Content

- IPAP Policy Context

- Industrial policy core objectives

- Constraints and bottlenecks

- 10-Year Legacy Review: Transversal and sectoral achievements

- IPAP 2018/19 focus areas
Policy context

10th iteration of IPAP

Informed by the vision

Contribute to job creation, higher value-addition and export orientation

It is a product of the Economic Sector and Employment Cluster of Government

Transformation: change the racially skewed ownership, management and employment profile of the economy
Industrial policy: core objectives

1. **Promote labour-absorbing industries:** e.g. SMMEs, CTLF, agro-processing, components value chains

2. **Incentivise investment to raise manufacturing competitiveness**

3. **Contribute to African regional integration/industrialisation**

4. **Diversify the economy:** Provide strong support for value-added manufacturing and localisation across all sectors

5. **Radical economic transformation:** Structural change in the economy (de-concentration) and in patterns of ownership, management, participation and inclusion

6. **Technology and skills absorption and diffusion, commercialisation of innovation**
CONSTRAINTS AND BOTTLENECKS
Constraints and bottlenecks

Policy coherence and program alignment across government: long-standing constraint to get government policies to support industrial policy from a transversal and sectoral perspective

Customs fraud: together with illegal imports hampers domestic production, future investments and fiscal revenue collected by government

Adherence to procurement prescripts: compliance with designation across government and SOCs not yet fully institutionalised, resulting in further erosion of industrial capacity and capability

High administered prices (electricity, water, gas), port tariffs and logistical costs

Dominance, concentration of ownership and control: stifles structural transformation and change in ownership and control

Technology diffusion, skills deficit and mismatch: limit scope of production, efficiencies and development of complex supply chains

the dti
Department: Trade and Industry
Republic of South Africa

NDP 2030
A 10-YEAR LEGACY REVIEW:
2007/8 – 2017/18
10-YEAR LEGACY REVIEW

Transversal (cross-cutting) work
Under Preferential Procurement Policy Framework Act (PPPFA) regulations: 23 sectors/products designated for local content and production

**Proudly SA:** Membership increased to 1 130

Localisation partnerships with Big Business: e.g. Edcon, Massmart, Foschini etc.
10 Year Legacy Review: Industrial Financing

R91.7 billion over 10 years for IPAP sectors

the dti supported (across all incentives programmes):
14 226 enterprises
incentive value R61 billion
estimated jobs: 670 994

Black industrialists
78 projects supported
R7.2 billion projected investment
9 459 new jobs created
7 999 jobs retained

R1.6 billion spend on new technology developments
GDP contribution R4.48 billion
14 022 jobs created
Support for regional development, employment creation

<table>
<thead>
<tr>
<th>COEGA IDZ</th>
<th>RICHARDS BAY IDZ</th>
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<tbody>
<tr>
<td>Nelson Mandela Bay</td>
<td>Richards Bay in KwaZulu-Natal</td>
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<td>Metropolitan Municipality in the Eastern Cape</td>
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<tr>
<th>EAST LONDON IDZ</th>
<th>SALDANHA BAY IDZ</th>
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<tr>
<td>East London in the Eastern Cape</td>
<td>Saldanha Bay in the Western Cape</td>
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<tr>
<th>DUBE TRADE PORT</th>
<th>OR TAMBO SEZ</th>
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<tr>
<td>Located outside Durban in KwaZulu-Natal</td>
<td>Kempton Park in Gauteng</td>
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<tr>
<th>MALUTI-A-PHOFUNC SEZ</th>
<th>MUSINA/MAKHADO SEZ</th>
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<tr>
<td>Harrismith in the Free State</td>
<td>Situated in two sites in the Limpopo province</td>
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SEZs disbursements: R3 billion
Investment: R10.3 billion
Investment Multiplier: 3.4.

11 industrial parks upgraded
R415 million allocated
55 000 people employed
10-YEAR LEGACY REVIEW

Sectoral work
10 Year Legacy Review: Automotives (MIDP and APDP)

Over R40 bn investment secured
Projected Investment from all OEMs (BMW, Mercedes-Benz, Toyota, VW, etc.)

Export R45 bn to R171 bn

600 000 Vehicles per annum

Supporting 113 000 jobs (assembly and supply chain)
10 Year Legacy Review: Clothing Textiles Leather and Footwear

CTCP incentive: Approvals: R5.1 bn, Disbursements: R4.2 bn

Contributed to the stabilisation of the clothing and textiles sector

95 000 jobs supported

Leather sector: 22 new factories opened; supporting 2 200 jobs

Productivity by 22.3% under the incentive

Manufacturing value addition 60.8% under the incentive

95 000 jobs supported

The dti
Department: Trade and Industry
REPUBLIC OF SOUTH AFRICA

14
10 Year Legacy Review: Agro-Processing

One of the key performing and reliant industry within the broader manufacturing sector

Support to the tune of R1bn: attracted over R4.6 billion worth of investments from major players such as Nestle, Tiger Brands, Unilever, PG Bison, Dursots-All Joy etc.

New Agro-Processing Support Scheme launched in 2017

Supporting 283 000 jobs in the value chain
10 Year Legacy Review: Metal fabrication, Capital and Rail Transport equipment

Over R1-billion investment in train manufacturing facility in Nigel. The facility will manufacture, assemble, test, commission and deliver 580 new commuter trains for PRASA.

Significant investments in locomotive assembly platforms, wagon-builds and fabrication capabilities in support of the freight recap programme.

Propulsion and Controls Production by Bombardier Transportation in Elandsfontein, estimated investment of R50 million and will employ about 150 people during the course of the project.
10 Year Legacy Review: Metal fabrication, Capital and Rail Transport equipment

- **ABB**: R15m plant upgrade investment for the manufacturing of traction transformers

- **Lucchinina SA**: R200m investment to manufacture forged wheels for all rail rolling stock classes. 45 new jobs created and BEE partnerships

- **IECHOLDEN**: Over R250 million new investment for manufacture of traction motors and alternators. About 105 people employed with the potential to grow the staff complement to over 300
10 Year Legacy Review: Metal fabrication, Capital and Rail Transport equipment

Developed a new Tool, Die and Mould apprenticeship programme (aligned to 4.0) accredited by SAQA and skills authorities.
Skills pipeline: more than 1 800 students, 30% females, 80% work-placement

More than 100 foundries assisted through Competitive Improvement Programme: reduce scrap rates; improve electricity efficiency and adapt to the environmental requirements

100 Tool, Die and Mould companies assisted through ED Programme
10 Year Legacy Review: Mineral Beneficiation

- Development of a hydrogen Economy: key platform for technology-intensive investment

  - CSIR/Busmark (local OEM)/HySA for a bus prototype
  - Anglo Platinum collaborating with HySA Infrastructure: fuel cell-powered mining equipment
  - Fuelling station using a locally developed metal hydride compressor deployed by Implats
  - Black Industrialist Programme: Led to the establishment of a R251 million 25,000 t/a pure nickel sulphate plant in the NW
  - Locally manufacturer for fuel cell components supported under BIS
Ongoing effort to build this globally competitive and labour-intensive sector

220,000 people employed
32,000 trained operatives
16,000 young people trained under Monyetla with work placement rate of over 70% since inception

Offshore destination of choice international brands such as Amazon, Asda, Bloomberg etc, at the back of BIS incentive
FOCUS AREAS FOR 2018/19
Transversal and sectoral interventions
IPAP is being implemented in difficult and uncertain global and domestic economic conditions

The IMF has already lowered its global economic forecasts for 2018/19 from 3.9% to 3.7%. Growth in the US for 2019 has also been lowered due to their recent tariffs measures, most notably against China.

Monetary policy normalisation impacted financial markets where countries with high twin deficits and high levels of external debt like Turkey and Argentina have experienced sharp currency depreciation and large capital outflows.

Emerging markets are facing serious trouble. Argentina has gone to the IMF for funding and similar to Venezuela, are experiencing very high inflation rates.

Pakistan and Sri Lanka are struggling to repay their debt, and Turkey had to increase interest rates overnight in trying to protect its currency from depreciation.

The Turkish Lira has depreciated by 38% this year and Argentina’s currency has depreciated by more than 50% and its interest rates rose to 60%.
Domestically the economy is in a technical recession with two consecutive quarters of negative growth in 2018, primarily due to contractions in the productive sectors of the economy.

For 2018, GDP growth has been revised down from 1.5% to 0.7%. Factors such as low levels of demand and relative weak business confidence are influencing the lower growth.
Transversal focus areas

Procurement reform & strengthening – Procurement Bill and Procurement Review by National Treasury & DPME

African Integration and Industrial Development
SA Chair of SADC. Adoption of the SADC Industrial Action Plan; scoping of 10 cross-border industrial projects
Transversal focus areas

Technical Infrastructure
Full review of SABS testing of suite of testing functions; focus on automotive, rail, agro-processing, beneficiation, water and oceans economy at SABS, NMISA.

Incentives
Formalise an inter-governmental structure to consolidate and enhance SA’s investment incentive offering - guided by the outcomes of the ongoing review by DPME of SA’s business incentives.
Transversal focus areas

SEZs
Designation of additional SEZs; institutional and capacity development; and investment promotion

Digital Industrial Revolution
Development of an integration Digital Industrial Revolution strategy and policy
Sectoral focus areas

Automotive
Automotive 2020 Masterplan: to secure localisation & empowerment, deepen the value chain

Clothing, Textiles, Leather & Footwear
Finalise the Retail- Textiles, Clothing and Footwear Masterplan with Industry. Develop leather export cluster

Metals Fabrication, Capital & rail transport equipment
scale up designation & localisation; emergency foundry plan to prevent further closures

Agro processing
Development plan for niche sectors (e.g. Haalal Industry; Mechanically Deboned Meat investment, Fruit Export) Sugar Industry Transformation Programme: finalise the transitional arrangement and diversification plan
<table>
<thead>
<tr>
<th>Sectoral focus areas</th>
<th>Projects/Initiatives</th>
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<tbody>
<tr>
<td>Plastics, Pharmaceuticals, Chemicals and Cosmetics</td>
<td>Waste to Polymers Production Plan, manufacture of Veterinary Medicines, Medical Devices Cluster, Chemical Cluster; Natural Ingredient Export Development</td>
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<tr>
<td>Primary Minerals and Upstream Mining</td>
<td>Scale-up hydrogen economy, mining equipment localisation; gas industry development</td>
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<tr>
<td>Green Industries</td>
<td>A Policy Roadmap for Climate Compatible Industrial Development; Industrial Water and Industrial Energy Efficiency Projects</td>
</tr>
<tr>
<td>Business process Services</td>
<td>Roll-out of BPS incentives; implementation of Monyetla Work Readiness Programme</td>
</tr>
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**Sectoral focus areas**

- **Marine Manufacturing and Associated Services**
  - Component Supplier Development Programme; Skills Development Programme

- **Aerospace & Defence**
  - Commercial Aerospace Framework; Radar System Localisation Strategy; Technology Enhancement Programme; manufacturing cluster and sub-tier development park

- **Electro-technical Industries**
  - Local procurement of high voltage switch gear; Localisation of LED lighting manufacture and roll-out of the White Goods Industry Cluster
Thank you