

# Tough questions remain over arms deal jobs

A Department of Trade and Industry audit of arms deal offsets has found the number of jobs created as a result of the multi-billion rand deal could not be verified despite promises that many thousands would arise, adding credence to longstanding scepticism over offsets.



Rob Davies, says the audit report makes "devastating findings" about the arms deal. Image: GCIS

The audit report, tabled in Parliament found that the awarding of so-called National Industrial Participation Programme (NIPP) credits was blurred by the "package deals" granted to participating companies to encourage them to invest in areas not immediately popular with investors. NIPP projects were the projects signed by the companies that sold SA its jet fighters, helicopters, frigates and submarines that made up the Strategic Defence Package or arms deal.

The Seriti commission of inquiry is investigating allegations of corruption in the arms deal. The audit report comes as former trade and industry minister Alec Erwin gave evidence to the commission.

Democratic Alliance defence spokesman David Maynier, commenting on the audit report released by Trade and Industry Minister Rob Davies, says: "The final Strategic Defence Packages Performance Review Report, together with a final audit report, makes devastating findings about the arms deal offsets."

The internal audit covered 40 out of 121 arms deal offset projects. Among its findings that Maynier highlighted are:

- Some companies obtained more credits compared with the investments and sales created or caused by them;
- It was not possible to determine whether economic growth, access to new markets, establishing new trading partners and technology transfers took place as a result of the arms deal offsets;
- The total number of jobs that were created, and whether the jobs were sustained or not sustained, could not be verified;
- Documents were missing from the project files held by the Department of Trade and Industry.

"The findings of the internal audit report are particularly devastating when it comes to job creation," Maynier says. On jobs, the internal audit found:

- Some arms deal offset projects did not include an obligation to deliver on job creation;
- The actual contribution of some arms deal offset projects was not described in terms of sustaining existing jobs or creating new jobs;
- Baseline employment figures were not provided at the beginning of the offset projects in order to be able to determine whether additional jobs were created;
- Evidence of the jobs meant to be created in some arms deal offset projects was simply not collected.

"In fact, of the 40 business plans audited, only 24 included estimates of the number of jobs to be created," Mr Maynier said.

In a research paper from the Catholic Parliamentary Liaison Office shortly after the arms deal was approved, Felicity Harrison said: "In order to counteract the enormous expense of acquiring the desired weapons package, the Department of Trade and Industry, in conjunction with the Department of Defence and Department of Finance negotiated agreements that would supposedly create more than 65,000 jobs and would bring in an estimated R104bn. When the joint investigating team

researched the issue, it found SA's policy on industrial participation was very much in line with international practice."

She concluded her report by saying: "Prof Kader Asmal, (the late and former) chairman of the portfolio committee on defence, has said the claims that offsets are delivering real economic benefits are 'untested assumptions'."

While it was too early to say they had failed, she said, the indications are not good at this stage, and it is vital that Chapter 9 institutions, Parliament and civil society continue to ask questions and keep government accountable.



Gripen fighter jets bought as part of the arms deal.  
Image: [Tech Graffiti](#)

The latest audit report of the 40 offset projects emphasises that these questions still need to be asked.

Baseline figures were not provided at the start of projects to be able to determine whether additional jobs were created.

Source: Business Day via I-Net Bridge

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