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Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## **THE NATIONAL COUNCIL OF PROVINCES**

### **QUESTION FOR WRITTEN REPLY**

#### **QUESTION NO. 438**

#### ***Re-industrialisation of economy***

**Ms M Kennedy (EFF) to ask the Minister of Trade, Industry and Competition:**

(a) What interventions have been made to promote growth in the re-industrialisation of the South African economy and (b) what are the relevant details in this regard? CW498E

#### **REPLY:**

(a) Successive administrations have placed a strong focus on industrialisation to contribute to the targets for 2030 as set out in the National Development Plan. For instance, the National Industrial Policy Framework (NIPF) provided a policy foundation for government's broad approach to industrialisation. It identified among other things, the need for the country to transition away from the so-called "minerals energy complex" and a highly concentrated economy to a more diversified industrial base with a focus on labour absorbing industries and structural transformation of the economy. In order to build and expand on the NIPF and provide continuity with regards to industrial policy development, the Presidency tasked the Economic Cluster in 2019 to come up with a plan to re-ignite the economy given low economic growth rates. This culminated in the development of the Re-imagined Industrial Strategy in order to boost private sector investment and economic inclusion through development of various sector Master plans.

The emphasis on re-industrialisation is borne by the fact that the domestic economy faces a myriad of challenges ranging from electricity supply and related costs; water crisis

exacerbated by inadequate investment in infrastructure; inefficient ports, rail and road logistics; access and reliability of telecommunications infrastructure amongst others. In addition, skills gaps and mismatch between demand and supply have been a key structural constraint to sustainable industrialisation in South Africa. These binding constraints have remained and continue to contribute to the high cost of production in the South African economy, thus reducing its cost competitiveness.

As part of the whole of government approach, a draft National Industrial Policy has been developed. The NIP has been developed with a clear understanding that a “business as usual” approach will not give the country the opportunity to escape the low-growth trap and de-industrialisation the economy has been subjected to over the last decade or so.

The NIP has also been formulated to respond to a dynamic global and domestic economic environment taking advantage of opportunities in new sectors of the economy. In that regard, the new industrial policy is anchored on three thrusts decarbonisation, diversification and digitalisation to foster industrial growth and transformation of the South African economy.

(b) Given the country’s low economic growth rate and high unemployment, both supply and demand side measures are essential to stimulate demand across productive sectors of the economy. The new industrial policy calls for alignment of policy instruments in order to increase investment in new sectors such as critical minerals, digital economy, green hydrogen and renewable energy. In addition, it identifies growth sectors such as agriculture, mining, automotive, steel, clothing and textile; chemicals & pharmaceuticals; infrastructure; energy and services.

These sectors will be supported through recalibrated policy instruments within the ambit of the government in order to take the economy out of the low growth trap, whilst reducing inequalities and creating jobs for the citizens of South Africa. This includes the reviewing and adjustment of the existing industrial policy instruments that government has deployed in the past to support re-industrialisation.

Currently, a suite of interlocking and cross cutting industrial policy tools is being deployed across the economy to foster re-industrialisation.

These include:

- A pivoted system of industrial finance and incentives through our development finance institutions such as the IDC and NEF to provide a variety of competitiveness-enhancing support programmes to businesses (SMMEs, women, and youth-owned enterprises), attract investments; support and create jobs.
- Leveraging Spatial and Industrial Infrastructure in order to de-centralise economic activities, through a new model of SEZ & Industrial Parks programme and investment facilitation programme. Linked to this is support of catalytic industrial initiatives within townships, focusing on job creation, industrialisation, and private sector partnerships. This will be facilitated through collaboration with provinces and developmental agencies to promote localised industrialisation.
- Targeting government procurement to raise aggregate domestic demand with the aim of boosting production for both local and export opportunities, and creating jobs in the associated supply chains in order to drive reindustrialisation.
- Leveraging and strengthening B-BBEE legislation to deepen transformation, broaden economic participation through enterprise and skills development programmes.
- Regional integration and export led industrialisation to foster upward movement in global value chains, leveraging on the African Continental Free Trade Area (AfCFTA) to unlock manufacturing potential and facilitate industrialisation, and drive sustainable growth and jobs among other objectives.
- Developmental trade policies such as tariffs and standards deployed in a selective and strategic manner such as tariffs; anti-dumping measures; safeguards; rebates; export taxes as well as leveraging on the trade agreements to defend domestic industrial capabilities against unfair trade practices.
- Competition and regulation policies focussing on competitive input costs for productive investments and affordable goods and services for poor and working-class households.
- Skills programmes focussing on youth transitions into formal employment, by expanding access to structured work experience programmes aimed at equipping young people with both technical and soft skills.
- Technical infrastructure institutions to support industrialisation through greater use of Standards, Quality Assurance, Accreditation and Metrology (SQAM) to secure

market access for South African goods whilst locking out sub-standard products and illicit goods from the domestic market.

- Scaled up social compacting approach through Masterplans to develop more nuanced solutions that will assist the economy to leverage private sector investment, deepen local supply chains, drive growth and create much needed jobs in South Africa.

All these interventions are aimed at developing, upgrading and expanding local productive capabilities with the ultimate goal to grow and re-industrialise the economy.

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