

PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

STATUS UPDATE ON THE IMPLEMENTATION OF SPECIAL ECONOMIC ZONES & INDUSTRIAL PARKS

draft

3 May 2022



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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Purpose of the presentation

The **purpose of this presentation** is to provide:

- A status update on the Special Economic Zones (SEZs) and Industrial Parks Revitalisation Programme
- An overview of the challenges and opportunities of the Existing Policy Framework
- An introduction to the New Spatial Industrial Development Model aimed at achieving scalable outcomes:
 - i. **Industrialisation** to promote jobs and rising incomes;
 - ii. **Transformation** to build an inclusive economy; and
 - iii. **Capable State** to ensure improved impact of public policies

Presentation outline

- **Introduction**
- **Part A** - Status Update on Special Economic Zones Programme
- **Part B** - Status Update on Industrial Parks Industrialisation Programme
- **Part C** - Overview of challenges and opportunities of the Existing Policy Framework
- **Part D** - Introducing a new Spatial Industrial Development Model
- **Conclusion**

INTRODUCTION

Introduction

- The spatial configuration of South Africa's economy is characterized by concentration of economic activity in a few parts of the country
- The main metros in Gauteng, Cape Town and the eThekweni area – together with the main mining towns - accounts for a substantial part of economic output; resulting in a constant movement of people from other parts of the country and rural areas, to these economic hubs.
- Government's policy objectives include measures to provide a wider pool of economic development.
- **the dtic's** is exploring an expanded/ inclusive approach to special industrial development with the intention to achieve three overarching outcomes that guide the departmental work namely; "(i) **industrialisation** to promote jobs and rising incomes; (ii) **transformation** to build an inclusive economy; and (iii) a **capable state** to ensure improved impact of public policies.
- The intended consequence of this expanded approach is to streamline all spatial industrial development support measures under a single plan within each district municipality in the country, using the District Development Model (DDM) as a point of reference.
- Underpinning this revised approach are lessons learnt from the implementation of the two Spatial policy instruments that are driven **by the dtic**: SEZ and Industrial Parks Revitalization Programme (IPRP).

Introduction

- Spatial industrial development initiatives – in the form of Special Economic Zones and Industrial Parks - have been largely driven by provinces to date, with a smaller, supportive role for national government
- The review of the initiatives has shown that the combined impact of SEZs and Industrial Parks has resulted in a reported 65 500 jobs
- However, given the scale of the challenge, this is well below the level required
- This presentation will review the institutional and performance indicators for SEZs and Industrial Parks, then consider spatial industrial development within the context of the new District development Model and conclude with a elements of the new approach being considered. Based on the consultations and completion of the work, the model will be put before Cabinet for consideration before it is finalised.

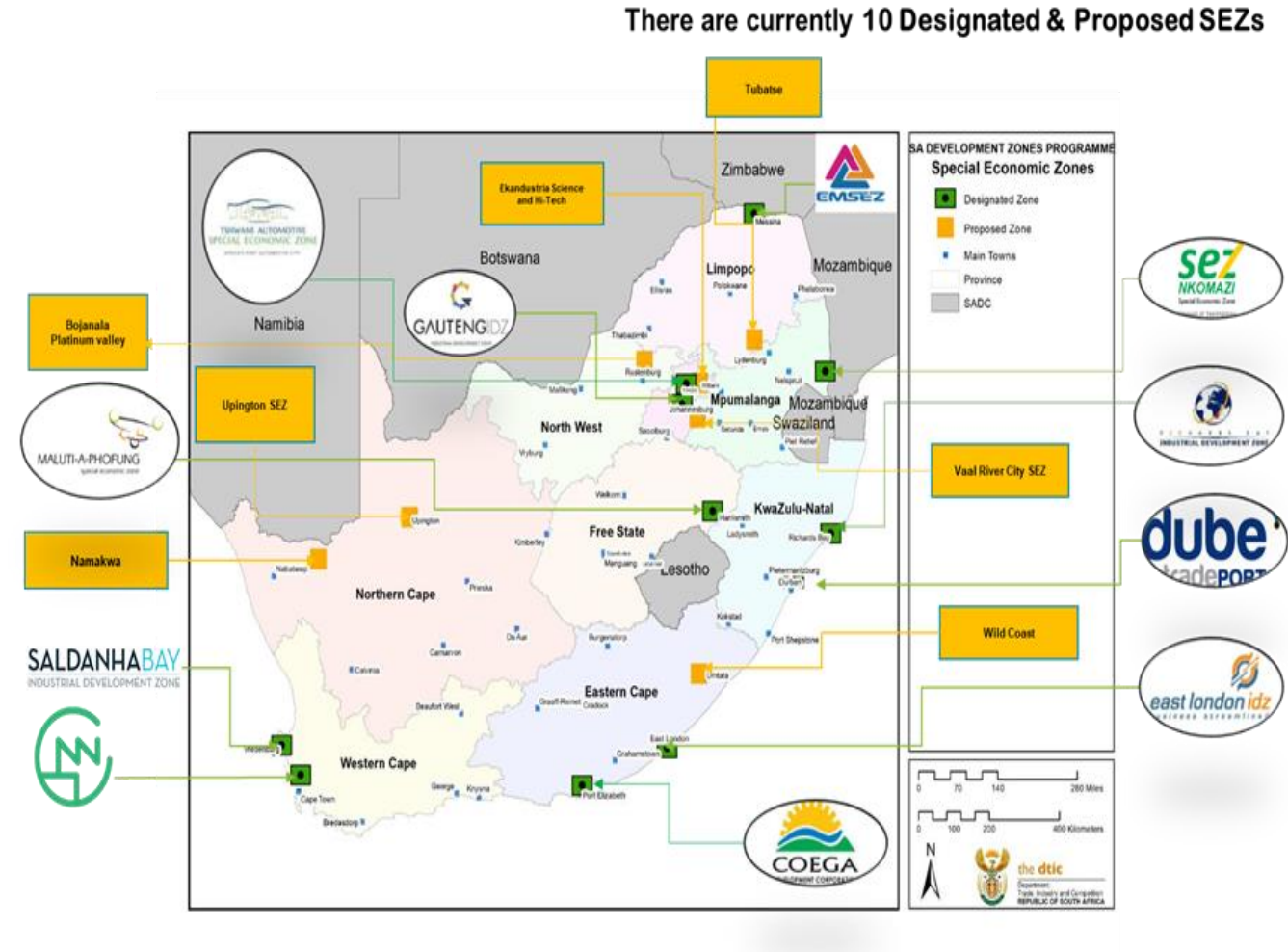
PART A – SPECIAL ECONOMIC ZONES

- Background
- Policy context
- Performance
- New Approach – TASEZ Case Study
- High Capacity Rail Corridor
- Lessons from SEZs
- National PMU
- SEZ Fund disbursements

Special Economic Zones – Background

The **SEZ Act No 16 of 2014** sets out the **purpose of SEZs** as:

- Facilitating the creation of an industrial complex, having strategic national economic advantage for targeted investments and industries in the manufacturing sector and tradable services;
- Developing infrastructure required to support the development of targeted industrial activities;
- Attracting foreign and domestic direct investment;
- Providing the location for the establishment of targeted investments;
- Enabling the beneficiation of mineral and natural resources;
- Taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production;
- Promoting regional development;
- Creating decent work and other economic and social benefits in the region in promoting small, micro and medium enterprises and co-operatives, and promoting skills and technology transfer; and
- The generation of new and innovative economic activities.



Special Economic Zones – Policy Context

2000 - 2010

- Industrial Development Zones (IDZs)
- Focus on export orientation close to ports of entry
- 4 IDZs designated – Coega, East London, Richards Bay & OR Tambo International Airport
- Performance – 40 investors, R11,8bn investments, 41 000 jobs (mostly construction)
- Comprehensive review in 2010 highlighted major challenges around investor mobilization, planning & coordination etc
- Review led to new policy & legislation

2011 - 2019

- Policy development and legislative approval
- Promulgation of the SEZ Act No. 16 of 2014
- Key elements included:
 - Countrywide vs ports of entry
 - Enhance governance & coordinated planning
 - Supportive financial instruments & incentives
 - World class infrastructure, integration of SMMEs
- 10 potential new SEZs identified in 2012
- By March 2019 5 new SEZs had been designated but not operational, increasing total number of SEZs to 9

2020 - 2022

- August 2019 Cabinet directed that **the dtic** should play a more active role in the planning, development and management of SEZs
- In 2020 a National SEZ PMU established and located at the IDC
- PMU role is to accelerate implementation of the Programme
- Development of the new approach to include strong involvement of national government
- Tested the new approach with the implementation of Tshwane Automotive SEZ

South African Special Economic Zone Value proposition

- Special Economic Zone Programme is supported by suite of financial and non financial incentives for qualifying investors , which include the following
 - a) Financial Tax Incentives
 - 15 % Corporate Tax
 - Duty Free (custom) and Vat Free for companies located in
 - Employment Tax Incentives
 - Accelerated depreciation allowance on buildings
 - b) Additional Support from National Government
 - Infrastructure Support (including safe and secure neighbourhood)
 - Preferential rental on properties
 - Integrated and simplified investment procedures (One Stop Shop)
- The Minister of Finance *gazetted* 6 SEZs for SEZ Tax Incentives (Coega, ELIDZ, DTP, RBIDZ, SBIDZ & MAP)

The SEZ Implementation Approach before 2019

- **The dtic** was issuing invites to provinces to identify possible areas that would be designated as SEZ;
- The proposed SEZs were presented to MIMMEC for approval so that they can be tested through feasibility studies ;
- **The dtic** provided seed funding on the establishment of Project Management Units (PMUs) and Feasibility Studies ;
- **The dtic** provided technical support on the planning of the proposed SEZ;
- Applications were submitted to the SEZ Advisory board for recommendation to the minister and cabinet;
- The Minister approved and Cabinet ratified the designation of the proposed SEZ;
- The province established provincially owned and managed SEZ entities to develop and manage the SEZ;
- **The dtic** had no role in the management and ownership of SEZs except having one board representative;
- **The dtic** supported all SEZ with infrastructure funding; and
- All tax incentives are approved by the Minister of Finance.

The SEZ Implementation Approach from 2020

- In August 2019, Cabinet directed **the dtic** to undertake a review of the programme with the view to strengthen the national role in the development and management of the Special Economic Zones,
- The review process identified the following as key challenges
 - ✓ Failure to commit sufficient resources to infrastructure and human resources
 - ✓ Convoluted Value Proposition of the Zone;
 - ✓ Weak investment commitments and pre-mature designations
 - ✓ Weak Stakeholder Management;
 - ✓ Inept executive management team, and high turnover of critical/experienced employees and CEO's;
 - ✓ Weak Governance Systems; and
 - ✓ Lack or weak long term planning of the zones.
- In response to the challenges, **the dtic** developed a new approach to the implementation in 2019 based on the following:
 - ✓ Strong Involvement of **the dtic** in the implementation of SEZs, including taking ownership equity in SEZs
 - ✓ Building a strong unique value proposition for Special Economic Zones.
 - ✓ Long-term Planning that caters for holistic support for each Special Economic Zones.
 - ✓ Collaborative planning that involve financial contributions from all spheres of government and private sector.
 - ✓ Building Strong investment pipeline prior to designation in order to avoid long delays between designation and signing up of investments.

Special Economic Zones – Performance (Operational SEZs)

Number of designated SEZ: **10**

No. of operational Investments: **169**

Rand value of operational Investments: **R22, 062 billion**

Number of direct jobs created: **19 013**

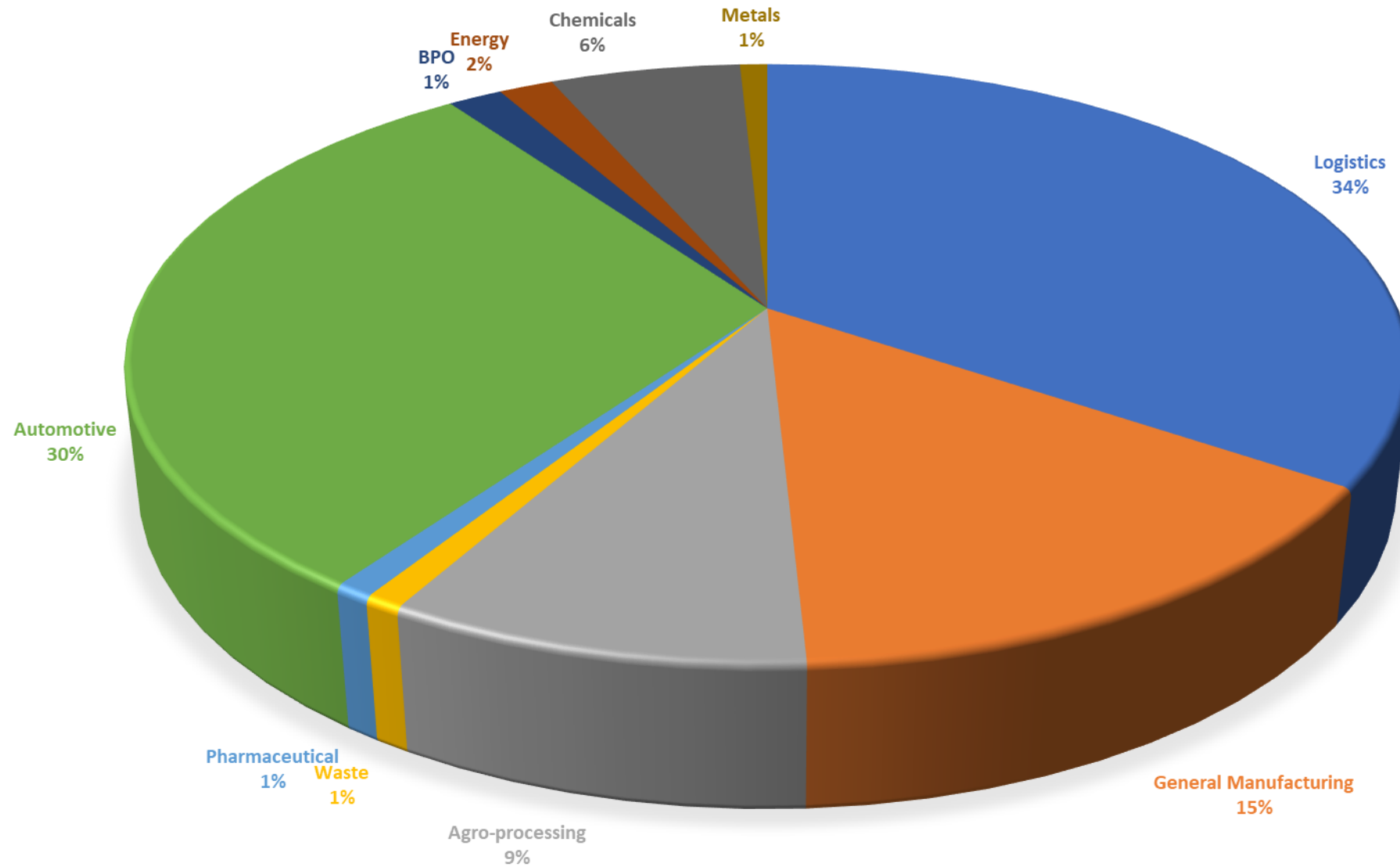
Funding disbursements to date: **R10. 5 billion**

Special Economic Zones – Performance (Operational SEZs) cont..

As at Q3 of the 2021/22 FY (since inception)			
SEZ	No. of Operational Investors	Operational Investment (R Millions)	Jobs Created
Coega	54	11 187	8 019
East London	40	5 646	3 223
Maluti-A-Phofung	4	1 025	164
Saldahna Bay	16	295	190
Dube Trade Port	45	2 183	4 057
Richards Bay	2	352	90
OR Tambo	2	359	2 322
Atlantis	3	655	323
Tshwane Automotive	3	360	625
TOTAL	169	22 062	19 013

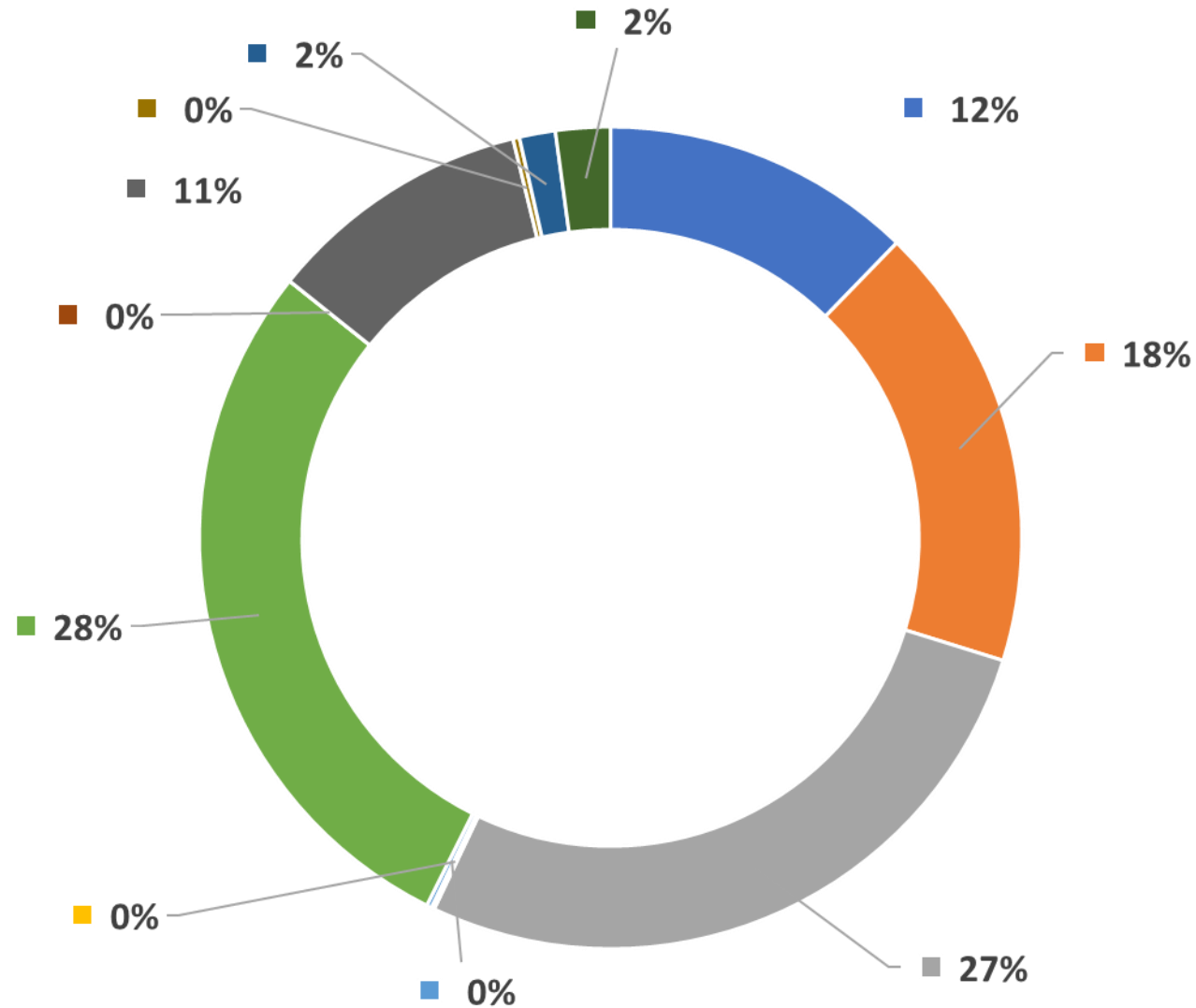
Special Economic Zones – Performance (Operational SEZs) cont..

Q3 2021/22 FY % OF INVESTORS BY SECTOR



Special Economic Zones – Performance (Operational SEZs) cont..

Q3 2021/22 FY EMPLOYMENT CONTRIBUTION BY SECTOR



Special Economic Zones – Performance (Operational SEZs) cont..

As at Q3 of the 2021/22 FY			
SEZ	No. of Secured But Non-Operational Investors	Secured But Non Operational Investment (R Million)	Expected Jobs To Be Created
Coega	8	151, 6	529
East London	11	3 423	2 200
Maluti-A-Phofung	12	5 093	946
Saldahna Bay	21	11 800	534
Dube Trade Port	2	80,7	147
Richards Bay	9	15 536	1 139
OR Tambo	11	245	135
Atlantis	2	50	75
Tshwane Automotive	9	3 940,00	1 463
TOTAL	85	40 168	7 168

Assessment

Viable SEZs currently, based on actual occupancy and commitments

- Coega IDZ
- Tshwane Auto SEZ
- Dube Trade Port
- East London IDZ

SEZs still to secure viability

- OR Tambo**
- Saldanha
- Atlantis
- Richards Bay

Struggling SEZS

- Maluti-A-Phofung
- Musina-Makhado SEZ
- Nkomazi SEZ

Proposed new SEZs – subject to evaluation on the new approach

- Bojanala SEZ
- Vaal SEZ
- Namakwa SEZ
- Fetakgomo-Tubatse SEZ
- Coega Pharmaceutical and Vaccine SEZ

Special Economic Zones – Performance (Non-operational SEZs)

SEZ	STATUS	PROGRESS UPDATE
Musina-Makhado SEZ	Designated 2017	<ul style="list-style-type: none"> • There are currently no investors on site • The zone is expected to break ground in May 2022 on Roads Project • R600 million secured from the province for bulk infrastructure, Contractor for roads appointed, Water, electricity, sanitation and fencing projects on tender stage, three domestic investor ready to start with the top structures' installation, and project due for groundbreaking on 26th May 2022 • The SEZ is also facing EIA appeals for other land parcels
Nkomazi SEZ	Designated 2018	<ul style="list-style-type: none"> • There are no investors currently on site • A logistics (Dubai Port World) investor secured to the value of R330m. • National PMU is providing technical support provided to finalize access to site, township establishment and preparation of site for occupation. • Breaking ground in the second quarter of 2022/23 FY

Special Economic Zones – New Approach - TASEZ Case Study

- In 2020 TASEZ became the test case for the implementation of the new Cabinet-approved approach to the SEZ Programme
- Flagship partnership between government and private sector - **the dtic**, Gauteng Provincial Government, City of Tshwane and Ford Motor Company South Africa
- **the dtic** led the planning and development of the TASEZ using the new approach, resulting in the following key achievements:
- This is one of the fast growing SEZs in the country currently

AREA	Key outcomes
Private investment	R4.3 billion from 12 investors mobilised
Government Funding	Sourced from all three spheres of government (R3,9bn)
Governance	Registered company and established Board within a month, construction began 6 months later
Long-term planning	Strategy crafted to position the City of Tshwane as a leading Automotive City
Approvals	Accelerated approvals – EIA (3 months), Township Establishment (3), Water Use Licence (6)
Infrastructure	Bulk infrastructure and Top structures for 12 factories completed within 24 months
SMMEs	45% of infrastructure budget spent on SMMEs

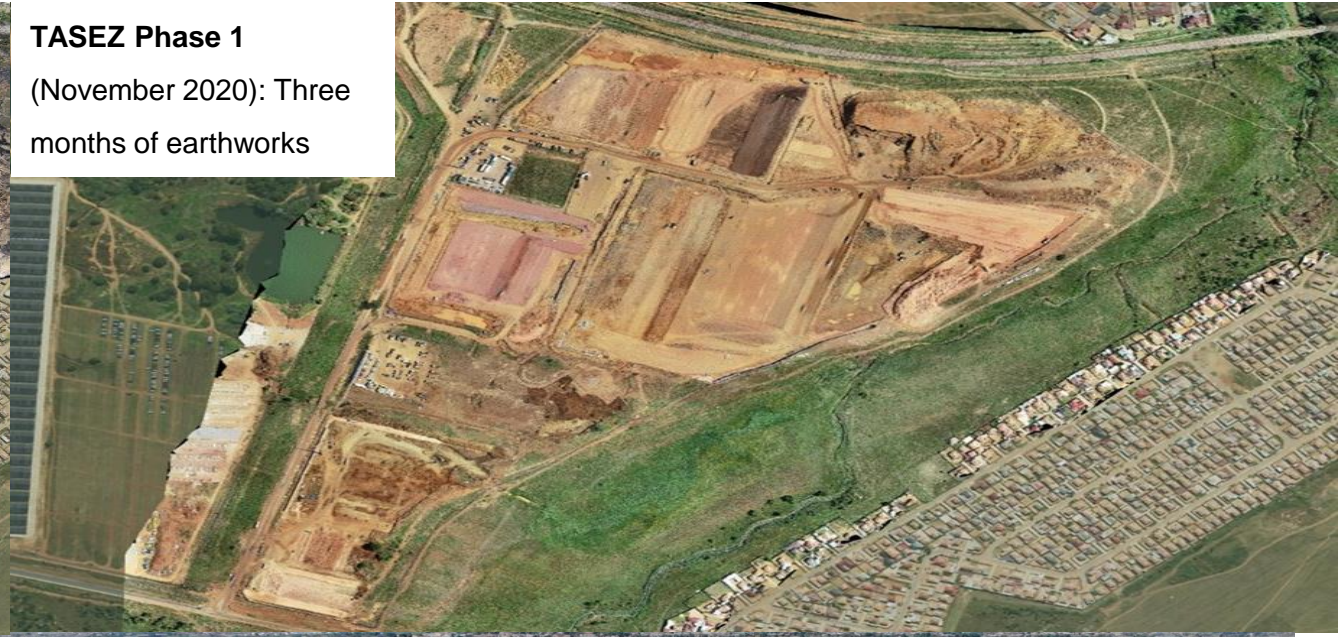
TASEZ Built Programme Developmental Trajectory

TASEZ Phase 1
(August 2020)



TASEZ Phase 1

(November 2020): Three months of earthworks



TASEZ Phase 1

(May 2021): Top-Structure construction



TASEZ Phase 1

(October 2021)

- 1st Factory operational [Aeroklas Duys]



TASEZ Built Programme Developmental Trajectory

TASEZ Phase 1 (March 2022)

- 100% completion
Phase 1 Top-
Structure
construction
- All internal Roads
completed



TASEZ Built Programme Developmental Trajectory



TASEZ Phase 1 (April 2022)

- Tenants already commenced with producing sample parts for testing by Ford

TASEZ Tenants Operational Status

Investors Secured, Operational/Not Operational and When will be operational

#	Company Name	Project/ Business Type	Status	Date Completed or Taken Occupation
1	Sodecia (FDI)	Stampings for Frame and exterior panels plus Cross-car beam	Commenced with sample parts and will be fully operational by 1st September 2022	Practical Completion date 30 March 2022
2	Ford Frame	ladder frame / suspension sub-assembly	Commenced with commissioning. Will be fully operational by 1st September 2022	Practical Completion date 2 February 2022
3	Thai summit (FDI)	Stamping structural parts for Ford Frame	Commenced with sample parts and will be fully operational by 1st September 2022	Practical Completion date 28 February 2022
4	Hesto Harnesses	Harnesses (electric wiring)	Will be fully operational by 1 st September 2022	Practical Completion date 11 February 2022
5	Aeroklassduys	Headliners, Mud-flaps, Box-rail	Operational supplying current production from 1st October 2021	Practical Completion date 15 December 2021 but Operational since 1 October 2021
6	Automould	Tier 2 to Aeroklassduys also Tier 1 painted end caps, skull caps, bin liners	Operational supplying current production via Aeroklas Duys from January 2022	Practical Completion date 15 December 2021
7	Supavut (FDI)	Supplier to Adient (1st Tier) and Aftermarket fitment center (spoilers)	Will be operational by 1st September 2022	Beneficial Occupancy date 30 March 2022
8	Feltex Trim	Carpets, sound deadners, Trim parts	Operational supplying current production from 1st September 2021	Operational since 1 September 2021 and Practical Completion date was 17 December 2021
9	Automotive Logistics Solution	Mirror Assembly	Will be fully operational by 1st September 2022.	Beneficial Occupancy date 14 February 2022
10	Faurecia	Exhaust panel; sequencing; plus Tenneco - Catalytic Converters	Will be fully operational by 1st September 2022.	Beneficial Occupancy date 23 February 2022
11	DSV / Shatterpruf	Glass - windshield, side, rear, etc.	Not-Operational have taken partial occupation	Beneficial Occupancy date 30 March 2022
12	Former Valoworx Building	Sports hoops	Contract Cancelled but building to be completed by July 2022	Beneficial Occupancy date 30 March 2022

High Capacity Rail Project

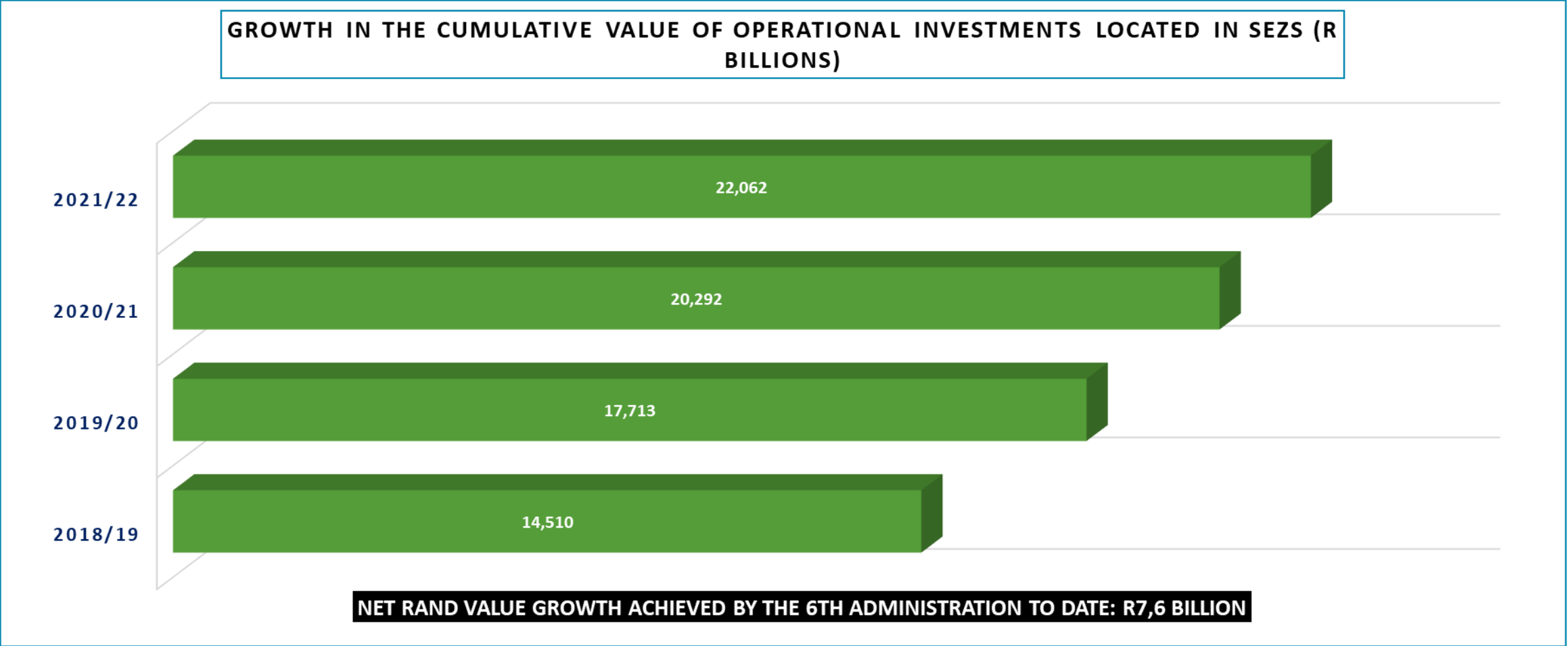
- The National PMU is coordinating the implementation of the High Capacity Rail Project with the intention to ensure logistical requirement for increased production of Ford at the TASEZ are met;
- The rail project came as a result of Ford Motor Company’s committed R16 billion to increase export to 220 000 fully built units by 2025;
- The rail upgrade will be from Tshwane (Waltloo Siding) ;
- 1 200 jobs will be created by Ford directly and an estimated 10 000 new jobs across the supplier network which includes Transnet and TASEZ.
- Collaborative opportunity between Transnet, **the dtic**, IDC, Gauteng Provincial Government and Eastern Cape Provincial Government to support logistics for the Ford Motor Company in Tshwane

ITEM	PROGRESS	NEXT STEPS
PRE-FEASIBILTY STUDIES	<ul style="list-style-type: none">• Comprehensive pre-feasibility study completed	<ul style="list-style-type: none">• Port Elizabeth route confirmed
FEASIBILITY STUDIES	<ul style="list-style-type: none">• Task team comprising IDC, PMU and Transnet established• Development of terms of reference for full feasibility and business case development• Approach to use turnkey solution	<ul style="list-style-type: none">• Commission Business Case development• Feasibility initiated to cover 12 months include basis engineering and environmental assessment• Appointment of Engineering, Procurement and Construction Management
IDC, PMU -TRANSNET TASK TEAM	<ul style="list-style-type: none">• Meetings convened fortnightly	<ul style="list-style-type: none">• the Terms of Reference• Commissioning feasibility
FUNDING	<ul style="list-style-type: none">• Funding for feasibility to be supported by IDC	<ul style="list-style-type: none">• Business case development

Key Achievements By the Sixth Administration in the Context of the new SEZ approach

Foreign & Domestic Direct Investment

YEAR-ON-YEAR GROWTH IN INVESTMENT PERFORMANCE

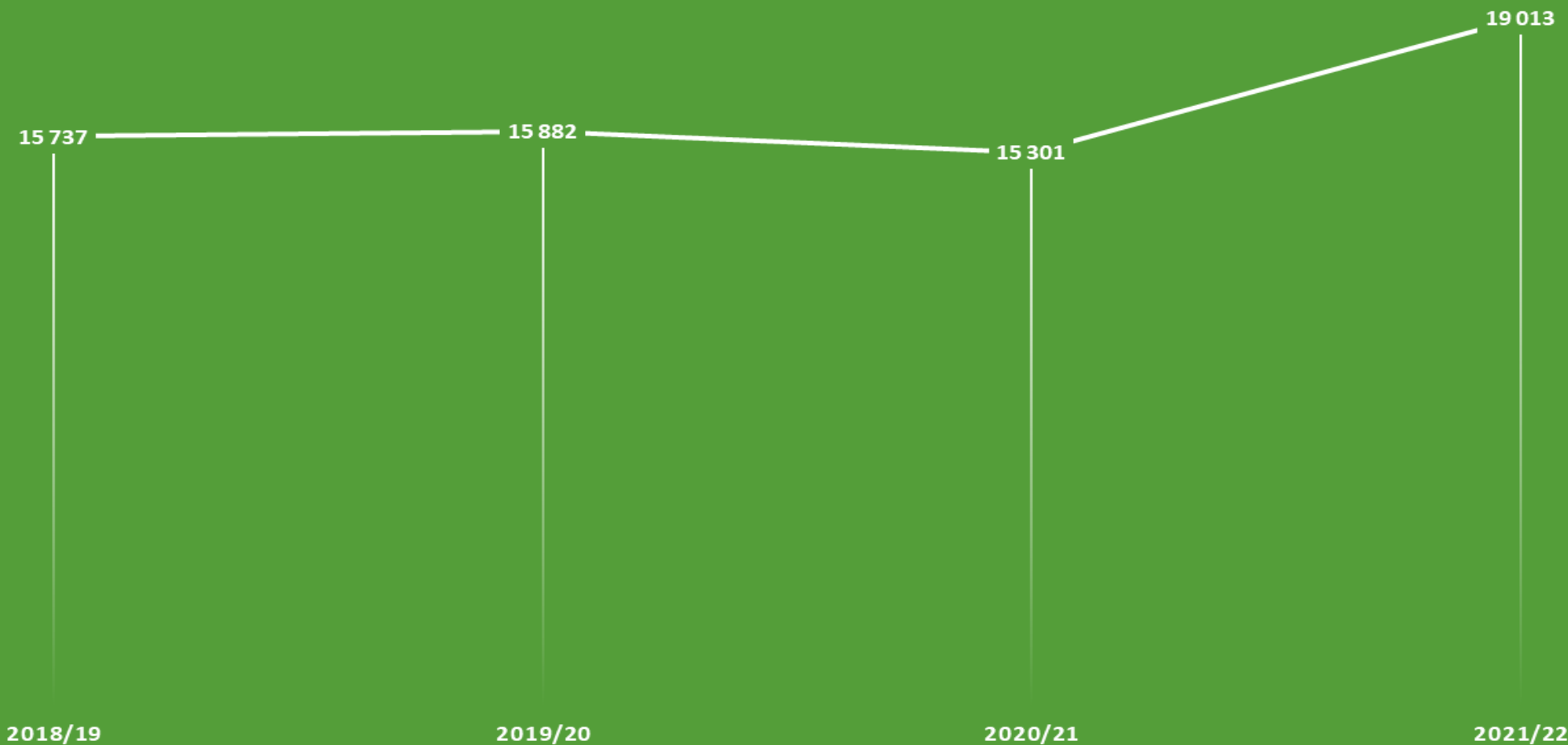


Key Achievements By the Sixth Administration in the Context of the SEZ Programme

Socio-Economic Impact of Foreign & Domestic Direct Investment

YEAR-ON-YEAR GROWTH IN DIRECT/OPERATIONAL JOBS CREATED

CUMULATIVE HEADCOUNT NUMBER OF CREATED DIRECT JOBS



SEZ Performance Assessment: Lessons Learnt

KEY SUCCESS DETERMINANTS OF OPERATIONAL SEZs

- Clearly defined value proposition;
- Effective stakeholder management;
- Adequate capacity for SEZ development by the executive management team;
- Clearly articulated long term plans;
- Stable and clear governance systems; and
- Qualified and competent Board member appointments.
- Adequate support from provincial government

FACTORS LEADING TO LACKLUSTRE PERFORMANCE BY LESS SUCCESSFUL SEZs

- Convoluted value proposition;
- Weak stakeholder management;
- Inept executive management team (with limited SEZ development experience);
- High turnover of critical/experienced employees and CEO's;
- Weak governance systems; and
- Lack or weak long term planning of the zones.
- Poor support from provincial and municipal governments

National Project Management Unit

National SEZ PMU at the Industrial Development Corporation is actively intervening in 7 SEZs (operational & non-operational) to accelerate investor mobilization and breaking ground; and will re-examine an 8th project S

SEZ	PMU Intervention
Proposed Vaal SEZ	SEZ conceptualized, suitable land obtained and investors secured to the value of R2.2b;
Musina-Makhado SEZ	Technical support provided - SEZ is set to break ground in the first quarter of FY 2022/23;
Proposed Wild Coast SEZ	SEZ conceptualised - construction to begin in first quarter of FY 2022/23.
Nkomazi SEZ	Anchor investor secured to the value of R330m. Technical support provided to finalize access to site, township establishment and preparation of site for occupation.
Proposed Tubatse-Fetakgomo SEZ -	evaluation of land completed. Approval of funding for the purchase of the Mining Supplier Park by Province obtained.
High Capacity Rail Project	co-ordinating the upgrade of railway infrastructure from Tshwane (Waltloo Siding) to Port Elizabeth Port to enable the transportation of increased production planned by Ford Motor Company SA at TSEZ
Proposed Pharmaceutical and Vaccine SEZ	Project established to build the first capability on the African continent for vaccine production. Business case under development for to establish an SEZ
Proposed Bojanala SEZ	The PMU will be requested to re-examine the feasibility of the proposed SEZ, following concerns by Cabinet at the state of readiness; challenges with securing land for the development; and declining appetite by investors.

SEZ Fund Disbursements & Commitments To Date

SEZ NAME	APPROVED AMOUNT TO DATE	TOTAL DISBURSEMENTS EFFECTED TO DATE
COEGA SEZ	2 455 190 914,88	2 328 961 204,32
East London IDZ	2 101 060 389,09	2 101 060 383,09
Dube Trade Port SEZ	289 311 413,00	289 311 413,00
Richards Bay IDZ	915 519 636,72	744 553 064,93
Saldanha Bay IDZ	949 920 826,50	949 920 826,50
OR Tambo SEZ	711 396 488,00	479 606 214,00
MAPSEZ (Maluti)	342 488 735,00	342 323 093,00
Tshwane Auto SEZ	3 314 375 940,69	3 172 594 851,78
Feasibility Studies	71 326 743,00	69 355 000,00
Grand Total	11 150 591 086,88	10 477 686 050,62

PART B – INDUSTRIAL PARKS

- Background
- Industrial Parks per district
- Performance
- Lessons learned

Industrial Parks – Background

- Historically operated in the former homelands aimed at furthering the apartheid objectives of separation by stimulating area based employment with incentives such as wage and rentals subsidies used.
- incentives and concessions withdrawn after 1994 resulting in closure and relocation of businesses to the city or other countries.
- Industrial Parks are owned and operated by the Provincial and Municipal government.
- The dtic has a very limited role as it does not have ownership, governance or management powers; and simply provides funding on request for limited upgrades (security, fencing, basic works) to improve the state of the IPs with the intention to stimulate industrialization in these areas.
- The Programme funded 13 Industrial Parks to date with 'revitalization'.
- Funding of the IPRP is supported through the dtic's Critical Infrastructure Programme (CIP) and capped at R50 million. R870 million has been approved for various IP since inception.
- Implementation focused on security upgrades, improvement of critical infrastructure and factory refurbishments
- A phased approach is used.

Industrial Parks per Province

PROVINCE	INDUSTRIAL PARKS	SEZ's	Potential SEZs
FREE STATE	6	1	
EASTERN CAPE	13	2	1
NORTHERN CAPE	2		1
MPUMALANGA	3	1	
LIMPOPO	5	1	1
NORTH WEST	4		1
KWAZULU-NATAL	28	2	
WESTERN CAPE	2	2	
GAUTENG	15	2	1
TOTAL	78	12	5

There are a reported 90 provincial/local spatial industrial development hubs (SEZ& IP) covering 38 of 52 districts

Industrial Parks Per District

Western Cape

1-West Coast District Municipality
2-Cape Winelands District Municipality
3-Overberg District Municipality
4-Eden District Municipality
5-Central Karoo District Municipality
C-City of Cape Town Metropolitan Municipality

Northern Cape

6-Namakwa District Municipality
7-Pixley ka Seme District Municipality
8-ZF Mgcawu District Municipality
9-Frances Baard District Municipality
45-John Taolo Gaetsewe District Municipality

Eastern Cape

10-Sarah Baartman District Municipality
12-Amathole District Municipality
13-Chris Hani District Municipality
14-Joe Gqabi District Municipality
15-OR Tambo District Municipality
44-Alfred Nzo District Municipality
N-Nelson Mandela Bay Metropolitan Municipality
B- Buffalo City Metropolitan Municipality

Free State

16-Xhariep District Municipality
18-Lejweleputswa District Municipality
19-Thabo Mofutsanyana District
20-Fezile Dabi District Municipality
M-Mangaung Metropolitan Municipality

North West

37-Bojanala Platinum District Municipality
38-Ngaka Modiri Molema District Municipality
39-Dr Kenneth Kaunda District Municipality
40-Dr Ruth Segomotsi Mompati District

Limpopo

33-Mopani District Municipality
34-Vhembe District Municipality
35-Capricorn District Municipality
36-Waterberg District Municipality
47-Sekhukhune District Municipality

Mpumalanga

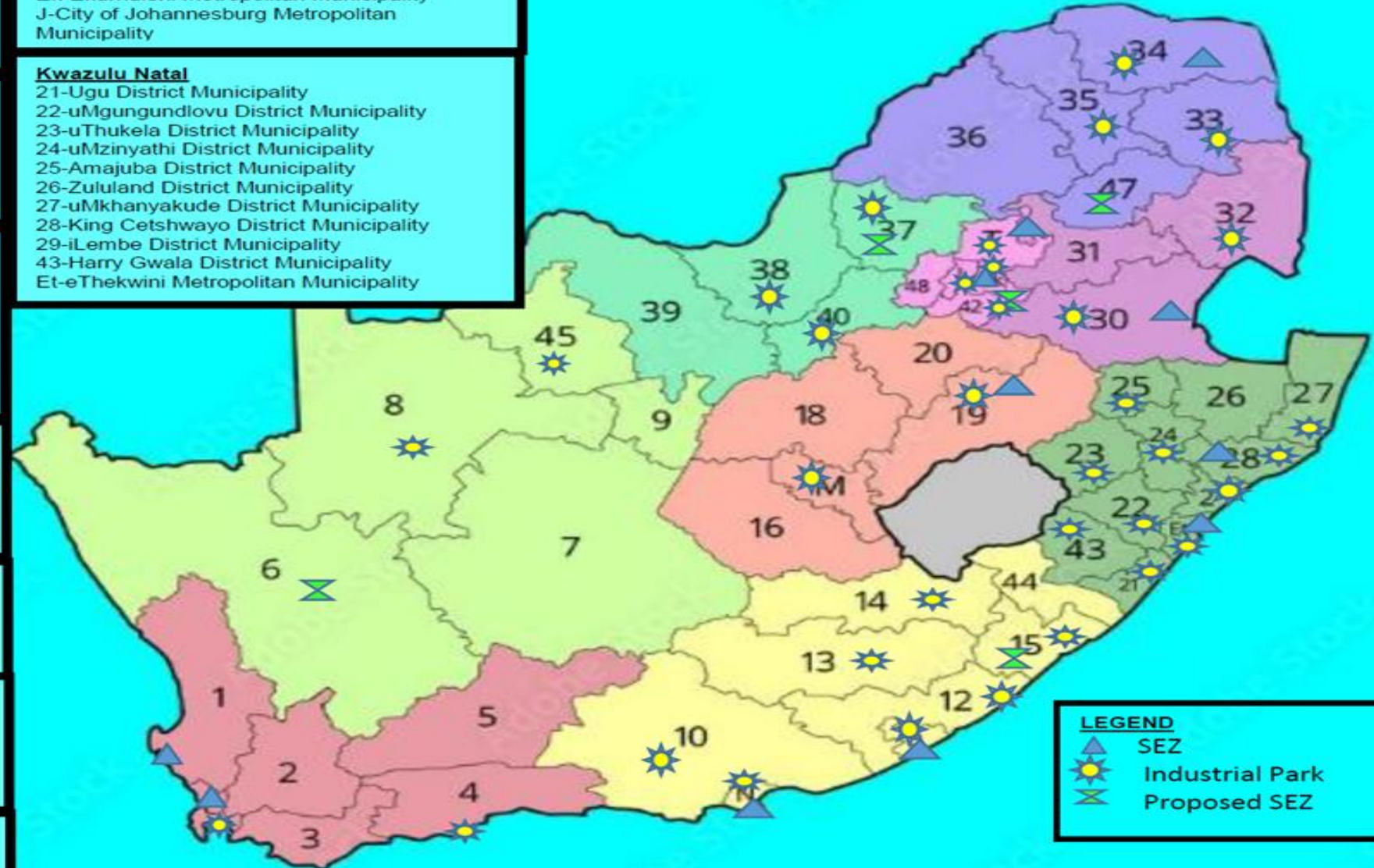
30-Ehlanzeni District Municipality
31-Gert Sibande District Municipality
32-Nkangala District Municipality

Gauteng

42-Sedibeng District Municipality
48-West Rand District Municipality
Ek-Ekurhuleni Metropolitan Municipality
J-City of Johannesburg Metropolitan Municipality

Kwazulu Natal

21-Ugu District Municipality
22-uMgungundlovu District Municipality
23-uThukela District Municipality
24-uMzinyathi District Municipality
25-Amajuba District Municipality
26-Zululand District Municipality
27-uMkhanyakude District Municipality
28-King Cetshwayo District Municipality
29-iLembe District Municipality
43-Harry Gwala District Municipality
Et-eThekweni Metropolitan Municipality



LEGEND

▲ SEZ
★ Industrial Park
★ Proposed SEZ

Industrial Parks per District										
Province		District	Industrial Parks	Special Economic Zones	Proposed SEZ's	Province	District	Industrial Parks	Special Economic Zones	Proposed SEZ's
Eastern Cape	Sarah Baartman District Municipality		Yes			Limpopo	Mopani District Municipality	Yes		
Eastern Cape	Amathole District Municipality		Yes				Vhembe District Municipality	Yes	Yes	
Eastern Cape	Chris Hani District Municipality		Yes				Capricorn District Municipality	Yes		
Eastern Cape	Joe Gqabi District Municipality		Yes		Yes		Waterberg District Municipality			
Eastern Cape	OR Tambo District Municipality		Yes				Sekhukhune District Municipality		Yes	
Eastern Cape	Alfred Nzo District Municipality					Mpumalanga	Gert Sibande District Municipality			
Eastern Cape	Buffalo City Metropolitan Municipality		Yes	Yes		Mpumalanga	Nkangala District Municipality	Yes		
Eastern Cape	Nelson Mandela Bay Metropolitan Municipality		Yes	Yes		Mpumalanga	Ehlanzeni District Municipality	Yes	Yes	
Free State	Xhariep District Municipality					North West	Bojanala Platinum District Municipality	Yes		Yes
Free State	Lejweleputswa District Municipality					North West	Ngaka Modiri Molema District Municipality	Yes		
Free State	Thabo Mofutsanyana District Municipality		Yes	Yes		North West	Dr Ruth Segomotsi Mompati District Municipality	Yes		
Free State	Fezile Dabi District Municipality					North West	Dr Kenneth Kaunda District Municipality			
Free State	Mangaung Metropolitan Municipality		Yes		Yes	Northern Cape	Namakwa District Municipality			Yes
Gauteng	Sedibeng District Municipality		Yes				Northern Cape	Pixley ka Seme District Municipality		
Gauteng	West Rand District Municipality					Northern Cape	ZF Mgcawu District Municipality	Yes		
Gauteng	Ekurhuleni Metropolitan Municipality		Yes	Yes		Northern Cape	Frances Baard District Municipality			
Gauteng	City of Johannesburg Metropolitan Municipality		Yes			Northern Cape	John Taolo Gaetsewe District Municipality	Yes		
Gauteng	City of Tshwane Metropolitan Municipality		Yes	Yes		Western Cape	West Coast District Municipality		Yes	
KwaZulu-Natal	Ugu District Municipality		Yes			Western Cape	Cape Winelands District Municipality			
KwaZulu-Natal	uMgungundlovu District Municipality		Yes			Western Cape	Overberg District Municipality	Yes		
KwaZulu-Natal	uThukela District Municipality		Yes			Western Cape	Eden District Municipality	Yes		
KwaZulu-Natal	uMzinyathi District Municipality		Yes			Western Cape	Central Karoo District Municipality			
KwaZulu-Natal	Amajuba District Municipality		Yes			Western Cape	City of Cape Town Metropolitan Municipality		Yes	
KwaZulu-Natal	Zululand District Municipality									
KwaZulu-Natal	uMkhanyakude District Municipality		Yes							
KwaZulu-Natal	King Cetshwayo District Municipality		Yes	Yes						
KwaZulu-Natal	iLembe District Municipality		Yes							
KwaZulu-Natal	Harry Gwala District Municipality		Yes							
KwaZulu-Natal	eThekwini Metropolitan Municipality		Yes	Yes						

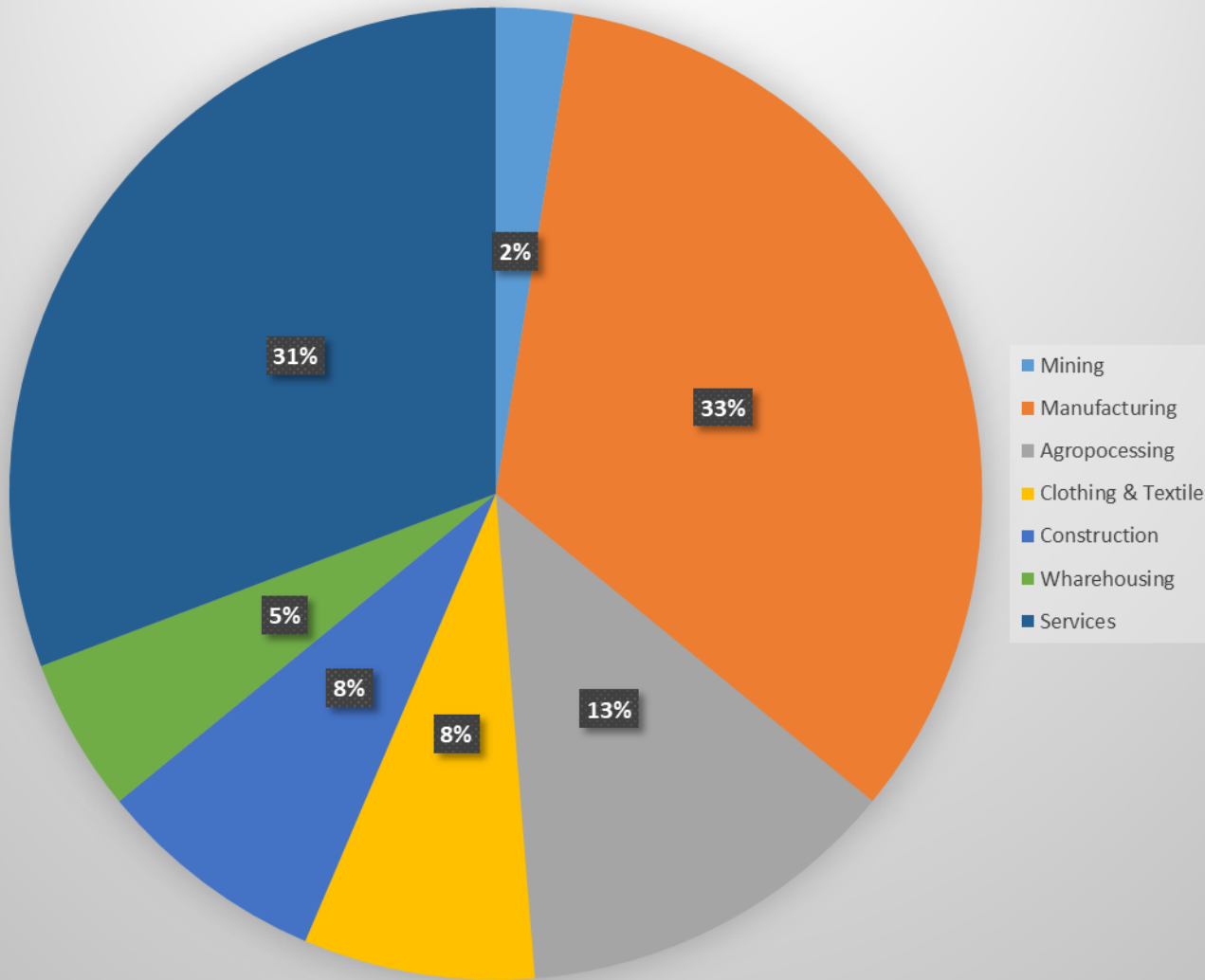
Breakdown of DTIC funding per Industrial Park

Province	District/Metro Municipality	Industrial Park	Total R/Million
Eastern Cape	Buffalo City Metro	Dimbaza	R49 999 796
	Chris Hani District	Komani/Queendustria	R68 320 940
	OR Tambo District	Vulindlela	R69 528 836
Free State	Mangaung Metropolitan	Botshabelo	R81 486 248
	Thabo Mofutsanyana District	Phuthaditjhaba	R50 000 000
Gauteng	City of Tshwane Metro	Babelegi	R97 042 395
KZN	iLembe District	Isithebe	R98 949 750
Limpopo	Mopani District	Nkowankowa	R40 172 274
	Capricorn District	Seshego	R85 361 833
Mpumalanga	City of Tshwane Metro	Ekandustria	R49 978 277
North West	City of Tshwane Metro	Garankuwa	R42 133 447
	Bojanala Platinum District	Mogwase/Bodirelo	R84 602 363
Northern Cape	ZF Mgcawu District	Upington IP	R49 996 825
Total			R867 572 984

Industrial Parks Performance - Socio Economic Impact					
Province	Name Of Industrial Park	# of Tenants	# of People Employed	Value of Tenants investments	<ul style="list-style-type: none"> •The IP provide significant employment opportunities in their respective regions mainly by Small and Medium Enterprises. •The jobs in the industrial parks include semi to skilled individuals. •Jobs are predominantly in agro processing and light and medium manufacturing sectors, which includes, textiles •Youth and Female Participation remain low in the formal Job market •The average occupancy of the Gross Leasable Area of the IP stands at 75%. •A survey conducted in February 2022 reflected that cumulative total investment increased from R4 billion to R 6 billion over a 12 month period (FY 2020/21-FY 2021/22). •Increase ascribed to the addition of the Upington IP, and expansion of Crickley Dairy, Twizza & Truda Foods in Komani IP.
Eastern Cape	Vulindlela IP	80	933	R164 250 000	
	Dimbaza IP	24	703	R100 000 000	
	Komani IP	49	2204	R2 000 000 000	
Free State	Botshabelo IP	104	5751	R668 729 131	
	Phutaditjhaba IP	113	5863	R118 000 000	
Gauteng	Ekandustria IP	99	2364	R859 000 000	
	Garankuwa IP	120	3173	R513 650 079	
	Babelegi IP	136	5102	R513 650 079	
Kwazulu Natal	Isithebe IP	128	13000	Unknown	
Limpopo	Nkowankowa IP	37	1430	R98 242 783	
	Seshego IP	55	1036	R140 242 783	
North West	Mogwase IP	110	2041	R810 000	
Northern Cape	Upington IP	77	2890	R1 000 000 000	
Total		1132	46 490	R6 012 324 855	

Industrial Parks Performance - Investments

TENANT ECONOMIC PARTICIPATION



- Majority Tenants in the Industrial Parks can be classified as SMME's based on their 'total full -time equivalent of paid employees' and 'total annual turnover', in line with the Revised definition of the National Small Enterprise Act 102 of 1996.
- Key Economic Sector across the IP focus on Manufacturing, specifically, Chemicals (cleaning products); Food and beverages (home-based food processing such as atchar, jams, confectionaries and bakeries); Wood and metal works (furniture and security features); Textiles, clothes and leather goods, Machinery and appliances (white goods)

Industrial Parks Performance – Service Challenges

[illegible]

Industrial Parks – Lessons learned

- The existing Industrial Parks has not produced change significant change in terms of jobs, investment or regional industrialization
- Majority of the industrial Parks are still in infrastructure decay with lack of maintenance and poor management
- The Industrial Parks are not supported by any business plan to demonstrate sustainability
- In response to the challenges, **the dtic** is reconfiguring its approach to Industrial Park programme to include amongst others, the following principles:
 - Change in the ownership and management of the targeted parks to include National, provincial and municipalities
 - Park will have proper management structures in place
 - Proper financial support system for the parks
 - Revitalization of the Industrial Parks should be supported by sound business plan, which include financial contribution from all spheres of government
 - Focus on the development of the district economy rather than just fenced enclaves areas;
 - New model that allows private sector ownership of the land (eg, 30% quota) in SEZs and Industrial Parks.
 - Ensure that money generated in industrial Parks is reinvested in the Industrial Parks

PART C – OVERVIEW OF EXISTING POLICY FRAMEWORK

- Constraints
- Impact
- Opportunities

Existing Spatial instruments- Constraints

Special Economic Zones

- **Community engagement strategies** : poor community engagement strategies resulting in community protests and illegal business forums
- **Capacity constraints in SEZ**: Limited human capacity in some SEZs is proving to have an adverse effect on the development, thus resulting in variant performance among the individual zones.
- **Poor support from provinces**: Many provinces not ready to play a leadership role in planning, developing and managing SEZs
- **Poor governance systems**: SEZ governance systems still need to be improved further as weakness related thereto still compromise the performance of the Programme.
- **Funding**: Securing funding commitment (for infrastructure development) from the other spheres of government still remains to be a challenge.
- **Poor Municipal service delivery**: Unreliable electricity and water provision in various provinces
- **Uncertainty around SEZ Tax Incentives**: the future of the SEZ tax incentives not clear

Industrial Parks

- **Poor governance**. The parks are owned by the provincial development agencies, and many of these agencies have multiple roles and responsibilities.
- **Lack of Operational Staff**. Many of the Parks do not have a focused, fulltime dedicated team. This leads to poor service provision, i.e. maintenance and tenant interaction
- **Rental Collections**: The rental income collected is often used to cross-subsidize a wider socio-economic development mandate of agencies.
- **Lack of Policy**. Although the IPRP is aligned to the industrialisation agenda of **the dtic**, it has not had a dedicated policy instrument guiding the implementation.
- **Lack of Funding Instruments**. The IPRP, is solely funded by **the dtic**, through the CIP programme, with no contributions from the other spheres of government, agencies or private sector.
- **Lack of Social Cohesion**. The surrounding communities suffer huge unemployment and feel disengaged from the development process as the IP's can not offer opportunities to the whole community.

The constraints have impacted the spatial initiatives as follows:

- a) Modest performance of Spatial initiatives
- b) Slow implementation of several spatial projects
- c) Inability to optimize beneficiation of resource endowments
- d) Continuous collapse of infrastructure
- e) Inadequate investments into the parks and zones
- f) Low levels of accountability
- g) Inadequate management structures in place

Existing SID Policy Framework – Opportunities for improvement

ITEM NO	AREA OF INTERVENTION	OPPORTUNITY
1	Ownership	<ul style="list-style-type: none"> Reconfigure new ownership model for supported parks Introduce co-ownership model for the parks Support private sector initiatives through bulk backed by investments
2	Governance	<ul style="list-style-type: none"> Secure participation from all spheres of government, including board representation
3	Management	<ul style="list-style-type: none"> On site Management to retain and attract tenants. Provide enabling services and infrastructure. Implement Standard Operating Procedures
4	Market Repositioning	<ul style="list-style-type: none"> Capitalising on inherent attributes of Industrial Parks such as proximity to the market and unlocking value through existing infrastructure
5	The National Project Management Unit	<ul style="list-style-type: none"> The establishment of the SEZ PMU at the IDC presents an opportunity to strengthen and accelerate infrastructure development, particularly in SEZs displaying lacklustre in struggling SEZ
6	Funding	<ul style="list-style-type: none"> Secure funding from all spheres of government Allow private property ownership in the parks and SEZs Money generated from the park used reinvested in the park Introduce Alternate funding models
7	Stakeholder coordination	<ul style="list-style-type: none"> DDM model present an opportunity to develop regions using SEZ and industrial parks as anchors
8	Local Incentives	<ul style="list-style-type: none"> Rebates on services and an accelerated approval process to attract investment
9	Environmental Considerations	<ul style="list-style-type: none"> Energy efficiency initiative and consideration for biodiversity, air quality and waste management

PART D – A NEW SPATIAL INDUSTRIAL DEVELOPMENT MODEL

- Background
- Rationale
- Outcomes
- New Approach
- Way forward

Spatial Industrial Development - Background

- The various spatial initiatives across municipalities since 1994 have generally not yielded sufficient results with respect to expanding the manufacturing sector and creating new industrial hubs.
- It is against this background that SA is developing a new approach aimed at addressing the uneven spatial industrial development that continues to undermine the country's industrialization efforts.
- The new approach to Spatial Industrial Development will help unlock the latent economic potential that circumscribes the country's different districts.
- This approach will also help deal with failures and lessons learned from the implementation of existing SID policies
- The intention of this this new approach in this regard is to streamline all spatial industrial development support measures under a single plan within each district municipality in the country, using the District Development Model (DDM) as a point of reference.
- The intention is that the new approach will help re-engineer the role of district municipalities within the economy.
- The goal is to expand and establish new industrial hubs across the country to attract investments and create jobs.

New Spatial Industrial Development Model - Rationale

- Outline policy levers that can be used for the purposes of unlocking the economic potential of all (under-developed) districts in the country;
- Identifies key spatial industrial development opportunities in all districts , such as the Green Economy initiatives, Localisation opportunities, Agro-processing, Mining inputs and beneficiation and Tourism, through which quick gains can be made to create jobs, and fight poverty and inequality;
- Foster a national industrial economy that ensures all districts have viable and productive space economy ;
- Support Spatial industrialisation of all districts through targeted spatial initiatives that go beyond just Industrial Parks and Special Economic Zones; and
- Address the binding constraints inhibiting the regions from realising their full developmental potential; and
- Facilitating strategic and broad-based partnerships.

New Spatial Industrial Development Model - Outcomes

The implementation of the Spatial Industrial Development Model will contribute to the three overarching outcomes of **the dtic** (Industrialization, Transformation and Capable State) through the following indicators:

- a) Increased Emergence of new industrial hubs which contribute substantially to all key economic indicators.”
- b) Increased number and value of foreign and domestic direct investments in all districts;
- c) Increased number and value-added exports;
- d) Increased employment in the industrial sector; and
- e) Increased beneficiation of agricultural and mineral resources.

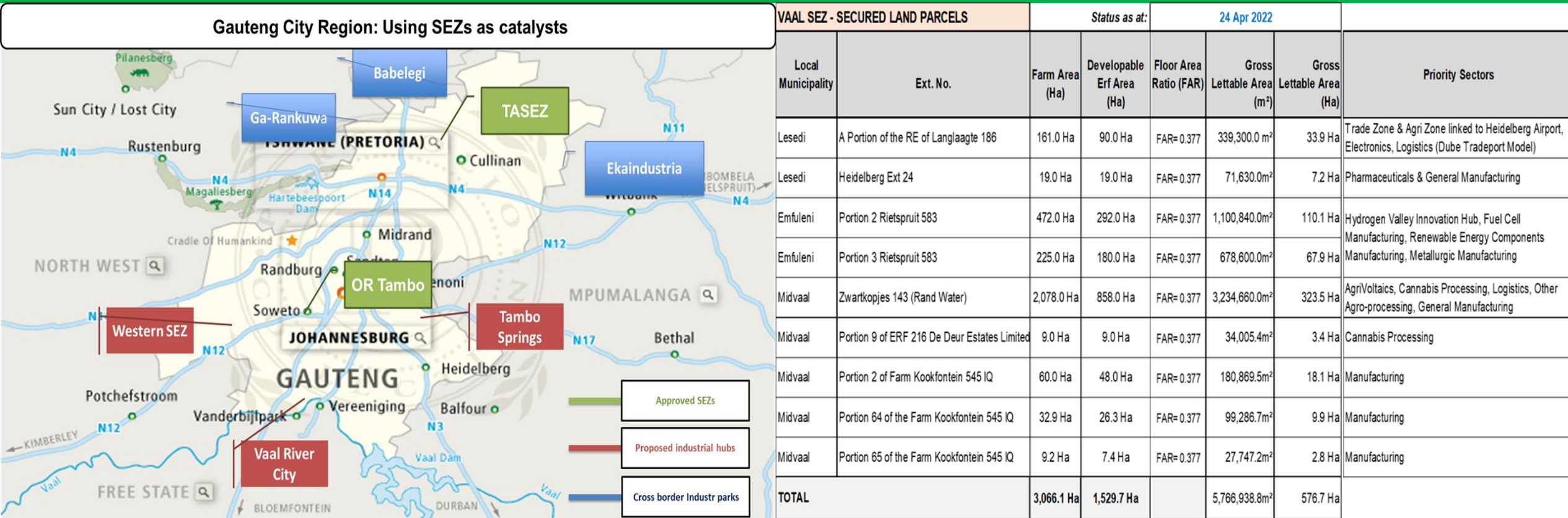
New Spatial Industrial Development Model – Approach

1. **Governance Arrangements** :the dtic will no longer be a “spectator” or “financial intermediary” but become directly involved in the ownership and management of strategic SID projects; and strengthening of National PMU to provide support to SID projects;
2. **Strong Commitment from all spheres of Government:** Long-Term Planning that has inputs and commitments from all the spheres of government (Including the related agencies). Need to ensure that all spheres of government are properly aligned and properly capacitated;
3. **Development of Strong and credible investment promotion and facilitation plans:** proper measures to ensure attraction and retention of investments all Spatial Industrial Projects, and ensure strong investment commitment should be established before designation of SEZs to avoid premature designations
4. **Community involvement and Facilitation:** credible plans will be developed with partners to ensure continuous engagement with communities and stakeholders on jobs and SMME opportunities , including challenges to avoid conflicts

New Spatial Industrial Development Model – Approach

5. **Incentive Support:** develop district-based integrated and simplified investment approval processes; application of strategic incentives to attract investments in Spatial Industrial Projects, e.g, global business services, in the next five years
6. **Hybrid- Ownership and financial Model:** the support will include state owned, PPP and private sector projects planned and implemented in areas outside the designed SEZs and Industrial Parks (catalytic projects in identified corridors,
7. **Funding:** Partnership approach is recommended given capacity constraints and fiscal constraints, including exploring private sector participation in industrial infrastructure project. Institutions including IDC, NEF, SABS, SEDA and SEFA have significant roles to play in supporting the SID implementation
8. **Strong private sector participation:** open up for private sector developers and operators of SEZs and Industrial Parks;
9. **Support to struggling projects:** Strong support will be provided to fix struggling SEZs/Parks, those that cannot be fixed or work, will be sold or closed.

New Spatial Industrial Development Model – Example of GP and Vaal SEZ



- A company has been established to drive the entire “Sedibeng” development corridor
- 2 priority investments secured and planned for ‘breaking ground’ within current financial year – combined estimated investment value of R3,8 billion
- A R1,5 billion Chinese investment in ceramic tile manufacturing set to locate near the Midvaal SEZ site
- Another 5 near-shovel ready investments being pursued for closure
- Sedibeng Investment Conference held in October 2021 received investment pledges in excess of R45 billion
- Master plan is expected to be completed in June 2022

WAY FORWARD

Way Forward

- **The dtic** has developed an integrated approach to Spatial Industrial Development Intervention
- Key amongst the interventions that **the dtic** family will undertake during the financial year 2022/23 are:
 - Establishment and support to SEZ and Industrial Parks
 - Establishment and support to Digital hubs
 - Identification of viable Spatial Industrial Development initiatives in every district
 - Report identifying private sector industrial nodes at District level
 - Participate in the investment mobilization drive
 - Launch the Eastern Cape and Limpopo One Stop Shops
 - Coordinate the integration of interventions by **the dtic** and its entities into the District One Plans
 - Develop dashboards of interventions by **the dtic** and its entities for all 52 districts
 - Compile reports on work completed on integration of the industrialisation and transformation effort of **the dtic** and its entities at district levels
 - Sector Master Plans implementation in various districts
 - Targeted industrial financing support in the nine provinces as well as at a metropolitan and district level to determine which regions have low uptake



THANK YOU

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