> Tariff differentials and cost under-recoveries have been cumulative since 2006.

<sup>2</sup> Electrification within the licensed areas of supply of a municipality is carried out by that municipality.



A student at Mulbarton Primary School reads Eskom material written for schools.

#### Free basic electricity

Description	Unit of measure	2008	2007
Municipalities contracted to provide FBE	number	241	240
Municipal contracts rolled out	%	98	97
Customers approved by municipalities for FBE	number	1 298 747	1 181 823
Customers' meters reconfigured to receive FBE	number	1 268 986	1 074 340
Reconfigured customers consuming FBE in the year	average %	98	65
Amount invoiced to contracted municipalities	Rm	242	172
Cumulative tariff differential and cost under-recoveries <sup>1</sup>	Rm	60	60

#### Electrification

The DME began funding the Integrated National Electrification Programme (INEP) in April 2001. Eskom implements the programme in its licensed areas of supply on the DME's behalf.<sup>2</sup>

## Performance review continued

Operating costs relating to this electrification programme are paid by Eskom as the licensed distributor supplying electricity to the consumers.

Since the inception of the electrification programme in 1991, a total of 3 638 188 (2007: 3 469 650) homes have been electrified.

Funding is currently made available for new connection and infrastructure development projects that are part of the INEP. We expect that the average cost of infrastructure development and the cost per connection will increase as we electrify communities in more remote rural areas. In addition, technical specifications for network design have been enhanced to better accommodate future growth in electricity demand and to improve the quality and reliability of the electricity supply in these areas.

### Electrification programme

	Unit of measure	Target 2008	Actual 2008	Actual 2007
Total connections	number	160 321	168 538	152 125
– Direct connections, excluding farm workers	number	159 101	167 164	151 088
– Farm worker connections	number	1 220	1 374	1 037
Total capital investment	Rm	1 010	1 022	765
– Reticulation and connections	Rm	900	910	626
– Sub-transmission infrastructure development	Rm	106	108	123
– Farm worker connections incentives paid	Rm	4	4	2
– Special projects	Rm	–	–	14

In his recent state of the nation speech, the President stated that government aims to achieve universal access to electricity by 2012. Meeting the future universal access programme requirements is dependent on the availability of funding from DME via the INEP. Eskom is in discussions with DME and other key stakeholders regarding the planning, funding and other requirements needed to achieve universal access.

### Electrification of schools and clinics

The electrification of schools and clinics is funded by the DME through the National Electrification Fund. This programme is focused on electrifying specifically identified schools and clinics.

### Electrification of grid schools and clinics

	Target 2008		Actual 2008		Actual 2007	
	Number	Rm	Number	Rm	Number	Rm
Department of Minerals and Energy	879	112	751	88	272	17

### Black economic empowerment

Suppliers are selected on merit and we make every effort to ensure that they are not dependent on Eskom to be sustainable. (Refer to page 40).

In April 2008, we will start implementing the codes of good practice for broad-based black economic empowerment (BBBEE), issued by the Department of Trade and Industry. Procurement systems, policies and procedures are being updated to accommodate the six elements that will be monitored for BBBEE recognition and reporting: management control; employment equity; skills development; preferential procurement; enterprise development; and socio-economic development.

The focus of BBBEE in Eskom will be on the development of businesses associated with the build programme, and especially small businesses in rural areas around the new build sites.

**An additional  
168 538 homes  
were electrified  
(2007: 152 125).**

**Rural development**

The Eskom rural development programme supports government's Integrated Sustainable Rural Development Programme.

In 2008, the programme focused on building permanent classrooms for schools and teaching educators to manage their schools like a business. All planned projects were completed in the financial year with expenditures in line with the R21 million budget.

Refer [www.eskom.co.za/annreport08/010](http://www.eskom.co.za/annreport08/010) for more details on rural development.

**Nepad**

In line with the aims of the New Partnership for Africa's Development (Nepad), and as an active member of the Southern African Power Pool (SAPP), Eskom continues to support development studies and energy trading within the sub-region.

In support of co-operation and to enhance the efficiency of the interconnected transmission network joining countries, Eskom held meetings with utilities in Angola, Botswana, Democratic Republic of Congo, Mozambique, Namibia, Zambia and Zimbabwe.

**Corporate social investment**

Focused corporate social investment initiatives, aligned with Eskom's strategic objectives, are carried out through the Eskom Development Foundation (foundation) to enhance the quality of life in target communities while maximising the strategic impact for Eskom.

The foundation is a wholly owned subsidiary of, and receives its mandate from, Eskom Holdings Limited. It is an association not for gain, incorporated under section 21 of the Companies Act.

The foundation provides support to economic and social projects through grants and donations, targeting communities where we implement our new build programme and the communities in which we operate.



*Electrification targets have been exceeded.*

The foundation approved grants and donations benefiting a total of 60 634 people (2007: 77 415) during the reporting period.

**Summary of corporate social investment**

	2008 Number	2008 Rm	2007 Number	2007 Rm
Economic and social development grants, national programmes and flagship projects	64	44,9	15	61,2
Philanthropic and welfare donations, including the Chairman's fund	135	3,9	50	2,1
Rural development	–	21,0	–	11,4
<b>Total donations and grants</b>		<b>69,8</b>		<b>74,7</b>

Refer to [www.eskom.co.za/annreport08/csi](http://www.eskom.co.za/annreport08/csi) for further information about the Eskom Development Foundation.