INDUSTRY

Defence Industry Lekgotla outlines five-point plan to grow South Africa's defence exports

The Localisation and Export Commission, one of six work streams at the recent Defence Industry Lekgotla, has outlined a five-point plan to grow the South African defence industry (SADI).

Michelle Nxumalo, CEO of the Aerospace, Maritime and Defence Industries Association of South Africa Export Council (SAAMDEC), delivered the Commission's findings and recommendations at the conclusion of the Lekgotla on 22 July. The Commission is seeking to build a coordinated, competitive, and export-led South African defence industrial ecosystem that strengthens national sovereignty, accelerates localisation, expands access to priority regional and global markets, and positions South Africa as Africa's preferred defence partner, she said.

The Commission believes the South African defence industry can aim for a 1% share of international arms sales, which equates to about R30 billion a year. To achieve this, it came up with five key resolutions covering export growth, localisation and industrial development, national strategic alignment, arms control regulatory framework, and funding.

With regard to **export growth and market expansion**, Nxumalo pointed out that insufficient domestic procurement limits the development of industrial scale and export competitiveness. Stronger market intelligence is needed to penetrate key regions and obtain government-to-government support.

The Commission recommends positioning South Africa as a preferred defence partner by strengthening diplomatic channels (such as through defence attaches) to promote SADI products; integrating defence into diplomatic induction programmes; and producing intelligence reports and lead-reporting support. A contracting entity should be established for defence contracts to facilitate government-to-government deals. Furthermore, defence should be integrated into state visits and business forums: the President and Ministers should be chief promoters of SADI products in targeted markets. While there has been an increase in foreign state visits, few have had a defence component, with President Cyril Ramaphosa's visit to Brazil in March this year a notable exception.

Nxumalo also recommended that South African National Defence Force (SANDF) procurement should be aligned with exports so local products can be acquired by the home military, therefore strengthening export readiness.

Key departments and stakeholders required to achieve these goals include the Department of Defence (DoD), SANDF, Armscor, the Department of Trade, Industry and Competition (the dtic), Department of Science, Technology and Innovation (DSTI), Denel, the Presidency and Department of International Relations and Cooperation (DIRCO).

On **localisation and industrial development**, Nxumalo noted that localisation programmes are applied inconsistently and are constrained by insufficient structured incentives, coordinated procurement guidance and integrated frameworks that effectively bridge domestic production. She recommended the establishment of a coordinated procurement system through Armscor for common-use equipment across the security cluster.

Products such as small calibre weapons, ammunition, personal protective equipment, textiles and ballistic equipment should be locally manufactured. Such a proposal – for the SANDF, police, correctional services and other sectors – was made years ago but never proceeded further.

The Commission also recommended establishing a mechanism whereby the Security Cluster (SANDF, Border Management Authority, South African Police Service) and Council for Scientific and Industrial Research (CSIR) provide evaluation reports on market ready technologies such as armoured personnel carriers and small arms through pilot projects.

Other recommendations include establishing a Defence Skills Academy, including the South African National Service Institute (SANSI), to build relevant capabilities; establishing dedicated economic zones for defence and advanced manufacturing; and using production assets such as Denel's drone manufacturing capacity to drive joint technology development.

The **arms control framework** was repeatedly brought up as a hurdle during the Lekgotla, with export control bottlenecks resulting in lost contracts, penalties and reduced competitiveness. The Localisation and Export Commission recommended establishing an interdepartmental task team to develop a framework to modernise defence export regulatory processes. Administrative reform would cover the creation of a digital data repository portal; digitalisation of applications to fast-track approvals; and increasing capacity at the Directorate Conventional Arms Control (DCAC).

Regulatory reform would include a review of the National Conventional Arms Control Committee (NCAC) and NCAC Act as well as a possible appeals committee for denied applications.

In terms of stakeholder engagement (DoD, NCACC, DCAC, SADI), the Commission proposed hosting annual industry workshops across multiple provinces, conducting one-on-one performance reviews with companies, and establishing a forum as a central interaction point.

In terms of **national strategic alignment**, Nxumalo emphasised a lack of alignment between government and industry, with siloed departmental approaches hindering the development of a unified national vision for defence industrialisation.

The Commission recommended establishing a National Defence Solutions Centre as a centralised one-stop hub for defence industry advancement, export facilitation and strategic capability development. This would host regular multi-stakeholder events such as biannual defence industry days. In addition, a multi-sectoral steering committee should be established to map strengths, gaps, redundancies and opportunities across departments and industry. This would benefit from a digital coordination platform, and two or three high impact use cases used to build preconfigured turnkey solutions.

Another recommendation is to launch a formal government/industry/academia defence collaboration platform to foster integration across sectors and define collaboration agreements, data sharing protocols, intellectual property frameworks and security clearances for participants.

Key stakeholders regarding strategic alignment would be the DoD, SANDF, Armscor, DTIC, DSTI, Department of Higher Education and Training (DHET), Denel, SADI, and academia. AMD has already started engaging with Unisa as an academic partner.

With regard to **funding**, the Commission noted limited access to finance and limited awareness of available export-risk instruments constrains exporters and weakens the sector's ability to close international opportunities. It recommended promoting existing Export Credit Insurance Corporation of South Africa (ECIC) export credit solutions to unlock commercial bank and direct foreign investment funding for exporters as well as using trade credit, working capital, bonds and credit instruments to support export transactions.

The Commission also suggested piloting a resource-based alternative defence funding model (barter agreement) and fast tracking the establishment of the South African Export-import Bank to facilitate direct lending to exporters – the Eximbank is planned to be operational in 2028.

In conclusion, Nxumalo said the Commission reached the consensus that South Africa has the industrial capability to achieve the goal of R30 billion a year in defence exports, but needs better coordination and collaboration to make this happen.

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