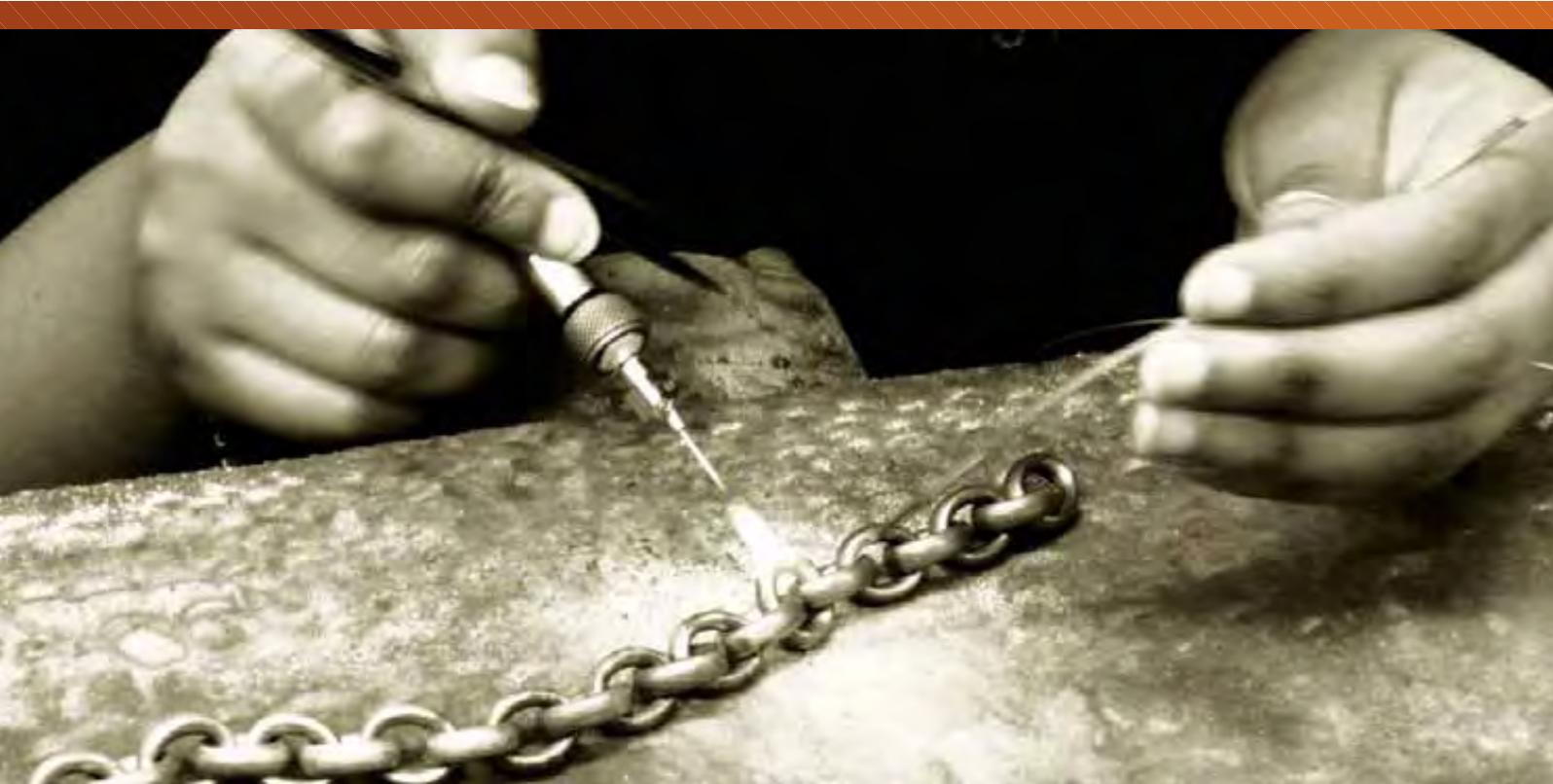




the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



National Industrial Participation Programme

R e p o r t 2 0 0 7



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Objectives of the NIPP

1. Sustainable economic growth
2. Establishment of new trading partners and markets
3. Foreign investment into South Africa
4. Exports of South African “value added” goods and services
5. Job creation
6. Human resource development
7. Technology transfer
8. Economic advantages to previously disadvantaged communities

Introduction

The National Industrial Participation Programme (NIPP) uses government procurement to leverage investment, exports and technology development. As such it is part of the country’s industrial strategy. Since September 1996, all government and state-owned enterprise purchases or lease contracts (goods, equipment or services) with an imported content equal to or exceeding US\$10 million have been subject to Industrial Participation (IP) obligations. Initially the biggest state purchases were defence-related; thus the NIPP became associated with defence expenditure. In fact, as will be seen, Non-Defence spending forms a significant part of current IP obligations.

Those from whom the purchases are made (the obligors) incur IP obligations measured against “milestones”. These milestones include investment and market access, which in turn generate economic activity in terms of job creation, technology transfer and training. Specific industry sectors are targeted, and marginalised groupings (Black Economic Empowerment, Small Business development, unskilled workers and geographic spread to boost deprived regions) are emphasised as beneficiaries wherever possible.

The mission of the NIPP is to leverage economic benefits and support the development of South African industry by effectively utilising the instrument of Government Procurement. The impact of this has been measured by a Macroeconomic Impact Assessment (MIA) (see Chapter 2 below). The total value of the obligations currently being monitored by **the dti** is some US\$16 billion.

While the NIPP programme was launched in 1997, the majority of projects only commenced in 2000 following the signing of the Strategic Defence Package along with the acquisition of Boeing aircraft by South African Airways. The majority of these projects are backed by obligors who incurred their NIP obligations through sales to government. Had it not been for these obligations under the NIPP, it is highly unlikely that South Africa would have attracted the same level of investment, especially in strategic sectors. NIPP projects range across various strategic sectors and across various geographic locations with the focus being on value add and/or beneficiation.

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1. Is the NIPP working

1.1 The Performance of the NIPP

From the period 1998 to 2006, 173 NIPP projects were implemented¹. The total obligations incurred, against the total credits awarded, and the outstanding obligations remaining, can be seen at a glance.

Contract	Obligation Value (US\$)	NIP Credits Awarded (US\$)	Outstanding Obligation (US\$)
Defence	13,765,167,611	7,721,945,577	6,043,222,034
Non Defence	2,267,148,037	1,271,723,191	1,249,947,819
Total NIP Obligations	16,032,315,648	8,993,668,768*	7,364,686,322
Percentage	100%	56%	46%

* NIP Credits awarded figure is high on account of excess credits generated by some

Table 1: NIP Milestones as at 01 August 2007

	Milestone Date	Milestone US\$	Performance US\$	Shortfall (-) Excess (+) US\$
Corvette Platform	GFC Third milestone April 2007	1,493,114,000	855,524,788	- 637,589,212
Combat Suites	Thales Final milestone April 2007	652,408,990	637,602,357	- 14,806,633
LUH	Agusta Final milestone April 2007	767,930,000	348,777,414	- 419,152,586
DEAT	Damen Shipyards 1st milestone October 2006	2,800,000	456,750	- 2,343,250
DOT	Prodiba 1st milestone June 2007	2,600,000	224,498	- 2,375,502
Hawk/ Gripen	BAE/SAAB 2nd milestone	4,300,000,000	4,851,379,729	+551,379,729

Each obligor has set penalty milestones to reach within their fulfilment period. Should they not meet these targets, a contractually prescribed breach procedure is followed allowing the obligor time to correct the situation. At the end of this process, the milestone is reassessed. Should it still be lagging behind, a recommendation on how to proceed is made to the Minister of Trade and Industry.

¹ See Appendix C for detailed list of NIPP projects per region.

1.2 The Impact of the NIPP

Increased economic activity as a result of the NIPP, as defined by critical macroeconomic aggregates, produces the following results when analysed:

1.2.1 Summary of Results in Brief

Table 2: Summary of results [R millions, 2006 prices]

	Total Impact (R/mil)
Impact on GDP	8 573
Impact on capital formation	16 068
Impact on employment [numbers]	50 308
Impact on households	
- Low income households	1 989
- Total households	9 803
Fiscal impact	3 968
Impact on the balance of payments	7 563

These results can be interpreted as follows:

- Each year, R8.6 billion additional GDP is generated in terms of employee remuneration and generation of profits (amongst others) due to NIPP projects.
- The direct and indirect impact on capital utilisation² shows that an average of R16 billion of capital is required on an annual basis to sustain all NIPP projects in terms of initial investment as well as capital costs.
- On an annual basis, the NIPP sustains 50 308 job opportunities. This figure impacts very positively on the South African economy.
- The total impact on household income amounted to R9.8 billion with 20.3% of this reaching lower-income households.
- On an annual basis, the government receives almost R4 billion in additional direct and indirect taxes generated from NIP projects.
- The Balance of Payments (BOP) impact is a positive R7.6 billion per annum over the lifespan of the NIPP projects, resulting in exports being higher than imports for NIPP projects.

A more detailed analysis of the macroeconomic impact of the NIPP is given in Chapter 2.

2. The effectiveness and efficiency with which capital assets, labour and entrepreneurship combines to influence the overall level of productivity/profitability of production processes.

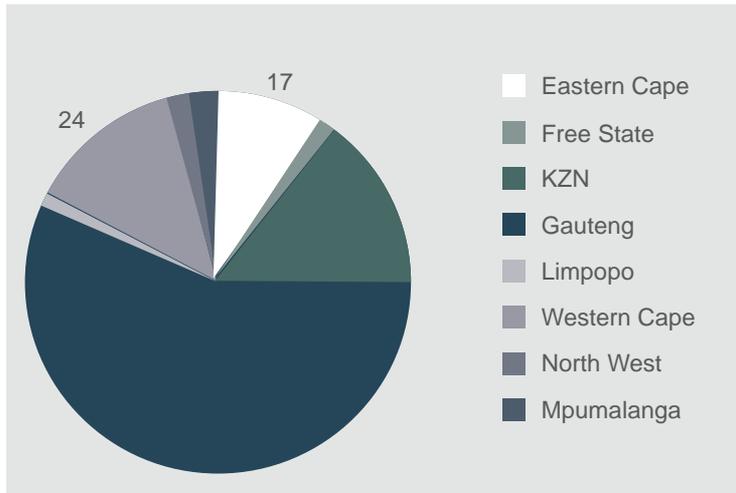


1.2.2 Geographic Spread

Geographic spread matters because the NIPP provides government with another tool to develop underdeveloped regions of South Africa starved of investment. This also helps undo some of the damage done by past segregationist policies, and gives added meaning to the National Spatial Development Programme.

In terms of geographic spread, the distribution of NIPP projects covers eight of the nine provinces (except Northern Cape).

Chart 1: Geographic Spread per Province





2. The Macroeconomic Impact of the NIPP

2.1 The Macroeconomic Impact Assessment Study

In order for the Department of Trade and Industry (**the dti**) to measure the impact of the NIPP in greater detail, a Macroeconomic Impact Assessment (MIA) was undertaken, with the results reported in May 2007³. A Social Accounting Matrix (SAM)⁴ for South Africa was used as the basis for the analysis.

In essence, the MIA measured the NIPP according to a comprehensive spread of indicators: impact on GDP, on Capital Formation, on Employment, on Household Income and on the Balance of Payments, as well as Fiscal Impact, Social Impacts and Effectiveness Criteria. Some of these indicators are self-explanatory for the layman. Others need some explanation.

Impact on Gross Domestic Product (GDP) measures value in terms of remuneration of employees, gross operating surplus (which includes profit and depreciation) and net indirect taxes. Capital Formation matters because it is a key element for production in the economy (see below). Fiscal Impact measures the contributions of property income (in the form of interest, dividends and rent receipts) and the surplus or deficit of government business enterprises, direct tax (personal and company) indirect tax and transfers. Effectiveness Criteria measure the extent to which a project utilises resources efficiently (as discussed above).

The MIA analysis takes into account the direct and indirect effects of the NIPP. The “direct” effects emanating from this project refer to the effects occurring within the immediate sectors as identified by each NIP project. The “indirect” effects refer to those effects occurring across various industries (those that link backwards to NIPP due to the supply of intermediate inputs).

2.2 Findings of the MIA

The findings of the MIA revealed a number of positives for the NIPP, particularly in the way that capital is employed to maximise profits and employment opportunities.

3. “Macroeconomic Impact Assessment of the National Industrial Participation Programme (NIPP)”, Mosaka Economic Consultants, May 2007. The complete study is available from **the dti’s** NIPP Secretariat.
4. A SAM is a comprehensive, economy-wide database that contains information about the flow of resources that takes place between the different economic agents that exist within an economy (i.e. business enterprises, households, government, etc) during a given period of time – usually one calendar year. Thus, a SAM is a matrix that incorporates the inter-relationships that exist between the various economic agents in the economy, including the distribution of income and expenditure amongst household groups. The SAM provides a framework in which the activities of all economic agents are accentuated and prominently distinguished. By combining these agents into meaningful groups, the SAM makes it possible to clearly distinguish between groups, to research the effects of interaction between groups, and to measure the economic welfare of each group.

2.2.1 Employment Creation

The MIA study has determined the number of new employment opportunities that will be created and sustained by the construction and operation of the intervention on an annual basis.

NIPP projects have created or sustained approximately 15 689 direct jobs and 34 620 indirect jobs across various sectors. Thus the impact on labour amounts to 50 308 job opportunities per annum. These opportunities do not add up across the lifespan of the project cumulatively but show the number of sustainable jobs available on an annual basis.

Of the total job opportunities sustained, almost 34% are for unskilled labourers, which indicates the substantial contribution that the NIPP makes towards poverty alleviation and the eradication of unemployment among previously disadvantaged communities.

2.2.2 Capital Utilisation

Capital, together with labour and entrepreneurship form the basic factors needed for production in the economy. In a developing country, capital is a scarce resource and its availability ultimately determines the long-term economic growth potential of a country.

The direct and indirect impact on capital utilisation shows that an average of R16 billion of capital is required on an annual basis to sustain all NIPP projects. This amount includes the initial investment of the various NIPP projects, as well as the capital costs required by other sectors across the entire economy to sustain the increased levels of economic activity associated with this programme. The capital is “frozen” so to speak and can be used for no other purpose for the lifespan of the project.

Approximately 39% (R6.289 billion) of the total impact on capital formation resulted from the manufacturing sector. Of the R6.289 billion, R3.012 billion was a direct result of production activities associated with the NIPP.

The impact of NIPP on direct production as per the investments and sales generated is estimated at R12.07 billion in 2006 prices, where R10.974 billion can be attributed to the manufacturing sector. Thus almost 90% of the capital formation resulting from the NIPP occurred in the manufacturing sector.

The manufacturing sub-sectors that are the main contributors to the large impact on production-activities are:

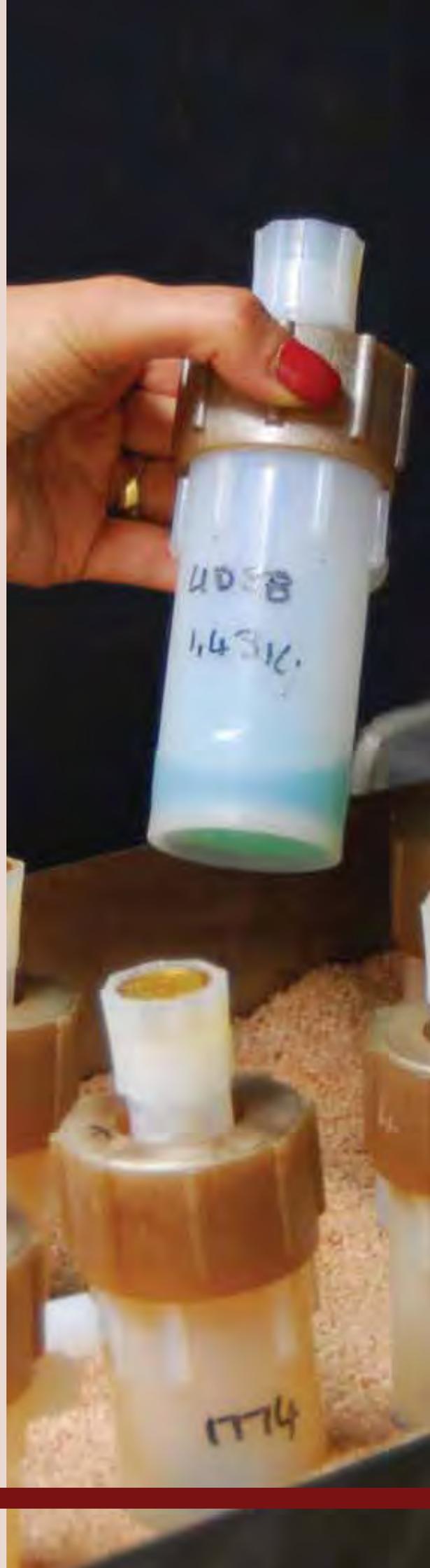
- Basic metal product manufacturing
- Manufacturing of transport equipment
- Manufacturing of chemicals and chemical products.

Further information is available in Appendix A.

2.2.3 Fiscal Impact and Resulting Social Impacts

The fiscal impact shows that on an annual basis Government will receive an additional R3.968 billion in direct and indirect taxes⁵ arising from new or additional sales generated from NIP projects. The increase in annual state revenue as a result of the construction and operation of the NIPP could lead to an increase in government expenditure on social services.

5. Government taxes and other income are accrued on various levels of the economy. The main taxes are direct tax and indirect tax, where direct tax consists mainly of personal tax and company tax. Examples of indirect taxes are value added tax (VAT) and customs and excise tax.



The annual impact of the NIPP on the GDP of South Africa amounted to R8.6 billion in 2006 prices. Thus NIPP construction and operations generates R8.6 billion additional GDP per annum in terms of profits generated and remuneration of employees. The total GDP impact amounts to 0.01% of the estimated national GDP of South Africa for 2006. Of the total GDP contribution by NIPP, the informal SMME sector accounts for only 8.4% and similarly accounts for only 6.1% of the total employment generated and sustained.

The total impact on household income amounted to R9.8 billion of which 20.3% (R1.9 billion) is earmarked for lower-income households. Thus, of the total income generated directly and indirectly through the NIPP, a large percentage is reaching poor communities in South Africa.

2.2.4 Impact on the Balance of Payments

The key deliverable of the NIPP has been market access for value-added South African goods and services. It is estimated that the positive impact on the Balance of Payments will amount to approximately R7.563 billion per annum for the operational and the construction phase, after adjusting the construction figure for the lifespan of the project. Thus, on average, the impact on the Balance of Payments will be positive, which means that exports should be higher than imports for NIPP projects.

2.2.5 Economic Effectiveness Criteria

The macroeconomic impact of a project is evaluated in terms of effectiveness criteria that measure the extent to which the project utilises resources efficiently. Since capital is a scarce resource in South Africa, the effectiveness of the utilisation of capital in terms of labour (i.e. new job opportunities) and GDP creation in relation to the total South African economy is used as a measure of economic effectiveness. These effectiveness criteria are the most reliable indicators as to whether the NIPP is effective or not.

In order to make these comparisons, two key multipliers/ratios have been calculated:

- The GDP/Capital ratio, and
- The Labour/Capital ratio.

Using these ratios, the contribution towards economic growth and job creation relative to the capital employed in the process can be established. If the decision-maker considers continuous, long-term economic growth to be more important than job creation in the short-term, then the GDP/Capital ratio is the more important of the two measures of macroeconomic effectiveness. On the other hand, if job creation, particularly in the short term, has priority, the Labour/Capital ratio is more important.

The NIPP is by its very nature generally capital- rather than labour-intensive. The use of capital in terms of job and GDP creation, relative to averages for the total South African economy, is assessed via the MIA's economic effectiveness criteria. Table 6 shows the effectiveness criteria measured for the project and reflects the average criteria for the South African economy as a whole.

Table 6: Economic Effectiveness Criteria for the Construction and Operation of the NIPP

	Construction	Operational	SA Economy
- GDP/Capital	0.69	0.53	0.31
- Labour/Capital	8.47	3.06	3.91
- Low income/Total income (%)	18.97%	20.32%	23.14%

A comparison of the GDP/Capital ratio with the average for the total RSA economy indicates that every Rand invested in the operation of the NIPP produces a greater contribution to overall GDP (0.53) than the average Rand invested in the RSA economy (0.31). This suggests that the project represents an effective use of scarce capital, and that the increased economic activity will contribute toward over-all profitability in the South African economy. The same is true for every Rand invested in the construction of the NIPP (0.69), but it is important to remember that this is for the whole construction phase and not an annual average.

When one makes a similar comparison of the Labour/Capital ratios, one finds that the NIPP will generate slightly less jobs (3.06) per million Rand invested in the operation phase, as compared to the national average (3.91). The construction phase, however, does show to be very profitable in this regard (8.47). Again it is important to note that the effect of the construction phase is for the construction period only, and that after that period the impact of the construction phase will cease.

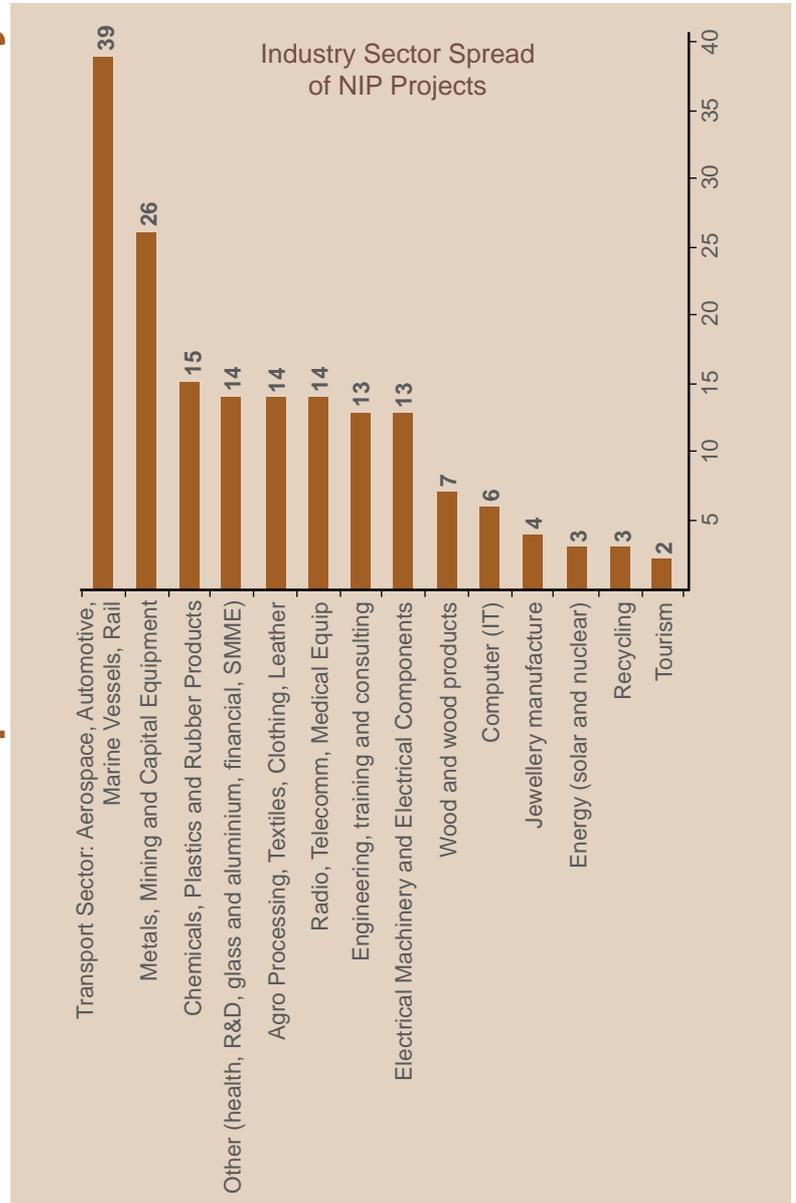
Further information from the MIA Study is available in Appendix B.



3. Impact of NIPP across Industry Sectors

The 173 NIP projects were implemented across various regions of South Africa and across targeted value-added industry sectors. The chart below shows the number of projects in each sector. Appendix A shows the foreign direct investments and associated turnover per sector.

Chart 2: NIPP Sector Breakdown



In the transport sector a key benefit is the integration of South African suppliers into global supply chains – e.g. aerospace, leather seats, etc. This has added benefits in the cases of Boeing and Airbus with offsets in terms of training, research collaboration and technology transfer in cutting-edge industries and services. Downstream manufacturing is assisted by leveraging the NIPP in support of other industrial programmes, such as the Motor Industry Development Programme (MIDP) – and resultant local manufacture of bearings or aluminium cylinder heads, or carbon-fibre wheels for motorcycles, has produced new export industries.

A good example of the upstream and downstream benefits of the NIPP’s leverage is the beneficiation of basic metals and minerals in South Africa, adding value to commodity exports.

Chart 3: Mining and Metals Beneficiation

Mining and Metals Beneficiation			
Steel	Aluminum	Ferro Alloys	Precious Metals
Stainless steel sheets, wire, pipes and products, silicon metal	Aluminium sheets and products	Chrome ore, Ferrochrome, ferrovandium pent oxide, ferrovandium ingots and rods	Gold bars, gold wire Gold, platinum jewellery Gold Loan Scheme

Emerging new sectors, from chemicals, plastics and liquid fuels to radio telecommunications and medical equipment, support local manufacturers and entrench South Africa’s position as a regional base for these industries.

NIPP projects in tourism, agro-processing, textiles and clothing provide strategic partnerships in these labour-intensive, BEE- and SME-friendly sectors. And South Africa’s energy sector, from nuclear to solar energy and biofuels, benefits from latest technology inputs from obligors to carving out niche markets for these products abroad. In a variety of ways the NIPP provides national industrial policy with innovative and supportive leveraging opportunities to the benefit of this country’s global competitiveness – and in implementing the National Industrial Policy.



3.1 Lessons Learned

Viewed from almost any angle then, the NIPP, measured in terms of both GDP formation, employment creation and increases in household income for low-income groups, suggests that the NIPP is working as anticipated, and does contribute to the government's targets of 6% growth per annum and halving poverty and unemployment by 2014.

In the future, more attention will be given by **the dti** to improve the labour-intensity of NIPP projects, particularly for unskilled workers.

A key deliverable of the NIPP has been international market access for value-added South African goods and services. Here the association with global players such as Rolls Royce enables local suppliers to punch far above their weight.

In retrospect, the milestones set for obligors probably reflected an over-optimistic timetable that underestimated the length of time it takes to identify suitable local projects and implement them. Similarly, while penalties are imposed for not meeting milestones, much also depends on factors outside the obligor's control, such as local management.

Nor should one lose sight of the wood for the trees. The ultimate goals of the NIPP extend beyond specific projects to the broader impact on the shape and the direction of the South African economy. This allows for lateral thinking on alternative ways of reaching these destinations, in the form of "Direct" NIP – as is explained in Chapter 5 below.



4. Some New NIPP Projects 2006-2007

Project	Launch date	Description	Comments
Rock Bolt (Pty) Ltd	2007	Wire and wire products: rock bolts, mining straps, rock clips, etc. for the mining industry. Investment of R30m over three years. BEE JV.	Aim is annual turnover of R100m.
Novara (Pty) Ltd	2005 -2006	Recycling of Poly Ethylene Terephthalate (PET) plastic bottles into crates and pallets.	SA-developed technology, helped by AgustaWestland, has overcome prior challenges with complex chemical structure.
Flextech (Pty) Ltd	2006	Manufacture of automotive control cables, part of local content supplies to South African auto-industry. Supported by AgustaWestland, which also provided engineering technology and skills. Investment worth £6.25m, with projected local sales of £16m and exports of £7m.	Creates 155 new jobs, including for ex-combatants from liberation forces and SANDF. Flextech now a global supplier to Ford Motor Company.
Offshore Oil and Gas Projects	2005-2006	Saldanha Fabrication Centre: Offshore Oil and Gas Projects, Cape Town Service and Repair Hub. Enables South Africa to enter lucrative Oil and Gas exploration sector: Support from Man Ferrostaal obligor.	Creates 700 jobs in Saldanha, projected turnover of R350m per annum.
Mechatronics Training Centre, Port Elizabeth, Cape Town and Durban	2007	Combined effort with obligors ThyssenKrupp Marine Systems. Integrated mechanical and engineering skills with IT and informatics. Frigate purchase offset.	Will train around 400 specialists a year. Critical for value-added manufacturing sector and SA automotive industry.
Rotorway SA (PTY) Ltd	2006	Manufacture of Rotorway helicopters in SA, with assistance of obligor AgustaWestland – investment and technical support.	Projected earnings of £14m p.a. by 2011, with investment of £15m, and creating 14 new sustainable jobs, 50% PDI.
Automotive Leather Company	2006	Manufactures leather seat covers for Mercedes Benz vehicles. Exported to Germany; part of global supply chain.	BBBEE company with 800 staff, using local leather.
Tenova Pyromet (Pty) Ltd	2005-2006	With help of AgustaWestland, Pyromet (a SA company) matched with international Italian company Techint, for design and supply of Submerged Arc Smelting Furnaces (ferro-chrome) worldwide. Helped by access to Techint patents and technologies.	Projected earnings of R5bn over next four years.
Avalloy	2007	Uses SA minerals (mostly nickel-based) to produce niche superalloys for the aeronautical industry. Integrated into Rolls Royce's international aviation industry supply chain, using Rolls Royce's technology and training.	Projected export earnings of \$100m, reaching peak in 2009. An entirely new industry for SA, and with benefits for a range of sectors from nuclear to marine, petrochemicals and pollution control.
Denel Saab	2007	Design and production of complex aerostructure components and assemblies; military and commercial airframe structures; fixed and rotary wing components.	Capability and technology upgrades to support customer from concept design to high volume production to become leading player in aerospace industry; African link in global supply chain.
Laroche	2005	Thales has supported Laroche in an investment in L'Avenir wine estate to produce wines for export.	Projected turnover of R3.2m by 2010. Created 33 permanent jobs and 33 peak season jobs.



5. Looking Ahead

NIPP obligations by 2007 were US\$16 billion, of which US\$6.9 billion has been discharged. As the NIPP matures, the potential for new ways of maximising on the economic leverage which the programme offers to government is being examined. It is worth noting that in terms of the Industrial Policy Action Plan (IPAP) endorsed at the July 2007 Cabinet Lekgotla to give effect to the National Industrial Policy Framework (announced at the beginning of 2007), the NIPP has an important role to play. It gives additional ammunition to the state to use in meeting the key NIPF goals of economic diversification, value-added manufacturing and tradeable services. And when it comes to specific lead sectors, the NIPP's role in Capital Transport Equipment and Metals, Automotive and Components, and Chemicals, Plastic Fabrication and Pharmaceuticals is self-evident – as is the support for other focus areas such as agri-processing and ICTs.

In order to align the current NIPP to government procurement programmes and objectives, including the Competitive Supplier Development Programme (CSDP), a Direct NIP Model is applicable. Direct NIP is relevant in that some NIPP projects have already taken the form of assisting industry sectors to integrate themselves into global supplier networks.

5.1 Direct NIP

Direct NIP projects related to the procurement and/or to the industry associated with the procurement – e.g. aerospace (Boeing), ICTs (Siemens), energy (Areva) – would give obligors greater flexibility under closer **dti** supervision to contribute in flexible ways to the overall goals of the NIPP – and the government's industrial policy. Access to this chain can otherwise be very difficult for developing country suppliers. Backed by the size and international connections of key NIPP obligors, local suppliers can entrench themselves in strategic sectors and strategic markets worldwide.

Direct NIP would build on this to ensure that the delivery of goods and services is more closely linked to development initiatives within the South African industry associated with the purchase. The result is new markets, new business, new jobs, new value-added exports and economic diversification. This plays a key role in giving depth to industrial policy. At the same time Direct NIP would add flexibility by also allowing projects aimed at increasing local value-add on the procurement, facilitating long-term supplier relationships and sustainability within industries. Obligations then can be set off against procurement/purchase-related and industry-related projects, from training to subcontracting, licensing arrangements, investments and global supplier partnerships.

A further opportunity for flexibility offers itself to the NIPP obligors when it comes to Employment Equity (EE), Broad-Based Black Economic Empowerment (BBBEE) and Small Medium and Micro-Enterprise (SMME) development. NIP projects could be eligible for equity points towards BBBEE, helping multinationals to meet their requirements, without displacing the other BBBEE initiatives to be taken in terms of the scorecard. Thus, under certain conditions, NIP projects would be eligible for EE points. This would have considerable advantages for PDIs and black-owned SMMEs, for instance via outsourcing in related areas of obligor activity.

The overall effect would be to build local capacity and local content through government procurement - and build the global competitiveness of local industry. This would allow obligors flexibility and also consistency across government programmes and national policies.

The NIPP has had success in implementing the following industry-related projects associated with the procurement:

- Aerosud is now a recognized aerospace first tier global supplier and firmly integrated within the supplier network.
- Rolls Royce as a sub-supplier on SAA aircraft acquisitions, has invested in a local avalloy facility which would supply alloy material for the global aerospace industry, where Avalloy is now integrated into the aerospace engine market.
- Siemens has invested in a training project with a Further Education and Training (FET) institution which would ultimately service the skills required for the development, construction and commissioning of critical infrastructure projects such as the Lephalale power station.
- Subsea7 and Allseas have in response to their PetroSA NIPP obligation, committed to provide technical training to PetroSA staff in deepwater project management and safety techniques required by the industry and hence reducing dependence on foreign consultants.
- NECSA and AREVA have initiated projects aimed at developing skills within the nuclear industry, whilst Lesedi and Areva have initiatives in place to develop and source nuclear maintenance work locally.

Hence the incorporation of Direct NIP would facilitate a closer working relationship and a co-ordinated approach with industry, customised sector specialists and the purchasing entity to facilitate industry development associated with the needs of major stakeholders.

In the end, however, the goal remains the same. The NIPP minimises the impact of capital outflows associated with major government procurements by attracting foreign investment and facilitating market access for value-added South African products and services.



Appendix A

Sector Data on Investment, Exports, Local Sales and Jobs

Figure A1: Data Summary by Sector [Rands, 2006 Prices]

SIC ⁶ Sector	Investment	Exports	Local Sales	Jobs
Manufacture of food products, beverages and tobacco products	105 122 808	440 519 053	377 238	690
Manufacture of textiles, clothing and leather	110 513 559	65 150 931	60 533 755	745
Manufacture of wood and wood products and paper excl furniture	256 778 311	87 502 589	419 048 047	602
Manufacture of chemicals and chemical products and manufacture of rubber and plastic products	242 711 437	391 716 565	830 399 160	844
Manufacture of other non metallic mineral products - glass, ceramic, stone, cement, abrasives	65 694 386	16 966 584	176 715 201	220
Manufacture of basic metals, fabricated metal products, machinery and equip and office, accounting and computing machinery, household appliances	572 714 744	3 116 760 751	212 721 468	2 807
Manufacture of electrical machinery and apparatus	737 929 439	298 691 361	438 997 647	1 591
Manufacture of radio, television, communication equip and apparatus and of medical precision and optical instruments, watches and clocks	223 165 681	477 197 132	329 052 220	1 618
Manufacture of transport equipment, parts and accessories	513 039 096	2 666 738 581	434 966 751	2 730
Manufacture of Furniture, N.E.C and Recycling (jewellery and related articles)	159 942 525	449 530 018	67 858 531	513
Construction	21 391 412	-	-	80
Agriculture, hunting and related services	320 729	7 407 693	-	211
Tourism	99 297 935	70 647 786	634 334	34
Health and Social Work	143 908 624	7 395 441	922 737	64
Computer and related activities	61 519 001	63 491 360	32 962 045	558
Other service activities - Engineering, Training, Consulting	198 516 498	148 741 912	58 160 423	503
Financial Intermediation	21 199 734	-	338 357 500	570
Energy (Solar, Electricity, Oil and Gas)	280 525 687	197 827 663	32 582 817	295
Research and Development	27 746 807	1 205 257	-	4
Total	3 842 038 414	8 507 490 679	3 434 289 873	14 679

Source: the dti

6. It must be kept in mind that all 173 projects partaking in the NIPP have been included in the list above, but classified according to the SIC for purposes of inclusion into the equilibrium model which is based on the SIC.

Appendix B

Statistics: Gross Domestic Product

The figures below compare Foreign Direct Investment (FDI) projects and the Export Promoting (EP) projects, as well as Defence and Non-Defence projects. These comparisons were made in terms of the contribution of each of these to the Gross Domestic Product (GDP) and Employment.

Figure B1: Construction and Operation Phase of the NIPP [2006 prices, average annual impact per annum]

	GDP [R millions]			Employment [numbers]	
	Direct	Indirect	%	Total	%
Defence	1 897.35	3 037.48	57.6%	29 529	58.7%
Non-Defence	1 172.71	2 465.39	42.4%	20 780	41.3%
Total	3 070.07	5 502.87	100%	50 308	100%
FDI	2 227.10	3 629.13	68.3%	33 881	67.3%
EP	842.97	1 873.75	31.7%	16 427	32.7%
Total	3 070.07	5 502.87	100%	50 308	100%

Figure B2: Defence/Non-Defence Status [Rands, 2006 Prices]

	Investment	Exports	Local Sales	Jobs
Defence	2 916 737 436	3 884 382 567	2 596 771 247	9 183
Non-Defence	925 300 978	4 623 108 111	837 518 626	5 496
Total	3 842 038 414	8 507 490 679	3 434 289 873	14 679

Source: *the dti*

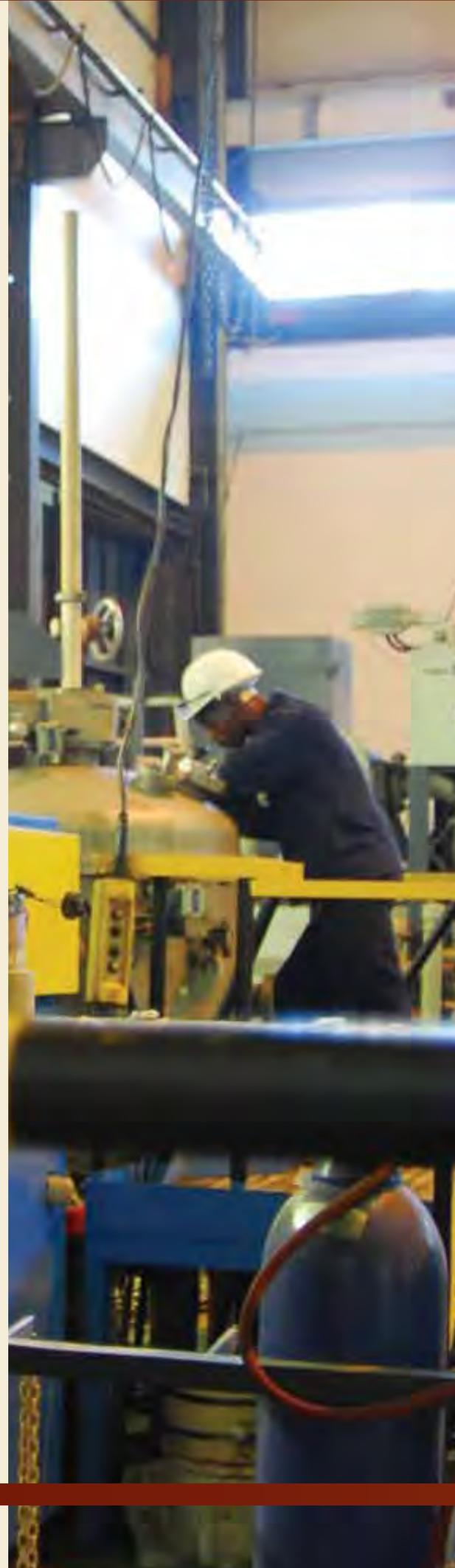


Figure B3: FDI/ EP Status [Rands, 2006 Prices]

	Investment	Exports	Local Sales	Jobs
FDI	3 842 038 414	4 789 578 814	3 096 349 138	10 412
Export Promoting	-	3 717 911 865	337 940 735	4 267
Total	3 842 038 414	8 507 490 679	3 434 289 873	14 679

Source: *the dti*

Figure B4 below shows that 57% of GDP is contributed by Defence projects and the 43% by Non-Defence projects. The same comparison can be made between FDI and EP projects, where FDI contribute 68% and EP projects only 32%.

Figure B4: Composition of GDP in terms of Defence and Non-Defence Projects, as well as FDI vs EP projects

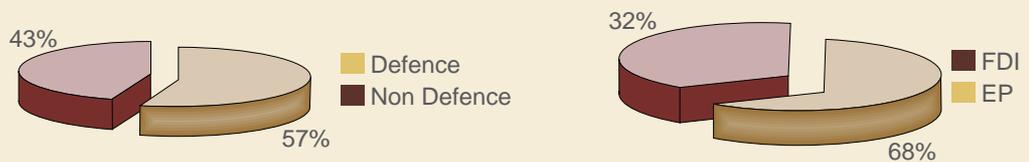
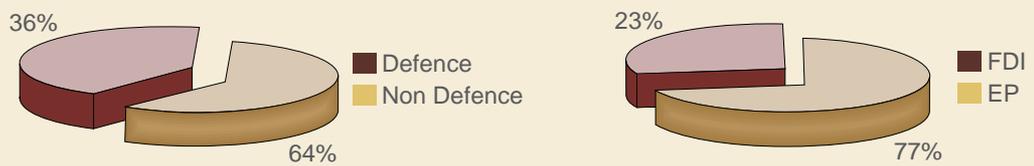


Figure B5 shows that Defence projects make a much larger contribution (64%) to capital utilisation compared to Non-Defence projects that contribute only 36%. For the same comparison between FDI and EP projects it was found that FDI projects contribute 77% vs. EP projects that contribute only 23%.

Figure B5: Composition of Capital Utilisation in terms of Defence and Non-Defence Projects, as well as FDI vs EP Projects



According to Figure B6, the total impact on Gross Domestic Product (GDP) is estimated to amount to approximately R8 573 million per annum (in constant 2006 prices), whereas the direct impact on GDP per annum is estimated at R3 070 million. Both the construction and the operational phase are included in the table.

Figure B6: Macroeconomic Impact of the Construction and Operation Phase of the NIPP [R millions, 2006 prices, average annual impact per annum]

	Impact on macroeconomic indicators		
	Direct impact	Indirect impact	Total impact
Impact on Gross Domestic Product (GDP)	3 070	5 503	8 573
Impact on capital formation	3 900	12 168	16 068
Impact on employment [numbers]	15 689	34 620	50 308
Impact on households			
- Low income households			1 989
- Total households			9 803
Fiscal impact			3 968
Impact on the balance of payments			7 563



Appendix C

NIPP Project List

NIPP PROJECT LIST		Status
EASTERN CAPE		
Aberdare SA	Export of Fibre optic cables	W
Bel-Essex Corporation	Investment made by Bel-Mec to establish greenfield high pressure die casting plant	A
BWS, IDC, Columbus	Establishment of a cold rolling mill to produce metal sheets	A
Calsonic Kansei	Export of Catalytic Convertors	A
Cape Mohair, Alpha Tops-PE	Cape/Alpha Mohair Spinners	A
Condomi	Investment into Condomi	C
Eberspaecher	Export of catalytic converters	A
Faurecia	Export of catalytic converters	A
Freeplay, Cape Town	Baygen Power Freeplay 1 Investment	W
Magwa Tea	Investment to resuscitate a tea estate	A
Mario Levi	Construction and upgrade of leather tanning facilities	A
Package Tourism Mcarthus baths - PE	Package Tourism Investment to upgrade pools in PE	A
Rehau	Sourcing of bumpers for E Class after market	A
Tourism Stormsriver	Cultural kitchen tourism	A
TSW	Export of Aluminium Wheels from TSW	A
Welfit Oddy	Expansion of steel tank container facility	A
Export Promotion Automotive Parts	Export of automotive parts	A
FREE STATE		
Harmony Gold	Investments in plant and machinery - Gold beneficiation - Virginia	C
SARM, IDC, Luis Perez, V Diaz Royal Chain Canada	Investment of manufacture of gold chains by SA Royal manufacturers	W

GAUTENG		
Alcom Matoma, Motorola SA	Service centre for radio products	A
Acerinox	Export of stainless steel to Scandinavia	A
Aerosud	Manufacturing of Electrical VU sets for Airbus A319 and A320. Also the manufacturing of the galley system. Airbus designed various work packages for Aerosud worth 90 M USD Dollars. These included the know how transfer, building up capability on manufacturing and engineering, tooling production or transfer and adaptation, and training. Airbus also assists Aerosud in entering the international commercial market.	A
Aerosud	Aerosud. Boeing brought some capital equipment to allow Aerosud to manufacture some parts. Civil aerospace (windows, composites)	A
African Explosives	Additional investments to automate process to be more competitive	A
Al Steel Sourcing	Al Steel Sourcing of Electric Motor through Nouvo Pignone from GEC Alstom SA 1	A
Alcatel Altech-Benoni	Export of engineering Services	A
Alcatel Altech-Benoni	Export of goods	A
Alcatel Altech-Benoni	Export of R&D	A
Alcom Matoma, Motorola	For the supply, delivery, installation of digital trunked radio	A
Alstom South Africa-Gauteng	F3 Motors	A
Alstom South Africa-Gauteng	Export promotion Electrical Equip components	A
Alstom South Africa-Gauteng	HVITC High Voltage Track Circuits	A
Alstom South Africa-Gauteng	Manufacture and export of C1 points. Electrical	A
Alstom South Africa-Gauteng	Use of SA Engineers for planning and design of railway signalling equipment	A
Alstom South Africa-Gauteng	Railway rolling stock	A
Ampaglas, Modenk, GE Plastics	Investment Ampaglas for manufacture of polycarbonate roofsheeting, using GE Lexan brand.	A
AMS	Product Life Cycle Management by AMS	C
ANDT Centre	Services various sectors non-destructive testing facilities.	
ARECSA	Training in nuclear energy Phase 1 Training Investment	A
AREVA Framatome ANP	To develop an advance safety code in order to perform best-estimate calculation of PWR accidental sequences (Cathare Code). Investment Training	A

Automotive Leather Seat Covers	Export of Leather Seat covers	A
Avalloy, Minerals Corp, Abante and Rolls Royce. New and expansion	New and expansion. Superalloys, nickel. Rolls Royce assists in accreditation and quality process. Engineers to assist in terms of material and composition. Product is ingots/rods	A
Aventis-Gauteng	Clinical Trialsm -Triclinium	A
BELL EQUIP	Export of articulated dump trucks	C
Black Stone Tek	Investments to expand and increase capacity of the facility	A
Cavidi Tech Viral Diseases Testing	Cavidi Tech Viral Diseases Testing	A
Compass Group	Strategic exports of value added goods and services by the Compass Group	A
CSIR	Tech transfer in aerospace	A
CSIR- Pretoria	CSIR R&D. Thermal Spray Coatings - Phase one	C
Denel	Work package. Boeing brought some capital equipment to allow Denel to manufacture some parts	A
Dispack/DSU	Purchase of shares by DSU - 50%. Investment in tech transfer, training and also expansion of business	A
Eaton Aeroquip	Manufacture & export of transmission oil pipes for Daimler Chrysler	A
Electrolux	Investment into Electrolux expansion	C
Ericsson South Africa	Regional hub activities for export of telecomm equipment to ROA.DECT and GSM	A
Ethos	IT Fund	A
Eurolamine	Export of steel products by Eurolamine	C
Export Promotion	Export of capital goods	A
Ferisa, South to South and DEC	Investment into Ferroman	W
Flame - Gauteng	Flame Electrical - Investment	W
Flextech	Expansion of a mechanical cable assembly plant - Mechanical cables automotive	A
Gauteng: Sumitomo Corporation, Clover Cargo	Export of Armoured Vehicles to Saudi Arabia. Sumitomo will be assisting Armoured Systems and Vehicles with the logistics of the delivery of the Armoured vehicles to Saudi Arabia.	A
GEMCO	Investment by BAE into GEMCO for licensing to manufacture, sale and use of advance dental prosthesis	A
Geratech	Additional funding to debottle neck current operations	A
Glacier Bearings	Glacier Bearings - exports	C

Gold loan scheme	Creation of a 1000kg Gold Loan Scheme	A
Grintek, Kunene, SAAB	Investment by SAAB for shares in Grintek	A
Hall Longmore	Export of Hall Longmore pipes to Europe	A
HOSAF	Hosaf recycling	A
Industrial Park	Construction and development of industrial business park for training and skills development programme	C
Integrated Rail Systems	Manufacture of rolling stock components	A
Interoc Atlas Copco-Springs	Exports – Mining Equipment, Interoc Atlas Copco	A
Johnsons Controls	Export of leather seat covers for use by Volvo	W
Kolbenco	Manufacturer and export of engine pistons for DaimlerChrysler	A
Kolbenco (Pty) Ltd	Investment to fund the establishment of a die casting foundry and two machining lines to manufacture pistons for Ford	A
Malisela	Manufacture of optic fibre cables. Groundwire	A
MAN Turbo	Investments into expansion of MAN SA operation. Gas metal turbines	A
Marpless	Export of telephone booths and support and service. Only local content claimed	C
MDM Ferroman	Engineering and consulting services	W
MDSI SA, MDSI BV	MDSI Product Based Software Development, Support and maintenance	A
NECSA, Pro-Natura and AREVA	Green Coal - Phase 01 A the project involves carbonisation of vegetative material on a continuous basis and on agglomeration of the carbon into balls, pallets or briquettes.	A
NEI Africa	Switch gear products	A
NF Die Casting	Manufacture of aluminium wheels for M-Class	A
NFD	Export of alloy wheels	W
Novamet, Katana Foods & Italian Plastics International	Collection and regeneration of recyclable plastics waste material for manufacture of pellets and cables	A
Novamoda	Relocation of existing plant - creation of new clay preparation plant - Thales providing debt relief facility	A
Novara	Development of a NOVALOY material used in the extrusion of plastic forms for use in various ways	A
Ondeo Dregemont	Export of components for Water Treatment Plants. Ondeo-Degermont is ordering from SA manufactures for its contracts in Africa.	A

Paper Base Manufacturing	Investment to establish Espin factory for local sales of Pampers baby diapers	A
Plessey	Export of telecomm equip towers, generators, wire	C
Pre Plan	Expansion of facility to meet export demands	A
Production of ferrochrome	Investment into Ferrochrome project	A
QMUZIK	Export promotion of business software products and training	A
Reid and Mitchell	Reid and Mitchell Exports	C
Robotube export through, Stencor	Export of Robor Tubes	C
Rolls Royce, Turbomeca Africa	Export of tay gearbox components	A
Rotek Engineering	Subcontracting by GE Power systems through TBL(UK) for service work to Eskom.	C
SAIW, SA University, NECSA	Training	
Salmac, Barlowworld Robor	Extension of facility for manufacture of conveying and ornamental pipes. Purchase of land. Claim 01	C
SAMES Gauteng	Fund to finance capex and working capital for leader in electronics sector	A
SANCO/ILIMA	Investment into SANCO/ILIMA	W
Sasol	Sourcing of acetone through GLM - CU SI & Chemicals - SASOL 1	A
Siemens - Waltloo	Local manufacture of MDF9120 connector strips for world markets	A
Siemens - Waltloo	Software Development in Telecomm area of fixed and mobile networks	A
Sopranu - SAABABB	Investment into Supranu by SAAB ABB - Soy Protein Manufacture	W
Treacle Fund II	Investment opportunities in export-based businesses	A
Trimica	Investment to establish a Call Centre	A
TTS Electronics	Investment for the development, manufacture and intro of SA made electrical products for export	A
Unisys	Increased exports of telecomm services	C
Walmart, Nu World	GE branded appliances manufactured by SA Manufacturers sold to Walmart via GE agent Holmes Group	C
Y-Digital Works	Establishment of a software development house focusing on export markets-outsourcing software development to Y-Digital	W
Zeuna Starker	Export of catalytic converters	A
Evertrade Medical - JHB and Cape Town	Treatment of medical waste - manufacture of medical containers, syringes	A

Glass and Aluminium	Investments – Plant and equipment-manufacture value-added products	A
IDC Calyon	Credit facility of US\$ 50 million to finance its SMME support program	A
Export Promotion Automotive Parts	Export of automotive parts	A
Swedish Match AB L/Dingler Ltd	Acquisition of Leonard Dingler & Brasant for the manufacture & distribution of tobacco products	A
KWAZULU NATAL		
ABB Pinetown	ABB Procurement Exports – ABB Switchgear. Partnership with ABB Zurich	A
ADEPT	Develop and manufacture of a range of General aviation engines for the light aircraft market	A
Aluminium Tubes - expansion	Expansion of Altube facility	A
Aluminium Tubes	Investment into Altube – construction loan, supplier loan and start up capital	A
Biological Control Products	Investment to fund expansion and commercialisation of the plant used to manufacture biological agents for agricultural pests	A
Biotech Diesel	Manufacture of wood pellets. Renewable fuels from wood, agro waste	A
Capstone, Quincy Group and Zanetti	Manufacture of pillows, cushions, comforters and quilts	A
Carbotek Carbon Manufacture	Manufacture of carbon from wood – investment loan, exports	A
Diesel management systems	Universal diesel saver. Investment loan, exports	A
Dorbyl Marine	Increase in exports of Dorbyl marine services	C
Dunlop Industrial Products & Hiflex	Investments for the funding of the expansion of the JV	A
Dunlop tyres	Investment from BAE - loans	A
Durban Shipyard - EB&H	Investment – floating dock - ship repair and engineering work	A
Flexider	Manufacture of flexible couplings	A
Greenheat South Africa	Investment for expansion for manufacture of heating gel from organic products. Investment, exports, local sales	A
Hivex Ltd	Investment into Hivex for trials and then commercialisation	A
Hulett Aluminium, Simotomo Corp	Export of aluminium products. Sumitomo will be assisting Hulett Aluminium to export and market its product.	A
Pine Glades/Chep	Export of kiln dried pallet components	C
Pre-Stressed Bars	Collaboration with French Co to set up a manufacturing facility in SA for the supply & distribution of “Freyssibar”	A

Romox	Purchase and commissioning of new timber-drying kiln	A
RVI-Bell Equipment	Airbus has assisted Bell trucks with obtaining some residual value insurance that has enabled them to export their trucks into the European market.	C
SA Biodproducts	Management buy-out by Zarara Energy and IDC, thus converting the current production capacity	A
SHURLOCK	Market access and expansion - electrical components	A
St Lucia Saw Mills ex Pine Glades	Export of kiln dried pallet components	A
tyresafe	Investment into blending plant for manufacture of tyre sealant	A
IDC Calyon	Credit facility of US\$ 50 million to finance its SMME support program	A
LIMPOPO		
Invensil , Pechiney	Silicon Fume Dioxide	A
Invensil , Pechiney	Silicon smelter upgrade furnace 2-investment, sales	A
MPUMALANGA		
Columbus Steel	Export of stainless steel for Volvo Buses	W
Global Forest Products - Mondi	Investments to upgrade sawmills and remanufacturing plants	A
Greenhouse Farming	Establishment of 12 greenhouses in the Kriel district in order to create employment and contribute to the well being of the community	A
Highveld Steel & Vanadium Co., Nippon Denco Ltd	Manufacture Ferro Vanadium Pentioxide	A
NORTH WEST		
ATC - Brits	Manufacture and export of copper and optic fibre cables	W
Brits textiles, Berlyn, NCI	Manufacture of sisal reinforced components for local and export markets	W
Pyromet, IDC and BAE	Ferrochrome Beneficiation	A
WESTERN CAPE		
Swedish Match AB L/Dingler Ltd	Acquisition of Leonard Dingler & Brasant for the manufacture & distribution of tobacco products	A
Arvin Merotor	Export of catalytic converters	A
Atlantis Forge	Manufacture of crank shafts	A
Atlantis Training Centre	Atlantis Training Centre	C

Atlantis - WCape - Daimler Chrysler	Atlantis Foundries - new and additional investment and sales	A
Atlantis - WCape - Daimler Chrysler	Atlantis Foundries - Expansion	A
Cenere	JV with Italian company for the manufacture of hollow and solid gold chains using unique Italian technology	A
Far Ocean	Construction and supply of one offshore patrol vessel for the protection of fisheries	A
Filk and Oro Africa - Cape Town	Manufacture and export of gold jewellery - joint venture	A
GE SEACO	GE Seaco	W
Independent Wire	Establishment of a state-of-the-art galvanised wire producing plant	A
Intertrading Fruit Corporation	Export of grapefruit to Germany	C
Laroche	Purchase of a SA vineyard by French wine makers Laroche to improve processes and brand the SA wines under the Laroche name	A
Rotoway	Establishment of an assembly and distribution centre in SA for light helicopters	A
SA Five	Construction and Refurbishment of Offshore Oil and Gas	C
SAP Wines	Branding of SA premium wines for exports to the USA	A
Silmar, SA Link, Impala	Silplat-Platinum Jewellery	A
Sinter Metals	Purchase of 74% of Sinter Metals by GKN from Dorbyl	A
Total Energy, Tenesa	Solar panel manufacture-extension	A
W/Cape - Sygnum	Investment in Sygnum which provides engineering services in the nuclear field for Sygnum	A
W/Cape - Lesedi	AREVA (Framatome) investment in Lesedi which provides maintenance services in the nuclear field	A
Worldfish UK	Develop and build the necessary equipment and operational infrastructure, plastic cages	A
Evertrade Medical - JHB and Cape Town	Treatment of medical waste - manufacture of medical containers, syringes	A
Glass and Aluminium	Investments – plant and equipment manufacture value-added products	A
Reference table:		
W	Withdrawn	
A	Approved and/or implemented	
C	Completed as a NIPP project	