



EUROPEAN CLUSTER  
COLLABORATION PLATFORM

# Country factsheet

South Africa

An initiative of the European Union





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# 01

## Introduction and economic policy context



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## 1. Introduction and economic policy context



This document presents an overview of the cluster policy in South Africa. Given the importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [OECD Economic Survey: South Africa 2022](#). The “Economic Surveys” present the major challenges faced by the country, evaluate the short-term outlook, and make specific policy recommendations.

The COVID-19 pandemic has caused an unprecedented economic shock to the South African and global economies, characterised by a decline in production and employment. The policy response by the government was driven by [relief packages for employers as well as businesses and fiscal and monetary stimulus efforts](#).

In addition to the COVID-19 pandemic, the ongoing Russian military aggression against Ukraine has also taken its toll on the South African economy, as important export/import trade flows and deals are destabilised. Especially with most of South Africa's [wheat imports originating from Ukraine](#), the discontinuation and recreation of alternative and more expensive value chains have taken a toll on South African businesses.

In the following, a succinct overview of the cluster policy in South Africa will be provided. The structure of this factsheet generally encompasses:

- 1) an overview of South Africa's cluster-related policies,
- 2) an assessment of the state of play of the South African cluster-related policies at the national level.

# 02

## National cluster policy, programmes and initiatives



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## 2. National cluster policy, programmes and initiatives

In this section, we provide an overview of the existing South African cluster policies on a national level.


The breakdown is presented in the form of a table, with the first column showcasing information on the aspects which constitute the policy (beginning with 'Policy Objectives', following with 'Policy Focus', etc.). The second and third columns represent the cases of two South African cluster-related policies.

Within the table, the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2022), which are applied for comparative purposes. This is followed by a complementary descriptive text to provide more insights into the cluster policy in South Africa.

**Table 1 - Overview of cluster policy in South Africa**

Policy type:	Sectoral policy	Broad policy
Policy name:	Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
<b>POLICY OBJECTIVES</b> 	<b>Strengthening cooperation between companies or industry and RTDI actors</b> <b>Increasing competitiveness and boosting scale up of SMEs</b> <b>Supporting internationalisation activities</b> <b>Fostering R&amp;D activities, technology development and implementation</b> <b>Fostering innovation and strengthening innovation ecosystems</b> <b>Promoting resilience and sustainable economy and other solidarity-based initiatives</b> <b>Promoting employment and upgrading skills and competences</b> <b>Strengthening the network of cluster organisations/cross-clustering</b>	<b>Increasing competitiveness and boosting scale up of SMEs</b> <b>Supporting internationalisation activities</b> <b>Fostering R&amp;D activities, technology development and implementation</b> <b>Fostering innovation and strengthening innovation ecosystems</b> <b>Promoting entrepreneurship, start-ups and spin-offs</b> <b>Promoting resilience and sustainable economy and other solidarity-based initiatives</b>



Policy type:	Sectoral policy	Broad policy
Policy name:	Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
	<b>Cluster analysis and support for policymaking</b> <b>Increase supply chain resilience</b>	<b>Promoting employment and upgrading skills and competences</b> <b>Increase supply chain resilience</b>
	<p>Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP) recapitalised in 2023, represents a rebranding and continuation of the previous Clothing and Textiles Competitiveness Programme (CTCP).</p> <p>The CTFLGP provides funding support for the textile goods manufacturing industries to invest in competitiveness improvement interventions (e.g.: clothing, footwear, leather)</p> <p>The Programme has been simplified and revised to better meet the sector's needs and focuses on</p> <ol style="list-style-type: none"> <li>1) Competitiveness Improvement</li> <li>2) Expansionary Working Capital</li> <li>3) Start-up Funding</li> <li>4) Cluster Funding</li> </ol>	<p>The Special Economic Zone (SEZ) Programme aims to facilitate the development of industrial agglomerations that attract investment and promote business capability development through the formation of clusters.</p> <p>The specific policy aims are directed at enhancing the export-oriented manufacturing industry in South Africa. Central tools to achieve this include: incentive packages and business support services.</p> <p>Access to the SEZ benefits is granted to start-ups and existing businesses focusing on manufacturing, designated internationally traded services, and trading/warehousing activities. The SEZ Programme therefore provides services to companies engaging primarily in export activities.</p>
<b>POLICY FOCUS</b> 	<b>Sectoral</b>	<b>Sectoral</b>
	<p>The sectoral policy focus of the CTFLGP is directed at the textile industry (e.g.: clothing, textiles, footwear, leather, and leather goods manufacturing industries).</p>	<p>The main policy focus is export-oriented industries and manufacturing, and covers various different sectors such as:</p> <ul style="list-style-type: none"> <li>- Automobiles</li> </ul>



Policy type:	Sectoral policy	Broad policy
Policy name:	Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
		<ul style="list-style-type: none"> <li>- Agro-processing</li> <li>- Chemicals</li> <li>- General manufacturing</li> <li>- Business process outsourcing</li> <li>- Energy.</li> </ul>
<b>RESPONSIBLE AUTHORITIES</b> 	<b>Both drafting and implementation</b> <b>Provides funding</b> <b>Oversees the implementation</b> <p>The South African Department of Trade and Industry (DTI) is the main authority responsible for the drafting, implementation, and funding of the CTFLGP.</p>	<b>Both drafting and implementation</b> <b>Provides funding</b> <b>Oversees the implementation</b> <p>The South African Department of Trade and Industry (DTI) is the main authority responsible for the drafting, implementation, and funding of the SEZ Programme.</p>
<b>BENEFICIARIES</b> 	<b>SMEs</b> <b>Cluster organisations</b> <b>Start-ups</b> <b>Large firms</b> <b>General population</b> <p>The CTFLGP directs its focus on companies of varying sizes. Additionally, the policy also includes R&amp;D entities. Other beneficiaries are seekers of employment, as the policy aims at increasing employment.</p>	<b>SMEs</b> <b>Start-ups</b> <b>Large firms</b> <b>General population</b> <b>Others: Foreign investors</b> <p>The main beneficiaries of the SEZ policy are companies of all sizes and the general population since the policy focuses on promoting employment. Furthermore, the policy also aims to attract foreign</p>



Policy type:		Sectoral policy	Broad policy
Policy name:		Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
			investors to accelerate the growth of the South African industry.
<b>INSTRUMENTS</b> 	<b>Financial</b>	<b>Support to R&amp;D projects, SMEs becoming cluster members, etc.</b> <b>Funding collaboration initiatives</b> <b>Financing start-ups</b> <b>Subsidies for cluster infrastructure (e.g. offices, equipment)</b>	<b>Subsidies to hire personnel</b> <b>Subsidies for cluster infrastructure (e.g. offices, equipment)</b> <b>Others:</b> <ul style="list-style-type: none"> <li>- <b>Fostering foreign investment (compensated for the qualifying costs of moving new machinery and equipment [excluding vehicles] from abroad)</b></li> <li>- <b>Tax incentives</b></li> <li>- <b>Rebates</b></li> <li>- <b>Customs controlled areas; donation of land or provision of land at a discounted rate by municipalities for the establishment of SEZs</b></li> <li>- <b>Provision of utilities (water and electricity), sometimes at preferential rates, negotiated on a case-by-case basis</b></li> </ul>
	<b>Technical assistance</b>	<b>Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc.</b> <b>Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence</b> <b>Support for soft skills development: coaching, management training, upskilling/reskilling</b>	<b>Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc.</b> <b>Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence</b>



Policy type:		Sectoral policy	Broad policy
Policy name:		Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
		<b>Support for networking and partnership building (at the national and/or international level)</b>  <b>Marketing activities: advertising, communication, events, fairs, and so on</b>	<b>Support for soft skills development: coaching, management training, upskilling/reskilling</b>  <b>Marketing activities: advertising, communication, events, fairs, and so on</b>  <b>Others:</b> <ul style="list-style-type: none"> <li>- <b>Specialised waste services</b></li> <li>- <b>Infrastructure such as construction, maintenance, and upgrading access to roads for the SEZs</b></li> </ul>
	<b>Explanation</b>	<p>Financial and technical support is granted to help in fostering innovation through cluster projects. This is done specifically by increasing competitiveness in cost, quality, reliability, adaptability, as well as the capability to innovate through cluster project. This comes by providing</p> <ul style="list-style-type: none"> <li>- Providing funding for Start-ups</li> <li>- Providing funding for Cluster organisation</li> <li>- Capital equipment</li> </ul>	<p>Financial and technical support of the SEZ policy aims to effectively promote sustainable technological innovation and increased productivity. This comes by providing</p> <ul style="list-style-type: none"> <li>- Marketing support</li> <li>- Capacity development</li> <li>- Skills development strategies</li> <li>- Sustainable infrastructure development</li> <li>- Integrated logistics systems</li> <li>- Technology</li> <li>- Research</li> <li>- Developmental measures</li> </ul> <p>This in-turn should also aid job creation through national and provincial grants.</p>
	<b>Period</b>	<b>Unlimited</b>	<b>Unlimited</b>




Policy type:		Sectoral policy	Broad policy
Policy name:		Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
<b>HISTORY</b> 	<b>Ending year</b> <i>(for policies with limited period)</i>	-	-
	<b>Starting year</b>	2022	2012
	<b>Explanation</b>	<p>The Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP) represents a rebranding and continuation of the previous Clothing and Textiles Competitiveness Programme (CTCP) and launched in 2022.</p>	<p>Drawing on government sources, the SEZ policy was reportedly launched in 2012 and built on the former Industrial Development Zones Programme (IDZ).</p> <p>Thus it has emerged from new developments in national economic strategies like the National Industrial Policy Framework and the New Growth Path. Developments in global economic cooperations such as the BRICS (Brazil, Russia, India, China) have also influenced said cluster policy creation.</p> <p>Within the framework of the IDZ programme, several industrial complexes were set up and built within the new SEZ policy, such as:</p> <ul style="list-style-type: none"> <li>- Coega SEZ in the Nelson Mandela Bay Municipality</li> <li>- East London IDZ in the Buffalo City Municipality</li> <li>- Richards Bay IDZ in the uMhlathuze Local Municipality &amp; uThungulu District Municipality</li> </ul> <p>Dube TradePort IDZ in KwaZulu-Natal Province.</p>



Policy type:		Sectoral policy	Broad policy
Policy name:		Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)	Special Economic Zone (SEZ) Programme
<b>BUDGET</b> 	<b>Overall</b>		By 2012/2013, it was reported that the South African government invested up to EUR 435 million in the Coega, East London, and Richards Bay development zones (ECB conversion rate from ZAR to EUR from July 24, 2020).
	<b>Annual</b>		The budget is not publicly available
	<b>Source of funding</b>		South Africa's Department of Trade and Industry (SEZ Fund – Capital Projects), Department of Economic Development Environmental Affairs and Tourism, and regional authorities such as the Buffalo City Metropolitan Municipality for the East London IDZ.
<b>POLICY EVALUATION</b> 	<b>Availability</b>	<b>in-itinere</b>	<b>ex-ante</b>
	<b>Results</b>	No results	<p>Sources from 2013 government monitoring and reports on the inputs, outputs, outcomes, and impact of the former Industrial Development Zones (IDZ) policy.</p> <p>Said assessment indicates that South Africa's industrial zones following the IDZ policy did not reach financial sustainability until 2013. Therefore, the SEZ policy replaced the IDZ policy based on the following findings and recommendations:</p> <ol style="list-style-type: none"> <li>1) costs and risks must be managed better</li> <li>2) any upfront infrastructure expenditure must match business interests better</li> </ol>



Policy type:	Sectoral policy		Broad policy
Policy name:	Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)		Special Economic Zone (SEZ) Programme
			<p>3) initial government investment in the SEZs must be minimized</p> <p>4) capital and operational costs must remain proportional to the number of tenants in place</p> <p>5) excessive supply of industrial land by the government should be avoided</p> <p>6) in the new SEZs, operating entities will no longer be permanent and new operating entities will be appointed on a five-year contract</p> <p>7) the subsequent evaluation should fine-tune its indicators to include the efficiency and effectiveness of the SEZs.</p>
<b>POLICY ALIGNMENT WITH THE EU PRIORITIES</b> 		<b>Green Economy</b>  <b>Digitalisation</b>	-

Source: ECCP (2023).



# 03

## State of cluster policy



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### 3. State of cluster policy

This section presents an overview on the state of play of South African cluster policy in the form of a qualitative assessment across four categories of analysis – policy scope, continuity of cluster policies, evidence of performance, and the range of cluster support instruments. Please refer to the **Annex** for the detailed overview of the categories and the scoring system. The table below presents an overview of the **state of play of South African cluster policy** for 2023.

**Table 2: State of play of cluster policy**

SOUTH AFRICA	State of play
POLICY SCOPE	Absence of cluster policy
	Broad policy
	Sectoral policy
	National and/or regional cluster policy
CONTINUITY	No cluster-specific policy available
	Cluster policy established recently
	Cluster policy established between over 2 and 10 years
	Cluster policy established over 10 years ago
EVIDENCE OF PERFORMANCE	No evaluation and / or monitoring available
	Existence of evaluations of past policies
	Existence of monitoring or an ongoing / interim evaluation
	Existence of monitoring and ex-ante or ongoing / interim evaluation
CLUSTER SUPPORT INSTRUMENTS	No instruments for cluster development
	Financial support for cluster development in the broader and / or sectoral policy
	Financial or technical support for cluster development in dedicated cluster policy
	Financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023).

The text below provides a **qualitative description** of the state of play of the cluster policy in South Africa.

#### **Policy scope**

The Competitiveness Improvement Programme (CIP) within the overarching Clothing and Textiles Competitiveness Programme (CTCP) is a sectoral business support programme with a cluster development element for manufacturing in the textiles and apparel industry.

By contrast, the Special Economic Zone (SEZ) programme is a broader programme to develop a set of industrial areas which can serve as the infrastructure for cluster development.



## **Continuity**

South Africa's Department of Trade and Industry recognised the importance of cluster development already in the 1990s, making efforts to analyse sectors and interact with relevant stakeholders such as industry associations. The first major policies that include a cluster component were the Industrial Development Zone (IDZ) Programme, which was established in 2000, and the Industrial Policy Action Plan (IPAP), which was first launched in 2008/2009. Generally, these policies focused primarily on decreasing unemployment rates, fostering skills development, and ultimately increasing the global competitiveness of South Africa's industries, with an emphasis on manufacturing. Notably, these were industrial policies rather than cluster policies per se.

Policies specifically targeting and promoting cluster activity were launched as early as 2009 with the onset of the Clothing and Textiles Competitiveness Programme (CTCP), which included the national cluster-focused Competitiveness Improvement Programme (CIP). The CIP has fostered the growth of several ordinary, national, and subnational clusters ever since, with a view to potentially continuing the cluster approach in the textile industry in the future.

The Special Economic Zone (SEZ) policy was developed in 2012, replacing the Industrial Development Zone programme after a policy review to improve South Africa's economic development activities and further endorse cluster development. In order to achieve this, the SEZ policy utilises a wider range of policy instruments and incentives.

South Africa had also set up a Cluster Development Programme (CDP). This cluster policy, however, was terminated after the conclusion of its pilot phase in 2018. There is no publicly available information on why the policy was terminated. South Africa, thus, currently runs no dedicated national cluster policy.

## **Evidence of Performance**

A policy evaluation was finalised in 2013, assessing the financial sustainability of the now-terminated IDZ policy. This performance and expenditures evaluation measured the cost of attracting investment in the IDZs and compared it with the recorded gains. The IDZ policy was also evaluated by these two key indicators: 1) increased investment (number of signed investors, value of the investment, number of new investment agreements, number of investment opportunities) and 2) increased value-added exports (value of exports generated and establishment of new exporters).

The results of this assessment showed that by 2012/2013, the South African government had invested approximately EUR 435 million in the Coega, East London, and Richards Bay development zones. The measured private sector investment of EUR 165 million, however, did not match or exceed the amount of government spending in the same three zones in the same time frame. Therefore, the IDZ policy was replaced by the SEZ policy to remedy its shortcomings.

Another evaluation was carried out on the Cluster Development Programme (CDP). This policy specifically focused on promoting industrialisation, sustainable economic growth, and job creation in South Africa through cluster development and industrial parks. The policy was suspended in 2018 since it was launched as a pilot project aimed to provide grants to a limited number of clusters. Notably, the policy prioritised the growth of black-owned entities within selected clusters and the development of industrial parks in areas with high levels of unemployment, such as townships and rural areas. Moreover, the policy required the majority of cluster tenants to be involved in manufacturing and supply-based business. A summary report on the Industrial Policy Action Plan (IPAP) published in 2017 for the financial year 2017/2018 to 2019/2020 states that the CDP had approved six cluster initiatives totalling approximately EUR 3 million (ECB ZAR-EUR conversion rate from July 27, 2020) across the country. These clusters mainly engaged in the medical devices sector, composites, non-automotive, advanced manufacturing, pharmaceutical, and creative industries.



The DTI commissioned an impact assessment after the termination of the Cluster Development Programme, expecting recommendations from the evaluation to be delivered in the 2018/2019 financial year. This policy evaluation, however, is not publicly available.

### **Cluster Support Instruments**

The South African cluster-related policies both employ financial and technical assistance, though in varying compositions. While, for example, the CIP focuses more on skill development and consulting services, the SEZ provides physical infrastructure for logistics and research.

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## Annex

**Table 3 - Analytical framework for the state of cluster policy**

Criterion	Description	Categorical variables
<b>Policy scope</b>	assessment whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies, e.g. foreign trade policies, labour and social policies or specific sectoral policies, e.g. industrial policy tourism policies, agriculture policies	<b>absence of cluster policy</b> <b>existence of broader policies</b> <b>existence of specific sectoral policies</b> <b>existence of targeted cluster policies</b>
<b>Continuity of cluster policies</b>	assessment of the duration and experience of the country in carrying out cluster policies. This criterion assesses only existence of targeted cluster policies and not broader policies or sectoral policies	<b>absence of policies supporting cluster development</b> <b>cluster policy established recently (within the last 2 years)</b> <b>cluster policy established between over 2 and 10 years</b> <b>cluster policy established over 10 years ago</b>
<b>Evidence of performance</b>	assessment whether there are evaluations of past and ongoing policies and a monitoring system in place. The existence of monitoring and evaluation mechanisms determines the degree of policy development in the country	<b>no evaluation and / or monitoring available</b> <b>existence of evaluations of past policies, e.g. ex-ante</b> <b>existence of monitoring or an ongoing / interim evaluation</b> <b>existence of monitoring and ex-ante or ongoing / interim evaluation</b>
<b>Cluster Support Instruments</b>	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	<b>no instruments for cluster development</b> <b>financial support for cluster development in the broader and / or sectoral policy</b> <b>financial or technical support for cluster development in dedicated cluster policy</b> <b>financial and technical support for cluster development in dedicated cluster policy</b>

Source: ECCP (2023).