

IPAP PRESENTATION



BRAZIL ITI 2012
MRS N TSATSI
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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



Presentation overview

- Background of IPAP
- Medium term outlook structural challenges
- Medium term outlook opportunities
- IPAP 2012-2015 Strategic priorities
 - Procurement
 - Industrial financing
 - Strategic trade policy
 - Regional integration
 - Skills development for industrialization
 - Ongoing sector support
 - Capital equipment and metal fabrication
 - Aerospace and defence sector
 - Agro processing sector etc



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Background

- IPAP 2012-2015 adopted by Cabinet in March 2012
- It is a 3 year rolling industrial policy action plan guided by the National Industrial Policy Framework (NIPF)
- NIPF sets out Government's broad approach to industrialisation
 - To facilitate diversification by increasing value-added per capita
 - Movement towards a knowledge economy
 - More labour - absorbing industrialisation path
 - Broader - based growth
 - Economic development and integration on the African continent
- IPAP is designed to address the decline in our industrial and manufacturing capacity and contribute to job creation
- IPAP2 plays a central role in relation to the New Growth Path as its key to its job creation strategy.



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Medium-term Outlook: Structural Challenges

- Significant **global economic uncertainty around resolution of economic crises** in EU and US and **geopolitical risks**
- Protracted recession and **decreased demand for exports, particularly in SA's traditional markets in the US and Euro Zone**
- Slow and difficult process of re-orienting exports to higher growth developing regions and countries
- Currency volatility and overvaluation, which promotes capital intensity and a skills bias
- **Inadequate** provision of **suitable long-term financing instruments for industry**
- Inadequate progress with skills development programmes for priority sectors
- Significant subsidies, trade measures and other distortions within global trade



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Medium-term Outlook: Key Opportunities

- **Increased manufacturing opportunities linked to public sector infrastructure capital investments** in sectors such as metal fabrication, capital equipment, rail and renewable energy
- **Opportunities to regain domestic market share** in areas such as clothing, textiles, leather and footwear and agro-processing
- **Opportunities to grow manufacturing exports** on the rest of the African continent linked to mining, infrastructure, construction and a rapidly growing middle class
- **Export opportunities to fast-growing developing countries** such as high growth net food importing countries



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IPAP 2012/13-14/15 Strategic Priorities

A number of **Strategic Platforms** have been put in place being

- Procurement
- Industrial financing
- Strategic trade policy
- Regional Integration
- Skills development for industrialisation
- On going sector development support
 - Aerospace and defence sector
 - Capital and Metal fabrication sector
 - Agroprocessing etc



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IPAP 2012/13-14/15 Strategic Priorities



Procurement

- Designation for local content on a range of sectors
- Deepen supplier development policy, systems and programmes in SOE's
- Direct and Indirect National Industrial participation



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IPAP 2012/13-14/15 Strategic Priorities

Industrial Financing

Manufacturing Competitiveness Enhancement Programme (MCEP)



- MCEP with a **budget allocation of R5,8bn** over current three year MTEF was launched in May and roll-out has commenced
- **Manufacturing support** response to companies impacted by currency, global recession and escalation of administered prices
- Deployed towards **upgrading competitiveness of labour intensive and value-adding manufacturing sectors**
- **Grant finance** with clear rules-bound access criteria aimed at firms in key sectors **to upgrade production facilities**, process, products and skills
- MCEP consists of :
 - **Production Incentive**
 - **Industrial Financing Loan Facilities**
- **Excludes** : sectors with dedicated support programmes; capital intensive sectors; high market concentration and anti-competitive behaviour



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IPAP 2012/13-14/15 Strategic Priorities



Regional integration

- Shift of emphasis from **market access** to **production capabilities** and **infrastructure**
- Areas of **co-operation** will include:
 - Industrial financing
 - **Co-operation** and strengthening of **technical infrastructure** - standards, quality assurance, and accreditation
 - **Cross-border infrastructure and sector development**



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IPAP 2012/13-14/15 Strategic Priorities



Developmental Trade Policy

- On-going **developmental tariff reform** informed by sector strategies
- **Develop standards** and strengthen enforcement of existing and new mandatory standards
- **Strengthen** Standards Quality Assurance Metrology (**SQAM**) institutions to **support industrial development**
- Technical infrastructure and **conformity** assessment support for exports
- Up-scaled **clampdown** on customs fraud



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IPAP 2012/13-14/15 Strategic Priorities

Skills for Industrial Development

- Ongoing work on a dedicated IPAP National **Artisan Development Programme** for priority sectors
- **Demand-driven skills** development programme to increase our skills base, e.g. National Tooling Initiative (NTI), National Foundry Technology Network
- **Establishment of a new architecture and funding model for Centres of Excellence**, e.g. advance manufacturing, clothing and leather and aerospace



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IPAP 2012/13-14/15 Strategic Priorities



On-going Sector Development

- **Aerospace:** strengthening integration into supply chains-Procurement
 - Direct Industrial Participation and Indirect National Industrial Participation
- **Advanced Materials:** feeding into new growth industries such as aerospace, solar and nuclear



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IPAP 2012/13-14/15 Strategic Priorities

Light to Heavy Duty Steel Fabrication



Metal Fabrication, Transport and Capital Equipment

- Utilise MCEP to upgrade industry capabilities
- **Appropriate financing mechanisms**
- Further designation and sector specific co-commitments
- Rail
 - **Leverage large rail upgrade capex**
 - **Designations** related to key componentry into loco's, wagons and coaches
- Appropriate **pre-shipment financing**
- Electricity generation
 - Leverage large coal and nuclear upgrade capex
 - Designations in range of areas



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