

**Industrial Development Division
Department of Trade and Industry
The Industrial Policy Action Plan (IPAP) and
support for the Black Industrialists Programme**



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Summary Context

- **IPAP is aligned with the vision of the NDP and the key growth drivers of the NGP. Framed by the National Industrial Policy Framework (NIPF) and government policy to secure a national industrial effort, IPAP seeks to:**
 - **Enable a restructuring of the economy and reverse the threat of deindustrialisation;**
 - **Place it on a more value-adding, labour-intensive and environmentally sustainable growth path - especially in globally competitive non-traditional tradable goods and services;**
 - **Produce a decisive shift of focus towards historically disadvantaged people and regions of SA in keeping with a radical economic transformation agenda**
 - **Contribute towards regional industrial integration in Africa,**

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IPAP: a set of inter-locking, mutually supportive transversal and sector specific policies and programmes inclusive of

- **A system of industrial financing, incentives and export support, inclusive of black industrialists programme, channelled to more labour-intensive and value-adding sectors – with strong conditionalities to raise competitiveness and exports**
- **Leveraging procurement to raise domestic demand, production and employment in a range of sectors**
- **Developmental trade policies such as tariffs deployed in a selective and strategic manner to support a diversified and increasingly competitive manufacturing sector**
- **Technical infrastructure (standards, compulsory specifications etc) to 'lock out' sub-standard imported products and 'lock-in' locally manufactured products for the domestic and export**

IPAP: a set of inter-locking, mutually supportive transversal and sector specific policies and programmes inclusive of

- **Competition policy: which limits abuse of market power and lowers the cost of key inputs in the manufacturing sector.**
- **Skills, technology and innovation policies better aligned to national industrialisation effort and sectoral priorities**
- **Deployment of these policies in general and in relation to more ambitious sector strategies, set out in detailed cross-cutting and sector KAPs in successive annual iterations of IPAP**

Summary Context

- **IPAP is fundamentally committed to:**
 - **Sound research;**
 - **Intensive stakeholder engagement;**
 - **Intra-governmental coordination and integration;**
 - **Identification of key areas of market failure;**
 - **Industrial ‘self-discovery’ and learning-by-doing.**

- **IPAP asserts state leadership in strategic areas of the economy by ‘steering but not rowing.’**

- **It is also committed to internal process improvement and capacity building, both within the dti and in support of its partner institutions.**

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Summary Context

➤ Key Action Plans:

- Over the past 6 years, IPAP has developed a wide range of transversal and sector-specific Programmes and Key Action Plans (KAPs).
- IPAP KAPs are designed around time-bound milestones and the allocation of lead and supporting responsibilities to specified departments and institutions.

➤ Methodology:

- The IPAP has proven to be an important tool for:
 - Planning and management;
 - Monitoring and evaluation;
 - Oversight;
 - Intra-governmental coordination and integration.

Summary Context

- **Provision of targeted, conditional support to industry:**
 - IPAP increasingly requires strong *quid pro quos* from recipients of its targeted investment and incentive schemes.
 - Recipients are particularly required to make clear improvements in the key areas of:
 - Empowerment
 - Localisation in (upstream) supply chains and (downstream) value-addition
 - Plant and process upgrading;
 - Competitiveness and export orientation;
 - Employment retention and new job creation.

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Summary Context

- **Consolidating the foundation:**
 - The new platforms created by IPAP have built a foundation upon which industrial policy can be deepened and extended.
 - These include:
 - Procurement;
 - Infrastructure and localisation;
 - Industrial financing and incentives;
 - Stronger and more focussed export support and promotion.
- All the above need to be combined with greater efforts to overcome cross-cutting constraints and intensify intra-governmental integration and co-ordination.
- And secure a higher impact, focussed national industrial strategy.

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Summary Context

- **“Industrial policy works”**
 - **Demonstrable progress and results illustrate that industrial policy can and has worked when it is firmly based on these principles and adequately resourced.**
 - **Clear examples of IPAP-assisted success can be seen in the automotive sector, clothing and textiles, business process services and the film industry.**
- **It is important to emphasise that the progress achieved to date has been in the face of extremely unfavourable domestic and global economic conditions.**

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Context – Black Industrialists Programme

- Located in broader industrial policy – NIPF and IPAP – and Black Industrialists Programme should be supported by all policy instruments, inclusive of a tailor made financial support mechanism. No necessary contradiction between BBB-EE and localisation.
- BBB-EE has been limited in the manufacturing sector and generally, but not exclusively confined to ‘shallow’ equity, mainly in resource and services sector
- Need for comprehensive support for black industrialists committed to ownership and management of manufacturing companies in strategic manufacturing sectors

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Black Industrialists Programme

- **Industrial Development Division support in following areas:**
- **Working closely with State Owned Companies (SOC) identify strategic opportunities in procurement and supplier development programmes (Competitive Supplier Development Programme) for black companies supported by public sector financial instruments; e.g. Eskom and Transnet procurement**
- **Identify and operationalise, working closely with the IDC and government departments, including DST, key opportunities in traditional and new growth sectors; Green Industries and renewable energy; up and downstream oil and gas; minerals processing and beneficiation; boatbuilding etc.,**

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Black Industrialists Programme

- Provide support for black companies in supply chains of domestic and global Original Equipment Manufacturers (OEM's) across key strategic sectors;
 - Automotives and Medium, Heavy Commercial Sector
 - Metals, Mining and Transport Capital Goods Sector
 - Agro-processing etc.
- With 'matchmaking' in large foreign direct investment projects, supported by public sector financial instruments
- Deployment of industrial policy instruments – procurement; export promotion etc,.
- All under-pinned with conditionalities for public sector support

A range of demand and supply side policies and programs are in place to support the development of black industrialists.

Demand Side Initiatives

- Competitive Supplier Development Program.
- Designations and local procurement
- National Industrial Participation Program.
- New Empowerment Codes; Sector Charters
- APDP:CTCP etc

Supply Side Initiatives

- DFI financing and dti incentives
- SEZ's, clusters and hubs
- Incubation facilities.
- Innovation, commercialisation and technology support
- Skills development programs etc

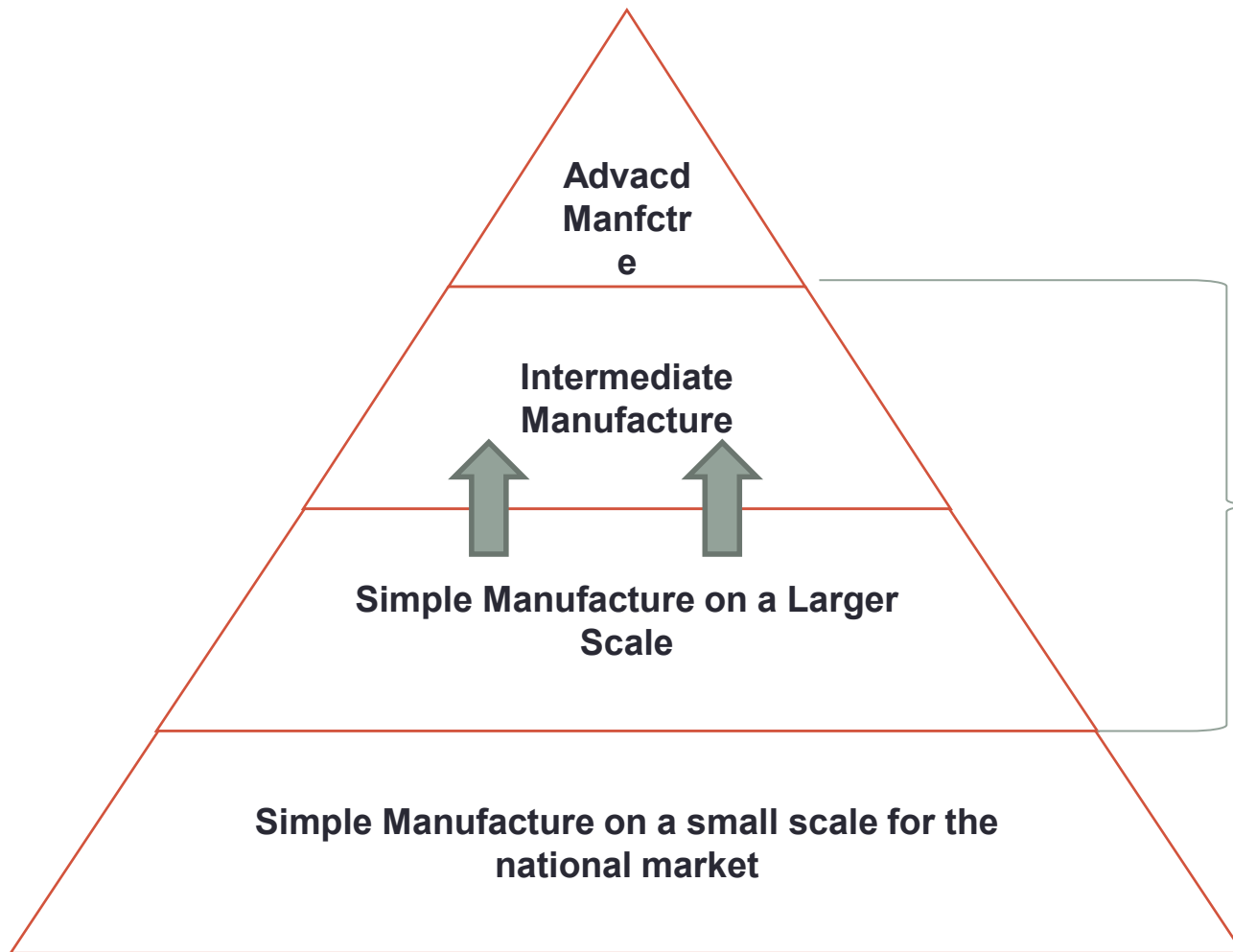
The key question is how the demand and supply side initiatives are integrated and coordinated so that impact is optimised?

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The problem statement is how do we support black industrialists up the value chain?



Special Government and Private Sectors Programs required to build capabilities and enhance efficiencies to move up the value chain.

The question is what combination of demand and supply interventions are required to achieve this goal

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Constraints and Threats

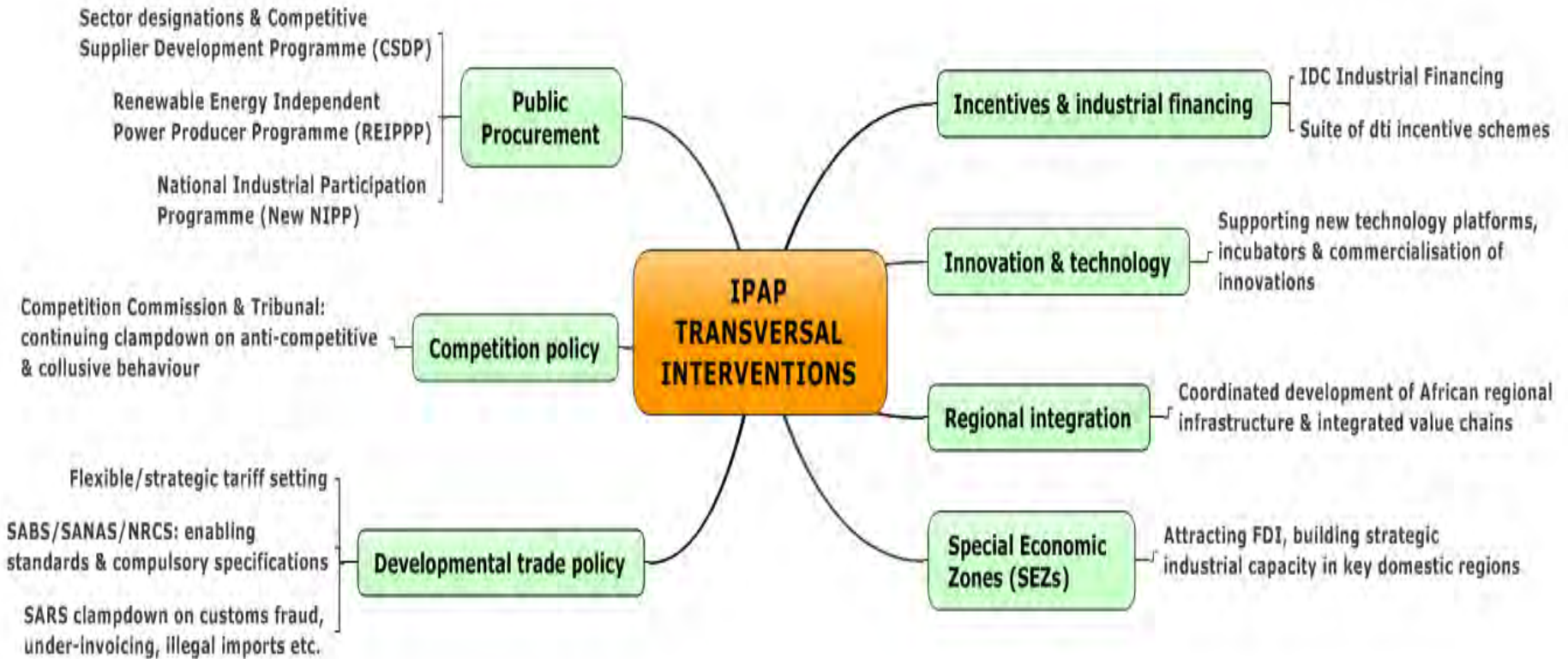
Constraints

- Protracted recession and decreased demand for SA exports in our traditional export markets in the US and Euro Zone. Difficulties associated with changing our export paradigm.
- Weakened domestic demand as the credit-fueled boom of 2005-2007 continues to prove unsustainable.
- Financial market failure and lack of investment in productive sector: requiring a much more strategically focussed set of investment instruments and incentives across all DFIs and departments.
- Monopolistic pricing of privately owned key intermediate inputs into the manufacturing sector – especially steel and plastics.
- Continuing currency volatility.

Threats

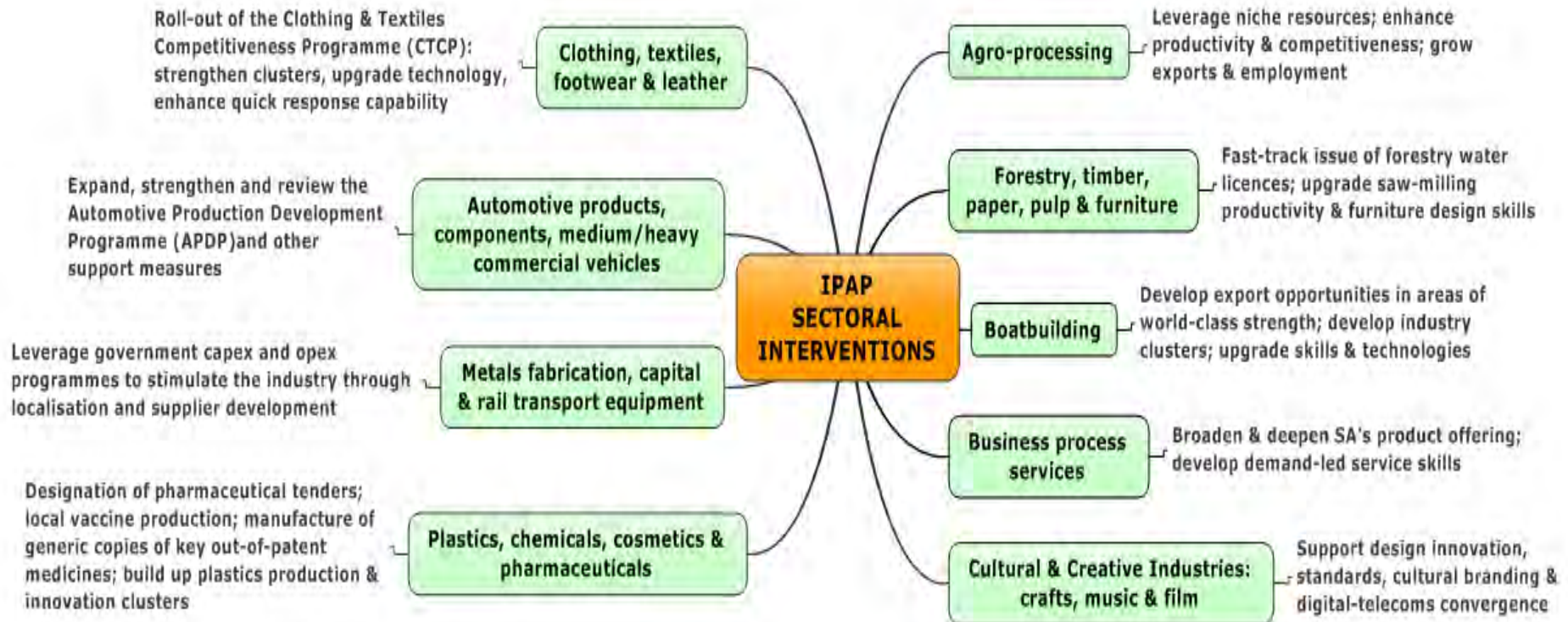
- Electricity supply constraints and sharply escalating and 'bunched up' administered prices, including electricity prices and municipal premiums
- Weaknesses in intra-governmental coordination.
- Possible negative consequences for productive economy if environmental regulations are not phased in so as to allow necessary breathing space for manufacturers to reach full compliance.
- Continuing high port charges and freight and logistics inefficiencies for export of value-added goods.
- Continuing skills deficits and mismatches across the economy – an especially critical problem for the new growth sectors.
- Continuing labour relations volatility.

IPAP TRANSVERSAL FOCUS AREAS



IPAP SECTORAL FOCUS AREAS

CLUSTER I



IPAP SECTORAL FOCUS AREAS

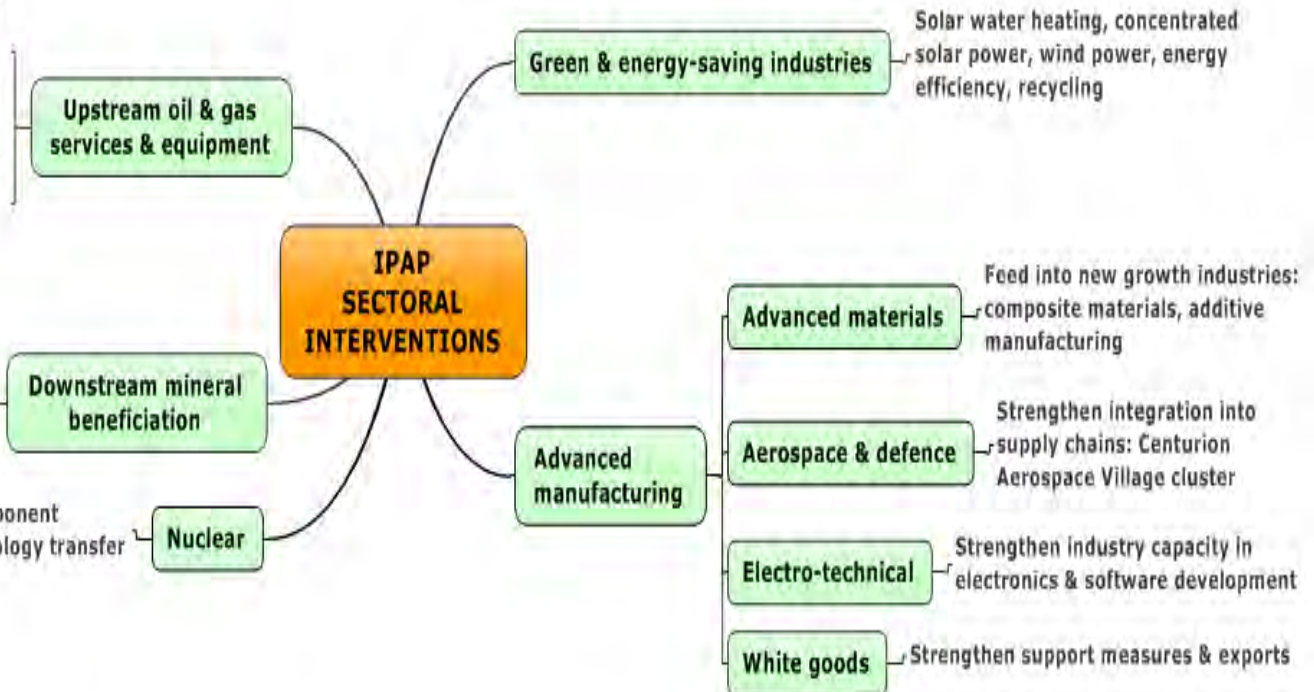
CLUSTER II

Resolve key ports constraints & import duty issues for intermediate inputs & machinery; market SA's specialist engineering, repair, logistics & technical support services

Roadmap for exploration & exploitation of shale gas reserves, with strong emphasis on environmental sustainability and maximised upstream and downstream linkages

Leverage competitive advantage in minerals endowment to develop new value chains

Leverage local component production & technology transfer



KEY THEMES OF IPAP 2015

Infrastructure-driven industrialisation: through sustaining and building the infrastructure programme with stronger support for local manufacturing and empowerment

Resource-driven industrialisation: which enables the leveraging of mineral resources for greater downstream beneficiation and value addition

Advanced manufacturing-driven industrialisation: with stronger conditionalities for public sector support
Strengthening the **localisation of public procurement to raise aggregate demand and domestic production – compliance; strategic sourcing and building capacity of state,**

Maximising opportunities to the domestic economy by a **growing market on the African continent and regional industrial integration.**

Rolling-out of the intra-governmental **Operation Phakisa** for the marine economy