

the dti

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THE DEPARTMENT  
OF TRADE AND INDUSTRY  
SOUTH AFRICA



PROGRESS REPORT ON IMPLEMENTATION OF THE INDUSTRIAL  
POLICY ACTION PLAN (IPAP) FOR THE FINANCIAL YEAR APRIL 2011 TO  
MARCH 2012

## Key highlights for the financial year

- The implementation of the amendments to the regulations of the Preferential Public Procurement Framework Act took effect in December 2011. The Designated sectors include: Clothing, Textiles and Leather; Buses; Canned Vegetables; Power Pylons; and Rolling Stock. 70 pharmaceutical products were designated and took effect through the Oral Dosage Tender. The necessary work to enable further designations has been completed.
- Minimum and increasing levels of local content with thresholds ranging between 25% and 45% with levels set to rise to 65% in the future were secured through the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme. High level co-commitments to domestic procurement were secured from the business, labour and community constituency captured in the Procurement Accord.
- The Automotive Production and Development Programme (APDP) architecture is largely complete with the new regulations and guidelines published for public comments in June 2012. The Automotive Investment Incentive with a budget of R2, 69bn over the MTEF period has been instrumental in securing approximately R15bn investment commitments from assemblers and component suppliers such as FAW, Tata and Toyota, demonstrating confidence in South Africa's policy framework and capabilities. As a result of the scheme 56 197 entity jobs, inclusive of 7 685 project jobs will be supported and sustained over a 3 year period accompanied by significant increases in volumes and levels of localisation in the sector. IDC approved funding for component manufactures for the localisation of components for the motor vehicle industry supplying plastic interior components, chassis frame assemblies, electrical wiring harnesses and body components
- The Clothing Textile Competitiveness Programme (CTCP) has effectively stabilised a deeply vulnerable sector. To date R148m was approved for 121 companies and with respect to the Production Incentive (PI), 145 applications totalling R546m were approved. A total of R121m has been disbursed to date. This is in support of at least 49 888 direct and indirect jobs. Three major retailers are participating in the CTCP – Foschini, Truworths and Edcon. Foschini has committed to procuring 70 percent of their merchandise domestically. An additional R501m has been approved by IDC and is expected to create and save 2 400 jobs.
- R5.8bn over the MTEF was set aside for the Manufacturing Competitiveness and Enhancement Programme (MCEP) which is a manufacturing support programme deployed towards upgrading competitiveness of labour intensive and value adding manufacturing sectors. The policy framework and operational capacity to administer the programme has been put in place for the MCEP.
- The IDC has made available R102bn for IPAP and New Growth Path sectors over five years for labour intensive projects. To date the value of funding approved increased to 55 percent, reaching more businesses with a 33 percent increase in the number of funding approvals. R13, 5bn has been committed with 268 companies benefiting. Out of R25bn earmarked towards the Green Economy, R5.5bn has been committed. The Green Energy Efficiency Fund (GEEF) to the value of R500m was launched during the period under review. With respect to agricultural and forestry value chains, R1.1bn committed in the 2011/12 financial year. 102 companies are beneficiaries of the R6.1bn distressed fund which has been in place since 2008. Of the R6.1bn, R5.1bn has been committed. Approximately 111 349 jobs have been supported as a result of IDC funding approvals since 2009. IDC will also lower the cost of funding for businesses, by sourcing an additional R2bn from the UIF for funding more labour intensive businesses. A financial model to inform the development of requisite financial products for IPAP sectors has been developed using the bus and plastic value chains.
- A joint venture between the South African government, through Pelchem, and Swiss chemicals and Biotechnology Company Lonza Ltd has been concluded. The company will manufacture chemicals used to make Active Pharmaceutical Ingredients (APIs) for the production of anti-retrovirals (ARV's) locally. Local content level for the production of the API's is expected to be 40 percent.

### **Key highlights for the financial year**

- SABS and SANAS developed a range of enabling standards for various products and in support of public procurement. Energy Efficiency Building regulations became effective in November, energy efficiency labelling requirements and a range of other standards that will facilitate development of the green and renewable energy sectors were adopted.
- The deployment of support programmes across a range of IPAP sectors in support of competitiveness upgrading and support to weather the global economic recession included the 12-i tax allowance which leveraged large manufacturing investments worth R22.4bn through 14 projects. The Enterprise Investment Programme (EIP) has leveraged investment to the value of R12.2bn and created 17 330 jobs.
- In the agro-industry sector company specific action plans are being implemented with companies with an investment pipeline of R942m (Pioneer), R220m (GWK) and R120m (Astral). Two major projects to the value of R1.1bn in food processing have been approved under the tax allowance incentive. Incentive under the Manufacturing Investment Programme (MIP) and the Cooperative Incentive Scheme (CIS) to the value of R736m (over 3 years) facilitated investment of R3.7bn in the food processing sector, contributing to the retention of 14 000 and creation of 7 00 new jobs.
- In the metals sector, the dti was instrumental in the opening of a R1bn metals coating facility in KwaZulu-Natal. On-going coordinated work to deepen localisation in the procurement programmes of SOE's has been instrumental in securing local content levels for procurement up to 65 percent.
- Concerted and integrated effort to tackle customs fraud and illegal imports and importation of substandard products has borne fruit. SARS indicate that the pilot programme of the new electronic 'real time" system at ports of entry is working well, inclusive of a risk engine, reference pricing and greater capacity.
- Work on strengthening skills for industrial development is on-going with funding secured for three IPAP sector skills initiatives from the National Skills Fund, administered by the Department of Higher Education and Training (DHET).
- 90 percent of IPAP KAP's have either been achieved or are generally close to completion.

## Key challenges

- The global economic recession, the slow recovery and continued vulnerability of the global economy in general, especially with respect to South Africa's traditional trading partners.
- The 'user pay' principle for funding the electricity build programme is inducing massive economic shocks to the manufacturing sector. Steeply escalating electricity prices (especially where high premiums are added by municipalities) continue to erode the viability of companies. Company closures especially in vulnerable sectors could ultimately erode the revenue base of municipalities themselves.
- Port charges, which are among the highest in the world, remain a significant constraint to the export of value added manufactured goods.
- Continuous appreciation of the real effective exchange rate (REER) to the highest levels on record in the context of massive capital inflows leading to a large current account deficit. These capital inflows are being attracted by real interest rates that are currently amongst the highest in the world and a speculative stock market linked to high global commodity prices.
- The backlog and slowdown in the public infrastructure investment programme is improving slowly.
- Intra-departmental coordination and the pace of regulatory development with respect to the following remains a problem :
  - Electricity prices
  - Biofuels regulations and corresponding financial incentive mechanism
  - Mineral beneficiation
  - Developmental price for iron and steel
  - The localisation commitment in the roll out of Set Top Boxes for low income households.
  - Resolution of port constraints to open significant opportunities for inward investment and development of Upstream Oil and Gas industry.
  - Measures to reduce the impact and negative consequences of the export of scrap metal.

## **Introduction**

This report is inclusive of the financial year period April 2011 to March 2012. It takes stock of the progress made and challenges experienced for the period in question. It highlights key achievements and also identifies the key constraints and challenges, which threaten the implementation of industrial policy. Notwithstanding the constraints, the successes registered in the implementation of successive iterations of IPAP illustrates that industrial policy can and does succeed if it is well designed, adequately resourced and informed by robust and constructive stakeholder engagement. The implementation of IPAP during the period under review has created a number of critical strategic platforms set out below. Taken together with the lessons learned especially from the roll out of the support programmes of the Automotives and Clothing and Textiles sectors, the programmes set out in IPAP 2012/13- 14/15 have been extended and deepened.

### **1. Key Achievements**

#### ***1.1. Public procurement***

The amendments to the regulations of the Preferential Public Procurement Framework Act took effect on December 2011. The new regulations enabled the Department of Trade and Industry to leverage government purchases to support designated sectors to procure large government tenders. The designated sectors include: Clothing, Textiles and Leather; Buses; Canned Vegetables; Power Pylons; and Rolling Stock. In addition, 70 pharmaceutical products were designated and took effect in the Oral Dosage Tender. Designations include recommendations to National Treasury (NT) and procuring entities on mechanisms to ensure value-for-money to the fiscus such as:

- Exclusion of certain intermediate inputs
- International price benchmarks
- Two stage tenders with price negotiations
- Supplier competitiveness upgrading support

Significant headway has been made in the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme where minimum and

increasing levels of local content with thresholds ranging between 25 percent and 45 percent with levels set to rise to 65 percent in the future, were secured. This lays the basis for targeting the manufacture of componentry in Solar PV, Wind and Solar Concentrated SP technologies.

The Procurement Accord led by the Economic Development Department contains high level co-commitments to domestic procurement from the business, labour and community constituencies. A process to convert these high level commitments into concrete actions is led by the Economic Development Department (EDD).

State Owned Companies (SOCs) continue to systematically embed localisation and supplier development requirements into their procurement processes. For example Transnet and PRASA are increasingly issuing tenders for the rail and port infrastructure renewable programme with Competitive Supplier Development Programme (CSDP) localisation requirements up to 65 percent. Targeted components for local production include rail car bodies, door systems, windows, seats, lighting, wheels and axles.

### ***1.2. Industrial Financing***

Inadequate provision of suitable long term financing instruments for industry, low levels of private credit extension to fixed investment and the relatively high cost of industrial financing continue to pose significant constraints to resuscitating the manufacturing sector of the economy. A budget of R5.8bn over the MTEF was made available for the Manufacturing Competitiveness Enhancement Programme (MCEP). The MCEP is a manufacturing support programme deployed towards upgrading the competitiveness of labour intensive and value adding manufacturing sectors. The MCEP will complement the on-going reorientation of the IDC to finance IPAP and NGP sectors.

The IDC has set aside R102bn mostly in loan finance for IPAP and New Growth Path sectors over the next five years. To date, the value of funding

approved increased to 55 percent, reaching more businesses with a 33 percent increase in the number of funding approvals. R13.5bn has been committed with 293 companies benefiting from the fund. Out of R25bn earmarked towards the Green Economy, R5.5bn has been committed. The Green Energy Efficiency Fund (GEEF) to the value of R500m was launched during the period under review. With respect to agricultural and forestry value chains, R1.1bn has been committed. 102 companies are beneficiaries of the R6.1bn distressed fund which has been in place since 2008. These achievements lay the foundation for addressing one of the most significant barriers to efforts to halt the decline of SA's manufacturing base – the high cost of industrial financing. Approximately 111 349 jobs have been supported as a result of IDC funding approvals since 2009. IDC will also lower the cost of funding for businesses, by sourcing an additional R2bn from the UIF for funding more labour intensive businesses. A financial model that will inform the development of requisite financial products for IPAP sectors has been developed using the bus and plastic value chains.

On-budget incentives such as the Enterprise Investment Programme and 12-i tax allowance have leveraged investment to the value of R12.2bn and R22.4bn respectively in support of 19 299 direct jobs.

### ***1.3. Developmental Trade Policies***

Tariff setting continues to be informed by strategic sectoral priorities with on-going processing by the International Trade Administration Commission (ITAC) of tariff increases, rebates and reductions. ITAC processed 18 applications for duty increases with 5 duty increases implemented by SARS; 14 for reductions in duties and 17 for rebates. The Standards, Quality Assurance and Metrology (SQAM) institutions scaled-up their work and strategic alignment with IPAP priorities. SQAM's facilitated the creation of new industries in particular green and renewable energy through the creation and strengthening of various standards and compulsory specifications. This included the creation of standards for the verification of local content for designated products; energy efficient buildings and compulsory specifications

for solar water heaters, electrical products and paraffin appliances and a range of other specifications.

#### **1.4. Competition Policy**

The competition authorities sustained a strategic focus on tackling anti-competitive behaviour into production sectors which provide inputs into manufacturing, agriculture and mining. Investigations were concluded in the fertiliser, maize and wheat milling, bread, milk, steel, polymers, forestry, cement, fuel and food sectors. Since the launch of the construction bid-rigging investigation, 25 settlement applications; 88 marker applications and 1 leniency application have been received. A number of settlements were reached with companies involved in anti-competitive behaviour such as Sasol (fertilisers); Afrisam and Lafarge (cement); Oceana (food) and several grain and storage companies.

#### **1.5. Automotive Sector**

The transition from the Motor Industry Development Programme (MIDP) to APDP is largely complete with guidelines and regulations published for public comments. The Automotive Investment Incentive (AIS) with a budget of R2.69bn over the MTEF period has been instrumental in securing approximately R15bn cumulative investment commitments from assemblers and component suppliers such as FAW (joint truck and car assembly facility), Tata (truck assembly plant in Rosslyn) and Toyota (assembly line for Sesfikile minibuses) and other Original Equipment Manufacturers (OEM's). This demonstrates confidence in South Africa's policy framework and its capabilities. As a result of the scheme, 56 197 jobs, inclusive of 7 685 project jobs will be supported and sustained over a 3 year period. IDC approved funding for component manufactures for the localisation of components for the motor vehicle industry supplying plastic interior components; chassis frame assemblies, electrical wiring harnesses and body components. As a result of support programmes, there have been significant increases in volumes and levels of localisation in the sector.

With respect to the Competitiveness Improvement of Automotive Component Manufacturers (CIACM) 50 companies have been benchmarked and supported to meet the required standards. The Medium Heavy and Commercial Vehicle (MHCV) strategy is being finalised. In the interim other interventions that will facilitate the development of the MHCV industry are being implemented. These include the regulatory amendments which have been completed to allow for mini-bus semi-knocked down (SKD) assembly; amendment of the AIS guidelines to include medium heavy and commercial vehicles and the designation of buses for local procurement.

### ***1.6. Clothing and Textiles Sector***

Since the introduction of the Clothing and Textile Competitiveness Programme employment and production have stabilised in the sector. To date R148m was approved for 123 companies and with respect to the Production Incentive (PI), 344 applications totalling R1.0bn were approved under CTCIP. This represents support for 49 888 jobs out of 101 511 jobs within the sector. Additional R501m has been approved by IDC and is expected to create and save 2 400 jobs. The active participation of the three major retailers in the CTCP – Foschini, Truworths and Edcon is a very significant achievement and a good example of what could be achieved in other sectors. Foschini has committed to procuring 70 percent of their merchandise domestically. The footwear and leather sector continues to register upward trends in employment. The footwear sub-sector has indicated an intention to increase annual production from 52 million pairs of shoes to 100 million pairs over the next three years.

### ***1.7. Metal Fabrication, Capital and Transport Equipment***

In the metals sector, **the dti** was instrumental in the opening of a R1bn metals coating facility in KwaZulu-Natal. Rehabilitation of the South African tool, die, mould-making and foundry industries is on-going through the tooling and foundry initiatives. Over 522 students have been enrolled for the tooling apprenticeship programme and over 200 workers were trained under the National Foundry Technology Network. **The dti** has undertaken continuous engagement with PRASA on its fleet renewal programme and played an

integral part in the development of local content levels for procurement of 65 percent. Major SOC's renewal and build programmes fall under Designations and more components are targeted in this regard.

### ***1.8. Agro-processing and resource based industries***

Significant inroads have been made in a number of sub-sectors in this sector. **The dti** has provided incentives to the value of R736m over the past 3 years. The Enterprise Investment Programme (EIP) has leveraged R3.7bn investment which has contributed to the retention of 14 000 jobs and created 7 000 new jobs. A number of agro-processing Cooperatives have also benefited through the Cooperative Incentive Scheme (CIS). Two major projects to the value of R1.1bn in food processing have been approved under the tax allowance incentive. The establishment of food manufacturing facilities representing an investment of R500m by Nestlé in Hammanskraal north of Pretoria is a big boost for the agro-processing sector. The project includes the construction of a 16 000-square metre factory for the manufacture of MILO and CHEERIOS breakfast cereals and the addition of new production lines for the manufacture of MAGGI Noodles. The investment has created more than 130 permanent jobs within the two factories and 300 indirect jobs over a 20-month period during the construction phase.

In the food processing sector company specific action plans are being implemented with 5 companies with an investment pipeline inclusive of the following: R924m (Pioneer Foods); R220m (Griqualand West Corporation) and R120m (Astral).

Despite delays reported previously with respect to the development of the organic food sector, the sector has made significant strides and developed a programme for accelerating development. Agreement for the provision of dedicated space for organic products has been secured from 50 Pick 'n Pay stores. The competitiveness enhancement strategy in the fruit and vegetable canning industry was speeded up with the launch of the domestic market campaign, SUPERCAN which is underway with TV and print media.

A platform has been put in place for the promotion of honeybush and rooibos tea and an export market development programme is being implemented. With respect to small-scale maize milling, a feasibility study to evaluate business, financial and institutional models was concluded. Support was provided to African Micro-mills to develop business plans for 10 mills in KwaZulu-Natal and the Free State and 1 in Gauteng.

Similarly, notwithstanding delays encountered in the conclusion of EIA's for the development of Marine Aquaculture zones and hatcheries, work is progressing well.

The establishment of a panel for Environmental Impact Assessment Practitioners to assist with EIA's laid the basis for more rapid progress in the issuance of water licences. **The dti** financially assisted 27 applications for EIA's for 1,050 hectares in the Eastern Cape and this work is close to conclusion. Funds have been secured for 22 EIA's in KZN for 1265 hectares and a process is underway to bring this project to finality. The Department of Agriculture, Forestry and Fisheries (DAFF) has also provided funding for 39 EIA's for afforestation licences covering 13,000 hectares. In this period 105 licences were issued for 5339 hectares.

The furniture strategy and action plan was finalised and implementation of key interventions in skills and standards commenced. Small-scale saw millers received prioritisation with the roll-out of skills programmes in Limpopo, Mpumalanga and the Eastern Cape.

### **1.9. Business Process Services (BPS)**

The sector continues to position South Africa as a top destination for business process outsourcing through the new incentive framework and international marketing to build on existing achievements. During the 2011/12 financial year approximately R4.1bn in investments has been leveraged and 15 149 jobs are projected in the next three years. Sustainability of the Monyetla Work Readiness Programme was secured with the approval of Phase Three and funding to train 3000 unemployed agents. The sector was also boosted by the

launch of the first Amazon African customer service centre in Cape Town to service global English and German speaking clients. This provides further impetus to the process of building SA's reputation as a world class customer service destination.

### ***1.10. Green and energy saving industries***

Minimum and increasing levels of local content were secured as a fundamental criterion for the REIPPP. To date two rounds of Renewable Energy generation bids were awarded, with minimum levels of local content requirements ranging from 25 percent to 45 percent and with maximum targets set to increase to 65 percent. This lays the basis for the implementation of the Solar and Wind energy manufacturing strategy which was completed in this period. The strategy targets the localisation of componentry in Solar Photovoltaic (PV), Wind and Solar Concentrated Solar Power (CSP).

In keeping with efforts to reduce energy consumption, Energy Efficiency Building Regulations which make Solar Water Heating obligatory for most new buildings came into effect in November. In support of government's bid to promote local production, IDC approved funding for two local manufactures of solar water heaters. Similarly the Industrial Energy Efficiency Programme which encourages the use of energy efficient technologies was launched in November 2011.

Progress was registered with respect to the South African Renewables (SARi) initiative to secure 'first mover' global funding for renewable energy generation, downstream manufacturing and job creation. To this effect a Cabinet Memorandum was approved and the initiative was officially launched during COP17. The programme has since been transferred to the Department of Energy (DOE).

## ***2. Overview of all the KAPs***

The implementation of IPAP is subject to rigorous monitoring and evaluation. A matrix with Key Action Plans (KAPs) is used as a tool to track

implementation. (See attached Matrix Appendix 1). In monitoring progress a colour coding mechanism is used where:

**2.1.** Green coded KAPs denote milestones which have been largely achieved. This applies to 126 KAPs and includes instances where functions have been transferred to other departments in terms of a refinement of roles and responsibilities. The South African Renewables Initiative (SARi) was transferred to the Department of Energy (DoE) and thus in future all SARi related matters will be reported on by the DoE.

**2.2.** Orange coded KAPs denote milestones that are generally close to completion but where parts of the total KAP have not been met and where blockages may still exist. This applies to 68 KAPs. In some of these instances milestones in the KAP have been carried over to the next iteration of IPAP. These are as follows:

- National Industrial Participation Programme
- Alignment between B-BBEE and Industrial Policy
- Role of DFI's in locking in domestic and regional procurement
- National Centres of Excellence
- Boatbuilding: Trade Policy
- Agro – processing: Sugar sector and beneficiated Rooibos and Honeybush products
- Mineral Beneficiation
- Domestic production of vaccines
- Audit textiles capabilities
- National Craft Sector Development Programme
- Music Industry Strategy
- Set Top Boxes and Digital TV's

The remaining code orange KAPs were held back at the request of industry to allow for further consultation and finalisation of strategies as follows:

- Automotive Production and Development Programme (APDP)
- Competitiveness Improvement of Automotive Component Manufacturers Programme

- Medium, Heavy and Commercial Vehicle Strategy and Action Plan
- Electric Vehicle Strategy and Action plan
- Polypropylene beneficiation
- Plastics and pharmaceuticals: Skills development

**2.3.** Red coded KAPs denote areas where there are significant delays for 23 KAPs. The majority of these relate to intragovernmental regulatory and coordination issues. This applies to:

- Biofuels regulation
- Upstream Oil and Gas: Resolution of key port constraints and National Marketing Initiative for the South African upstream cluster
- Charcoal Manufacturing Programme. This programme was delayed by intergovernmental complexities at both provincial and municipal level. The raw material to sustain the project was found to be insufficient and there were no secured markets for the final products. It was recommended that the programme be dropped so that focus could be on other high impact projects that would yield the desired outcomes.

Other code Red KAPs were due to funding constraints that have caused delays. The following programmes were either seriously delayed due to insufficient funding or achieved sub-optimal impact as a consequence thereof. In these instances the programmes have been subsumed into new programmes and consequently fall away.

- Competitive financing programme for suppliers into the public capital expenditure programme. Henceforth elements of the programme have been incorporated in MCEP.
- Mentoring of SME manufacturers and the Enterprise Reference Architecture programme in auto component manufacturing. Subsequently these KAPs have been consolidated into a new Competitiveness Improvement Programme that is being

developed in collaboration with relevant industry and government stakeholders.

- Gold loan scheme to promote jewellery beneficiation. This has since been dropped from IPAP 2012 as this work will in future be informed by the minerals beneficiation implementation plans for jewellery value chains.

Since there are often a large number of separate milestones within a KAP, some of which may have been achieved and others not, the above synopsis provides a broad analysis of progress. The monitoring and evaluation matrix mechanism has allowed for early detection of problems as they emerge and corrective action to be taken wherever feasible.

Table 1 provides an overview of progress across all the Key Action Plans for the implementation of IPAP2.

**Table 1 – IPAP Key Action Plans**

<b>Breakdown of KAPs</b>	<b>Total</b>	<b>Transferred to other departments</b>	<b>Deleted from IPAP2011</b>	<b>Revised Total</b>	<b>Percentage</b>
<b>Green</b>	<b>128</b>	<b>1</b>	<b>0</b>	<b>127</b>	<b>59%</b>
<b>Orange</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>67</b>	<b>31%</b>
<b>Red</b>	<b>22</b>	<b>0</b>	<b>2</b>	<b>20</b>	<b>10%</b>
<b>Total</b>	<b>217</b>	<b>1</b>	<b>2</b>	<b>214</b>	<b>100%</b>

### **3. Key Challenges**

#### **3.1. Economic environment**

##### **3.1.1. Growth**

The previous report pointed to the fragility of the global economic recovery and this state of affairs remains unchanged. The global recession has become an extended phenomenon with stagnant, slow and uncertain growth prospects in SA's major trading partners. Economic challenges faced by the Eurozone and slowing growth in China pose a threat to South African economic growth.

Global real GDP growth is forecast to slow to 3.5 percent in 2012, from about 4 percent in 2011. In the advanced economies, growth is projected at about 1.5 percent in 2012 and 2 percent in 2013. Expansion in the emerging and developing economies is projected to remain at about 5.5 to 6 percent through 2012 according to the World Economic Outlook published by the International Monetary Fund (IMF). The fact that global growth continues to be boosted by better, if not uncertain growth, in emerging economies such as China, India and Brazil, points to the on-going need for a realignment and reorientation of our export focus.

Domestically, GDP figures indicate that our economy is recovering at a slow and uncertain pace. In 2011, the economy grew by 3.1 percent, up from 2.9 percent in 2010. However, growth is expected to slow to 2.8 percent in 2012 because of the continued weakness in the global economy and domestic structural constraints. Growth in Q1 2012 was 2.7 percent due to a decline in the manufacturing sector

### **3.1.2. Real interest rates**

As previously noted South Africa's currency market is currently impacted by a confluence of large stocks of liquid global assets, low growth and returns in many markets and high domestic real interest rates. Both South Africa's short and long-term real interest rates are amongst the highest in the world while other major trading partners particularly the Eurozone have experienced large currency depreciations and low interest rates. High relative real interest rates are attributed in part, to large inflows into South Africa's bond market, contributing to the sustained overvaluation of our real effective exchange rate.

### **3.1.3. Currency**

Since Q1 of 2004 in particular, the imbalances between the current and financial account balances have become severe. Sustained hot capital inflows have prevented the REER from adjusting to underlying fundamentals of the economy. Currency overvaluation and volatility continue to have, a damaging impact on the tradable sectors of the economy, particularly manufacturing.

In 2011 world trade volumes stagnated contributing to the narrowing of South Africa's trade surplus with the rest of the world from R27.2bn in 2010 to R16.4bn in 2011. Overall, the current account balance in 2011 was -R98bn, which was -3.3 percent of the GDP. In Q1 2012 the economy registered a -R42bn current account deficit which was -4.9 percent of GDP.

#### **3.1.4. Manufacturing**

The manufacturing sector remains vulnerable as a result of the protracted recession and slowing growth. Monthly manufacturing production figures, which collapsed in the second half of 2008 due to the recession, demonstrate that the sector has still not recovered to its pre-crisis levels. Notwithstanding 2011 growth, manufacturing continues to bear the brunt of the persistent overvaluation of the currency. Although the sector is on a recovery path, the recovery in manufacturing production remains fragile in general. Production increased by 2.5 percent and 1 percent in 2011 and Q1 2012 quarter-to-quarter respectively. This fragility is also reflected through the Purchasing Manager's Index (PMI) which indicates activity in manufacturing. The PMI declined to 48.2 points in June on a seasonally adjusted basis from 53.6 in May and this indicated contraction in manufacturing activity for the first time in almost a year. The PMI did improve in July to a level of 51.0. However this is not significantly higher than the 50.0 level that discriminates between expansion and contraction in manufacturing. The outlook for the manufacturing sector remains problematic and this implies that employment prospects in the local manufacturing industry remain sluggish.

Since the beginning of 2008, formal employment in the manufacturing sector declined. Since Q3 in 2011 there has been a steady increase in manufacturing employment. However in Q1 2012 there was once again a slight decrease in employment as a result of a variety of factors including a decline of exports to Europe.

#### **3.1.5. Capital Investment and infrastructure expenditure**

Real gross fixed capital formation accelerated steadily on a quarter-to-quarter basis throughout 2011. However, growth in real gross fixed capital formation

lost some momentum in the beginning of 2012, decreasing from 7, 2 percent in Q4 of 2011 to an annualised rate of 5 and 3 percent in Q1 of 2012. Real gross fixed capital formation rose modestly in the private sector (1.8 percent), public corporations (13.1 percent), and general government (9.3 percent) respectively in Q1 2012.

### ***3.2. Intra-departmental and institutional coordination and integration***

As previously noted the successful implementation of many IPAP action plans is dependent upon complex intra-departmental and SOE coordination and integration processes. These blockages include the following:

#### ***3.2.1. Biofuels***

Even though a permit based rebate facility for bio-ethanol was approved, the publication of final Mandatory Blending Regulations was only approved in late August. Coupled with the slow progress with respect to the promulgation of the regulations, the financial incentive mechanism in support of biofuel producers is not finalised as yet. The slow pace of consolidating the policy framework has created uncertainty within the biofuels sector. The delays constitute a constraint to progress on this front including with respect to the roll-out of biofuels production facilities which are projected to create 50 000 jobs.

#### ***3.2.2. Electricity***

The 'user pay' principle for funding the electricity build programme is inducing massive economic shocks to the manufacturing sector. Steeply escalating electricity prices (especially where high price premiums are added by municipalities) are seriously eroding the viability of companies and could ultimately erode the revenue base of municipalities themselves. In this regard an intra-governmental process is underway to assess the vulnerability of manufacturing sectors and make explicit proposals on possible demand management, tariff and rebate options for the manufacturing sector.

### **3.2.3. Minerals Beneficiation**

In keeping with perspectives contained in the New Growth Path and as set out in IPAP, a Minerals Beneficiation Strategy was adopted by Cabinet and work on an implementation framework which lays the basis for creating specific value chains is in progress. Task teams and frameworks for iron and steel and energy value chains were approved by Cabinet and work on implementation plans for PGMs, jewellery and titanium value chains is underway. Notwithstanding these developments since the last report, the pace at which the work is progressing is slow.

The lack of a competitive steel pricing regime to support the development and deepening of value-added manufacturing remains a critical challenge. Progress on this front was stalled by prolonged legal disputes in the courts over mining and prospecting rights involving Kumba Iron Ore, Arcelormittal, Imperial Crown Trading and DMR. Nevertheless a set of proposals in this regard will be considered by Cabinet shortly. This includes a proposal to negate the abuse of the export of scrap metals which poses a threat to the security of steel supply for downstream manufacturers.

### **3.2.4. Set Top Boxes and Digital TV's**

Progress has been registered with regards to other aspects of Set Top Boxes and Digital TV's. A standard for the manufacture of STB's was launched and rebate on TV monitors approved by the Minister. However, the process of identifying localisation requirements for the roll-out of STBs for low income households met with delays during the period under review. Even though the Request for Proposals (RFP) was issued in July 2012, after long delays, there were no specifications for local content levels in the procurement of STBs. This had the potential of undermining the process of leveraging public procurement for industrial development in this sector and remedial interventions are in place.

### **3.2.5. Aquaculture**

The National Aquaculture Strategic Framework (NASF) identified interventions that include the development of Marine Aquaculture Zones. Implementation progress is hampered by the slow pace of approval of Environmental Impact Assessments (EIAs). The rate at which EIAs are conducted also stalls the implementation of other operational processes required in the development of aquaculture zones.

### **3.2.6. Upstream oil and gas**

The significant potential presented by this sector is premised upon a precise and definitive policy and regulatory framework; institutional architecture and effective programme management for the sector at key ports. In this regard, the Department of Public Enterprise (DPE) and the Transnet National Ports Authority agreed in principle to the establishment of a task team with **the dti** to unlock constraints at ports and develop a clear and certain policy and operational framework. However, progress has been slow. A clear defined product offering for potential investors flowing from the above could unlock the investment potential that exists in the sector.

## **4. Conclusions**

IPAP 2011/12 – 13/14 set out ambitious industrial development targets across a range of transversal and sector specific programmes. The majority of these targets have either been met or are generally close to completion. Progress across a range of strategic transversal interventions has created significant platforms for extending the impact of industrial policy interventions set out in the IPAP and since the launch of the first IPAP in 2007/8. Similarly significant progress across sectors, highlighted by progress especially in the Automotive and Clothing and Textiles sectors, and the important lessons that can be taken from this successful implementation, has created a basis for extending these lessons to deepen a range of action plans for other sectors. These were captured in IPAP 2012/13 – 14/15.

The progress that has been registered in the implementation of IPAP 2011/12 – 13/14 was secured against the background of an extremely unfavourable economic climate. On-going financial turmoil in global financial markets and the extended global recession impacted severely on the South African economy, especially the manufacturing sector. This was especially acute in relation to SA's traditional trading partners the United State of America and the Eurozone, where decreasing demand for South African manufactured goods was especially severe. Alongside this external shock to the economy, the on-going overvaluation and volatility of the currency has continued to exert a negative impact upon the manufacturing sector. Steeply escalating administered prices especially electricity prices, have provided a domestic shock, especially to the manufacturing sector and give cause for considerable concern into the future.

Slow progress with respect to often complex intergovernmental regulatory frameworks, for example with respect to the biofuels industry, is perhaps the most significant constraint to progress with respect to some KAP's. Whilst some progress has been registered with respect to industrial financing a long term solution for the provision of appropriately competitive financing for investment in the manufacturing sectors remains a significant constraint.

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## APPENDIX A: IPAP KAP MATRIX

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
6.1.1	INDUSTRIAL FINANCING Securing on-going sources of concessional funding for disbursement by the IDC into IPAP sectors	<ul style="list-style-type: none"> <li>• 2011/12 Q3: Finalise proposals over and above those already implemented for concessional industrial financing including the term of loan and sector specific financing packages</li> </ul>	Service provider has developed the financial model using financial statements of companies in the bus and plastic value chain. A session demonstrating the workings of the model with relevant sector desks and personnel from the IDC and Association for Savings and Investment South Africa (ASISA) took place. The work on product design is outstanding and requires funding for its execution and completion as the allocated funding for the project is exhausted. DTI handed the product design work undertaken over to EDD.
6.1.2	INDUSTRIAL FINANCING Strengthen conditionalities with respect to on-budget incentives	<ul style="list-style-type: none"> <li>• 2011/12 - 2013/14: Review and strengthening of conditionalities attached to core on- and off-budget forms of support</li> </ul>	Work is on track
7.1.1	LEVERAGING PUBLIC PROCUREMENT Implementation of the amendment to the regulations of the PPPFA	<ul style="list-style-type: none"> <li>• 2011/12 Q2: First designation for local procurement</li> </ul>	<p>Amended regulations to the PPPFA gazetted by NT and it took effect in December 2011. Sectors which were designated are: Buses, pharmaceuticals, rolling stock, power pylons, canned vegetables and clothing textiles, leather and footwear.</p> <p>Procurement Accord Agreement was signed between Government, Labour and Business. Conditionalities in exchange for designation completed with industry.</p>
7.1.2	LEVERAGING PUBLIC PROCUREMENT Amalgamation of the provisions of the NIPP with the CSDP	<ul style="list-style-type: none"> <li>• 2011/12 Q2: DPE to strengthen shareholder compacts with Eskom and Transnet, including the explicit introduction of local value added as a Key Performance Indicator.</li> <li>• 2011/12 Q2: Amalgamate the NIPP and CSDP through a Cabinet Memorandum and supporting documentation</li> </ul>	<p>The SOEs continue to introduce localisation and supplier development requirements into the procurement process. On-going work with DPE in relation to deepening policy and practices for fleet procurement in place.</p> <p>NIPP secretariat finalised a new proposal to revise NIPP and CSDP informed by policy reviews which were completed. Impact assessment of NIPP currently underway.</p>
7.1.3	LEVERAGING PUBLIC PROCUREMENT Identification of strategic procurement "fleets" and development of long-term	<ul style="list-style-type: none"> <li>• 2011/12 Q2-Q4: Designation of "fleets" through Cab memo and where relevant in terms of the PPPFA</li> <li>• 2011/12 Q2: Finalise agreements with relevant procuring entities around the scope and timing of designation of "fleets".</li> </ul>	Amendments to the regulations of the PPPFA were gazetted by NT. The following products have been designated; Buses, Power Pylons, Locomotives, canned vegetables and Clothing, Textiles, Leather and Footwear. Dti working on next wave of designations and M&E framework. Sector/products identified include; School & office furniture, SWH's, water purification chemicals, boats

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	procurement and local content plans		<p>and valves.</p> <p>Pharmaceutical products (Oral Dosage Tender) have been designated for local production. It was agreed that 70% of the bid be designated for local production and the remaining 30% open for both local and imports. The renewable energy strategy was approved by IDD and the local content requirements were specified for the latest tenders on renewable energy.</p> <p>Next round of designations will take place in October.</p>
7.1.4	LEVERAGING PUBLIC PROCUREMENT Alignment between B-BBEE and industrial policy	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Review selected aspects of the B-BBEE Codes and propose amendments to align the Codes with industrial policy considerations</li> </ul>	B-BBEE codes in the process of revision to align with Industrial Policy imperatives. The alignment of BBEE codes with skills development and localisation has been identified for the Presidential Infrastructure Coordinating Council (PICC): Strategic Integrated Projects.
7.1.5	LEVERAGING PUBLIC PROCUREMENT Strengthening the role of DFIs in locking in domestic and regional procurement	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Development and communication of guidelines to DFIs in relation to promotion of local and regional content in relation to their financing, particularly for large projects in South Africa and Southern Africa</li> </ul>	Engagements on-going with DFI's, in particular IDC which has been engaged for concessionary funding for buses. Also, a hybrid of funding instruments is being considered (e.g. MCEP & Public Transport Grants).
7.1.6	LEVERAGING PUBLIC PROCUREMENT Revamp Proudly South African and establishing standards and accreditation support for procurement of local content	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Strengthen management and oversight of Proudly South African.</li> <li>• 2011/12 Q3: SABS to finalise the development of a South African National Standard (SANS) for procurement of goods and services with local content.</li> </ul>	<p>CEO of PSA has been appointed. Engagements took place with PSA management to discuss the strategic focus and national campaign on localisation. Agreement in place to ramp up PSA's buy local campaign and to strengthen their role to identify supply chains within the Procurement Accord.</p> <p>SATS was published on 23 November 2011 as a pilot test and is used for the calculations and verification of local content. Thereafter the SATS will be upgraded into a SANS.</p>
8.1.1	DEVELOPMENTAL TRADE POLICY Ongoing developmental tariff reform	<ul style="list-style-type: none"> <li>• 2011/12-2013/14: Ongoing – scope for industries to apply to the International Trade Administration Commission (ITAC) for selective tariff increases on products with scope for significant potential creation / retention of decent jobs and import replacement and "water" between bound and applied rates.</li> <li>• 2011/12-2013/14: Ongoing – scope for further selected decreases in tariffs on intermediate inputs into manufacturing and other productive sectors</li> </ul>	ITAC processed 18 applications for increase in duty. 17 for rebate of duty and 14 for reduction of duties. They also processed 2 applications for duty reviews, 1 for rebate reviews and 1 for rebate withdrawal. 8 out of the 18 duty increases have been finalised and are at an advanced stage of implementation. 5 increases in duties have been implemented by SARS.
8.1.2	DEVELOPMENTAL TRADE	<ul style="list-style-type: none"> <li>• 2011/12 – 2013/14: Ongoing – application of an indicative</li> </ul>	High level engagements with the CEO and senior management at SARS have

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	Clampdown on customs fraud	<p>reference price system to alert customs officials to possible under-invoicing and other types of customs fraud.</p> <ul style="list-style-type: none"> <li>• 2011/12 – 2013/14: Ongoing – dedicated investigations and prosecutions of fraudulent and illegal imports.</li> </ul>	<p>resulted in the significant scaling up of the Nedlac SARS Customs Fraud Task Team.</p> <p>The pilot programme of the new electronic “real time” system at ports of entry is yielding the required results and is being rolled out at all ports of entry and it includes the pilot testing of the electronic referencing pricing system.</p>
8.1.3	<p>DEVELOPMENTAL TRADE POLICY</p> <p>Review trade valuation methodology to bring South Africa more in line with major trading partners</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q1 ITED and SARS to complete investigations on the implications of migrating from Free on Board to Cost Insurance and Freight with a view towards aligning it with major trading partners</li> </ul>	<p>A report has been prepared and signed off by the Minister with a request for additional work to be completed. Labour constituency through the Nedlac Chamber recommended that more work should be done on the issue of possible movement from FOB to CIF including seeking “expert opinion”.</p>
8.1.4	<p>DEVELOPMENTAL TRADE POLICY</p> <p>Strengthen market standards</p>	<p>SABS to develop SANS for automotive diesel fuel, alternative-fuel vehicles, electrical products and certain chemicals</p> <ul style="list-style-type: none"> <li>• 2011/12 Q1: SANS 1518 for Transport of dangerous goods for the design, construction and testing, approval and maintenance of road vehicles and portable tanks.</li> <li>• 2011/12 Q3: SANS 10252-1 for water supply and drainage for buildings - Part 1: Water supply installations for buildings.</li> <li>• 2011/12 Q4: SANS 10254 for the installation, maintenance, replacement and repair of fixed electric storage water heating systems; SANS 885 for Processed Meat - Requirements for the production of packaged meat products; SANS 1935 for Automotive Bio diesel and SANS 833 for Biodiesel QMS - Producer requirements.</li> </ul> <p>SABS to introduce testing capacity to support the creation/scaling up of industries</p> <ul style="list-style-type: none"> <li>• 2011/12 Q3: Solar water heaters testing.</li> <li>• 2011/12 Q4: Automotive testing.</li> <li>• 2011/12 Q2: SANAS to finalise the accreditation system for energy efficient measurement and verification.</li> <li>• 2011/12 Q1: NMISA to purchase a resistance bridge to test humidity and temperature for agro processing and chemicals.</li> </ul>	<p>A number of standards have been published and they are:</p> <ul style="list-style-type: none"> <li>• SANS 1518 for Transport of dangerous goods</li> <li>• SANS 885 for processed meat</li> <li>• SANS 833 for Biodiesel</li> <li>• SANS 1935 is out on DSS and will be published as scheduled.</li> <li>• SANS 10252-1 water supply and drainage for buildings</li> <li>• SANS 204 and 10400 that will be used in the energy efficient building regulations</li> <li>• SANS 10254 for the installation, maintenance, replacement and repair of fixed electric storage water heating systems</li> </ul> <p>Solar water heaters: Testing capacity increased from 130 units per year to 200 units per year.</p> <p>Automotive testing: The VetStone computers upgrade to support the emission laboratory has been ordered.</p> <p>SANAS finalised the accreditation system for Energy Efficient Measurement and Verification.</p> <p>The purchase of the resistance bridge was postponed by NMISA because other capital items were more urgently required. NMISA developed an MTEF</p>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		<ul style="list-style-type: none"> <li>• 2011/12 Q4: NMISA to provide technical support for exports by developing standards for diagnostic radiology for agricultural products, finalise measurements for advanced materials, develop measurement facilities for EE lamps, commissioning of a Coordinate Measuring Machine (CCM) and roundness machine for the automotive and aerospace industry.</li> </ul>	<p>proposal to recapitalise the resistance bridge over a period of 3 years.</p> <p>NMISA CMM: Funding was secured for the purchase of the Coordinate Measuring Machine (CMM) during December 2011. The procurement process started and commissioning is expected in 2012 Q2/3.</p>
8.1.5	<p>DEVELOPMENTAL TRADE POLICY</p> <p>Strengthening enforcement of existing and new mandatory standards of IPAP sectors</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q4: NRCS to identify specific products for border enforcement and work with SARS to prevent entry of non-compliant products.</li> <li>• 2011/12 Q4: NRCS to introduce additional mandatory national standards in the following sectors: solar water heaters, electrical products in fixed installations, frozen fish and paraffin appliances</li> </ul>	<p>A number of compulsory specifications have been developed for various products and these include:</p> <ul style="list-style-type: none"> <li>• Solar water heaters</li> <li>• frozen fish</li> <li>• electrical products in fixed installations</li> <li>• paraffin appliances</li> </ul>
8.1.6	<p>DEVELOPMENTAL TRADE POLICY</p> <p>Developing and strengthening SANS to support the creation / resuscitation of specific industries</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q3: SANS 6211-1 for thermal performance tests outdoor method and SANS 6210 for Mechanical tests for solar water heaters</li> <li>• 2011/12 Q4: 7 SANS for wind turbines, SANS for small renewable energy and hybrid systems for rural electrification and SANS 1307 for domestic solar water heaters to be revised to incorporate information on new designs and to update the requirements for resistance testing.</li> <li>• 2011/12 Q3: NMISA to upgrade the power and energy measurement standards by providing calibrations for Eskom and other calibration laboratories</li> </ul>	<p>A number of standards have been published:</p> <ul style="list-style-type: none"> <li>• SANS 6211-1 for thermal performance tests outdoor method</li> <li>• SANS 6210 for mechanical tests for solar water heaters</li> <li>• SANS 1307 for domestic solar water heaters</li> </ul> <p>SANS 1346 for domestic instantaneous solar water heating systems to be completed in 2012/2013 Q3.</p>
8.1.7	<p>DEVELOPMENTAL TRADE POLICY</p> <p>Technical infrastructure support for exports</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Draft SADC policy proposal for the use and implementation of the globally harmonised system of classification and labelling of chemicals (GHS) in regulations for occupational health and safety and transport in SADC</li> <li>• 2011/12 Q4: SADC of common standards for environmental management to include the following uniform provisions and approvals: <ul style="list-style-type: none"> <li>• production of rethreaded pneumatic tyres for commercial vehicles and their trailers and motors,</li> <li>• safety glazing materials and their installation on vehicles,</li> </ul> </li> </ul>	<p>The draft SADC GHS policy was drafted and was presented during the SADC GHS Extended Working Group. A ToR was developed and approved by SADC Technical Regulation Liaison committee for the appointment of a service provider that will be funded by PTB a German donor. SANS 10234 was harmonized in May 2011 by SADCSTAN, i.e. SADCSTAN/TC15/HS SANS 10234, Globally harmonized systems.</p> <p>Several standards have been harmonised in support of exports. They are:</p> <ul style="list-style-type: none"> <li>• The 4th edition of SANS 1518- "Transport of DG-Design, construction and testing</li> </ul>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		<ul style="list-style-type: none"> <li>• approval of retro-reflective markings for vehicles, household and similar electrical appliances -grills, toasters and similar portable cooking appliances</li> <li>• 2011/12 Q4: Develop common standards for the classification of chemicals in the SADC to support South African exports</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of road vehicles and portable tanks” was published as SANS in March 2011. It has been proposed for SADCSTAN harmonization.</li> </ul>
8.1.8	<b>DEVELOPMENTAL TRADE POLICY</b> Strengthening the South African technical infrastructure to support industrial development	Technical skills plan for NMISA,SABS,SANAS and NRCS <ul style="list-style-type: none"> <li>• 2011/12 Q1: Develop draft technical skills plan that targets the following competencies: metrologists, accreditors, standards writers and compulsory-specification practitioners.</li> <li>• 2011/12 Q2: Finalise technical skills plan that targets the following competencies: metrologists, accreditors, standards writers and compulsory-specification practitioners.</li> <li>• 2011/12 Q3-4: Secure funding for the skills plan.</li> </ul> Shift from Trade metrology to Legal Metrology <ul style="list-style-type: none"> <li>• 2011/12 Q1: Finalise legal metrology policy paper for new legislation.</li> <li>• 2011/12 Q2: Appoint legal drafter.</li> <li>• 2011/12 Q4: Drafting of the bill and consultations with NRCS and stakeholders.</li> <li>• 2011/12 Q4: Finalise the bill and submit to Minister.</li> </ul>	Technical Skill Plan has been developed and implementation delayed by funding constraints. However, alternative sources are being mobilised for the roll-out of the skills plan.  Final Bill has been prepared and submitted to Minister. However, Minister has sought further clarity on a number of issues. Engagements with concerned parties to be convened.
9.1.1	<b>COMPETITION POLICY</b> Strengthening implementation of competition policy	<ul style="list-style-type: none"> <li>• 2011/12 – 2013/14: Continued active focus of competition authorities on investigation, prosecution and policy advocacy with respect to: <ul style="list-style-type: none"> <li>o Intermediate industrial and energy-intensive products, such as steel, chemicals, coal, fuel and cement; Food and agro-processing; Banking; and Infrastructure and construction.</li> </ul> </li> <li>• 2011/12 – 2013/14: Annual reporting on impact of competition enforcement in these sectors, and identification of appropriate complementary measures to be taken by Government and public institutions to improve competitive outcomes.</li> </ul>	The Competition Commission’s focus continues to be on the priority areas, with investigations into many areas proceeding, including steel, forestry, cement, fuel, various food products. Cases referred and in the Tribunal hearing process include polymer chemicals, reinforcing steel, poultry, mealie meal, wheat flour. Settlements and Investigations concluded in the following areas: <ul style="list-style-type: none"> <li>• Fuel: The collusion information exchange investigation was finalised.</li> <li>• Construction bid-rigging: The Commission received 25 settlement applications since the launch of the process, 88 marker applications, and 1 leniency application. The Commission is currently validating the information received.</li> <li>• Cement: Settlements by Afrisam and Lafarge with regards to</li> </ul>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		<ul style="list-style-type: none"> <li>• 2011/12 – 2013/14: Small number (at least one per year) of strategically identified market enquiries initiated by the Competition Commission into priority areas identified in consultation with Government.</li> </ul>	<p>collusion in cement completed and confirmed by the Tribunal.</p> <ul style="list-style-type: none"> <li>• Food: The Commission has concluded a settlement with Oceana settling a number of price fixing and market allocation contraventions.</li> </ul> <p>The Commission and IDC presented a joint paper to DPE over conduct of SAFCOL with recommendations included.</p>
9.1.2	<p>COMPETITION POLICY Ensuring competitive outcomes</p>	<ul style="list-style-type: none"> <li>• 2011/12 – 2013/14: Stronger conditionalities to be established on state support for large firms, including development finance, linked to competitive conduct.</li> <li>• 2011/12 – 2013/14: Monitoring of compliance with conditions, in consultation with the Competition Commission.</li> <li>• 2011/12 – 2013/14: Evaluation of trade policy measures for sectors in the light of the conduct of firms to ensure that dynamic comparative advantages are developed, in consultation with the Competition Commission.</li> <li>• 2011/12 – 2013/14: Wider actions to be identified, including possible regulatory measures, against dominant firms engaging in anti-competitive conduct, especially with regard to key inputs into labour-absorbing sectors and the pricing of wage goods.</li> <li>• 2011/12 – 2013/14: Increased support for entrants and smaller rivals relative to entrenched dominant firms.</li> </ul>	Work on-going
10.1.1	<p>DEMAND-SIDE SKILLS FOR INDUSTRIAL DEVELOPMENT Strengthen demand-side skills planning through the development of a dedicated IPAP National Artisan Development Programme (NADP) for priority sectors</p>	<ul style="list-style-type: none"> <li>• 2011/12-2013: Finalisation of an IPAP National Artisan Development Programme concept proposal and agreement with DHET and key SETAs</li> </ul>	<p>Agreement with DHET on the following: census on unqualified artisans to be conducted by labour &amp; business and on-going engagement with DHET and industry to address the skills challenges. To this effect metals and plastics working groups developed a draft action plan model. In the process of completing the information gathering phase for metals and plastics. Delays encountered due to the fact that the mapping of skills demand requires various information which includes investment, % of local content and % employment. Working groups were established for pharmaceuticals, auto's and agro-processing.</p>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
10.1.2	<b>DEMAND-SIDE SKILLS FOR INDUSTRIAL DEVELOPMENT</b> Streamline the skills delivery system through SOE-Skills Delivery Forums and dedicated Industry-Skills Partnerships for artisans, technicians and engineers in growth and new or “emerging” sectors.	<ul style="list-style-type: none"> <li>• 2011 – 2012: Identify potential SOE skills delivery forums and develop concept proposals for partnership agreements in 2 high impact priority sectors.</li> </ul>	Training capacity of SOE’s was assessed and it was proposed that dti should use the national SOC (state owned companies) artisan sub-committee of the HRD council in conjunction with DHET for improved training capacity. Desk top study drafted for skills hub model which is still to be consulted with DHET. ERPC funding proposal on Skills Hub was rejected for lack of funds. Have placed the topic on the joint dti. DHET task team agenda. Consultations with DHET expected during the 2nd Quarter of 2012.
10.1.3	<b>DEMAND-SIDE SKILLS FOR INDUSTRIAL DEVELOPMENT</b> Support of the National Centres of Excellence to integrate sector competitiveness and skills needs	<ul style="list-style-type: none"> <li>• 2011/12 Q3: Complete proposals for the appropriate institutional and funding model for the Centres of Excellence.</li> <li>• 2011/12 Q4: Complete the transfer where appropriate to the new institutional and funding arrangements.</li> </ul>	Review of Centres of Excellence (CoE) finalised and Draft Final report completed. Awaiting consultations with DHET before final sign-off by DG.  Funding has been secured for Textile and Clothing CoE. Merseta to be approached with proposal on advanced manufacturing & aerospace to fund the skills functions.
11.1.1	<b>INNOVATION AND TECHNOLOGY</b> Commercialisation new process and product technologies Support Program	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Establish a data base of all newly developed technologies and those in the short term pipeline for potential commercialization.</li> <li>• 2011/12 Q2: Develop a time based action plan for commercialization of these projects in order of maturity and greatest potential.</li> <li>• 2011/12 Q2: Review existing DTI incentive packages including the IDC administered Support Programme for industrial Innovation (SPII) to build in a ‘window ‘of support measures for commercialisation, new product development and prototyping in order to underwrite costs in key IPAP industries, e.g. new packaging in canning, auto components</li> </ul>	Incentive database established for all the Innovation and Technology support programmes (SPII and THRIP) and is used to monitor applications for "double dipping" by applicants. Currently putting up systems in place for the ramped - up incubation programme (Seda Technology Programme) which will target 250 SMME’s. Fund currently supporting 41 incubators in different sectors with 399 jobs created. Commercialisation framework being implemented through SPII. Since inception 1511 projects approved worth R1.94 bn. To date Technology Venture Capital with a budget of R26m has approved 2 projects that have been supported through SPII.
13.1.1	<b>METALS FABRICATION CAPITAL AND TRANSPORT</b>	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DoT to complete the feasibility study on PRASA’s new rolling stock fleet requirements, which will</li> </ul>	PRASA feasibility study was approved by the Interdepartmental Steering Committee and PRASA board. Rolling stock and steel power pylons have been

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	EQUIPMENT Identification of fleet programmes/products to make investments in associated supply chains viable and thereby promote local manufacturing	<p>determine the work going forward.</p> <ul style="list-style-type: none"> <li>• 2011/12 Q1: DPE and Transnet to complete the long-term procurement plan for rolling stock, including the funding proposals. The plan should be approved by the Transnet Board.</li> <li>• 2011/12 Q2: DTI to submit the designation of steel power pylons and rolling stock components for internal approval in Q1 and subsequently submit to National Treasury in Q2.</li> <li>• 2011/12 Q3: DoT and DPE to table the proposals for the new fleet acquisition and funding model proposals to Cabinet.</li> <li>• 2011/12 Q4 and beyond: DTI, DST and DPE to develop the industry structure for relevant supply chains within the agreed fleets and leverage associated industrial investments.</li> </ul>	<p>designated and have officially been promulgated under PPPFA. Transnet long-term procurement plan still outstanding. However, Transnet issued a tender on 95 locomotives with CSDP requirements. Their renewal programme was approved by Cabinet. Dti together with PRASA in the development of the local content document, which includes the designated level of content and components.</p>
13.1.2	METALS FABRICATION CAPITAL AND TRANSPORT EQUIPMENT Competitive Financing Programme for suppliers into public capex programmes	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Guidelines for the programme finalised with the IDC and the launch of the programme.</li> <li>• 2011/12 Q2 and onwards: Roll-out of the programme to industry.</li> </ul>	<p>Guidelines for the programme finalised and submitted. Applications for funding through the ECF and MTEF but was unsuccessful. However, elements of this programme have been incorporated in MCEP.</p>
13.1.3	METALS FABRICATION CAPITAL AND TRANSPORT EQUIPMENT Benchmarking and matchmaking programme	<ul style="list-style-type: none"> <li>• 2011/12 Q1 – Q4: 400 companies profiled and registered on the database; 120 companies benchmarked with development plans</li> <li>• 2011/12 Q4: Initiate an exit strategy for Unido</li> </ul>	<p>ECF funding for the UNIDO programme secured. To date 287 companies have been profiled and registered on the UNIDO database. 108 Companies were benchmarked.</p>
13.1.4	METALS FABRICATION CAPITAL AND TRANSPORT EQUIPMENT National Tooling Initiative	<ul style="list-style-type: none"> <li>• 2011/12 Q1: 650 Level 1 apprenticeship students enrolled</li> <li>• 2011/12 Q2: Evaluation of the pre-apprenticeship program with Merseta</li> <li>• 2011/12 Q3: On-the-job training undertaken</li> <li>• 2011/12 Q3: 420 Level 1 apprenticeship students trained and qualified.</li> <li>• 2011/12 Q3: 5 Learning Modules for Level 2 apprenticeship curriculum developed.</li> <li>• 2011/12 Q4: Accreditation and certification of the pre-apprenticeship programme finalised with Merseta and QCTO.</li> </ul>	<p>SLA finalised and signed by both DTI and NTI.</p> <ul style="list-style-type: none"> <li>• 650 students enrolled at 12 institutions in 6 provinces.</li> <li>• 424 students completed level 1 apprenticeship programme. 409 students enrolled for the level 2 apprenticeship programme and 372 completed phase 1 of level 2.</li> <li>• 126 completed the foundation level training (pre-apprenticeship). 120 students enrolled for the level 1 apprenticeship programme, where 111 completed phase 1 of level 1.</li> </ul>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		<ul style="list-style-type: none"> <li>• 2011/12 Q4: 10 Learning Modules for Level 2 apprenticeship curriculum developed.</li> <li>• 2011/12 Q4: 650 Level 2 apprenticeship students enrolled.</li> </ul>	
13.1.5	<p>METALS FABRICATION CAPITAL AND TRANSPORT EQUIPMENT National Foundry Network</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q1 – Q3: NTFN to conduct the feasibility study for the establishment of the training centre in Gauteng.</li> <li>• 2011/12 Q1 – Q4: 150 workers trained on NQF 2-4 industry skills programme and 50 workers trained in the advanced foundry technology course at University of Johannesburg.</li> <li>• 2011/12 Q2: Technical benchmarks completed on 6 permanent mould foundries.</li> <li>• 2011/12 Q3: Technical benchmarks completed on 14 sand foundries.</li> <li>• 2011/12 Q4: Gauteng training centre commissioned with installed training equipment.</li> <li>• 2011/12 Q4: 3 emerging foundries completed their 2-year mentoring and development and additional 3 complete their first year programme.</li> </ul>	<p>5 yr MoA (incorporating 2011/12 business plan) was approved. WC training centre was launched in May. Feasibility study completed for the Gauteng training centre.</p> <ul style="list-style-type: none"> <li>• 200 workers were trained on NQF 2-4.</li> <li>• 204 workers completed on-site/ technical training.</li> <li>• 69 students attended the advanced training under the foundry colloquium.</li> </ul> <p>Work has commenced on 6 permanent mould foundries and 14 sand foundries.</p>
13.1.6	<p>METALS FABRICATION CAPITAL AND TRANSPORT EQUIPMENT Facilitate the upgrading of the White Goods industry to increase production and grow exports</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Develop a comprehensive White Goods Industrial Strategy and Programme in collaboration with the IDC.</li> <li>• 2011/12 Q1-Q4: Facilitate the implementation of the Technology Upgrading Incentive, administered by TEO</li> <li>• 2011/12 Q1-Q3: Facilitation of the participation of the White Goods industry in the South African Tooling Initiative.</li> <li>• 2011/12 Q1-Q3: Establishment of energy efficiency through implementing a combination of compulsory minimum energy performance (MEP) requirements and compulsory labelling requirements for appliances.</li> </ul>	<p>Upscaled Strategy presented to IDD EXCO with recommendations effected, implementation has commenced. DEFY acquisition merger: DTI made a submission to Competition Commission regarding the DEFY acquisition merger. Merger was approved with following conditions:</p> <ul style="list-style-type: none"> <li>• Retention of employees for a period of a year</li> <li>• Maintain arrangements with local suppliers for a period of a year</li> <li>• Upgrading of technology</li> <li>• Sizeable investment to improve local production</li> </ul> <p>Technology Upgrading Incentive will be incorporated as one of the components of MCEP.</p> <p>An action plan on MEP and labelling of appliances was finalised and approved by Minister. A potential industry player is willing to put up a new plant to go live mid-2012. Industry is considering alternatives to 141b, a chemical used in foaming. This is in line with phasing out by 2013 of the chemical as per Montreal protocol and the Minimum Energy Performance (MEP) and Labelling requirements.</p>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
13.2.1	UPSTREAM OIL AND GAS SERVICES AND EQUIPMENT Resolution of key port constraints on the Upstream Ship Repair Hub through a collaborative engagement between industry and TNPA	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DPE/DTI and South African Oil &amp; Gas Alliance (SAOGA) to establish a joint task team to address constraints and solutions including with respect to ports,</li> </ul>	Complicated and extensive engagements with DPE/TNPA and Saldanha Ports Authority to rescue UAL investment on-going. DPE/TNPA have agreed in principle to establish Joint Task Team with DTI to unlock constraints at ports and develop a way forward for Upstream Oil and Gas and Ship Repair and Boatbuilding but slow progress. A clear defined “product offering” and resolution of operational issues could unlock enormous potential for inward investment, including into proposed Saldanha Bay SEZ.
13.2.2	UPSTREAM OIL AND GAS SERVICES AND EQUIPMENT National Marketing Initiative for the South African upstream clusters	<ul style="list-style-type: none"> <li>• 2011/12 Q1 – Q2: SAOGA to develop print and online marketing collateral and a directory of South African companies to be used to showcase and promote the industry.</li> <li>• 2011/12-2013/14 SAOGA, DTI and regional trade associations to develop and execute a targeted media and publicity programme to raise the profile of the South African upstream sector with sub-Saharan buyers.</li> <li>• 2011/12 Q4: SAOGA to initiate an export readiness training programme to assist companies to acquire skills required to develop international trade opportunities.</li> <li>• 2011/12 Q4: SAOGA and DTI to work with international trade agencies and association to develop a trade matchmaking programme focused on helping upstream companies to find specific sales and partnering opportunities in the region.</li> </ul>	Material has been prepared, notwithstanding need for resolution of port constraints. Marketing material work has been done but cannot be finalised because of the above constraint.
13.2.3	UPSTREAM OIL AND GAS SERVICES AND EQUIPMENT Improve the attractiveness of South Africa as a destination for upstream investments in regional logistics and distribution capability.	<ul style="list-style-type: none"> <li>• 2011/12-2012/13: DTI to lead the process of establishing an IDZ at Saldanha Bay</li> </ul>	SAOGA has appointed a service provider team to conduct industry survey, study and action plan. The work is on track to deadline although constraints with respect to TNPA concessions are holding back investment and private sector infrastructure development.
13.2.4	UPSTREAM OIL AND GAS	<ul style="list-style-type: none"> <li>• 2011/12 Q1 – Q2: SAOGA, PGWC, Marintek, NORAD and DTI</li> </ul>	Discussions with Marintek and NORAD are in place with work plan. Work is

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	<p><b>SERVICES AND EQUIPMENT</b> Establish an industry research and advisory programme to identify and develop additional upstream market opportunities for South African industry</p>	<p>to define and agree on work programme and funding proposal for the envisaged advisory support programme.</p> <ul style="list-style-type: none"> <li>• 2011/12 – 2013/14: Execute agreed initiatives focused on identifying competitive South African-based upstream market opportunities and developing strategies for capturing them.</li> </ul>	<p>slightly behind schedule. Possibility of utilising the IPSF at the IDC for additional capacity support being explored.</p>
13.3.1	<p><b>GREEN INDUSTRIES</b> Rollout of national solar water heating programme and manufacturing and installation capacity</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Contribute to ensuring that existing Eskom subsidy is combined with product financing, a streamlined claim procedure and improved marketing to improve uptake including IDC industrial financing and DTI incentives. The DoE to introduce a subsidy programme which will cover the installation of one million units by 2014.</li> <li>• 2011/12 Q3: DTI and the NRCS to publish amended National Building Regulations to make it compulsory for new buildings and upgrades to homes to install solar water heaters and other energy-efficient building requirements.</li> <li>• 2011/12 Q4: DTI to ensure that a compulsory specification that will be administered by the NRCS for SWH is developed to ensure a minimum level of performance and safety.</li> <li>• 2011/12-2013/14: Enable private sector Solar Hot Water Utility roll-out in metros, by encouraging the collection of utility payments for approved hot water providers through the municipal billing system. Include the installation of energy-efficient appliances and materials, particularly ceilings, lights and water heaters in public housing and electrification/energisation programmes.</li> </ul>	<p>Draft Green industries CSP completed and approved. The DoE introduced a subsidy programme in the form of a rebate and 135 000 SWH were installed in 2011/2012 financial year.</p> <p>Final Energy Efficiency Building regulations published and became effective in November 2011.</p> <p>NRCS approved the compulsory specification for SWH's and will be published in the government gazette for public comment.</p>
13.3.2	<p><b>GREEN INDUSTRIES</b> Solar and Wind Energy</p>	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Contribute to finalisation of the procurement arrangements for the Feed-in Tariff, leading to first REFIT Call for Tenders. The first REFIT PPA's to include Solar Parks with localisation criteria and appropriate financial instruments and mechanisms</li> </ul>	<p>The renewable energy procurement process (RFP and PPA) has been finalised. Two rounds of request for qualification and proposals for new generation capacity published and preferred bidders were announced in December 2011. Local content minimum requirements were met.</p>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		<ul style="list-style-type: none"> <li>• 2011/12 Q2: Secure technology-specific bilateral concessionary loan support (particularly for solar) through SARI in a manner that sets a precedent for a similar, multilateral mechanism under the United Nations Framework Convention on Climate Change (UNFCCC) process.</li> <li>• 2011/12 Q3: Work with DEA to ensure that Environmental Impact Assessment and water licenses for renewable energy installations (particularly wind and solar) are processed.</li> <li>• 2011/12 – 2013/14: continuously update and publish resource measurements for wind, solar and biomass energy in an atlas for Southern Africa.</li> <li>• 2011/12 Q3: Make concrete proposals to the UNFCCC process on the future role of Clean Development Mechanism CDM and reforms required to ensure its fair and equitable administration. Submission in the form of Cab memo.</li> <li>• 2011/12 Q3: Investigate the use of Tradable Renewable Energy Certificates TRECs for supporting renewables outside of the REFIT and offering green tariffs to consumers (and tourists).</li> <li>• 2011/12 Q3: Provide for reverse/bi-directional metering in small-scale distributed renewable energy installations and publish for comment guidelines for distributed generation.</li> <li>• 2011/12 Q3: Deliver an R&amp;D plan for cost reduction and local content in solar and wind power</li> </ul>	<p>Renewable Energy Independent Power Producer Procurement (REIPPP) Programme has minimum and increasing levels of local content secured as a criterion. Current local content thresholds vary between 25% and 50% with targets set to rise to 65%.</p> <p>To date DEA approved 47 environmental assessments for renewable energy projects.</p>
13.3.3	GREEN INDUSTRIES Development of an industrial energy efficiency programme	<ul style="list-style-type: none"> <li>• 2011/12 Q3: Launch of an Industrial Energy-Efficiency Programme, including energy-efficient motors and scaling up of the NCP.</li> <li>• 2011/12 Q4: Policy paper developed for the improvement of energy efficiency of electric motors used by industry.</li> </ul>	<p>The IEE launch took place on Monday 21 November 2011 during the African Industrialisation day celebration. Four energy efficiency training have been conducted. Three companies have registered to participate in demonstration projects.</p> <p>Policy paper work has started but the progress is slow.</p>
13.3.4	GREEN INDUSTRIES Strengthen water efficiency standards	<ul style="list-style-type: none"> <li>• 2011/12 Q4: Policy paper developed on a national water efficiency building regulations and plumbing components compulsory specifications as well as the identification of economic opportunities associated with improved water efficiency</li> </ul>	<p>Draft policy paper was signed off by IDD DDG for consultation with a broader range of stakeholders. Policy paper consulted with Nedlac and signed off by overall conveners.</p>

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13.3.5	GREEN INDUSTRIES Biomass energy	<ul style="list-style-type: none"> <li>•2011/12 Q1: Contribute to the finalisation of the procurement arrangements including co-generation for a Feed-in Tariff, to support electricity from solid biomass and biogas (in addition to landfill gas).</li> </ul>	The renewable energy procurement process (RFP and PPA) has been finalised. Two rounds of request for qualification and proposals for new generation capacity published and preferred bidders were announced in December 2011. Local content minimum requirements were met.
13.3.6	GREEN INDUSTRIES Clean and Multi-Energy Stoves	<ul style="list-style-type: none"> <li>• 2011/12 Q3: Redefine the drive for “electrification” as one of “energization” including ensuring affordable access to clean cooking fuel and stoves as a means for addressing energy poverty. Develop standards for domestic fuel-burning stoves.</li> </ul>	The dti is rolling out clean stoves throughout the South African townships starting with Alexandra township in Johannesburg. The co-operative incentive scheme will pay for the Alexandra establishment (R 2.5 Million); if successful they will continue to support the establishment of distributor co-operatives throughout the country. They are also looking at opportunities to roll-out the stoves to the rest of Africa, e.g. Kenya.
13.3.7	GREEN INDUSTRIES Efficient Motors, Variable-Speed Drives, Energy Metering and Control and Electricity Storage (Batteries and Fuel Cells)	<ul style="list-style-type: none"> <li>•2011/12 Q4: Develop standards for smart meters, stationary battery storage, EV batteries and chargers and mandate efficiency labelling of industrial 3-phase motors.</li> </ul>	Standards for Smart meters have been published. The standard for integration to the national energy grid is still being developed and will be published approximately Q3 2012/13. Energy efficiency labelling requirement standards published. The standards for stationary battery storage and EV batteries will be developed once international standards have been published.
13.3.8	GREEN INDUSTRIES Waste and Waste Water Treatment	<ul style="list-style-type: none"> <li>•2011/12 Q1: Contribute to ensuring that a REFIT tariff is established for energy recovery from waste (including, but not limited to landfill gas) and waste water (methane capture).</li> <li>•2011/12 Q4: Develop a “fleet strategy” for the refurbishment of waste water treatment plants, including energy recovery wherever feasible.</li> </ul>	A Fridge study on water efficiency was finalised and the dti position drafted. It was concluded that this work is premature and should be conducted when a formal Government strategy for waste water is available.
13.3.9	GREEN INDUSTRIES Green Industries special focus: The South African Renewables Initiative (SARi)	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Cabinet memorandum on SARi</li> <li>•2011/12 Q3: Memorandum of Understanding signed with donor countries.</li> </ul>	Cabinet Memorandum was approved in October 2011 and SARi was officially launched at COP 17. An agreement was reached between Ministers of DoE and dti to transfer the programme to DoE and transfer took place in January 2012.
13.4.1	BOATBUILDING AND ASSOCIATED SERVICES INDUSTRY Industry Standards and Accreditation	<ul style="list-style-type: none"> <li>•2011/12 Q1: Workshop held with SABS, SAMSA, DTI and industry to discuss which international standards to implement and if there are changes needed to our local conditions.</li> <li>•2011/12 Q2: Technical Committee on Boatbuilding Standards formed.</li> </ul>	<p>Consultations and Workshop have been completed. Industry secured funding through SAMSA to "kick start" the builders plate project. The builders plate will be directly linked to standards within the Industry with builders plate granted to builders that adhere to build standards.</p> <p>The scope of the Technical committee, TC 188 for Small Crafts, was extended</p>

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		<ul style="list-style-type: none"> <li>• 2011/12: DTI and industry to review the current Accreditation system and look at necessary changes to structure and implementation.</li> <li>• 2011/12 Q4 - 2012/2013: DTI in conjunction with SABS to develop standards of phased approach to the implementation of international standards across the industry.</li> </ul>	to cover boat building industry. The committee reviewed international standards for possible adoption.
13.4.2	BOATBUILDING AND ASSOCIATED SERVICES INDUSTRY Trade Policy	<ul style="list-style-type: none"> <li>• 2011/2012 Q1: Industry to identify products that should be considered for a reduction in duties.</li> <li>• 2011/2012 Q3: Finalise the review of ITAC rebate provision for Schedule 3 created for goods manufactured for the local market, which does not include VAT exemption.</li> <li>• 2011/2012 Q4: Finalise ITAC rebate for exporters similar to 470.03 with longer build periods included with vessel lengths specified.</li> </ul>	<p>Work on the identification of products to be considered for duty reduction is progressing slowly as a result of poor co-operation within industry.</p> <p>Extension of the rebate item 470.03 export period for yachts has been implemented by SARS.</p>
13.4.3	BOATBUILDING AND ASSOCIATED SERVICES INDUSTRY Skills Development Strategy	<ul style="list-style-type: none"> <li>• 2011/2012 Q2: First draft of the Boatbuilding Skills Development Strategy and implementation plan drafted.</li> <li>• 2011/2012 Q3: Final draft of the strategy.</li> </ul>	Dti undertook a scoping study to assess the capability, capacity and skills pool in the industry. Draft skills proposal was completed by December 2011 and distributed for comment. Implementation commenced in 2012/13.
13.4.4	BOATBUILDING AND ASSOCIATED SERVICES INDUSTRY Designation for Public Procurement	<ul style="list-style-type: none"> <li>• 2011/2012 Q2: Identify products for designation for public procurement in terms of the revised regulations of the PPPFA</li> <li>• 2011/2012 Q4: Designate certain products of the boatbuilding industry for public procurement.</li> </ul>	The work on designation is underway.
13.4.5	BOATBUILDING AND ASSOCIATED SERVICES INDUSTRY Industrial Financing	<ul style="list-style-type: none"> <li>• 2011/2012 Q2: Develop Specific financial support measures for the boatbuilding industry or modify the existing support measures to accommodate the requirements of the boatbuilding industry.</li> </ul>	Sector specific incentive established and to be administered by IDC. The roll-out of the R90m boatbuilding development fund has commenced.
13.5.1	AGRO-PROCESSING Development of a Food Processing Strategy and Action Plan	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI to convene the food processing task-team.</li> <li>• 2011/12 Q2: DTI and IDC to commission market research for 3 export markets.</li> <li>• 2011/12 Q3: DTI and IDC to select 5 companies to develop joint export strategies.</li> <li>• 2011/12 Q4: DTI and IDC to implement export strategies with 5 companies.</li> </ul>	Food-processing strategy and action plan has been developed that outlined the rationale and objectives of the food-processing project. Milestone was amended to focus on the development of company-specific action plans. Company-specific action plans have been developed and are being implemented with 5 companies i.e. Premier Milling, Pioneer Foods, Griqualand West Corporation (GWK), Astral and FoodCorp. Investment pipeline is R924m (Pioneer), R220m (GWK) and R120m (Astral).

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13.5.2	AGRO-PROCESSING Development of a Soya Bean Strategy and Action Plan	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DAFF, National Agricultural Marketing Council (NAMC), IDC and DTI to review the soya bean value-chain.</li> <li>• 2011/12 Q3: DAFF, NAMC, IDC and DTI to develop a Soya Bean Strategy and Action Plan.</li> <li>• 2011/12 Q4: DTI to review the tariff policy for Soya Beans and commence implementation of the Action Plan.</li> </ul>	<p>A detailed value-chain study has been completed. Strategy and Action Plan developed and subjected to internal approval process. 3 potential processing investors e.g. Rainbow Nation, GR8 and RusselStone have been assisted with accessing the EIP incentive.</p> <p>Review of tariff policy delayed.</p>
13.5.3	AGRO-PROCESSING Development of Marine Aquaculture Zones	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DAFF to conclude Environmental Impact Assessments (EIAs) of potential zones.</li> <li>• 2011/12 Q1: DST to provide technical reports from a pilot in Port Elizabeth.</li> <li>• 2011/12 Q1: DAFF to declare the first marine aquaculture zone.</li> <li>• 2011/12 Q3: DAFF to declare the second marine aquaculture zone.</li> </ul>	<p>The EIA process for the Qolora aquaculture development zone (ADZ) was completed. The implementation process for infrastructure development in Qolora ADZ is underway. The Eastern Cape Department of Economic Development, Environmental Affairs and Tourism granted an Environmental Authorization for the Qolora Aquaculture Zone in Centane.</p> <p>ToR for appointing a service provider to conduct EIA for Amatikulu ADZ is being developed.</p>
13.5.4	AGRO-PROCESSING Establish aquaculture hatcheries	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DAFF to survey and secure site for hatcheries.</li> <li>• 2011/12 Q2: DAFF to issue call for tenders to develop hatcheries.</li> <li>• 2011/12 Q4: DAFF establishes first hatchery.</li> <li>• 2011/12 Q2: DST to commence work on two abalone hatcheries.</li> </ul>	<p>Sites were identified where possible hatcheries could be established. DAFF obtained in principle approval from the DPW for establishing an abalone hatchery in Gansbaai. Call for tenders to develop the Gansbaai hatchery was re-issued and applications reviewed.</p> <p>Two hatcheries were resuscitated/revitalised, Turfloop Hatchery in Limpopo for tilapia and catfish and Gariiep Hatchery and Demonstration Centre in the Free State for carp, catfish and possibly trout. Scientists were dispatched to help optimise operations (training, breeding, production of fingerlings, and technology transfer to farmers in Limpopo).</p>
13.5.5	AGRO-PROCESSING Development of the organic food sector	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DAFF to approve South African Organic Products Standards.</li> <li>• 2011/12 Q1: DTI to implement the retailer/small-farmer/processor programme.</li> </ul>	<p>The Organics standards and regulations have been developed but cannot be promulgated. An alternative process has been implemented which involved SABS developing voluntary standards.</p> <p>The Programme has been developed and approved. Implementation of the Programme is progressing well and Pick 'n Pay has agreed to provide dedicated space for organic produce in 50 of its stores across SA. The procurement process to appoint a service provider to undertake a feasibility study for a local organic produce market in the Western Cape is underway.</p>

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
			The process of certifying organic farmers for the programme has started with the procurement of certifying companies.
13.5.6	AGRO-PROCESSING Implementation of a Water Efficiency Programme for the Sugar Sector	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI and DWA to develop a pilot water efficiency programme in the KZN Province</li> <li>• 2011/12 Q2: DTI to sign a memorandum of agreement (MoA) with the SA Sugar Association to implement the water efficiency programme in KZN</li> </ul>	Agreement was reached with SA Sugar Association on the project to be piloted under the water efficiency programme and a project outline has been drafted. Concept document for the project has been consulted with DAFF and submitted to DWEA. DAFF is in support; however the dti cannot secure an engagement with DWEA. Funding of approximately R1m has been secured for this project.
13.5.7	AGRO-PROCESSING Development of a small-scale milling industry	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI and IDC to introduce a support programme to facilitate the market entry of small-scale maize mills.</li> <li>• 2011/12 Q2: DTI and IDC to roll out the small-scale maize mill programme.</li> </ul>	Feasibility study, business and financial model development was completed and the research took place to test the feasibility of small-scale milling in SA. The feasibility study was approved in December. Assistance was provided to African Micro-mills to develop a business plan for 5 mills in KZN, 5 in FS and 1 in Gauteng. IDC has approved funding from the Agro-processing Competitiveness Fund at 0% interest for the first mill in KZN in a phased approach to eventually funding 5 mills in KZN.
13.5.8	AGRO-PROCESSING Enhancement of competitiveness in the fruit and vegetable canning industry	<ul style="list-style-type: none"> <li>• 2011/12 Q2: DTI and industry to launch a generic domestic marketing campaign for canned fruit.</li> <li>• 2011/12 Q2: DTI to designate the vegetable canning industry for local procurement.</li> <li>• 2011/12 Q3: DTI to develop a programme to support product development in the fruit canning industry.</li> <li>• 2011/12 Q4: DTI to assist the industry to penetrate the India market (no exports currently) and achieve sales to the value of R2 m.</li> </ul>	<p>Domestic marketing campaign SUPERCAN is underway with TV and print media. Canned vegetables were designated in terms of PPPFA on 7 December 2011.</p> <p>Product Development support programme has been discussed with industry and will be supported through MCEP.</p> <p>As a result of dti's assistance to industry, exports penetration to India grew by R10m by December 2011.</p>
13.5.9	AGRO-PROCESSING Promote exports of beneficiated Rooibos and Honeybush products	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI to begin implementation of an export market development programme.</li> <li>• 2011/12 Q3: DTI to assist the Northern Cape Rooibos Tea sector to begin exporting packaged products to targeted export markets.</li> </ul>	<p>Export Market Development programme has been drafted and tabled to TISA for inclusion in their work plan. Implementation of the export development plan commenced.</p> <p>Strategic Framework for Rooibos tea has been developed and consulted with Northern and Western Cape Agriculture and Economic Development Departments.</p>
13.6.1	AUTOS Automotive Production	<ul style="list-style-type: none"> <li>• 2011/12 Q1 : Publications of APDP Regulations by ITAC</li> </ul>	APDP Regulations and Guidelines published in the Government Gazette for public comment.

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	and Development Programme (APDP)		
13.6.2	AUTOS Identification of opportunities to broaden and deepen automotive component manufacturing	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Investigate business cases (focus area and potential suppliers).</li> <li>• 2011/12 Q1: Priority list of components for localisation compiled.</li> <li>• 2010/11 Q2: Action agenda based on priority list.</li> <li>• 2010/11 Q3: Draft action plan for implementation.</li> <li>• 2011/12 Q4: Final action plan and commencement of implementation.</li> </ul>	A new, consolidated Competitiveness Improvement Programme is being developed with relevant stakeholders encompassing all relevant elements of competitiveness improvement, which if deemed still applicable, will include ERA for SMME's.
13.6.3	AUTOS Competitiveness Improvement of Automotive Component Manufacturers (CIACM)	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Recruitment of 25 firms for assistance.</li> <li>• 2011/12 Q2: Benchmarking the 25 firms prior to intervention. Commencement of a 12-month intervention to improve competitiveness.</li> <li>• 2011/12 Q3: Recruitment of a further 25 firms for assistance.</li> <li>• 2011/12 Q4: Benchmarking the last firms prior to the intervention and commencement of a 12-month intervention to improve competitiveness.</li> </ul>	50 firms undergoing interventions. Project set for completion by last quarter 2012/13.
13.6.4	AUTOS Enterprise Reference Architecture (ERA) portal for small and medium enterprise (SME) suppliers	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Secure funding.</li> <li>• 2011/12 Q2: Contracting a service provider to implement program.</li> <li>• 2011/12 Q3: Project set-up.</li> </ul>	A new, consolidated Competitiveness Improvement Programme is being developed with relevant stakeholders encompassing all relevant elements of competitiveness improvement, which if deemed still applicable, will include ERA for SMME's.
13.6.5	AUTOS Mentorship of SME component manufacturers	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Secure funding.</li> <li>• 2011/12 Q2: Contract a service provider.</li> <li>• 2011/12 Q3: Develop selection criteria for mentors and firms.</li> <li>• 2011/12 Q3: Develop a mentoring methodology.</li> <li>• 2011/12 Q4: Recruitment of mentors.</li> <li>• 2011/12 Q4: Develop a performance measurement system</li> </ul>	A new, consolidated Competitiveness Improvement Programme is being developed with relevant stakeholders encompassing all relevant elements of competitiveness improvement, which if deemed still applicable, will include mentorship. Further to that dti is supporting a proposal for a regionally driven similar initiative in KZN to be funded by a foreign donor agency.
13.6.6	AUTOS Medium and Heavy Commercial Vehicle (MHCV) Development Action Plan	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Finalisation and approval of MHCV action plan and business plan.</li> <li>• 2011/12 Q2: Implementation of key actions around MCVH market development.</li> <li>• 2011/12 Q4: Implementation of interventions aimed at</li> </ul>	Draft action plan was finalised. Regulatory amendments for semi-knocked down (SKD) assembly are being implemented and AIS guidelines are being amended to include MHCV.

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		growing OEMs production capacity.	
13.6.7	AUTOS Commercialise South Africa's electric car	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Final draft position paper on electric vehicles.</li> <li>• 2011/12 Q2: Memorandum submitted for Cabinet consideration.</li> <li>• 2011/12 Q3: Continue implementation of support mechanisms for local EV manufacturing</li> </ul>	Draft Electric Vehicle (EV) broad strategy document subjected to final stakeholder review and AIS guidelines are being amended to include EV.
13.7.1	MINERALS BENEFICIATION Setting minimum beneficiation levels for key commodity chains	<ul style="list-style-type: none"> <li>• 2011/12 Q1 – Q4: DMR and the DTI to jointly upscale the mineral beneficiation strategy and programme including the identification of downstream beneficiation 'offset opportunities' arising from the Mining Charter.</li> </ul>	Mineral Beneficiation Strategy approved by Cabinet in June. The action plan on iron & steel and energy commodities value chains was approved by Cabinet Committee. ITAC, DTI and EDD working on policy statement and proposals to strengthen the regulations on exportation of scrap metals.
13.7.2	MINERALS BENEFICIATION Gold loan scheme to promote jewellery production	<ul style="list-style-type: none"> <li>• 2011/12 Q1: finalise the guidelines for the forward buying scheme (for SMEs) and the administrative function with Khula and launch the programme.</li> <li>• 2011/12 Q2: finalise the guidelines for the pipeline financing scheme (for large companies) and the administrative function with IDC.</li> <li>• 2011/12 Q3: launch the pipeline financing programme.</li> <li>• 2011/12 Q4 2013/14: roll-out the two schemes to industry.</li> </ul>	<p>The forward buying scheme has been finalised in conjunction with Khula Enterprises. Guidelines and administration processes for the forward buying scheme and pipeline scheme were finalised and presented to IDC.</p> <p>Both the schemes were subsequently dropped from IPAP but work being undertaken.</p>
13.8.1	PLASTICS, PHARMACEUTICALS AND CHEMICALS Polypropylene beneficiation	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Develop Key Action Plans based on the Plastics Strategy</li> <li>• 2011/12 Q3 – Q4: DTI will facilitate industry access to capital for technology upgrading.</li> <li>• 2011/12 Q3 – Q4: DTI to facilitate investment by polypropylene converters</li> </ul>	Draft key action plans have been developed and consultations with industry concluded. The finalisation of the strategy was delayed by stakeholder consultations which have been recently concluded. A programme for technology upgrading has been developed and approved by the Minister; however programme has been incorporated as an element of MCEP. Discussions with potential investors on polypropylene beneficiation are underway.
13.8.2	PLASTICS, PHARMACEUTICALS AND CHEMICALS Domestic production of ARV APIs	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Joint technical report and Cabinet Memorandum by DTI/DoH.</li> </ul>	Cabinet Memo (joint DTI-DST) submitted approved by Cabinet in November 2011. Project task team (DST-DTI-DoH-Treasury-Investors) appointed by Minister Science & Technology, to brief Cabinet on the economics of the project and incentives needed to make the project viable, in May 2012.

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
13.8.3	PLASTICS, PHARMACEUTICALS AND CHEMICALS Domestic production of vaccines	<ul style="list-style-type: none"> <li>• 2011/12 Q4: To begin production of sterile filling of bulk-imported vaccines</li> </ul>	Biovac received a R70 m loan from IDC. Technology transfer for HepB vaccine completed, commercial production to start in mid-2012.
13.8.4	PLASTICS, AND PHARMACEUTICALS Skills development to meet the pharmaceutical manufacturing sector's and the SA public and private healthcare sector's demand for qualified staff	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Completion of the study.</li> <li>• 2011/12 Q4: Draft recommendations to changes to the curricula and training programme of medical/pharmaceutical faculties of SA medical schools.</li> </ul>	Skills study has been completed and a joint task team from DTI, DoH, DST, EDD, industry and labour was established. Works on skills development plan in progress, industry consultations have taken place and report was prepared. It was recommended by industry that a trilateral at the Ministerial level (DTI – DoH – NT) should be held to agree on policy principles, including on the designation of procurement of pharmaceuticals (which should become a standard practice) and addressing emergencies such as the backlog of payment to suppliers of medicines and medical devices. It should also decide on which role the National Planning Commission (NPC) can play in skills planning and development.
13.9.1	CLOTHING TEXTILES, FOOTWEAR AND LEATHER Clothing, Textiles, Footwear and Leather Competitiveness Programme	<ul style="list-style-type: none"> <li>• 2011/12 Q1: New guidelines for the PI and CTCP.</li> <li>• 2011/12 Q2: Dedicated website for the PI and CTCP to go live</li> <li>• 2011/12 Q3: Testing of the monitoring and evaluation system for the PI and CTCP</li> <li>• 2011/12 Q4: Revision of Guidelines and Programmes</li> </ul>	<p>In 2011/12 financial year R420m was approved and R30m disbursed under PIP. R148m approved, R26m disbursed and approval granted to 121 companies under the CIP. New Guidelines and Programmes released on 30 March 2012.</p> <p>Monitoring &amp; Evaluation system has been agreed to and developed by IDC. The system is currently being populated with data, however testing of the system has not taken place as planned.</p>
13.9.2	CLOTHING TEXTILES, FOOTWEAR AND LEATHER Illegal import programme	<ul style="list-style-type: none"> <li>• 2011/12 – 2012/13 Q2: Ongoing and targeted campaigns against under-invoicing and other illegal activities in the sector.</li> </ul>	A working group has been established comprised of DTI and SARS. Seizures and raids have been stepped up – 112 raids over last year. 42 in clothing in 3 provinces with 260 tonnes of confiscations. Over 3 years R1 billion confiscated. 2 tonnes of hard drives confiscated. Multi-departmental task team raided 'China shopping' complex in Jhb.
13.9.3	CLOTHING TEXTILES, FOOTWEAR AND LEATHER Skills development	<ul style="list-style-type: none"> <li>• 2011/12 Q1 onwards: Roll-out of skills development programme by NSF and Clothing, Textiles, Footwear and Leather (CTFL) SETA.</li> <li>• 2011/12 Q2: A revised curriculum for the garment</li> </ul>	Due diligence was done with regards to the application and a revised application of funding to NSF was resubmitted for NSF consideration. The revised curriculum has been developed.

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		manufacturing industry will be developed in collaboration with the DoHE&T and the transfer of the programme to the appropriate institutional and funding arrangement.	
13.9.4	CLOTHING TEXTILES, FOOTWEAR AND LEATHER Audit of textiles capabilities	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Commission textiles capacity audit in conjunction with industry stakeholders.</li> <li>• 2011/12 Q2: Monitor progress.</li> <li>• 2011/12 Q4: Review preliminary findings and make recommendations.</li> </ul>	Research on textile capacity mapping was commissioned on 01 November 2011 through IPSF. Companies are currently being visited in SA. As of April 2012, 91 textile mills were visited and interviews conducted with 49 questionnaires received back. The single textile mill in Lesotho was also visited. Textile mills in Swaziland, Botswana and Zimbabwe still to be visited.
13.9.5	CLOTHING TEXTILES, FOOTWEAR AND LEATHER Innovation and technology	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI to establish the South African garment sizing database.</li> <li>• 2011/12 Q2- 2013/14: DTI to oversee the commercialisation of fibres such as wild silk, and cashmere and also the printing of imported hemp and flax.</li> <li>• 2011/12 – 2013/14: DTI to oversee the migration of part of the industry to technical and smart textiles.</li> </ul>	The process to appoint a service provider was delayed as a result of funding constraints. However consultants have completed due diligence and letter of approval for funding awaited from ECF.
13.9.6	CLOTHING TEXTILES, FOOTWEAR AND LEATHER B-BBEE	<ul style="list-style-type: none"> <li>• 2011/12: DTI to finalise a strategy with industry</li> </ul>	Sectors to use BBBEE main charter and thus see no need to developed new charter.
13.10.1	BIOFUELS Accelerated development in the biofuels sector	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Create a permit-base rebate facility for the importation of bio-ethanol in the event of local bio-ethanol supply disruption.</li> <li>• 2011/12 Q2: Amend fuel specifications to allow for requisite waivers.</li> <li>• 2011/12 Q3: Conclude and sanction price support/incentive mechanism for biofuel producers.</li> <li>• 2011/12 Q3: Mandate 2% upliftment of biofuel increasing to 10% over the next 10 years.</li> <li>• 2011/12 Q4: Develop water tariff policy for biofuel feedstock producers.</li> <li>• 2011/12 Q4: The IDC to provide industrial financing options to investors, thereby leading to the commissioning of biofuel processing facilities.</li> </ul>	<p>Minister has approved ITAC recommendation for a permit-based rebate facility for bio-ethanol and implementation has commenced.</p> <p>Fuel specification discussions with SABS are on track. Price Support/Incentive Mechanism discussions with NT underway.</p> <p>The final Mandatory Blending Regulations have been published.</p> <p>DWEA have committed to developing a water tariff policy.</p>
13.11.1	FORESTRY, TIMBER, PAPER & PULP AND FURNITURE Integrated approach to	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI to facilitate EIAs through the panel of practitioners for rural communities and provide capacity for them to apply for water use licences issued by DWA.</li> </ul>	Consultant from the Panel of Environmental Impact Assessment Practitioners has been appointed to undertake an EIA on behalf of 27 applicants for afforestation of 1,050 hectares.

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	fast-tracking issuing of water licences	<ul style="list-style-type: none"> <li>• 2011/12 Q2: DTI to facilitate access to capital for communities through IDC and Land Bank to fund afforestation in EC and KZN.</li> <li>• 2011/12 Q3-onwards: IDC to provide continuous assistance to communities on project preparation and management.</li> </ul>	A number of projects are being considered by the IDC for financial support and others are already being supported for forestry establishment. The Land Bank is yet to receive applications for financial assistance. An application for the Employment Creation Fund, to establish 4000ha of forest plantations in the EC has been approved. IDC has approved 1 project for financial assistance in KZN and 6 are in the pipeline.
13.11.2	FORESTRY, TIMBER, PAPER & PULP AND FURNITURE Skills transfer and technology upgrading programme for small-scale saw millers	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Review the current skills programme focusing on business management and productive improvement in KZN, Mpumalanga and Limpopo provinces, to cater for medium to large saw millers.</li> <li>• 2011/12 Q1: SEDA to provide on-going mentorship to co-operatives in the sector.</li> </ul>	Seda conducted company assessments for small, medium and larger saw millers in Limpopo and Mpumalanga in preparation of rolling out a skills program with the Fibre, Processing and Manufacturing Seta and the assessment reports were concluded in Nov 2011. Productivity SA and Seda in Limpopo commenced rolling-out the skills program in Feb 2011. The skills program in Mpumalanga commenced in Feb 2012. Seda is providing on-going mentorship in the Eastern Cape on production efficiency skills. Seda completed 10 company assessment reports in Limpopo and 4 in Mpumalanga with proposals for skills interventions.
13.11.3	FORESTRY, TIMBER, PAPER & PULP AND FURNITURE Furniture Strategy	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Finalisation by the DTI and the IDC of the sector strategy and key action plans including with respect to addressing issues of increased competitiveness, skills upgrading.</li> <li>• 2011/12 Q2: Roll-out of a set of KAPs finalised for the sector strategy.</li> </ul>	Furniture strategy and action plans finalised and approved by IDD Exco and industry after discussion of the business plan took place with industry. A memo has also been developed and submitted to TEO requesting an establishment of a dedicated incentive scheme for the furniture industry. A number of KAP's are being implemented such as the skills program, furniture designation and development of furniture standards.
13.11.4	FORESTRY, TIMBER, PAPER & PULP AND FURNITURE Charcoal manufacturing enterprises	<ul style="list-style-type: none"> <li>• 2011/12 Q1: SEDA to train 12 co-operatives in communities showing an interest in charcoal production.</li> <li>• 2011/12 Q3: SEDA to develop and establish a business management structure and provide training to co-operatives.</li> <li>• 2011/12 Q4: NEF to provide funding for business plan implementation.</li> </ul>	Two cooperatives in the Eastern Cape (Umzimvubu area) were trained on Basic Business Principles and cooperative Awareness in August 2011, with one cooperative training in the area outstanding. An assessment and needs analysis was done by SEDA. However, the project was withdrawn due to delays caused by group dynamics within the community. Decision was taken to focus on other projects that will yield maximum impact on employment and industrial development imperatives.
13.11.5	FORESTRY, TIMBER, PAPER & PULP AND FURNITURE Biomass sub-sector development for SMMEs	<ul style="list-style-type: none"> <li>• 2011/12 Q1: DTI to develop a wood waste scoping draft report</li> <li>• 2011/12 Q2: Final draft of wood waste scoping report presented to stakeholders</li> <li>• 2011/12 Q3: DTI to develop a business plan for the sub-</li> </ul>	The final scoping report on alternative uses of wood waste was submitted in December 2011. Consultation processes took place in Limpopo, Eastern Cape, and Kokstad in March. Based on the outcomes of the report, there was no justification to develop the proposed business plan.

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
		sector pending the outcome of the scoping exercise. <ul style="list-style-type: none"> <li>• 2011/12 Q4: DTI to drive implementation of the business plan.</li> </ul>	
13.12.1	CULTURAL INDUSTRIES: CRAFTS AND FILM National Craft Sector Development Programme	<ul style="list-style-type: none"> <li>• 2011/2012 Q 2: Roll out of the craft sector support programme.</li> <li>• 2011/2012 Q3: Designation of corporate gifts in terms of PPPFA.</li> <li>• 2011/2012 Q1-Q4: Rollout of the South African Handmade collection.</li> </ul>	Roll out of the SAHC is on track, 176 craft enterprises for 2011/2012 have been targeted for various local and international trade shows. 18 for SAHC Decorex Cape Town, 20 for Indian International Trade Fare, 35 for Ambiente and 103 for SAHC Decorex JHB. Out of the 103, 55 have been referred for business support and product development. Training was conducted for the 55 enterprises. Redesign and redevelopment of the SAHC web portal in process. Work on designation of corporate gifts in terms of PPPFA is on-going.
13.12.2	CULTURAL INDUSTRIES: CRAFTS AND FILM Craft Enterprises Support Fund	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Finalise proposal for establishment of fund.</li> <li>• 2011/12 Q1: Stakeholder engagement on the proposed fund.</li> <li>• 2011/12 Q2: Finalisation of fund management process.</li> <li>• 2011/12 Q4: Roll out of the fund.</li> </ul>	In light of the MCEP the sector desk will no longer be pursuing this programme but be looking at leveraging support through the MCEP.
13.13.1	CULTURAL INDUSTRIES: CRAFTS AND FILM Develop a music industry strategy	<ul style="list-style-type: none"> <li>• 2010/11 Q1: DTI and DAC convene industry stakeholders.</li> <li>• 2010/11 Q2: Inception of strategy development process</li> <li>• 2010/11 Q4: Finalisation of strategy</li> </ul>	A service provider has been appointed to lead the research and scoping of the sector. A project initiation workshop was held and the service level agreement signed with service provider.
13.14.1	BUSINESS PROCESS SERVICES Rollout of BPS incentive Programme	<ul style="list-style-type: none"> <li>• 2011/12 Q1 onwards: On-going roll-out of BPS incentive programme</li> </ul>	Revised Incentive review completed and Minister approved the new model for the incentive programme for roll-out in 2011/12 and beyond. During the 2011/12 financial year approximately R4.1 billion in investments were leveraged and 15 149 jobs are to be created.
13.14.2	BUSINESS PROCESS SERVICES Skills Development and Training for the BPS Sector	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Training of 5 000 learners takes place.</li> <li>• 2011/12 Q2: DTI to agree on appropriate funding mechanism with DoHE&amp;T and the Services SETA.</li> <li>• 2011/12 Q4: DoHE&amp;T and the Services SETA to identify and contract middle-management trainers.</li> <li>• 2011/12 Q4: DoHE&amp;T and the Services SETA to contract middle-management trainers.</li> </ul>	Monyetla phase 2 completed and 3350 learners were placed. In addition 582 team leaders have been trained (100% placed). Phase 3 of the Monyetla programme was approved by the Adjudication Committee and funding was approved to train 3000 unemployed agents for one financial year. The SLA with Paladin as the project management company has been approved for the 3rd phase of Monyetla. The agreement between the dti and Jobs Fund for the upscaling of Monyetla Work Readiness was finalised. Additional funding for middle management training secured through the Jobs Fund.

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
13.15.1	ADVANCED MANUFACTURING Nuclear build programme	<ul style="list-style-type: none"> <li>• 2011/12 – 2012/13: DTI, to revise and improve NIPP, CSDP and/or other localisation programmes, with specific requirements and guidelines to support localisation by Eskom and/or other SOEs.</li> <li>• 2011/12 – 2012/13: DTI and Eskom to identify components for localisation and export, as well as requirements to establish local production.</li> <li>• 2011/12 – 2012/13: DTI to develop industrial policy support measures to support the localisation in the nuclear industry.</li> <li>• 2010/11 – 2011/12: DTI to develop streamlined incentives to support the nuclear industry, including Necsa, and to qualify as a recipient in terms of CSDP</li> </ul>	Matchmaking and benchmarking programme by UNIDO is still on-going and a database of local suppliers has been established. Comprehensive list and volumes/quantities of components used in the construction of NPP and arranged per industrial sector was developed and shared with the local industry to determine additional opportunities. Value of localisation per sector quantified and range of provisional targets set. Findings and recommendations from the studies will serve as input to develop industrial policy support measures for localisation.
13.15.2	ADVANCED MANUFACTURING Conformity assessment framework for the South African nuclear industry	<ul style="list-style-type: none"> <li>• 2011/12: DTI and SANAS to streamline test and refine an accreditation system for the nuclear sector.</li> </ul>	A ToR was agreed on by the technical committee consisting of the dti, SANAS, The National Nuclear Regulator and DoL and work i.t.o. the ToR is being done to achieve the set objectives. The committee, through the National Nuclear Regulator, identified the need to review and integrate the American Society of Mechanical Engineers (AMSE) and RCC-M requirements to enhance the SANS 347 requirements and prepare for the new build programme.
13.15.3	ADVANCED MANUFACTURING Skills development support	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Secure agreement on an appropriate institutional architecture and funding mechanism to establish to establish a radiation protection training centre at NECSA.</li> </ul>	The dti secured funding for the establishment of Radiation Protection Training Centre at NECSA. The dti officials will continue monitor and record progress at NECSA regarding the use of the funds and the establishment of the facility.
13.15.4	ADVANCED MANUFACTURING Commercialisation of the Natural fibre-Reinforced composites	<ul style="list-style-type: none"> <li>• 2011/12 Q1: Strengthening work with a Bio Composites Committee to access prototyping equipment to enable more rapid commercialization for new products.</li> <li>• 2011/12 Q3: Support for the initialization of small scale prototyping activity for bio-composites and investigation of the cost structure and benefits of new bio-composites.</li> <li>• 2011/12 Q4: Support for the process to ensure that bio-composites for aircraft interiors meet the technical and qualification requirements of an OEM.</li> </ul>	Work has been strengthened and CSIR has secured funding to access the prototypes. Reinforced Composites Prototyping equipment commissioned for aircraft composites. AE funding for Super Critical Fluid Extraction Tech Transfer has been approved. Financial support secured for the initialisation of small scale prototyping activity for bio-composites.
13.15.5	ADVANCED MANUFACTURING	<ul style="list-style-type: none"> <li>• 2011/12 Q2: Facilitating growth by establishing an industry forum to coordinate all the stakeholder activities relating to</li> </ul>	Agreement reached on the designation of STBs in December at the DG to DG bilateral between DTI and DoC. The request for proposals (RFP) for STB's was

IPAP Ref No	Programme/Project	Key actions/quarterly milestones	Progress to date
	<p><b>Strengthening manufacturing of Set-Top Box (STB)</b></p>	<p>the development of the STB industry in South Africa including with respect to regulatory issues and support instruments such as procurement.</p> <ul style="list-style-type: none"> <li>• 2011/12 Q4 – 2012/13 Q3: strengthening standards to protect local Industry and government support by <ul style="list-style-type: none"> <li>o Developing a proposal on the need for conditional access</li> <li>o Request SABS to incorporate changes to standards</li> <li>o Request ITAC to review the current import duty on STBs</li> </ul> </li> </ul>	<p>published in July 2012 by DoC but local content was not included. A letter was sent to DoC Minister to address the issue of local content. Soft launch of STBs scheduled for Sept 2012.</p> <p>Conformity Assessment Facility consideration with DoC was completed and it was agreed that DoC should finance the refurbishment and operational use of the SABS testing facility for STB Conformance testing. SABS Lab appointed official Conformance Assessment body for STB's. STB specification (SANS 862:2012, 2nd edition) was launched in June 2012.</p> <p>Rebate on TV monitors approved by Minister and sent to NT for implementation. Investigations for a tariff on complete STB products have been finalised by ITAC.</p>

## **APPENDIX B: NIPP progress report and project matrix for the financial year 2011/12**

The National Industrial Participation Programme (NIPP) took effect on 1 September 1996 and the NIPP operating guidelines on 30 April 1997. All Government and State Owned Enterprise (SOE) purchases or lease contracts (goods, equipment or services) with an imported content equal to or exceeding US\$10 million (or the equivalent thereof) are subject to a NIPP Obligation. **The dti** is not party to the procurements that give rise to NIPP obligations but manages and monitors the obligations that arise from such procurements. The NIPP obligation is borne by the prime contractor of the contract. The obligation incurred must be at least 30% of the value of the imported content of the tender, with penalties for noncompliance. A seven year fulfilment period is given to achieve the obligation.

NIPP's main objectives of attracting investments, promoting exports products and services, supporting technology transfer and encouraging job creation are in line with the IPAP and New Growth Path (NGP) perspectives.

### **Progress to date**

The Policy Review of the National Industrial Participation Programme (NIPP) is complete and a process to review the impact of offset projects is underway. Proposals to deepen and extend NIPP are contained in a Submission and Cabinet Memorandum which will be considered by Cabinet. The proposal provides for the alignment of NIPP with the Competitive Supplier Development Programme (CSDP) and Designations under the amended Regulations of the PPPFA. The proposals also strengthen NIPP with Direct and Indirect NIP provisions.

All Strategic Defence Procurement (SDP) Package obligors have met their obligations in full. The obligors are BAE Systems/SAAB for the Gripen/Hawk, German Frigate Consortium (GFC)/Thyssen Krupp for corvettes, German Submarine Consortium (GSC)/Ferrostaal for submarines, Agusta Westland for light utility helicopters and Thales for the combat suit. The first phase of the

SDP performance review is underway. The Industrial Participation Control Committee approved 13 new projects during the year. It is estimated that these projects will create a total of 780 direct jobs and generate approximately R9 million worth of investments. NIPP obligations arose mainly through purchases by South African Airways, PetroSA and South African Express. During the period under review, South African Airways awarded five contracts with NIPP requirements. Of the five contracts, two were for Lease of Aircraft, one for the supply of an aftermarket service for the support and two were addendums to the agreement to supply the A320 Aircraft and the corresponding engines. Of the five contracts concluded by SAA, three NIPP agreements have already been signed and two are still under negotiation.

Only one contract subject to NIPP was awarded by South African Express during the previous financial year. The contract was for the leasing of 7 Bombardier Q400 aircraft and the corresponding obligation agreement has been signed by the obligor and **the dti**. The commencement of the Ikhwezi Project for The Petroleum Company of South Africa (Petrosa) has given rise to 17 contracts for the supply of goods and services (drilling, sub-sea pipes and installation services) to the Ikhwezi project. These contracts have all attracted NIPP obligations with an estimated value of \$160 million. To date, 5 NIPP contracts have been signed and negotiations are underway to conclude the remaining 12 contractors.

The first phase of the Industrial Participation Secretariat's (IPS) database to strengthen monitoring, evaluation and reporting has been completed. The process of migrating documents to the database is underway. It is expected that this process will be completed by end of December 2012. The IPS Procedural Manual has been drafted and will be finalised soon.

NIPP AGREEMENTS SIGNED		
COMPANY	TYPE (SPA/OA)	DESCRIPTION
Allseas	OA	PetroSA contract for the supply of sub sea pipes and installation services. Obligation=\$13,200,000
Schlumberger Logelco	OA	PetroSA contract for installation services. Obligation=\$6 315 209
Project Material Piping	OA	PetroSA supply of pipes contract led to obligation. Obligation=\$9 400 000
ThyssenKrupp Mannex	OA	PetroSA Provision of anticorrosion services. Obligation =Euros 5 200 000
Q400 Leasing	OA	Leasing of 7 Bombardier aircraft by SA Express from Q400 Leasing. Obligation is R198,200,000
Safran	SPA	Proactive agreement-not based on contract signed by SOC.
BOC Aviation	OA	Leasing of 2 A320 aircraft by SAA from BOC Aviation. Obligation is \$30 500 432.00
Amadeus IT Solutions	OA	Purchase of the IT system by SAA from Amadeus. Obligation is Euros 36 706 360
Airbus Addendum 02	OA	Purchase of 20 A320-200 aircraft by SAA from Airbus. Obligation is \$243 000 000
ABB	OA	US\$32 195 292 Obligation as result of several tenders for the supply of engineered projects to Eskom
CISCO	OA (01/08/2010-31/07/2011)	Supply of hardware and licence of software to Telkom. Obligation is \$5 993 853

PROJECTS IMPLEMENTED							
PROJECT NAME	DESCRIPTION	REGION	SECTOR	ACTUAL INVESTMENT	JOBS		
					DIRECT	INDIRECT	SAVED/RETAINED
Pilatus - monoclinic Fused Zirconia	Investment into a facility to produce Zirconia pellets	LIMPOPO	CHEMICALS	CHF 800 000.00	30	60	152
GMSA-EXPORT OF HEAVY DUTY PARTICULATE FILTER	Manufacture of particulate filters	EC	AUTOS				50
SCHLUMBERGER - DCD DORBYL SHIP REPAIR & MAINTENANCE	Ship repair & Maintenance	WC	OIL & GAS	Export promotion – no investment			
SCHLUMBERGER - DORMAC SHIP REPAIR & MAINTENANCE	Ship repair & Maintenance	KZN	OIL & GAS	Export promotion – no investment			
CARGOTEC - KUVUSA MICRO MAIZE MILLING	Cargotec providing a guarantee of 1 million euros	KZN	AGRO-PROCESSING	R 9.700 000.00	600		
STX - URBAN SOUL	Film production	WC	ARTS & CULTURE	€ 0.00			7
THYSSENKRUPP - ALLTUBE - BRAZIL CONTRACT	Export of aluminium tubes to Brazil	KZN	AUTOS	Export promotion – no investment			
MBSA - LEAR LEATHER SEAT COVERS	Manufacturing of leather seats	EC	AUTOS				71
Project Material Piping-Hall Longmore	Export of steel pipes from Hall Longmore	Gauteng	OIL & GAS	Export promotion – no investment			

PROJECTS IMPLEMENTED							
PROJECT NAME	DESCRIPTION	REGION	SECTOR	ACTUAL INVESTMENT	JOBS		
					DIRECT	INDIRECT	SAVED/RETAINED
Amadeus Mid-back office	Development of a mid-back office software that will provide travel agencies in SA with a powerful tool to improve their financial control	Gauteng	IT & TRAVEL	€578,823.53	10	6	0
Amadeus-Traveluxion	Development of a procurement and expense management software in SA	Gauteng	IT & TRAVEL	€592,941.17	7	4	0
Airbus-Track cans	Development, Qualification and Manufacturing of the Track Cans for the Airbus A320, A330 , A340 and A350 XWB aircraft	Gauteng	AEROSPACE	No investment	22	11	0
Airbus-Frame clips	Development, Qualification and Manufacturing of the Frame Clips for the Airbus A350 XWB aircraft	Gauteng	AEROSPACE	No investment	18	6	0
Westingcorp Capacitor Business	Acquisition of Westingcorp Capacitor Business to expand the capacitor facility and improve manufacturing technology	Gauteng	CAPITAL EQUIPMENT	\$2,000,000.00	2	0	46
Coilmec (Pty)Ltd	Acquisition of Coilmec (Pty)Ltd; Manufacturing of double drum hoist for the mining sector	Gauteng	CAPITAL EQUIPMENT	\$ 700,000.00	2	0	27

PROJECTS IMPLEMENTED							
PROJECT NAME	DESCRIPTION	REGION	SECTOR	ACTUAL INVESTMENT	JOBS		
					DIRECT	INDIRECT	SAVED/RETAINED
SBM Offshore Contractors Inc (SBM)	Vessel dry docking, inclusive of steel work, full paint, rudder removal and servicing, generator opening and cleaning, electrical system checks and calibration, etc. at DCD Dorbyl Marine and/or Dormac Ship Yard.	WC and/or KZN	MARITIME & SHIPBUILDING	Export promotion – no investment			
Allseas	Establishment of a state of the art Western Cape commercial materials testing facility at One Eighty (Pty) Ltd.	WC	OIL & GAS	R 5 000 000.00	5		