



Induction on Industrial Development Portfolio Committee of Trade and Industry

Industrial Development Division
9 July 2019



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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OVERVIEW OF THE PRESENTATION

- ❑ Context, Key Policy Considerations and Underlying Principles to Industrial Development
- ❑ Industrial Development Division (IDD): Purpose, Structure and Key Functions
- ❑ Entities Reporting to IDD: Technical Infrastructure Entities – Mandates and Roles
 - ❑ National Metrology Institute of South Africa (NMISA)
 - ❑ South African National Accreditation System (SANAS)
 - ❑ South African Bureau of Standards (SABS)
 - ❑ National Regulator for Compulsory Specifications (NRCS)

CONTEXT: APPROACH TO INDUSTRIAL DEVELOPMENT

- ❑ The department's approach to industrial development is underpinned and informed by the National Industrial Policy Framework and its associated action plan the Industrial Policy Action Plan (IPAP) ➔ SA Industrial Policy
- ❑ NIPF and IPAP is informed by the vision set out for South Africa's development provided by the National Development Plan (NDP). It is located within and provides one of the key programmes of the New Growth Path (NGP)
- ❑ IPAP is aligned to the Medium Term Expenditure Framework (MTEF) as well as the Medium Term Strategic Framework (MTSF)
- ❑ NIPF and IPAP has overtime (2007- 2018) anchored the work of the Department and that of the Government as a whole

Policy context



**10th iteration of
IPAP**

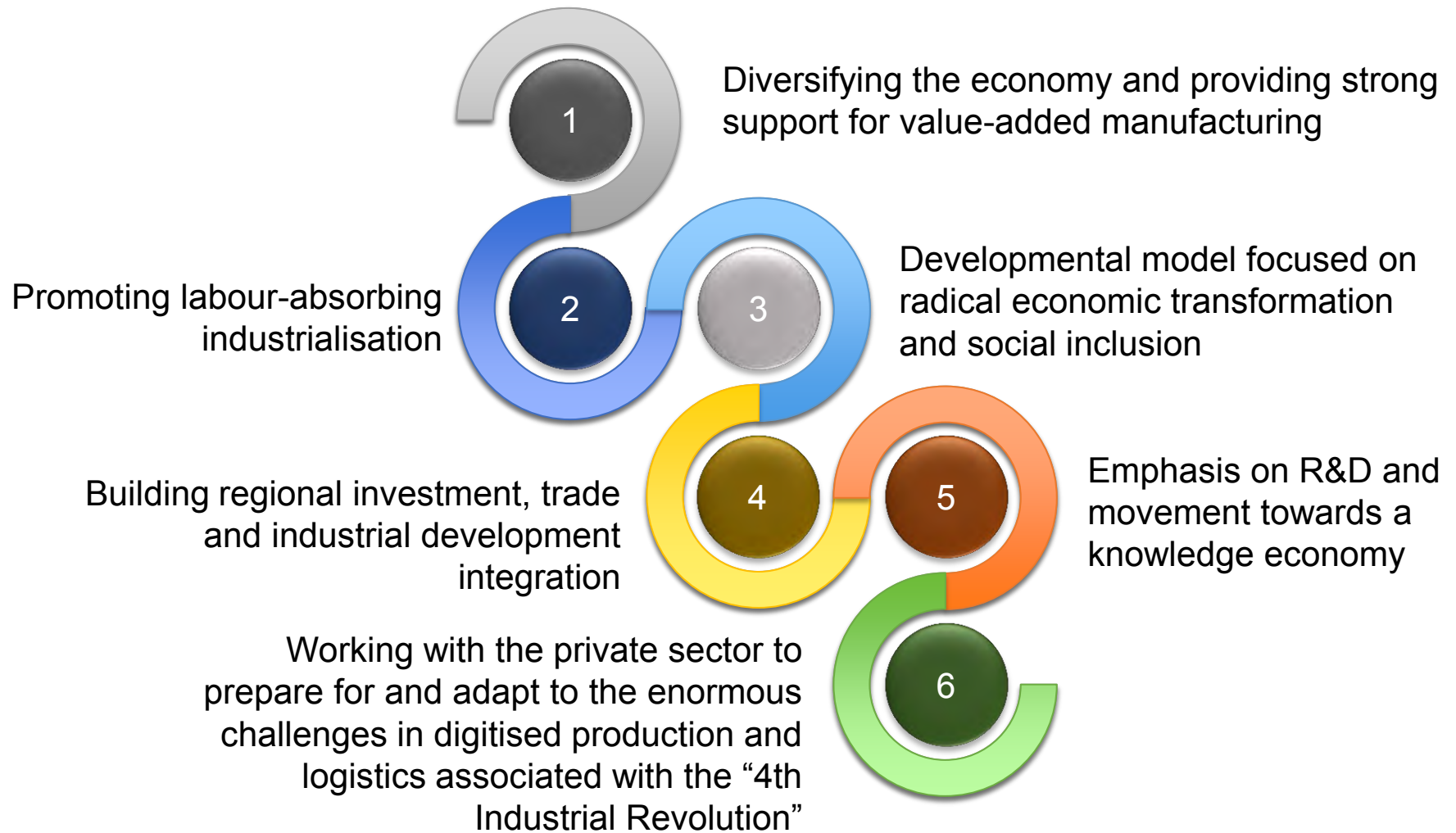
**Informed by the
vision**

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

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

**Transformation:
change the racially
skewed ownership,
management and
employment profile of
the economy**

Context: Industrial Policy Core Objectives



CONTEXT: IPAP DEVELOPMENT AND IMPLEMENTATION PROCESS

- ❑ Over the past 10 years, IPAP has developed a wide range of transversal and sector-specific Programmes and Key Action Plans (KAPs) which are renewed, reviewed and deepened in successive iterations
- ❑ IPAP KAPs designed around time-bound milestones and the allocation of lead and supporting responsibilities to specified departments and institutions
- ❑ The IPAP has proven to be an important tool for: planning and management; monitoring and evaluation; oversight; intra-governmental coordination and integration → Parliamentary Portfolio Committee has played a very important oversight role

CONTEXT: KEY INDUSTRIAL POLICY TOOLS DEPLOYED

- ❑ **Standards/ Quality based Instruments:** greater use of Standards, Quality Assurance, Accreditation and Metrology (SQAM)/ Technical Infrastructure system to secure market access for SA goods whilst locking out sub-standard products from the domestic market
- ❑ **Industrial Financing:** promote competitiveness; attract investments; decentralise economic activities; infuse technology and innovation; support economic transformation, preserve and create jobs → critical role of IDAD, IDC and other DFIs
- ❑ **Leveraging Public Procurement:** to deliver greater industrial development and net economic benefits through designation of fleets and other ‘critical industries’ for domestic production with the ultimate goal of building domestic long-term industrial capabilities, creating jobs in the associated supply chains, increasing returns through investment and skills development
- ❑ **Trade policy instruments** measures informed by the South African Trade Policy and Strategy Framework. These included tariffs; anti-dumping measures; and safeguards and leveraging on the trade agreements → critical role and independency of ITAC

CONTEXT: KEY INDUSTRIAL POLICY TOOLS DEPLOYED

- ❑ **Regional Integration and Export promotion** to foster upward movement in global value chains, while also pursuing investment-led regional integration. Critical to this has been the support to industrial growth and development of infrastructure in the SADC region and the African Continental Free Trade Area (AfCFTA) gave effect to the objective of unlocking manufacturing potential and facilitate industrialisation, driving sustainable growth and jobs among other objectives
- ❑ **Competition Policy:** to promote competition, combat anti-competitive and collusive behaviour, combat cartels → critical role and independency of the Competition Authorities



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Policy Context: Constraints and bottlenecks

It is important to emphasise that the progress achieved to date has been in the face of extremely unfavourable global economic conditions and domestic constraints

Subdued demand and global trade wars:

depressed domestic and global demand and overcapacity; complex and volatile global economy resulting in on-going trade wars

Policy coherence and program alignment

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

Adherence to procurement prescripts:

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

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

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 complex supply chains

POLICY CONTEXT: APPROACH IN THE FUTURE

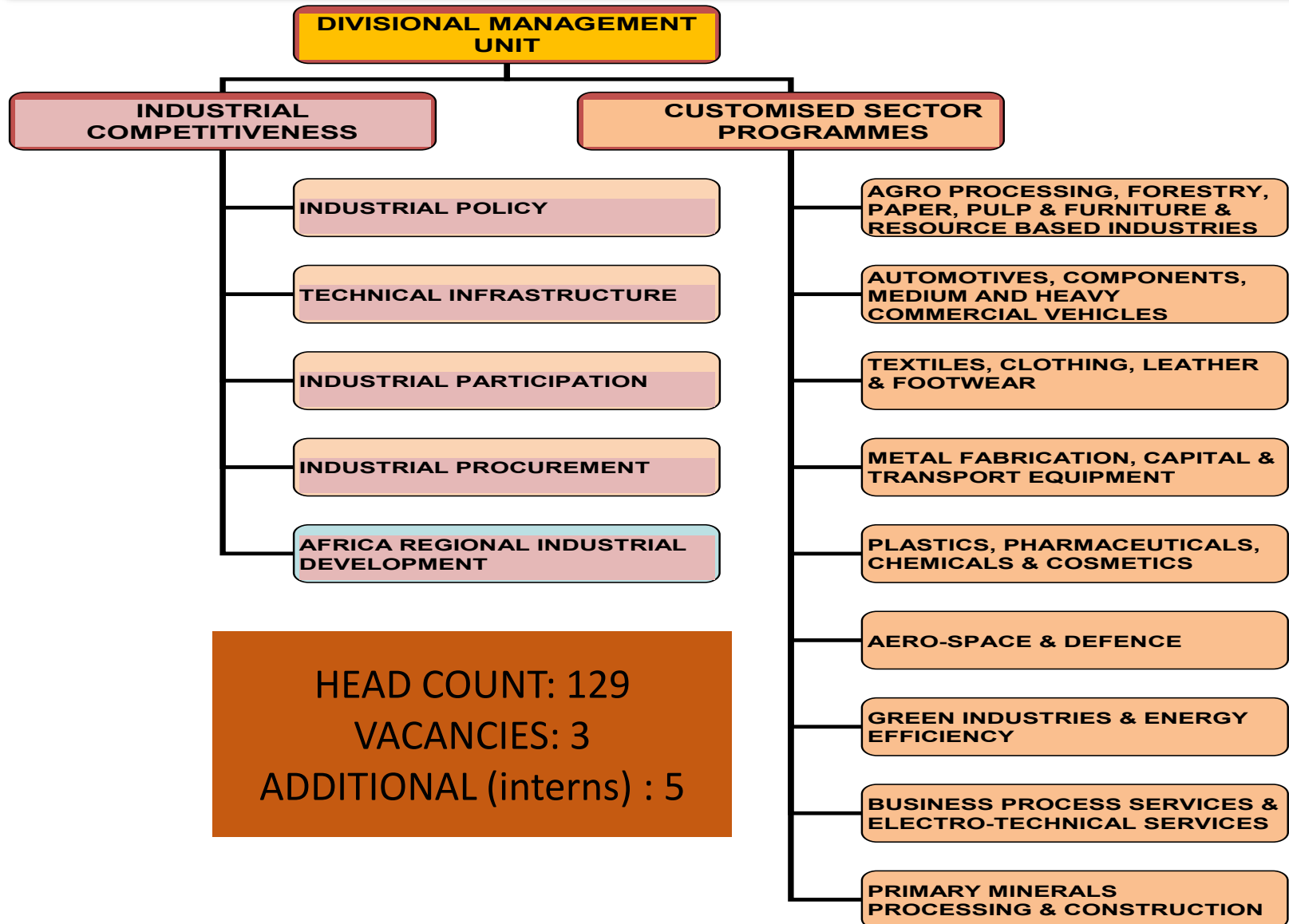
- ❑ Industrial policy:
 - ❑ has worked where it is adequately resourced; properly designed and subject of robust stakeholder engagement and coordination, both with respect to key sectors and interventions
 - ❑ Clear examples of success can be seen in the automotive sector, clothing and textiles, business process services and the film industry
 - ❑ There is no 'silver bullet' and government-wide, stepped-up support for industrial policy is required to address deep-seated structural problems and constraints → deepen and widen the toolbox with focussed problem-solving approach to constraints/bottlenecks
- ❑ The platforms created by IPAP have built a foundation upon which industrial policy can be deepened and extended hence the ***Re-imagined Industrial Strategy*** which focusses on a combination of retaining and re-capturing domestic market share with stronger, more focussed conditional support measures – procurement; incentives etc., ramp up efforts to expand SA export culture, focusing on increasing the value addition and sophistication of our exports as well as strengthening the regional integration and industrialisation agenda

PURPOSE: INDUSTRIAL DEVELOPMENT DIVISION

- ❑ Design and implement policies, strategies and programmes to strengthen the ability of manufacturing and other sectors of the economy, to address issues of transformation and inequality; create decent jobs and increase value addition and competitiveness in domestic and export markets
- ❑ Division divided into 2 sub-programmes:
 - ❑ Industrial Competitiveness: 5 transversal programmes
 - ❑ Customised Sector Programmes: 9 sector desks



Organizational Structure of the Division



TECHNICAL INFRASTRUCTURE ENTITIES

The South African Technical Infrastructure is anchored by 4 independent but complimentary public entities:

1. National Metrology Institute of South Africa (NMISA)
2. South African National Accreditation System (SANAS)
3. South African Bureau of Standards (SABS)
4. National Regulator for Compulsory Specifications (NRCS)



The Technical Infrastructure is a system of public entities, complemented by private sector operators, which jointly ensure that products and processes meet predefined specifications. It aims at providing technical support to industry for improvement of their production processes as well as ensuring compliance with technical regulations or industry specifications, both nationally and internationally.

Technical Infrastructure – Definitions

- ❑ **Standard:** publication of a formal document, generally developed by consensus, containing the requirements that a product, process or service should comply with. Standards are essentially voluntary in nature and producers can choose when to use them. But once standards are used in contracts or are referenced in technical regulation, compliance becomes obligatory
- ❑ **Conformity assessment:** processes of determining whether a product or service or system meets requirements of a particular standard such as testing, certification, verification or inspection
- ❑ **Accreditation:** formal procedure by which an authoritative body gives recognition that a facility is competent to carry out specific tasks
- ❑ **Metrology:** the science of measurement that provides for accurate and precise measurement in all fields, namely length (metre), mass (kilogram), time (second), electric current (ampere), thermodynamic temperature (kelvin), amount of substance (mole) luminous intensity (candela)

Technical Infrastructure – Definitions

- ❑ **Compulsory specification:** a technical regulation administered by the NRCS
- ❑ **Technical regulation:** a government document that lays down product characteristics or their related processes and production methods, including applicable administrative provisions, with which compliance is mandatory. The objective is the protection of the health and safety of the consumer and the environment

Technical Infrastructure entities: NMISA

- ❑ **Mandate:** The Measurement Units and Measurement Standards Act, Act 18 of 2006 established the NMISA to provide for the use of measurement units of the International System of Units (SI) and to designate other measurement units for use; to provide for the designation of the national measurement standards (NMS) and to provide for the keeping and maintenance of the NMS
- ❑ **Role:** of NMISA is to ensure that measurements performed nationally are accurate and internationally acceptable. This enables trade, component manufacturing, the legal acceptance of measurement results for law enforcement, accurate measurement in environment and safety and is crucial for health care

Technical Infrastructure entities: SANAS

- ❑ **Mandate:** The Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, 2006 established SANAS as the sole national accreditation body to provide an internationally recognised and effective accreditation and monitoring system for South Africa in the fields of Conformity Assessment, Calibration and Good Laboratory Practice
- ❑ **Role:** To create an impartial and transparent mechanism for organisations to independently demonstrate their competence and facilitate the beneficial exchange of goods, services and knowledge, and provide a service that is recognised as equitable to best international practice. This is done through: Accrediting or monitoring, for Good Laboratory Practice (GLP) compliance purposes, organisations falling within its scope of activity; Promoting accreditation as the means of facilitating international trade, enhancing South Africa's economic performance and transformation; Promoting the competence and equivalence of accredited bodies as well as GLP-Compliant facilities
- ❑ **Scope:** Calibration, testing and verification laboratories: Medical laboratories Certification Bodies; Inspection Bodies; B-BBEE Rating agencies; and Monitoring of GLP compliance with principles adopted by the OECD

Technical Infrastructure entities: SABS

- ❑ **Mandate:** The Standards Act, Act 8 of 2008 established the SABS as the peak national institutions to: to develop standards, perform conformity assessment services, promote quality
- ❑ **Role:** of SABS is to develop, maintain and promote South African National Standards (SANS). SANS are critical for accelerating inclusive growth, and development, improving the health and safety of products and services, addressing market failures and promoting local and international trade and consumer protection
- ❑ Furthermore, in terms of its conformity assessment services it provides third-party commercial testing services for a specific range of products in accordance with requirements specified in SANS and regulatory specifications as well as certification services in accordance within the requirements set out in the respective SABS Certification Schemes for both Management System and Product Certification. This is done on a commercial basis

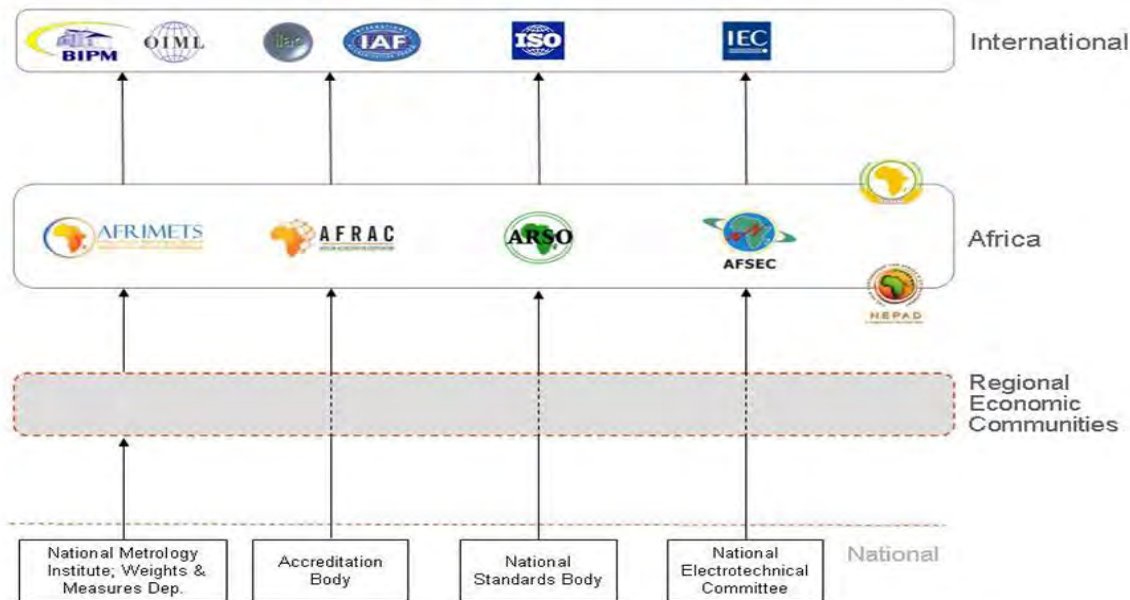
Technical Infrastructure entities: NRCS

The NRCS administers 3 Acts:

- ❑ **The National Regulator for Compulsory Specifications Act, Act 5 of 2008** established the NRCS to promote public health and safety, environmental protection and fair trade through the administration, maintenance and enforcement of Technical Regulations and Compulsory Specifications
- ❑ **The Legal Metrology Act, Act 9 of 2014** strengthens enforcement of metrology, protects consumers against short measure and support competitiveness of industry by levelling the playing field
- ❑ **National Building Regulations and Building Standards Act, Act 103 of 1977** - its purpose is to: promote uniformity in the law relating to the erection of buildings, for the prescribing of building standards, require that building be approved by local authorities prior to erection, require local authorities to employ building control officers, establishes and appeal mechanism against decisions of local authorities
- ❑ **Role:** to develop compulsory specifications and technical regulations and maximise compliance of regulated products and services within its scope of activity namely: Chemicals, Materials and Mechanical, Electro-technical, Food and Associated Industry, automotive, Legal Metrology and National Building Regulations.

Technical Infrastructure: International Linkages

The South African Technical Infrastructure entities are recognised regionally and internationally, through their membership of various international rule setting bodies in their respective areas of specialisation, as illustrated in the diagram below:



Source: PAQI

The maintenance of this recognition is essential to facilitate trade and the rules are based on the Technical Barriers to Trade Agreement of the World Trade Organisation.

Thank You

INCENTIVES: A POLICY TOOL FOR INDUSTRIAL DEVELOPMENT



**INDUSTRIAL FINANCING DIVISION
PRESENTATION TO PARLIAMENT
9 JULY 2019**

**RENEWAL AND GROWTH
FOR
A BETTER SOUTH AFRICA**

DELEGATION FROM IFD

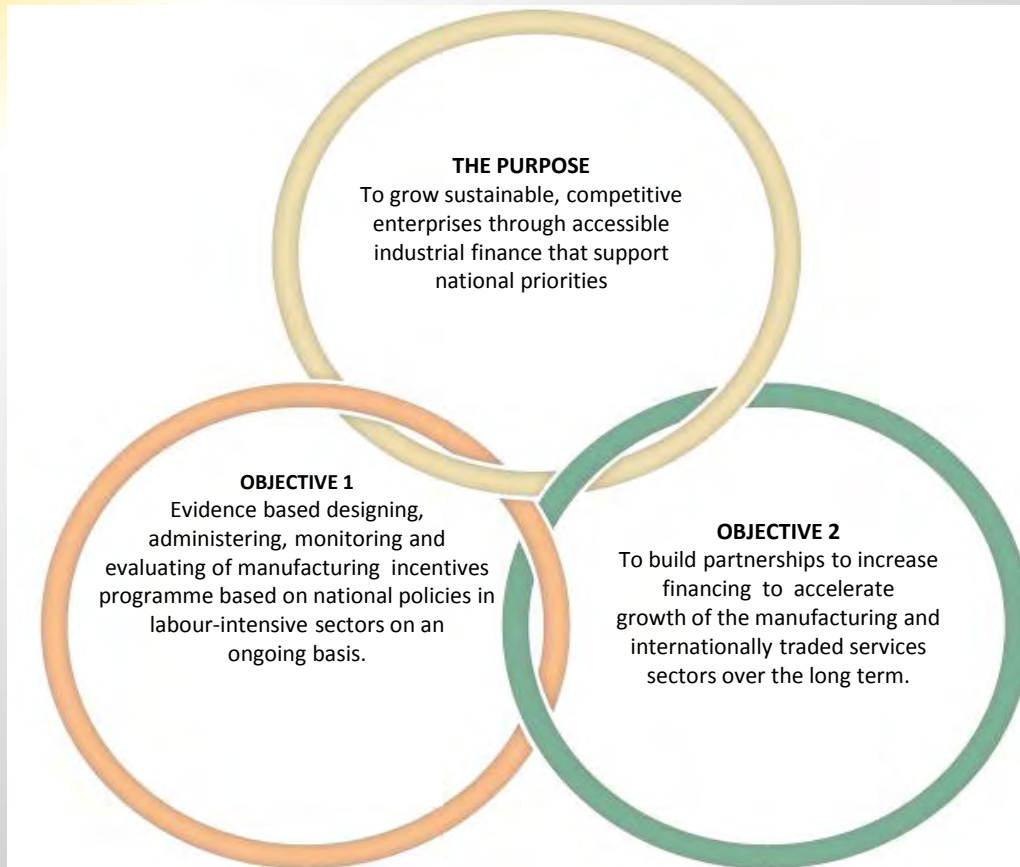
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CONTENT OF PRESENTATION

- ❖ INTRODUCTION TO THE INDUSTRIAL FINANCING DIVISION
- ❖ INDUSTRIAL FINANCING PRIORITIES
- ❖ WHAT WE DO
- ❖ INCENTIVE CLUSTERS
- ❖ STRUCTURE OF THE DIVISION
- ❖ KEY STAKEHOLDERS
- ❖ INCENTIVE PERFORMANCE OVERVIEW
- ❖ INCENTIVES DRIVING INDUSTRIAL DEVELOPEMENT: IMPACT
CASE STUDIES

INTRODUCTION TO INDUSTRIAL FINANCING DIVISION: PURPOSE AND OBJECTIVES



DIVISIONAL SERVICE CHARTER



Integrity



Caring



Transparency



Performance
Excellence

We commit to customer centricity by:

- Treating customers trustfully, honestly ethically and professionally.
- Caring for our investors, entrepreneurs, customers, communities, nation and environment.
- Being accountable and taking full responsibility for our actions.
- Embracing operational excellence

INDUSTRIAL FINANCING PRIORTIES

LEVERAGE PRIVATE INVESTMENT



<https://i.pinimg.com/564x/40/50/405013007133802/stock-photo-growing-money-plant-on-coins-finance-and-investment-1007138802.jpg>

EXPAND INFRASTRUCTURE



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INTEGRATION

GROW INVESTMENT AND EXPORTS ON TO
THE CONTINENT



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INCLUSION

REVITALISING TOWNSHIPS,
BOOSTING SMMEs, CREATING JOBS,
YOUTH, BEE & WOMEN
EMPOWERMENT



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INNOVATION

DIGITAL ECONOMY, DEVELOPING AND
DIFFUSING NEW TECHNOLOGIES



INDUSTRIAL FINANCING DIVISION: WHAT WE DO

PROVIDE FINANCIAL SUPPORT THROUGH COST SHARING CASH GRANTS, TAX INCENTIVES AND LOANS

AREAS OF SUPPORT

PRODUCTIVE ASSETS



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**BUSINESS DEVELOPMENT
SERVICES**



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SKILLS IMPROVEMENT



INFRASTRUCTURE DEVELOPMENT



INCENTIVE CLUSTERS

MANUFACTURING CLUSTER

PROMOTE INDUSTRIAL INVESTMENT, EMPLOYMENT AND INCLUSIVE PARTICIPATION

BLACK INDUSTRIALIST SCHEME

12I TAX INCENTIVE ALLOWANCE,

AUTOMOTIVE INVESTMENT SCHEME

AGRO-PROCESSING SUPPORT SCHEME

AQUACULTURE DEVELOPMENT AND ENHANCEMENT PROGRAMME

INNOVATION CLUSTER

SUPPORTS INNOVATION THROUGH RESEARCH AND TECHNOLOGY DEVELOPMENT

TECHNOLOGY AND HUMAN RESOURCE FOR INDUSTRY PROGRAMME

SUPPORT PROGRAMME FOR INDUSTRIAL INNOVATION

SERVICES CLUSTER

PROMOTE INCREASED INVESTMENT AND JOB CREATION IN THE SERVICES SECTOR

GLOBAL BUSINESS SERVICES

FILM AND TELEVISION PRODUCTION INCENTIVE

INFRASTRUCTURE CLUSTER

AIMED AT ENHANCING INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT

SPECIAL ECONOMIC ZONES

CRITICAL INFRASTRUCTURE PROGRAMME

INDUSTRIAL PARKS

EXPORT CLUSTER

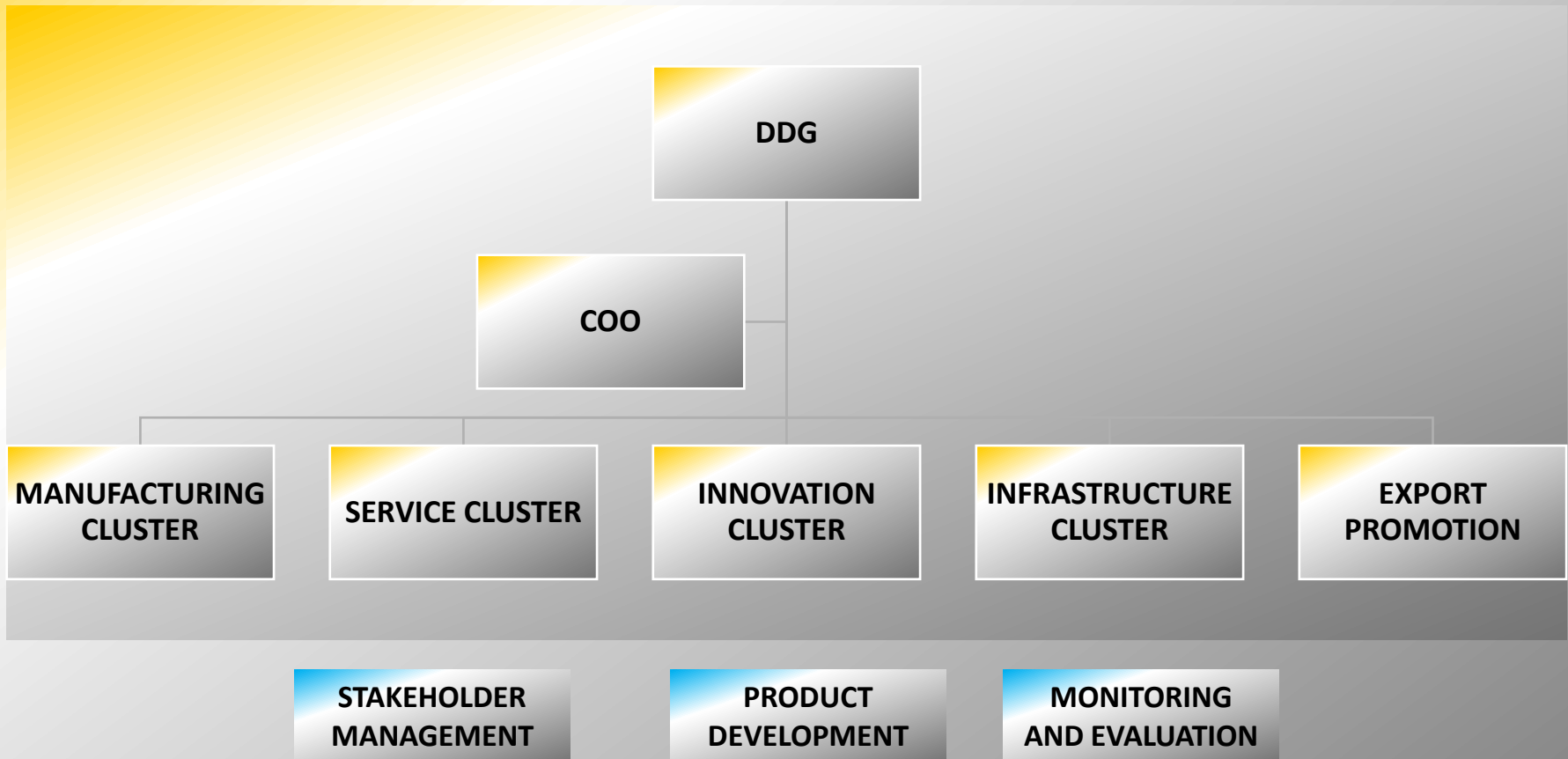
FACILITATES MARKET ACCESS FOR EMERGING AND NEW EXPORTERS

EXPORT MARKETING AND INVESTMENT ASSISTANCE SCHEME

SECTOR SPECIFIC ASSISTANCE SCHEME

CAPITAL PROJECTS FEASIBILITY PROGRAMME

STRUCTURE OF THE INDUSTRIAL FINANCING DIVISION



INDUSTRIAL FINANCING DIVISION: KEY STAKEHOLDERS

ALL DEVELOPMENT FINANCIAL INSTITUTIONS INCLUSIVE OF

:

**INDUSTRIAL
DEVELOPMENT
CORPORATION**

**NATIONAL
EMPOWERMENT
FUND**

**DEVELOPMENT
BANK OF SOUTH
AFRICA**

LAND BANK

**EXPORT CREDIT
INSURANCE
CORPORATION**

**SMALL
ENTERPRISE
FINANCE AGENCY**

INCENTIVE PERFORMANCE OVERVIEW

Types of Support 2016/17 – 2018/19

Loans
R1.6bn
(5%)

Tax
Allowance
R7.1bn
(23%)

Grants
R21.9bn
(72%)

2016/17 – 2018/19 Performance



2 501
Incentive
approvals

R179bn

Projected Investment to be leveraged



R30.6bn
Value of approvals



R90bn
Industrial
infrastructure
investment



R1.1bn
Innovation/
technology
development
investment



R10.1bn
Projected Export Revenue



111 337 jobs to be retained
101 199 jobs to be created

R1:R5.8
RETURN ON
INVESTMENT