
Presented by: Moses Khanyile
SCOPE

Key Questions

2015 Defence Review Context

Strategic national initiatives

Way forward
KEY QUESTIONS

How do we **restore our defence industry** to its former glory of:

* being the employer of choice?
* providing cutting edge solutions to domestic defence and security requirements?
* being reputed for innovation

given the challenges of:

- declining domestic defence budget
- increased competition from within and multinationals
- inability to dominate African defence market
- skills drainage

Implementation of the SA Defence Review 2015: **capacity**?

How do we **transform** the defence industry such that:

* it remains globally competitive in niche areas?
* it continues to provide for the SANDF’s requirements
* it benefits the broader South African business community?

- Intra-Africa trade: ~10%
- Intra-North American trade: ~40%
- Intra-WE trade: ~60%
Main goals (4) & tasks (13) for the SANDF

Five (5) Planning Milestones

**Milestone 1:** Arrest the decline

**Milestone 2:** Rebalance and re-organise the Defence Force

**Milestone 3:** Create the sustainable Defence Force that can meet current ordered defence commitments

**Milestone 4:** Enhance the Defence Force’s capacity to respond to challenges in the strategic environment

**Milestone 5:** Defend the Republic against insurgency and/or armed conflict to the level of a limited war

Defence Strategic Development Trajectory

**Localisation**

Governance & Policy Co-ordination: National Defence Industry Council (NDIC)
Localisation:

- Definitions for different types of companies based on origin and location (Cht-15)
- Items targeted for local design & production:
  - Munitions, batteries and spares, secure command and control communications, information warfare equipment.
- MOTS (military-off-the-shelf) items: complex items required in small quantities
- Sourcing from local suppliers to serve as impetus to re-industrialisation

National Defence Industry Council (NDIC)

- Policy co-ordination
- Develop and manage defence industry strategy
The “spaghetti bowl” of regional formations in Africa

Source: Economic Commission for Africa
Role of national departments and State-owned entities:

* Trade and Industry: IPAP, NIP, B-BBEE, etc
* Science and Technology: Innovation Hub; DPSS, etc
* Department of Defence: SANDF, Armscor
National Defence Industry Council (NDIC)

Launch: March 2016

Mandate:
- National vision on the defence industry
- Alignment between SANDF needs and role of the defence industry
- Policy and strategy development
- Integration of the defence industry within the NDP

Composition:
- Chaired by Minister of Defence & Military Veterans but delegated to the Secretary for Defence
- DGs of 11 government departments
- Executive Director of AMD – the defence industry association
- CEOs of SOEs in the defence industry (Armscor, Denel, CSIR)
National Defence Industry Council (NDIC)

Key Initiatives:

- Development of the Defence Industry Strategy & Implementation Plan
- Defence Sector Charter
National Defence Industry Council (NDIC)

Defence Industry Strategy

- 1st Draft released for public comment
- Role of the defence industry in the implementation of the Defence Review 2015
- Four Courses of Action for government:

  - **“Business-as-Usual”**: Continue with current under-funding and operational over-stretch. Outcome: No acquisition, no R&D resulting in unplanned, unstructured, uncontrolled downward spiral, shedding capabilities and jobs

  - **“Planned Shut-Down”**: Accept the reality of under-funding; plan winding down of the industry; retain MRO (Maintenance, Repair & Overhaul) capability.

  - **“Stabilise and Sustain”**: Decide to retain those defence capabilities that are still viable and recover those that are deemed essential

  - **“Stabilise and Develop”**: Use the existing industry capabilities as a foundation for an expanded and better balanced industry to support the SANDF.
National Defence Industry Council (NDIC)

Defence Sector Charter

- Gazetted for public comment: 4 Oct 2017
- Consultative sessions among defence analysts, academics and broader defence companies
- Introduces various scorecards for designated groups, including military veterans
Armscor & AMD Initiative: Establishment of the Defence Industry Fund (DIF)

Objective:
To promote the growth and sustainability of the Defence Industry by:

Accessible finance

Industry Development

Products / Services

- Land / Buildings Finance
- Equipment Finance
- Project Finance
- Working Capital Finance
- Bridging Finance
- VAT loans
- Finance Guarantees
- Revolving Credit
- Business Plan Development Support
- Financial Administration Training / Advice
- Human Resources Training / Advice
- Technical & Production Management / Advice
- Market Access & Business Linkages advice & facilitation
- Sector Research & Market Related Studies

IMPLICATIONS

- Licence category (FSB)
- Credit licence (NCR)
- Forex Licence (SARB)
WAY FORWARD

- Finalisation of the Defence Industry Strategy
- Drafting of the Implementation Plan
- Launch of the Defence Sector Charter
- Launch of the Defence Industry Fund
Thank You