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Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

**PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY:  
4 February 2009  
National Industrial Participation Programme (NIPP)**

1



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## **PRESENTATION BY NIP SECRETARIAT (IPS)**

### **Delegation members**

- **Presenter – Mr Sipho Zikode (Acting DDG : Enterprise and Industry Development Division)**
- **Ms Teresa De Risi ( Director : IPS – Defence )**
- **Ms Nomvula Tsatsi ( Director : IPS – Non Defence)**
- **Mr William Ramutla ( Deputy Director : IPS – Non Defence)**
- **Mr Dion Harold ( Deputy Director : IPS – Defence)**

**Contact details : Tel 012 394 1398**

2



## CONTENTS

- Introduction and Background
- Key Stakeholders
- Performance of NIPP
- Major Projects implemented
- Highlights for 2007/8
- Programme Analysis
- Focus Ahead
- Questions



## INTRODUCTION & BACKGROUND

### Mechanism of NIPP

- **NIP became obligatory in September 1996 when the programme and its design was approved by Parliament**
- **NIP obligation arises when imported goods and services are procured by Government and the import content value equals or exceeds US\$ 10m**
- **Obligation value is 30% of imported content value**



## INTRODUCTION & BACKGROUND

### Mechanism of NIPP

- **5% Performance Guarantee is required by SA Government from obligors**
- **Obligation is discharged over 7 year period by the generation of economic activity equal to the obligation value**



## INTRODUCTION & BACKGROUND

### Three main areas covered by the NIPP

- **NIP arising out of Defence Procurement**
- **NIP arising out of Non-Defence Procurement**
- **Strategic Partnership Agreements**



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## KEY STAKEHOLDERS

- **Government**
  - Procuring entity
  - the dti
  - all other levels of Government
  
- **SA Industry**
  - local companies (beneficiaries)
  - SA industry
  - Citizens
  
- **Suppliers of Foreign Goods / Multinationals**
  - supplier of goods / services



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## PERFORMANCE OF NIPP-DEFENCE

Obligor	Contract	Obligation value (Bn)	Performance to date (credits awarded) (Bn)	Outstanding value (Bn)	Percentage complete
BAES	Hawk / Gripen	US\$7,2	US\$6,33	US\$0,865	88%
GFC Thyssen	Corvettes	US\$2,047	US\$1,6	US\$0,436	78%
GSC Ferrostaal	Submarines	€ 2,85	€ 1,69	€ 1,159	60%
Thales	Combat suite	US\$0,65	US\$0,7	0	100%
Agusta LUH	Light Utility Helicopter	US\$0,76	US\$0,77	0	100%
Agusta Westland	Super Lynx	£0,108	£0,041	£0,066	38%
Denel	GBADS	US\$0,017	US\$0,015	US\$0,002	88%



## PERFORMANCE OF NIPP-NON DEFENCE

OBLIGOR	PURCHASER	OBLIGATION VALUE	PERFORMANCE
AREVA	ESKOM	US\$ 12 8 mil	95%
Honeywell	ESKOM	US\$ 13,2 mil	Concept Approved
Airbus	SAA	US\$ 452 mil	75%
Snecma	SAA	US\$ 19,9 mil	100%
Boeing	SAA	US\$ 237,5 mil	100%
Eurocopter	SAPS	US\$ 6,9 mil	100%
Siemens	ESKOM	US\$ 161,5 mil	30%
Alcom Systems	SAPS	US\$ 8,6 mil	71,5%
Aventis Pasteur	DOH	ZAR 51,82 mil	100%

9



## PERFORMANCE OF NIPP-NON DEFENCE

OBLIGOR	PURCHASER	OBLIGATION VALUE	PERFORMANCE
Damen Shipyards	DEAT	US\$ 5,58 mil	100%
GM SA	DOT	ZAR 82,6 mil	95%
Bombela Consortium	Gauteng Provincial Govt	ZAR 1,88 bill	Various business plans approved
Liebherr Container Cranes	SAPO	€ 24,76mil	NIP credits to be processed
Mitsui	SPOORNET	US\$ 50,43 mil	50%
Subsea 7	PETRO SA	US\$ 19,49 mil	Performance not yet validated by Petro SA
Alseas	PETRO SA	€ 21,96 mil	Performance not yet validated by Petro SA

10





## PERFORMANCE OF NIPP-NON DEFENCE

OBLIGOR	PURCHASER	OBLIGATION VALUE	PERFORMANCE
Pride	PETRO SA	US\$ 38 mil	Performance not yet validated by Petro SA
Ericsson	TELKOM	US\$ 22,37 mil	Sufficient credits under SPA to meet obligation
Hewlett Packard	TELKOM/SITA	US\$ 15 mil	Concept Approved
Oracle	TELKOM	ZAR29 mil	80%
Mustek	SITA	Under Negotiation	Negotiations underway
Pinnacle	SITA	Under Negotiation	Negotiations underway
Dell	SITA	Under Negotiation	Negotiations underway

11



## PERFORMANCE OF NIPP-MAJOR SPA

- **Boeing**
- **General Dynamics**
- **GE**
- **Rolls Royce**
- **Mitsui**
- **Volvo**
- **MBSA**
- **Damen Shipyard**
- **THALES**
- **SIEMENS**
- **Alcatel**

**Credits awarded to date exceed US\$2,5 billion**

12



## PERFORMANCE OF NIPP

### Awarded total credits

- Value US\$12bn

### Discharged obligations

- Thales, Agusta Westland

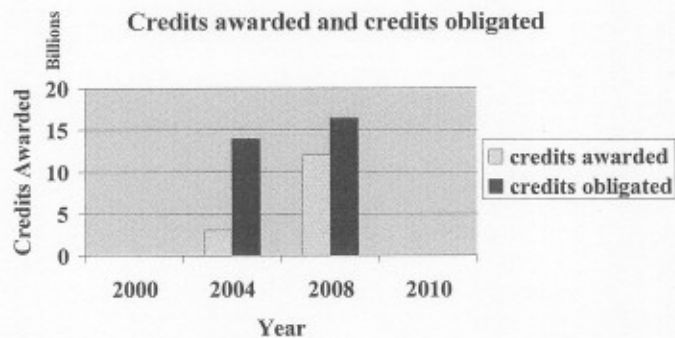
### Job Creation

- 16 500 direct jobs

13



## PERFORMANCE OF NIPP



14

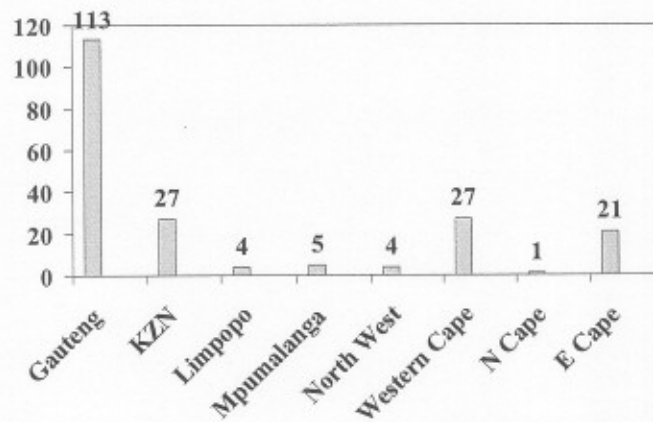


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## PERFORMANCE OF NIPP

- Geographic spread of projects



15



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## PERFORMANCE OF NIPP

- Projects failed

- SARM
- Gold Loan Scheme
- Paper based Manufacturing
- MDM Ferroman
- Diesel Economiser

16





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## MAJOR PROJECTS IMPLEMENTED

### Agroprocessing

- **Magwa Tea, Tshivase Tea Project ,Cape Mohair, Abalone Farming**



### Forestry

- **Global forest products, St Lucia Sawmills**

17

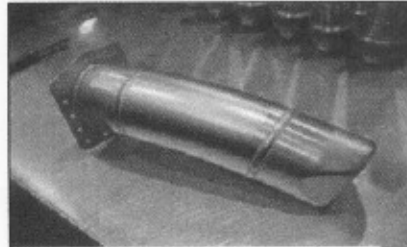


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## MAJOR PROJECTS IMPLEMENTED

### Aerospace and Defence

- **Denel Aerostructures, Aerosud, CSIR R & D Collaboration, Rotoway, ADEPT**



18



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## MAJOR PROJECTS IMPLEMENTED

- Denel SAAB Aerostructures



19

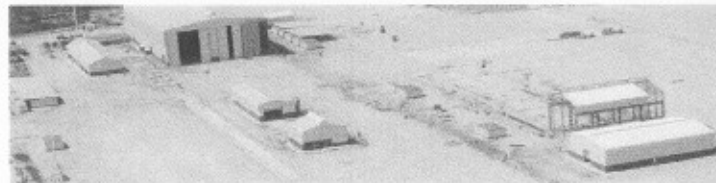


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## MAJOR PROJECTS IMPLEMENTED

**Energy / Electrical / ICT**

- Cisco Innovation Hub, Tenesa, ABB, Saldhana Bay Oil & Gas Fabrication, Alstom, ARECSA, Rotek, Hasso Plattner Venture Capital Fund, Kgwanyape



**Tourism**

**Mac Arthur Warmbaths, Hlanganani**

20

- **Obligations discharged**
  - **Thales and AgustaWestland first of SDP obligations discharged**
  
- **Automotive Industry on board**
  - **Ford, Toyota, GM , Nissan have obligations**
  - **local automotive industry benefiting**
  
- **Gautrain**
  - **obligation with Bombela Consortia**
  - **transport sector is benefiting with projects such as Swasap Railway Axles and Ringrollers expansion**

21

- **Skills Development**
  - Lephalale FET college**
    - **R20 m invested by Siemens in Limpopo province**
    - **over 500 students to be trained in 2009**
  
  - Innovation Hub – “Silicon Valley of SA”**
    - **Cisco is investing R215m in an Innovation Hub in Tshwane**
    - **120 network engineers / year to be trained**

22

22



- **Skills Development**

- **High skills development in energy sector**

- **Areca will train over 200 people by 2009 in the nuclear energy field**
    - **Areva has assisted in establishment of green coal plant in Limpopo**
    - **Specialised nuclear energy project leaders have been trained at French University**

23



- **Technology Transfer**

- **investments in BioMass fuel production plants in KZN, Coega and Sabie**
  - **Boost to rural area**

- **Tourism**

- **Resuscitation of a game reserve based near Elim in the far north of the Limpopo province**
  - **benefit to the various communities in terms of job creation and income generation**

24



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## PROGRAMME ANALYSIS

- **Focus on SDP obligations**
- **SDP obligations now nearing end ( ave 78% complete)**
- **Increased awareness and marketing ensuring 13 new obligations in 2008**
- **Progress quantifiable by projects (200) implemented and jobs created (16 500)**
- **Programme compliance supported by rigid internal processes and administration**

25



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## FOCUS AHEAD

- **Weighting / assessment of SDP obligations – capitalise on wealth of knowledge, experience and skills developed**
- **BRT, Pharmaceutical and Maritime tenders – potential high value obligations**
- **Ensure programme is aligned consistently with Government objectives**
- **Complete Direct NIP process**

26