

# DPME Briefing: Monitoring of public procurement to advance industrialisation, localisation, job creation and transformation

PORTFOLIO COMMITTEE ON TRADE, INDUSTRY AND COMPETITION



planning, monitoring  
& evaluation

Department:  
Planning, Monitoring and Evaluation  
REPUBLIC OF SOUTH AFRICA

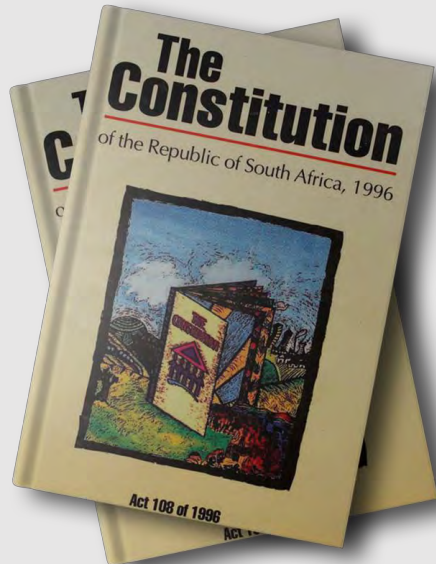


# Outline

1. Introduction
2. DPME mandate
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5. Examples of recent DPME monitoring activities relating to industrialisation and inclusive growth:
  - Sector Masterplans
  - Industrial Parks and Special Economic Zones
    - Nkowankowa Industrial Park Intervention
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  - Localisation
3. Recommendations and implications for the 7th Administration

# DPME Mandate

Proclamation 47, dated July 2014, establishes and entrusts the functions of Planning, Monitoring and Evaluation to the Minister in The Presidency in terms of Section 97 of the Constitution of the Republic of South Africa.



## DPME core functions

### Planning:

Long-term planning through National Development Plan (NDP); Medium and short-term planning, by coordination and oversight on the 5-yearly strategic plan and annual institutional plans.

### Monitoring:

Ongoing tracking of implementation and progress on the plans by applying robust monitoring systems backed by evidence.

### Evaluation:

Evaluating critical government programmes with the intention to inform planning, monitoring, government interventions as well as budget prioritisation.

### Interventions:

Intervening on behalf of Cabinet and the President for remedial actions, and on planned or unplanned events such as natural disaster and challenges identified from PM&E processes.

# Focus of DPME monitoring activities

## NDP 2030

### NDP recognises localisation as a key strategy for economic growth and job creation in SA through:

- Leveraging public and private procurement to promote localization and industrial diversification.
- Increased local manufacturing.
- Developing stringent localization policies across entities.
- Utilising localization as part of the economic recovery strategy.

## MTSF 2019-2024

### Industrialisation, Localisation and Exports interventions:

- Create a conducive environment that enables national priority sectors to support industrialization and localization.
- Support localization and industrialization through government procurement.
- Establish Public Private Partnerships for the localization of pharmaceutical production including through the state-owned pharmaceutical company.

## DPME

- Ensures policy priorities are integrated into the government planning system
- Collects progress reports from implementing departments on a quarterly and bi-annual basis.
- Conducts quarterly analysis of progress reports and give feedback to departments on interventions needed to fast-track progress where progress is lagging.
- Conducts progress analysis on a bi-annual basis and report implementation progress to Cabinet with recommendations on interventions needed to fast-track/unblock progress where progress is lagging.
- Undertakes regular follow-ups on the implementation of key cabinet decisions.
- Conducts monitoring assessments to selected Industrial Parks (IPs) and Special Economic Zones (SEZs) to assess their effectiveness and facilitates interventions to improve performance and service delivery.
- Currently piloting dashboard for Masterplans to monitor the impact of 5 selected Masterplans under implementation

# Monitoring of MTSF 2019-2024 Priority 2 (Economy and Job Creation)

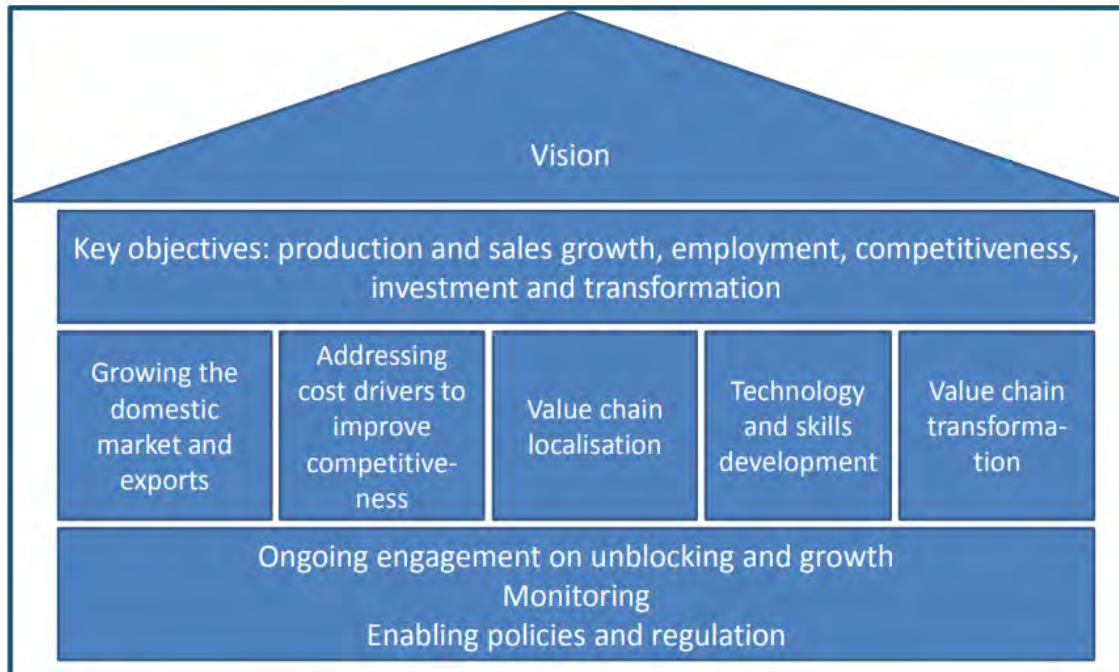
| Indicators for Priority 2   | Overall Performance Against MTSF targets |                  |                                  |
|---|--|------------------|----------------------------------|
|   | Number of Targets                        | Targets achieved | Targets continuing (2024 - 2029) |
| More decent jobs sustained and created  | 7  | 1                | 6                                |
| Investing for accelerated inclusive growth  | 8  | 3                | 5                                |
| Industrialisation, localisation and exports   | 3  | 2                | 1                                |
| Improve competitiveness through ICT adoption, research and innovation                                 | 7  | 5                | 2                                |
| Reduced concentration and monopolies and expanded small business sector                               | 7  | 4                | 3                                |
| Improved quality and quantum of investments   | 3  | 1                | 2                                |
| Supply of energy secured  | 11                                       | 3                | 8                                |
| Water security secured  | 4  | 2                | 2                                |
| Increase access to affordable and reliable transport systems  | 7  | 3                | 4                                |
| Increased economic participation, ownership and access for women, youth and persons with disabilities | 4  | 0                | 4                                |
| <b>Total for Priority 2</b>   | <b>65</b>                                | <b>31</b>        | <b>18</b>                        |

## Performance overview

- Constrained economic growth and weakened investor confidence due to the energy crisis; & deterioration of transport and logistics sectors as a result of severe deterioration in the freight rail network.
- Structural unemployment remains a persistent challenge, affecting the overall economic stability and growth.
- Recent improvements in energy security have been made, which are critical for stabilising the economy and restoring investor confidence.
- The govt's industrial Masterplans aim to enhance localisation and achieve re-industrialisation and growth.
  - ✓ It is crucial to ensure that Masterplans are linked to govt incentive schemes aim to boost execution, but scaling them up remains crucial.
- The current Industrial Park model has not significantly impacted jobs, investment, or regional industrialisation.
- Support for SMMEs and Co-ops is crucial for economic transformation and job creation, but is hindered by regulatory and administrative burdens i.e.. (Red tape)

# Industrial Policy: Sector Masterplans (1)

- In June 2019, the Re-imagined Industrial Strategy (RIS) was approved – a collaborative approach emphasising on localisation, investment and policy reforms to drive industrial growth and sustainability.
  - ✓ The development of Sector Masterplans to grow the economy and expand productive sectors is at the centre of this strategy.
- **Government Interventions:** Drive strategic localisation, repurpose manufacturing, and strengthen trade,
- **Goals:** Increase manufacturing output, reduce imports, and expand local supplier capacity.



## Monitoring Efforts by DPME – Dashboard Pilot Project:

- Monitoring of the implementation of masterplans (MPs) remains key in ensuring that they achieve their intended objective of growing domestic production, increasing local content, transforming industries, and reclaiming domestic markets.
- In January 2022, DPME was tasked with monitoring masterplan implementation to strengthen industrialisation and ensure government alignment.
- Results-based monitoring of industrial masterplans will help assess the impact of the Re-imagined Industrial Strategy (RIS) on the economy and broader society.
  - ✓ However, reporting on outcomes is hindered by flawed development processes.
- DPME has developed a centralised Dashboard for outcome reporting, piloted with five masterplans (**automotive, tourism, clothing & textiles, poultry, forestry**).
- The aim is to institutionalise masterplan reporting within government for better tracking of localisation, job creation, and transformation efforts by govt.
- The DPME had to work backwards to create outcome indicators for the five masterplans under the pilot.
  - ✓ With the help of a service provider, the DPME initiated a process to validate these outcome indicators.
  - ✓ These indicators are being piloted as part of the dashboard project to centralise reporting on masterplans.
- An evaluation was also initiated to study the efficacy of masterplans that are more advanced, to draw lessons to improve ongoing and future masterplan designs and implementations.
  - ✓ Evaluation focused on the extent to which the masterplan process adopted and implemented a coherent and viable theory of change.

## Industrial Policy: Sector Masterplans (2)

### Key findings and challenges from the Monitoring Dashboard and Evaluation undertaken

There is no alignment in terms of reporting and planning cycles in government; including standardized reporting framework.

Lack of defined outcome indicators; lack of validated baseline data and targets; Lack of verified datasets for all indicators (i.e. Poultry Masterplan).

Lack of data on most of the Masterplans constraining the ability to draw definitive conclusions on progress.

Some of the employment data is not available for measurement (i.e. Forestry).

Lack of clear accountability and governance mechanisms for reporting.

Implementation of the Masterplan project did not completely accord with the initial theory of change.

Government had not set clear outcomes for the process.

Government did not develop a consistent approach to identifying priority industries for masterplans.

Government succeeded in establishing platforms with business and labour to develop the published master plans, with established governance structures.

The masterplans did not provide a strategic narrative for structural changes that would accelerate inclusive industrialisation.

The immense disruptions in the global and national economies in the past four years mean that as of late 2023, none of the masterplan industries visibly accelerated growth or employment compared to 2019.

# Industrial Policy: Sector Masterplans – Key progress highlights

## Key highlights of Masterplans under implementation

- 12 Masterplans finalised and under implementation include: clothing, textile, footwear and leather (CTFL); poultry; sugar; commercial forestry; steel & engineering; automotive; global business services; furniture; agriculture and agro-processing; tourism; and most recently medical devices.
- More than 700 000 jobs were created from 7 Masterplans focusing on job creation and transformation:
  - ✓ Poultry and Sugar ( 126 000); Automotive (116 288); CTFL, Furniture and Global Business Service Plans (245 236); steel (220 511)

### Automotive:

- A R6bn Auto Industry Transformation Fund was established in 2020 to provide grants and market access grants to black-owned businesses in the automotive value chain.
  - ✓ By 2024, R464m had been committed as grants (with just over R300m disbursed) and 17 black component manufacturers have been supported.
- To supplement the current assistance provided under the Automotive Production Development Programme, govt has redirected R964m over the medium term to facilitate the transition towards electric vehicles.
  - ✓ From 1 March 2026, producers will now have the opportunity to claim 150% of qualifying investment expenditure on electric and hydrogen-powered vehicles within the initial year.
- Major agreement reached in 2023 with Tier 1 auto component manufacturers ensuring greater opportunities for black manufacturers in Tier 2 or Tier 3 level, with up to R690m in grants and R1,5bn in procurement committed.

### Sugar:

- R60m of premium payment to small-scale growers for a period of three seasons (2021/2022 to 2023/2024) has been allocated.
- Govt, through the National Treasury, has agreed not to increase the Health Promotion Levy for the next two financial years.

### R-CTFL:

- A total of 233 applications worth R1,9bn were approved for the Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)
  - ✓ The CTFLGP incentive is supporting the transformation objectives and the programme has supported 65 black-owned firms (R643m); 31 women-owned (R273m) firms and 5 youth-owned (R65m) firms to date.
  - ✓ In total, the programme has sustained 24,107 jobs and created 4,534 jobs.
- A rebate facility was introduced to reduce the input costs due to high import tariffs for fabrics – domestic textile firms supply only a small percentage of all fabric used by the local clothing industry.
  - ✓ This brought fabric tariffs down to zero, decreasing the cost of imported inputs (fabrics), in turn enabling protection of domestic production.
  - ✓ This rebate has allowed 18 million kg or R2,3bn of fabric to be brought into South Africa duty-free, supporting the competitiveness of 66 million finished garments by reducing their price by an estimated R9.50 per garment.

# Industrial Policy: Industrial Parks and Special Economic Zones (1)

## Monitoring assessment on IPs and SEZs

- Special Economic Zones (SEZs) and Industrial Parks (IPs) play a crucial role in advancing South Africa's industrial strategy by promoting localisation, job creation, and transformation:
  - ✓ Encourage domestic production.
  - ✓ Develop local supply chains, increasing the use of locally sourced materials.
  - ✓ Promote direct employment and skills development.
  - ✓ Foster economic diversification and inclusive growth.
- The DPME has been undertaking continuous monitoring assessments on SEZs and IPs to assess their effectiveness in achieving their objectives.
- During September and October 2021, DPME visited selected Industrial Parks and SEZs to assess their effectiveness and verify progress made towards their implementation as industrial models in SA.
- These monitoring assessments revealed that notwithstanding the significant progress made thus far, some challenges are blocking further progress.
- In most Industrial Parks, challenges were uncovered concerning poor management and administration of the facilities.
- DPME has been implementing several interventions at Nkowankowa to unlock its economic potential – driven by the need to spend an extended period in one location to fully understand the ecosystem and its challenges.
- The goal is to develop and implement best-case management practices for industrial parks, ensuring sustainable development and improved performance across all sectors.
- A recent report was tabled to Cabinet detailing findings and interventions.

## Nkowankowa Industrial Park Intervention

- The intervention occurred amidst investor complaints about the lack of essential infrastructure, protests by local SMMEs over their exclusion, and the overall risk of losing over 500 jobs in the industrial park.
- There was also a need to respond to an industrial strike by an organised group representing SMMEs in the Nkowankowa and Dan areas, which halted economic activity at the industrial park for two weeks.
- Concerns by the community regarding:
  - ✓ Insufficient employment and SMME opportunities from the IP, and
  - ✓ Employment of undocumented foreign nationals instead of locals.
- DPME coordinated a clean-up operation with multiple departments to ensure legal employment.
- Engagements with tenants and investors were conducted over time to prevent their exit from the IP, which could have led to significant job losses.
- Consequently, DPME initiated discussions with **the dtic** and the IP management to secure urgent funding to address the critical infrastructure deterioration within the IP.
- Through these efforts there was also commitment from tenants and investors to employ only legally permitted foreign nationals and support local SMME development.

# Industrial Policy: Industrial Parks and Special Economic Zones (2)

## Lessons learned from the Nkowankowa IP Intervention

- DPME's main findings about the functioning of Nkowankowa IP can be categorised as follows:
  - ✓ Need to improve governance and coordination of govt efforts;
  - ✓ Need to build a business case to support **the dtic's** financial investment in an IP which should include conditions of funding, i.e. set targets, indicators, SMME set-asides, etc., to be performed by the management of the IP;
  - ✓ Ownership of IPs must be clarified as part of reforms of the dtic IP framework;
  - ✓ Local economic development and the participation of SMMEs in IPs is vital – should be part of the proposed IP funding conditions.
- Overall, the intervention revealed significant governance issues within the industrial parks, despite the involvement of multiple state entities.
  - ✓ The business processes were poorly defined, leading to threats from investors to withdraw due to inadequate infrastructure and security, which were exacerbated by the state's lack of responsiveness.
- There have been substantial delays in implementation by DBSA and its contractors primarily due to funding disbursement delays between the Treasury, DBSA, and **the dtic**.
- Additional delays have arisen from construction stoppages by local SMMEs and the community, who were not allocated the 30 percent set-aside for this project.
  - ✓ Therefore, it is crucial for the implementing agent to engage local stakeholders in the refurbishment of IPs.

## Matjhabeng Business Case for an SEZ

- DPME is involved in the Matjhabeng Local Municipality to assist in fast-tracking an application for a license for an SEZ that they had made to **the dtic** in late 2023.
  - ✓ DPME observed the long turnaround period in the licensing and operationalisation of SEZs.
- The SEZ application was made based on extracting greater economic beneficiation from the large available reserves of Liquid Natural Gas (LNG) and Helium that are mined by Renergen in Virginia, Free State Province.
- DPME convened intervention support & progress to date is:
  - ✓ Stakeholder meetings were held with the aim of establishing a Project Steering Committee: the provincial government, DPME, **the dtic** & ISA.
  - ✓ Traced the municipality's year long application at **the dtic**, determined gaps in the application such as the need for funding and the completion of a full feasibility study by the municipality.
  - ✓ DPME has requested **the dtic** and ISA to urgently utilise their project-preparation units to assist the municipality to produce feasibility study & facilitate stakeholder engagements with different funds where the municipality would qualify.

### Opportunities:

- Helium Gas is extracted as a by-product of LNG mining. It has quite a broad range of uses in Artificial intelligence, the medical field, Aerospace, Semiconductors, Automotive, Fusion and Fission Energy, fiber optics cables, quantum computing, etc.
- Global Helium prices have quadrupled from about a decade ago because of limited supply – should govt/**the dtic** work with urgency on this project, this will South Africa become the 9<sup>th</sup> producer globally. Global helium demand is expected to grow at approximately 4% per annum, driven by significant semiconductor and rocketry end market expansion.

# Industrial Policy: Industrial Parks and Special Economic Zones (3)

## Objectives of the establishment of the SEZ in Matjhabeng:

- Harness the economic potential of the recently discovered natural gas resources, particularly LNG and Helium.
- Promote value-added activities and technological advancements.
- Production could catalyze growth of related downstream industries, further enhancing the country's industrial base. i.e. Energy, Mining, Manufacturing, Technology, Logistics, Research, Fertilizer and Chemical.
- Establish a fully functional industrial complex; attracting foreign direct investment, creating job opportunities, and fostering local entrepreneurship.
- Advocate for research and development incentives, promoting innovation and collaboration between academia, industry, and research institutions, resulting in technological advancements, product diversification, and enhanced competitiveness.
- Support infrastructure development and access to utilities, infrastructure improvements can have a positive ripple effect on local communities and nearby industries.

## DPME reasons to support Matjhabeng SEZ application:

- South African has a looming gas crisis, attributed to declining gas imports from Mozambique.
- Gas sector has the ability to contribute towards resolving the current energy crisis.
- Careful consideration must therefore be given to indigenous gas fields and imports.
- The current operations in Virginia are sponsored by the USA, which indicates extent to which the urgency to benefit locally from these reserves.
- South Africa may find itself an exporter rather than a beneficiary.
- DPME recommends the Cabinet to support the project and finalise the SEZ application, due to its economic potential benefits locally as well as nationally.

# Driving industrialisation through localisation

## Govt spend on designated goods and services

- As part of government's strategy to enhance local manufacturing and stimulate economic growth through public procurement policies, certain sectors are designated for local production – requiring minimum local content thresholds.
- Designated sectors for local production include: cement; steel products and components for construction; solar PV components; rail signaling systems; fire fighting vehicles; plastic pipes and fittings; buses (bus body) as well as textile, clothing, leather and footwear.
- As at December 2021, 28 products were designated and slightly more than R88 billion was spent on products designated for local production Between March 2015 and December 2021.
  - ✓ This govt expenditure supported local manufacturers in value chains spanning from rail rolling stock, clothing and textiles, and furniture to boats and working vessels, electric transformers, and valves.
- Since government (**the dtic**) started monitoring tender compliance from advertising stage in the 2021/2022 financial year, a total of 576 tenders were evaluated/assessed for compliance with the designation requirements.
  - ✓ Tendering authorities increased local content requirement compliance.
  - ✓ Compliance was above 50%.
- Following the Constitutional Court's ruling in February 2022, organs of state are no longer obligated to adhere to mandatory BEE and local content preferential procurement requirements outlined in national regulations.
  - ✓ This ruling has created policy uncertainty as the new regulations grant state organs greater discretion to adopt their own procurement policies.
  - ✓ The Public Procurement Act, 2024 (Act No. 28 of 2024) was approved by the President and published as an Act in the Government Gazette on 23 July 2024.
    - The act will address the gap by creating a single framework that regulates public procurement, including preferential procurement, by all organs of state.
    - However, the provisions of the Act are not in force yet, pending the finalisation of the relevant provisions of PPA regulations.
  - ✓ In the current administration, the DPME will continue tracking the implementation of the public procurement bill by ensuring that specific targets are included and tracked as part of the MTDP that is currently under finalisation.

## RECOMMENDATIONS AND STRATEGIC ISSUES GOING INTO THE 7<sup>th</sup> ADMINISTRATION

- Institutionalising Masterplan reporting in govt – incorporate into the MTDP & APP development & reporting; aligning with govt reporting cycles.
- Linking govt business incentives to industry masterplans.
- Development of Masterplans must be more rigorous:
  - ✓ Include a logical theory of change
  - ✓ Be customized per industry
  - ✓ Fit for purpose – differentiate Masterplans that address infrastructure gaps; act as enablers; export orientated; attracting foreign investment
  - ✓ Measure both competitive production and employment opportunities.
- Effective coordination across state agencies requires new mandating systems for the development of masterplans, and consistent platforms for engagement after they are adopted
- Reforms to the industrial park model should be pursued to boost localisation efforts and achieve sustainable re-industrialisation and economic growth.
- The implementation of the enacted Public Procurement Act will continue into the 7<sup>th</sup> Administration.
  - ✓ Govt to continue supporting localisation and industrialisation through government procurement.
- National Treasury has started collecting payments related to procurement transactions from municipalities and will start reporting on the additional data sets from the beginning of 2025/26.
- Review the financial sector code to support transformation.

A photograph of the National Parliament Building in South Africa, featuring two large domes and a central flagpole, with the text "Thank you" overlaid in white.

**Thank you**