NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1136

DATE OF PUBLICATION: 19 APRIL 2010

Mr S J F Marais (DA) to ask the Minister of Finance:

Whether National Treasury will support all the macro-economic and fiscal implications of the 2010-11 and 2012-13 Industrial Policy Action Plan (IPAP2); if not, why not; if so, what are the relevant details with regard to (a) the preferential procurement of locally-produced goods and services and (b) the funding and availability of lower interest rate development finance by the Industrial Development Corporation of South Africa Ltd (IDC) and other finance institutions for SMMEs?

NW1293E

REPLY

The Industrial Policy Action Plan for 2010-2013 provides an indication of areas that business, government and labour could intervene in the real economy in order to promote industrialization and job creation. The plan is made up of individual projects that are at different stages of development. Some programmes such as the automotive production development programme, business process outsourcing and the programme for clothing and textiles have been in place for a number of years and already receive direct and indirect fiscal allocations. Some projects are still at early stages of research and the options for government support are being debated. While there is no indication of a need for additional funding at this stage, projects, and the exact fiscal implications, thereof will be assessed on a case-by-case basis as part of the annual budget process.

(a) The discussions regarding the utilization of preferential procurement to support local industries are an example of work in progress. Preliminary discussions are taking place between the National Treasury and the Department of Trade and Industry on the alignment of the National Industrial Participation Programme and the current system for preferential procurement programme.

An announcement on the outcomes of the discussion will be made later in the year. As there is no concrete proposal on the table, the macroeconomic and fiscal implications cannot be calculated.

(b) Funding of industries by development finance institutions at lower rates is not new. It is intended that Development Finance Institutions (DFIs) participate in areas that do not appeal to private sector banks due to higher risk or the absence of collateral, thereby offsetting the higher costs of capital in relevant areas. The renewed emphasis on funding by institutions such as the Industrial Development Cooperation is a reflection of government ensuring that DFIs fulfill their main mandates. Direct questions on how various programmes will work should be forwarded to the Ministers of Trade & Industry and Economic Development.

As the National Treasury, our role is to ensure that DFIs, including the IDC remain financially viable and that their borrowing is synchronized with total public sector borrowing.