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EVALUATION OF THE INDUSTRY/SECTOR MASTER PLAN PROCESS

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OVERVIEW

This report evaluates the progress and outcomes to date from the master plan approach to industrial policy, which was initiated in 2019. To that end, it analyses the 10 master plans[1] published as of December 2023 using the theory of change methodology. On that basis, it identifies ways to improve the impact of the master plan project on the national objective of inclusive industrialisation. A separate report summarises findings on four of the 10 published master plans in more depth.

The master plan project was initiated in 2019, as part of an effort to reinvigorate South Africa's industrial policy through the reimagined industrial strategy. It was, however, disrupted by an extraordinary series of crises, from the COVID-19 pandemic to loadshedding to the speculative swings in commodity prices following the Russian invasion of Ukraine. In these circumstances, this evaluation focuses on the extent to which the master plan process adopted and implemented a coherent and viable theory of change. It outlines the main economic outcomes of the industries covered, but it is impossible to separate the impact of the master plan measures from the extraordinary headwinds facing the economy.

The master plan methodology effectively foresaw six basic steps, namely:

1. Government sets the main impacts and outcomes for industrial policy, which in turn shape the aims of the overall master plan project as well as the master plans for individual industries.
2. Government identifies a limited number of priority industries that, as a group, can accelerate inclusive growth, by expanding economic opportunities and/or driving faster growth and higher incomes overall.
3. For each priority industry, the government establishes a platform with formal business and labour to develop joint initiatives to achieve agreed-on aims.
4. The stakeholders agree on effective actions to support inclusive growth in the industry, testing proposals against the evidence so as to ensure realistic and effective approaches.
5. The stakeholders set up governance structures to drive implementation effectively while responding to changing conditions and needs.
6. The on-going implementation of large-scale measures, supplemented by new initiatives as required, accelerates economic growth in the master plan industries. Taken together, they both expand industrial capacity and lead to a stepped up expansion in economic opportunities, in the form of both waged jobs and self-employment.

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

First, the government did not set clear outcomes for the process. It also did not identify changes in the national production structure that could boost growth while qualitatively improving opportunities for working-class communities. In the absence of this kind of vision, the master plans aimed primarily at improving conditions for established businesses as the basis for achieving a modest acceleration in national growth. The plans treated employment almost exclusively as a function of growth in output.

[1] Automotive Industry; Poultry Sector; Retail, Clothing, Textiles, Footwear and Leather (R-CTFL); Sugar Industry; Forestry Sector; Steel and Metal Fabrication; Furniture Industry, Cultural and Creative Industries; Tourism Sector; Agriculture and Agro-processing.

Outside of forestry, they neither sought to change the structure of ownership nor to promote more labour-intensive activities.

Second, the government did not develop a consistent approach to identifying priority industries for master plans. In practice, some big businesses lobbied for master plans in relatively small industries with limited growth potential (notably poultry and sugar). Other major value chains were left out or experienced long delays. The agriculture master plan only includes first-stage agro-processing rather than food manufacturing. That effectively excluded key labour-intensive activities. The published plans included only two service industries (cultural industries and tourism), excluding all of the professional services such as engineering, software, health and education as well as job-creation centres such as caring activities, security and cleaning.

As a group, the industries with published master plans covered 15% of private formal employment in 2022, 9% of investment and 7% of the GDP. They generated over 25% of goods exports and imports, however. Most of the value add, investment, employment and net goods exports derived from the five commodity-based value chains with master plans – that is, sugar, poultry and other agriculture; wood and paper (under the forestry master plan); and steel. Three master plans – for sugar, poultry and furniture – covered much smaller economic activities. On average, these minor industries each contributed 0.5% of formal private formal employment and an even smaller share of the GDP and trade.

Third, the government succeeded in establishing platforms with business and labour to develop the published master plans, except in the cultural industries. Interviews with participants found that the new structures helped to improve communications and to strengthen the voice of established business and organised labour in policy development at industry level.

For their part, the government delegations appear to request principally that participants set quantified targets for increased production, investment, black ownership and employment, as well as stronger efforts in export markets. Generally they did not have the research capacity to test either the likelihood of success or the implications for inclusive industrialisation. Government delegations appear to have conceded to some important measures without obtaining agreement from state agencies that would have to implement them, notably around local procurement, infrastructure improvements, and regulatory changes. The agriculture and agro-processing master plan conceded that land reform would rely on state land plus voluntary donations from private landowners. That appeared to rule out expropriation.

Fourth, as a group, the master plans did not provide a strategic narrative that pointed to structural changes that would accelerate inclusive industrialisation. Instead, they promised incremental gains in output and consequently job creation based primarily on reforms to government services. They would not, however, substantially accelerate economic diversification, employment creation, or growth in small business. The published master plans all proposed streamlining regulations, improving infrastructure and promoting Black ownership. They included only limited or vague proposals to improve productivity, cut input costs, promote small producers and job creation, or improve the provision of goods and services for lower income groups.

The relative ambition of the master plan targets can be understood from the implications for growth rates in each industry. The targets were relatively high for GDP growth in agriculture, R-CTFL and auto, and for employment in wood and paper, R-CTFL and auto. As a group, however, they would still have only a modest impact on national growth and productivity. If achieved, they would boost growth in the master plan industries from 2023 to 2030 to 4.3% a year, compared to 1.6% from 2012 to 2019. But the master plan industries only contribute around a seventh of the total economy. As a result, even if they expanded as hoped, the direct result would be a 0.2% point increase in the growth rate. GDP growth would accelerate from 1.3% between 2012 and 2019 to 1.5% through 2030.

Fifth, all of the published master plans except for the cultural industries established governance structures as planned and, as of late 2023, had at least started to implement many of the short-term measures. The governance structures, however, required significant capacity from stakeholders, with oversight by top public and private executives and in most cases over five high-level workstreams. As a result, participation tended to decline over time.

In addition, in the absence of a defined strategic narrative, the master plans generally presented long lists of measures and commitments without visible prioritisation. In practice, the more ambitious initiatives were not started or were effectively dropped. These included optimisation of domestic and regional auto markets to reduce import dependence so as to grow the scale of local production; significant expansion in small-scale forestry; fast-tracking new kinds of steel to meet the demand from domestic industries and infrastructure; limiting access to foreign performers in the creative industries and improving contracts for local performers; and enhancing farmworkers' conditions.

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

CONTENTS

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1. PROBLEM STATEMENT AND METHODOLOGY

In 2019, the government replaced the annual Industrial Policy Action Plans (IPAPs) with master plans for individual industries or sectors. The shift arose from a project to reimagine industrial policy with a view to making it more effective.

This paper evaluates the master plan project as implemented through 10 master plans published by the end of 2023. An accompanying paper provides more in-depth case studies of four published master plans – automotive, poultry, R-CTFL and steel.

A number of factors mean only a preliminary assessment of the master plan project is possible. To start with, the structural changes required for industrialisation typically evolve over decades. Moreover, the global and South African economies suffered extraordinary disruptions from 2020. It is therefore impossible reliably to project how most economic outcomes would have progressed absent the master plans. By extension, most of the economic impacts of the master plans themselves cannot be separated out. Section 4.6 broadly outlines trends in the economy as a whole and in the industries covered by master plans, but it is not possible to identify the specific impacts from the plans in that context.

A further challenge is that the government has not formalised the objectives of the master plan project. This evaluation therefore assumes the Department of Trade, Industry and Competition (the dtic) vision constitutes the ultimately objective. It targets "A dynamic, industrial, and globally competitive South African economy, characterised by meaningful economic transformation, inclusive growth and development, decent employment and equity, built on the full potential of all citizens." (the dtic 2023a: 12) By extension, the master plan project should be assessed in terms of whether it helps step up opportunities for the majority of South Africans on a significant scale; accelerate overall growth; and diversify the economy away from dependence on commodity exports.

This evaluation starts by describing the master plan project. It then reviews the programme's origins in the 2019 effort to reimagine industrial strategy. Section 4 evaluates how the published master plans worked to implement the overall project. To that end, it examines their scope, process, targets, strategies and measures. Section 4.6 describes the implementation of the master plans to date, taking into account the extraordinary disruption to the economy of the series of domestic and foreign crises in the early 2020s.

The evaluation relies on a textual analysis of documentation around the reinvented industrial policy and the individual master plans; in-depth interviews with stakeholders and officials who developed and are implementing the plans; and the available economic data.

2. THE MASTER PLAN PROJECT: AIMS AND THEORY OF CHANGE

The master plan project arose as part of an effort to reimagine industrial strategy, which was driven by the Presidency and the dtic from 2019. Government did not, however, release a formal paper on its new approach to industrial policy. The analysis in this evaluation relies on presentations to Parliamentary portfolio committees and the National Economic Development and Labour Council (NEDLAC), internal discussion papers, and engagements with their authors.

The initial proposals for the master plan project pointed to four core dimensions.

1. Government needs to greater clarity on the ultimate aims of industrial policy, as the basis for improving coordination to support it across the state. The proposals acknowledge that in South Africa, industrial policy faces an inherent tension between promoting

    a. Technologically advanced, competitive industries like auto, that are typically relatively capital intensive, and
    b. Generating economic opportunities on a mass scale by supporting less advanced, more labour-intensive activities that provide opportunities for employment and emerging small businesses.
2. An effective industrial policy had to prioritise industries that could drive change, based primarily on their potential to grow and generate economic opportunities. Decisive and adequately resourced interventions could then be focused on the priority industries. The selection of industries would have to balance the need for some globally competitive clusters against the imperative of scaling up support for activities able to generate opportunities for employment and small business on a bigger scale.
3. The proposals stressed the importance of forging a more collaborative approach with formal businesses and other stakeholders at industry level. This formed part of a broader strategy to restore a degree of trust between powerful economic actors and government following the period of state capture. Each master plan would establish platforms to enable on-going engagement between organised business and labour at industry level. All of the documentation on the master plan project see these platforms as critical to improving engagement between stakeholders at industry level. In addition, some inputs expected the master plan document itself to be a formal compact laying out their commitments.
4. The parties should commit to an evidence-based policy approach that entrenched continual oversight, evaluation and reform as required. The master plans would establish governance structures with the capacity to identify and respond to their unique and evolving constraints and opportunities.

The master plan methodology essentially incorporated a theory of change with seven basic steps, namely:

1. Government sets the main impacts and outcomes for industrial policy, which in turn shape the aims of the overall master plan project as well as the master plans for individual industries.
2. Government identifies a limited number of priority industries that, as a group, can accelerate inclusive growth, by expanding economic opportunities and/or driving faster growth and higher incomes overall.
3. For each priority industry, the government establishes a platform with formal business and labour to develop joint initiatives to achieve agreed-on aims.
4. The stakeholders agree on effective actions to support inclusive growth in the industry, testing proposals against the evidence so as to ensure realistic and effective approaches.
5. The stakeholders set up governance structures to drive implementation effectively while responding to changing conditions and needs.
6. The stakeholders allocate capacity and resources on the scale required to drive the structural changes required for inclusive industrialisation.
7. The on-going implementation of large-scale measures, supplemented by new initiatives as required, accelerates economic growth in the master plan industries. Taken together, they both expand industrial capacity and lead to a stepped-up expansion in economic opportunities, in the form of both waged jobs and self-employment.

Table 1 summarises the theory of change inherent to the master plan approach as originally conceived. For each step, it outlines the prerequisites for success as well as the risks.

Table 1. Theory of change for master plan strategy

STEPS	PREREQUISITES	RISKS
Government sets developmental impacts for industrial policy	Government can balance demands for growth of the established formal sector against the need to improve inclusion by generating new opportunities for small business and employment.	Government does not set clear outcomes for the master plan process, which makes it difficult to promote structural rather than incremental change. In particular, absent defined outcomes, it is difficult to prioritise industries or measures at industry level.
Government identifies priority industries that, as a group, achieve the targeted impacts	Government has the capacity and decision-making systems required to identify and agree on priority industries.	Overarching objectives of industrial policy are not defined clearly enough to identify priority industries. Government decides on priorities based on the existing structure of state economic agencies and/or lobbying by businesses.
For each priority industry, government establishes a platform with formal business and labour to develop joint initiatives to achieve agreed-on aims.	Business and labour in the relevant industries are sufficiently organised and resourced to engage meaningfully. Government has research and mandating systems that enable it to analyse proposals to ensure they will achieve national aims and are realistic. Government representatives get agreement from other government agencies to implement proposals. Government is able to represent constituencies excluded from the platform, especially working-class consumers; jobless people; small business; and the environment.	In more labour-intensive industries, business and labour tend to be smaller and are not as well organised, making it difficult to engage. Government representatives adopt proposals from other stakeholders without adequately assessing their long-term implications, coherence and effectiveness. Government representatives adopt proposals without getting agreement from other state agencies that have to help implement them. Proposals are adopted that expand business revenues at the cost of unrepresented interests.
Stakeholders agree on effective actions to support inclusive growth in the industry, and set up governance structure	Business, labour and government are able to reach agreement about effective action, and on the capacity required to oversee implementation and continue engagement on further measures.	Parties cannot reach agreement and the process stalls. The parties can only agree on measures that are inadequate to achieve the stated aims, or place excessive burdens on working people or small businesses. Parties adopt a long list of measures without clear prioritisation or testing, which makes it harder to ensure strategic implementation.

STEPS	PREREQUISITES	RISKS
Governance structures are established and initial actions taken while workstreams address longer-term challenges	Stakeholders put in capacity for governance processes, ensuring on-going oversight and improvement. Lead department able to ensure other government agencies implement agreed-on measures. Government and stakeholders provide sufficiently large-scale support to qualitatively step up growth and job creation in the prioritised industries as a group.	Workstreams gradually stop meeting because of debates around aims, measures and progress on other commitments. Executive committees do not meet because members have too many other responsibilities. Other government departments refuse to act on agreements, and Treasury and stakeholders do not provide sufficient resources for implementation.
Stakeholders allocate capacity and resources on a sufficiently large scale	Stakeholders and government agree on effective, large-scale measures. Stakeholders and government prioritise implementation of the master plans and are able to realign their resource allocation as required.	The parties do not agree on large-scale scale measures that entail significant structural change. The parties are unable to reallocate spending to support large-scale projects in the master plans.
Growth accelerates in the master plan industries, which taken together drive industrialisation and step up economic opportunities (jobs and self-employment).	The adopted measures are adequate, appropriate and sufficiently resourced to achieve the desired aims. The industries covered by the master plans are large enough to have a decisive impact on the economy. Stakeholders collaborate to address blockages as they arise and take advantage of new opportunities. No new exogenous shocks emerge.	Master plan measures cannot significantly shift the growth trajectory because the industries covered are small and/or stagnant; the adopted measures are inadequate; or resourcing is not available on the necessary scale. Stakeholders cannot deal with unanticipated blockages or take advantage of emerging opportunities. Government cannot sustain support for formal business in the face of broad-based pressure for more disruptive economic reconstruction. South Africa or individual industries face unmanageable economic shocks.

As a group, the published master plans had several common characteristics, which did not fully accord with the original master plan strategy. The main elements are summarised here. More detail is provided in the relevant sections.

1. The government identified a lead department. In seven of the 10 published master plans, the lead department is the dtic. The other lead departments are the Department of Agriculture, Land Reform and Rural Development (DALRRD); the national Department of Tourism; and the national Department of Sports, Arts and Culture.
2. Except in cultural industries, the lead department established a platform to engage on the master plan with formal business and, where it existed in the industry, organised labour. In most cases it also commissioned research, although the findings were in several cases not utilised in the final plans.
3. All of the published master plans except the creative industries and tourism were formal government agreements with organised business and labour in the industry. Some master plans captured lists of specific commitments by the stakeholders. Others presented broader

agreements. None provided for consistent participation by consumer, community or municipal representatives.

4. Except for the creative industries, the master plans all established governance structures for the industry to ensure on-going engagement between the parties. These structures were generally headed by an executive committee that brought together top managers from established businesses and unions in the industry, chaired by the lead minister (the dtic, except for agriculture, creative industries and tourism). The executive committee typically planned to meet two to four times a year and oversaw between five and eight workstreams on longer-term proposals. Most master plans established a project management unit to act as secretariat.
5. The master plans generally aimed to ensure incremental growth, or in some cases to counter a threat of decline. As Graph 5 shows, virtually all the master plans targeted employment creation (seven out of 10), and over half increased production and black business ownership (six out of 10). In all cases except forestry and agriculture, however, they treated employment growth exclusively as a function of higher sales, with virtually no measures to promote labour-intensive activities or small business on a large scale. The forestry and agriculture plans propose an expansion in part-time micro-production.
6. In terms of immediate actions, on the supply side the master plans focused on improving infrastructure, support institutions and regulatory frameworks. Except in forestry, they neither identified the main cost drivers in the production process itself, whether inputs or technology, nor proposed ways to mitigate them. All sought to promote black ownership, mostly by individuals.
7. On the demand side, the published master plans emphasised efforts to grow domestic and regional markets. The main exceptions were tourism and agriculture outside of poultry and sugar, presumably because key subsectors – especially horticulture – were already strongly export oriented. Most of the plans indicated the need to promote exports, but focused on marketing and facilitating market access rather than changes in product lines or improved competitiveness.

3. THE ORIGINS OF THE MASTER PLAN PROJECT

The master plan project was justified by comparing the Industrial Policy Action Plans (IPAPs) with the then new master plan for the auto industry. The then Department of Trade and Industry (the dti)[2] published the IPAPs annually from 2008 to 2019. The reimagined industrial strategy documentation argued that the IPAPs diffused government action across too many industries; did not adequately take stakeholder views and needs into account; and did not sufficiently ensure an evidence-based, strategic approach to individual industries.

The dtic published nine IPAPs included proposals for 34 industries. Eight industries appeared in seven or more IPAPs. Those industries were auto; business process services; clothing and textiles; wood and paper; green industries; metals and machinery; agro-processing; and the chemicals value chain. Programmes for other industries, such as information technologies, tourism and marine services, appeared in only one or two years. (Mokoena and Mthembu 2023) The IPAPs also included transversal programmes. The final 2018 IPAP outlined nine such initiatives, among them localisation and trade policies.

The reimagined industrial strategy documentation suggested that the IPAPs' broad scope helped explain the limited public resourcing available for most industry-level measures. The dti's transfers to

[2] The Department of Trade, Industry and Competition (the dtic) was established in June 2019 with the merger of the departments of Economic Development and Trade and Industry (the dti).

business, mostly for various financial incentives, totalled R8 billion in 2018. That figure equalled three quarters of the dti budget. It would provide an average of R650 million for each industry included in the IPAP that year. In contrast, the National Treasury estimated that tax incentives and other support measures for the auto industry exceeded R30 billion a year in the late 2010s (Treasury 2023:133). That was 50 times the average for other industries included in the 2018 IPAP. The auto incentives were not included in the dtic budget.

The dti derived the IPAP's industry-level targets and measures from on-going formal and informal interactions with public and private stakeholders and researchers. But it did not establish platforms for consultation with established businesses or unions in the relevant industries. It also did not secure detailed agreements with affected state agencies on all of the actions proposed in the IPAPs. Those actions included, for instance, the provision of infrastructure, licences of various kinds, and setting regulatory standards. For instance, the IPAPs required that the ministry responsible for liquid fuels mandate a minimum admixture of ethanol, and that the national Department of Health procure local medications as far as possible. In both of these cases and many others, the relevant departments argued the costs of these actions outweighed the benefits

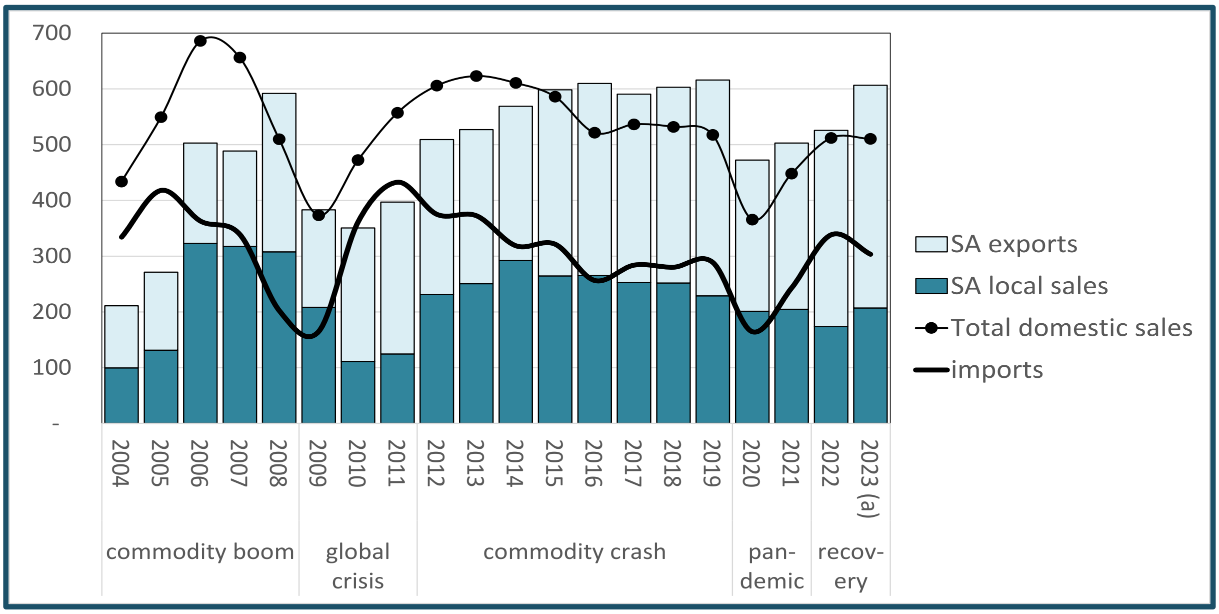
The reimagined industrial strategy argued that the master plan for the auto industry provided a better model than IPAP for driving industrialisation. The documentation highlighted, not the South African Automotive Masterplan as a document, but rather the structures established to promote on-going engagement within the industry between business, government and labour. These stakeholders commissioned the master plan document in 2016, although they adopted it only in 2019.

In the auto master plan, expert consultants identified broad strategic imperatives and options to inform the next phase in long-standing state support for the auto industry. The document laid out core economic constraints and, by extension, the strategic imperatives for maintaining growth and moving up the value chain. It did not include any commitments by the parties. Nor did it specify specific policies. It argued that these policies should be left to engagement by the stakeholders. The master plan document only indicated the critical economic outcomes that those policies would have to achieve in order to build a larger, more dynamic and sustainable auto value chain in South Africa.

The auto master plan built on the government's unique approach to the industry over the past 70 years. From the 1950s, the state worked closely with foreign and local producers to encourage auto assembly, largely for export, with targets to increase the share of local inputs by weight. Both before and after 1994, in return for large-scale investments by foreign auto brands (the "original equipment manufacturers" or OEMs) the state provided advanced, dedicated rail and port facilities plus tax incentives. The incentives took the form of rebates on import tariffs in exchange for exports and local procurement of inputs. The resulting transfers to the foreign car makers effectively matched large subsidies to the auto industry in competing countries.

Because the auto incentives effectively reduced import tariffs, local production focused on export markets, mostly selling large high-end vehicles. By the 2010s the auto industry had become one of South Africa's top six export industries, and the only one that was not part of the mining value chain. In most years, more cars were imported than exported, but the average value of imported vehicles was far below that of exports.

Graph 1. South African production for export and local sales, imports and domestic sales of cars, in thousands, 2004 to 2023 (a)



Note: (a) Extrapolated from January to November. *Source:* Calculated from Quantec. EasyData. Interactive data set. NAAMSA data on local and export sales, and SARS data on imports. Accessed at www.quantec.co.za in January 2024.

The reimagined industrial strategy argued that the auto master plan pointed to four success factors for industry strategies.

- First, to enable decisive interventions, master plans should only be developed in priority industries. That approach contrasted with IPAPs' mostly small-scale, low-cost initiatives across virtually all of manufacturing. Lower priority industries would still get state support, but did not need an industry-level strategic plan.

  Prioritising industries based on their potential developmental impact was expected to help manage lobbying by industries for bailouts. A notorious risk for industrial policy is that it ends up rescuing large, long-established producers with no real future, rather than promoting emerging activities with stronger growth potential.

- Second, the master plans should be developed through in-depth engagement with stakeholders, especially formal business. That engagement can promote a deeper understanding of industry-level challenges, enabling more effective policy. It should also replace power plays and lobbying with co-operation to achieve common objectives at industry level. More broadly, the master plans formed part of a wider effort in the late 2010s to overcome the deep distrust between the state and major producers that had resulted from the years of state capture.
- Third, industry-level engagements should be evidence based, rather than merely seeking to improve communication about business needs and to manage differences in interest. Joint research would enable the parties to identify realistic objectives, test whether specific measures were adequate and appropriate, and monitor implementation and the changing environment.
- Finally, successful strategies required alignment across key government functions. Coordination around industry-level strategies was especially important for licencing of all kinds (including municipal, environmental and visas); infrastructure; and skills and education. Measures proposed in IPAP had often been delayed by disagreements between departments and spheres of government. The master plan process was expected to forge deeper agreement on priority actions within the state as the basis for more consistent and faster implementation.

4. IMPLEMENTATION OF THE MASTER PLAN PROJECT

This section evaluates the implementation of the master plan project through the published master plans. To do that, it assesses the main policy instruments that follow from the master plan theory of change. (See the dtic 2021c; Presidency 2019) They are:

1. The national government should set the over-arching aims of the master plan project. Each published master plan would then contain strategies and measures to achieve those objectives.
2. The state should identify a limited number of industries that, as a group, have the potential to drive inclusive industrialisation. This approach would enable the government and stakeholders to mobilise the resources needed to scale up industry-level strategies sufficiently to shift the national growth trajectory. It responded to the perception that IPAP had diffused government capacity across too many clusters.
3. The development and implementation of master plans for the priority industries should combine:
    - Deep engagement with industry stakeholders, essentially meaning established business and union representatives, and
    - Evidence-based economic analysis both to identify key strategic needs and to test stakeholder claims by assessing their likely benefits, costs and risks.
4. The master plans would develop goals and measures that help achieve the overall objectives set for industrial policy. Engagement with stakeholders would aim, not to fundamentally change those objectives, but rather to come up with collaborative and realistic mechanisms to achieve them over time.
5. Government and the other stakeholders should scale up support measures and investment in the prioritised industries in line with the master plans.
6. All government agencies and spheres, led by the Presidency, should prioritise support for the master plans. That would permit alignment of all of the levers available to industrial policy. The documents specify coordination across trade agreements and tariffs; incentives and industrial finance; local procurement; state owned entities; social compacts; labour market policy; macro-economic policy; competition policy; skills development; infrastructure (transport, water, energy and broadband); and support for innovation.

Taken together, these instruments comprise a coherent approach to transformational sector-level strategies. The available documentation on the reimagined industrial strategy phrases these steps in general terms, however. Government leaders and officials had substantial scope to interpret the approach at industry level. The result was both large variations in the level of coherence and detail in the published master plans, and a tendency to fall back on incremental changes that seemed unlikely to drive significantly more inclusive or rapid industrialisation.

The remainder of this section analyses the implementation of each of the master plan policy instruments through the published master plans.

4.1. Overall aims of the master plan project

In 2019, a Presidency presentation on the master plan methodology argued that it should start by identifying the priority objectives of South Africa's industrial policy. On that basis, the master plan project could prioritise industries that, as a group, could accelerate growth and employment creation. (Presidency 2019:7)

In practice, however, the reimagined industrial strategy documentation did not set impact or outcome objectives, or describe their main dimensions. It focused primarily on upgrading the design and implementation of industry-level measures, irrespective of the policy aims. It wanted to supercharge the industrial policy vehicle so as to achieve whatever goals policymakers set.

In 2023, the dtic published a Masterplan Guide that had been developed by consultants for a one-a-side committee convened by the Presidency (see Section 4.3), but the document did not explain the purpose of master plans. Instead, it focused narrowly on the steps required to generate master plan documents, manage stakeholder engagements and then set up governance structures. (See the dtic 2023b) It recommended that the drafting process rely on two methodologies – PESTEL and Michael Porter's five forces model. These methods look exclusively at how businesses can manage their environment better. (the dtic 2023c:13ff) They were not developed to identify structural changes required at industry or value chain level in order to achieve national development aims. At best, PESTEL promotes greater sensitivity to political and developmental imperatives.

4.2. Selection of industries

A core premise of the master plan project was that industrial policy should identify priority industries that, as a group, could bring about more inclusive industrialisation. In practice, however, many important industries did not have a published master plan as of late 2023. Some of the industries with published master plans were very small and unlikely to contribute to either growth or employment creation on a significant scale.

The reimagined industrial strategy documentation proposed that the government develop criteria to guide prioritisation, but this apparently did not happen. There was no visible effort to identify a group of industries that, together, could develop in ways that would accelerate inclusive growth.

As of late 2023, the dtic had published the following master plans on its website.

1. The South African Automotive Master Plan for the auto industry in 2018
2. The Poultry Sector Master Plan in 2019
3. The Retail-Clothing Textile Footwear Leather (R-CTFL) Master Plan in 2020
4. The Sugar Industry Master Plan in 2020
5. The Forestry Sector Masterplan in 2020
6. The Steel and Metal Fabrication Master Plan in 2021
7. The Furniture Industry Master Plan in 2021
8. The Cultural and Creative Industries (CCI) Masterplan in 2022, which is led by the Department of Sports, Arts and Culture (DSAC)
9. The Tourism Sector Masterplan in 2023, led by the Department of Tourism.

In addition, DALRRD had published the Agriculture and Agro-processing Master Plan.

The reimagined industrial strategy documentation provided various lists of industries that could have a master plan. These lists encompassed all of the larger industries in manufacturing plus agriculture, mining, the oceans economy and selected services. Of the 10 published plans, the four smallest industries – poultry, sugar, furniture and forestry – were not on any of the original lists. (Table 2) As of late 2023, nine of the 15 listed industries had not published a plan. Of these, several had completed drafts but not finalised them, in some cases stalling for two years or more. In 2021, the dtic targeted completion of master plans for five more industries. It included proposals for master plans for medical devices and cannabis in its annual performance plan for 2023/4.

Table 2. Master plan industries as of October 2021

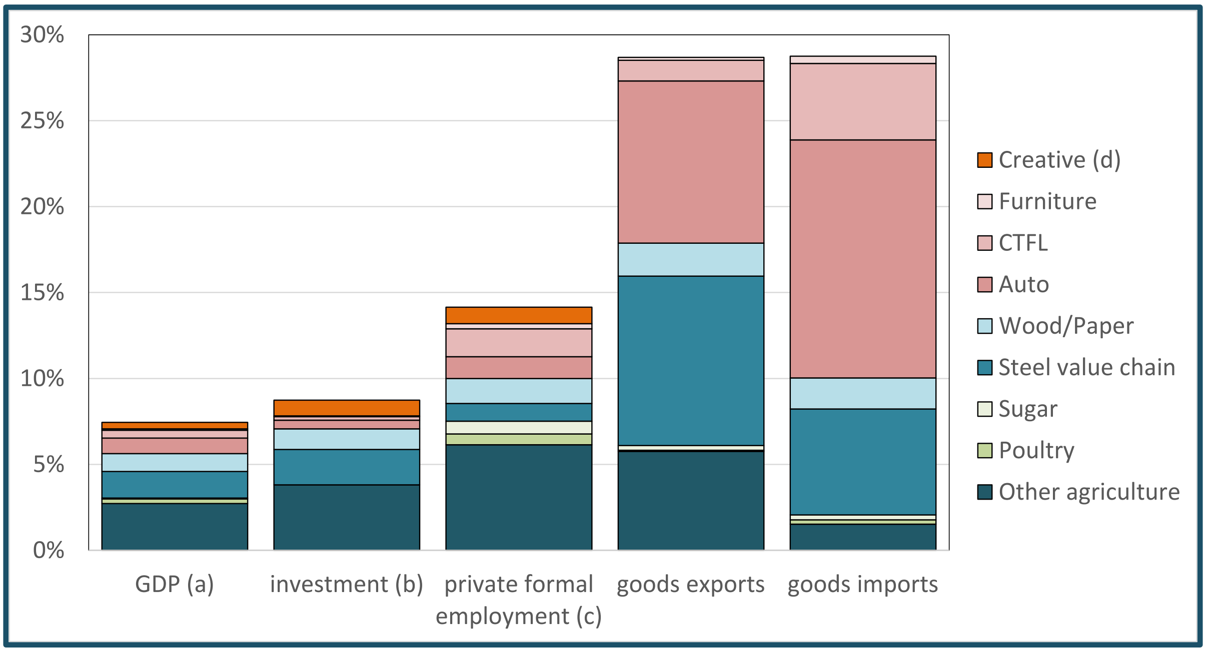
STATUS	INDUSTRY/SECTOR	PROPOSED IN 2019
Published	Auto	x
	Steel and metal fabrication	x
	Clothing, textiles, footwear and leather manufacturing (CTFL)	x
	Agriculture and agro-processing (a)	x
	Creative industries	x
	Tourism	x
	Furniture	
	Poultry	
	Sugar	
	Forestry	
On the original list, but not published	Plastics	x
	Chemicals	x
	Renewable energy	x
	Aerospace and defence	x
	Mining and beneficiation	x
	Gas	x
	Health economy (b)	x
Reported as underway but neither on 2019 list nor published	Cannabis	
	Global business services	
	Film and animation	
	Medical products	
	Construction	

Note: (a) The original proposal was to choose a few export-oriented industries within agriculture. Three agricultural products had published or proposed master plans as of late 2023 (sugar, poultry and cannabis). Neither horticulture nor wine, the lead exporters in the sector, were included. The published agricultural plan does not include downstream manufacturing except for initial processing in dairy, wine, food, feed and niche products such as essential oils. (b) The original proposal was for the entire health economy. The dtic narrowed the master plan to medical products in its 2023/4 annual performance plan. *Source:* the dtic. 2021. *Progress Update: Priority Masterplans.* Input to NEDLAC Trade and Industrial Chamber. 21 October. Slides 8ff.

Graph 2 shows the share in the economy of the industries with published master plans in 2022. They covered 15% of private formal employment, 9% of investment and 7% of the GDP, but over 25% of goods exports and imports. Most of the value add, investment, employment and net goods exports derived from the five commodity-based value chains with master plans – that is, sugar, poultry and other agriculture; wood and paper (under forestry); and steel. Three of the four other master plans were in non-commodity manufacturing (auto, clothing and textiles, and furniture). The only published master plan in the tertiary sector, for the creative industries, focused effectively on popular music.

Agriculture alone, including sugar and poultry, contributed 7.5% of private formal employment, 3% of the GDP, and 6.1% of exports. The master plan industries excluding agriculture and tourism each generated, on average, 2.4% of private employment, 1.2% of the GDP and 4.8% of trade. In contrast, three industries with published master plans – sugar, poultry and furniture – were far smaller than the other sectors and industries covered. On average, these smaller industries contributed 0.5% of formal private formal employment and an even smaller share of the GDP and trade. Some of these saw the master plans as a way to strengthen government support to deal with crises or challenges, notably in the case of poultry and sugar. Some reflected existing capacity with relevant departments, as in the case of furniture.

Graph 2. Share of industries with published master plans in the GDP, investment, private formal employment and goods trade, 2022



Notes: (a) Figures for contribution to the GDP are estimates by Quantec except in the case of sugar and poultry. Statistics South Africa does not publish these figures at industry level, so the graph uses an estimate of value added based on sales figures, using the ratio of sales to value added for agriculture as a whole. (b) Figure for investment in "other agriculture" includes sugar and poultry. (c) Figures for employment are an average of the four quarters to June 2023. For auto, figures for employment from Quarterly Employment Statistics, which reported 110 000 formal workers in auto in 2022. In contrast, the Quarterly Labour Force Survey finds under 100 000. Figures for sugar and poultry are from secondary sources, as noted below, because the labour force surveys do not disaggregate them. (d) Includes sports, recreational and cultural activities plus media and publishing. Figures for trade in services are unreliable and are not included here. *Source:* For all industries except sugar and poultry, figures on trade and contribution to GDP from Quantec. EasyData. Interactive dataset. Accessed at www.quantec.co.za in July 2023. For sugar and poultry sales, DALRRD. Abstract of Agricultural Statistics 2023. Figures for value of sales. Accessed at http://www.old.dalrrd.gov.za/Portals/0/Statistics%20and%20Economic%20Analysis/Statistical%20Information/Abstract%202023.pdf in September 2023. For employment, except for auto, data from Statistics South Africa. Quarterly Labour Force Survey. Average figure for four quarters in 2022. Electronic datasets. Downloaded from Nesstar facility at www.statssa.gov.za. For auto, Statistics South Africa. QES Details_BreakDown_200909_202303. Excel spreadsheet. Downloaded from https://www.statssa.gov.za/?page_id=1854&PPN=P0277&SCH=73247 in July 2023. For sugar, Yasmin Mohamedy. *Manufacture of Sugar in South Africa*. Who Owns Whom. Johannesburg. 2023. Downloaded from https://www.woweb.co.za/?m=Industries&p=reportinfo&id=5552&tab=8 in July 2023. For poultry, Natalie Kinsley. Billions invested in South Africa's poultry sector, in *Poultry World.* March 2022. Accessed at https://www.poultryworld.net/poultry/broilers/billions-invested-in-south-africas-poultry-sector/#:~:text=In%202019%2C%20the%20poultry%20industry,of%202022%2C%20according%20to%20Sulliman in July 2023.

The list of published master plans does not reflect the full range that was in progress as of late 2023. In 2021, the dtic announced that it had signed a master plan with stakeholders on business process services. The plan was not published as of 2023, however. Similarly, a "blue economy" master plan was not yet finalised in mid-2023, despite years of engagement. In its 2023/24 Annual Performance Plan, the dtic also noted work on master plans for medical devices and cannabis. These four plans have not been published and are not evaluated here.

A number of industries with a central role in the modern economy in South Africa and internationally have been excluded from all the lists of proposed master plans. These industries include capital goods and virtually all of the professional services, among others engineering and design; digital services of all kinds; health and education; and financial and legal services. The lists also excluded cleaning, security, social and personal services and retail, which together generated a third of total private formal employment in 2023, and half of private formal jobs for women.[3]

The agriculture master plan nominally included agro-processing. In practice, it covered only first-stage processing in dairy, wine, food, feed and niche products such as essential oils. It did not provide a strategy for food and beverages manufacturing, which accounts for around a quarter of manufacturing output (up from a seventh in 2000) and a similar share of manufacturing employment. (Calculated from Quantec 2024) The published master plans did not specify the relationship between the sugar and poultry master plans and the overall agriculture master plan.

In sum, the industries covered by the published master plans did not have a consistent justification or, as a group, able drive inclusive industrialisation. In consequence, as discussed in the next section, even if they meet their targets, they would not substantially accelerate either growth or job creation.

4.3. Engagement and research

The reimagined industrial strategy documentation emphasised the importance of engagement between government and economic stakeholders at industry level both in developing the master plans and in driving their implementation. At the same time, the proposals were supposed to be rooted in shared research. The combination of stakeholder engagement and evidence-based analysis was expected to ensure that proposals were both practical and realistic. Engagement between industry stakeholders should get buy in while ensuring a deep understanding of the constraints on producers; the research would ensure that inputs from the parties were consistently tested against objective reality.

This section reviews tripartite engagement around the master plan project at national and industry level, and then outlines the use of research in the published master plans.

4.3.1. National engagements

At the national level, the master plans were overseen by a one-a-side committee comprising representatives of the Presidency, the dtic, the Public-Private Growth Initiative (PPGI) and union federation COSATU. The PPGI was a partnership between leaders of government and big business that prioritised the establishment of more systematic engagement at industry level.

The one-a-side committee did not have a dedicated, capacitated secretariat to support its work. As a result, it proved difficult to undertake prioritisation of strategic industries and value chains; conduct quality control on individual master plans; or improve coordination within the state.

The lack of resourcing reflected a systemic problem facing industrial policy. In a democracy, it is inevitably difficult to resource government programmes that do not visibly meet the needs of the majority of voters. As published, the master plans did little to promote inclusion of excluded groups or to improve conditions for ordinary workers or communities. By extension, government institutions faced little pressure to allocate substantial new capacity to develop high-quality plans and oversee their implementation.

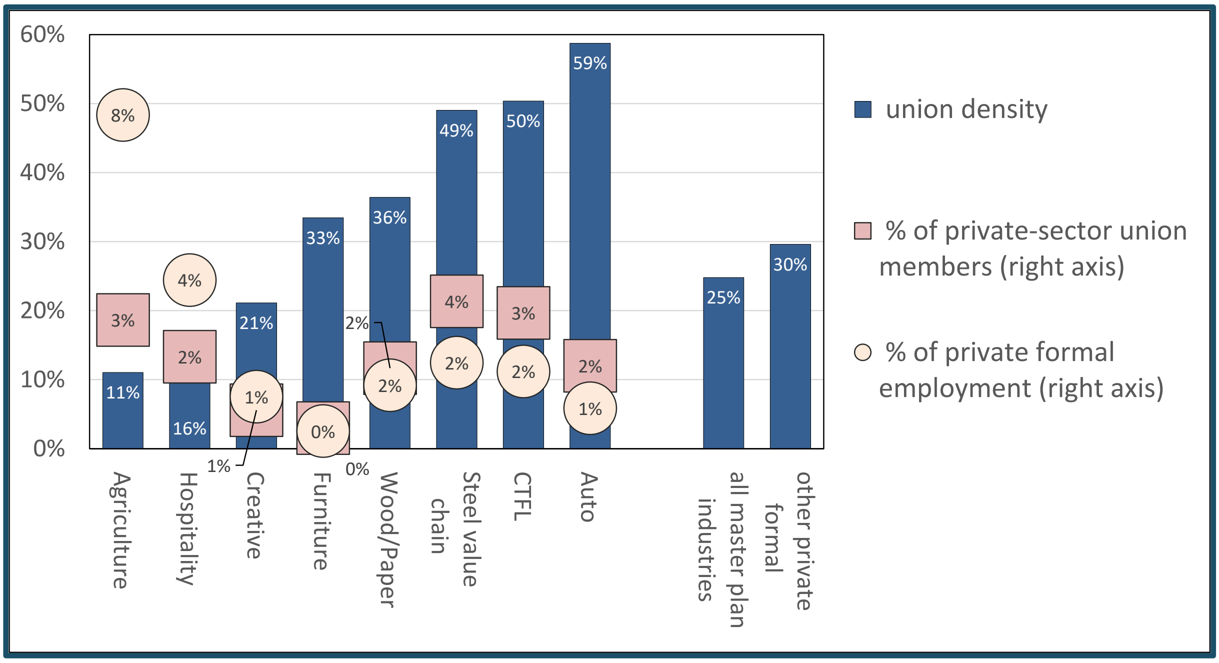
Challenges also arose from somewhat divergent perceptions about the aims of the master plans. In particular, the PPGI saw the master plans as a way to systematise engagement between government and established business in every industry, rather than an intervention in strategic industries aimed

[3] Calculated from Labour Market Dynamics 2019 based on industries described as retail, security and cleaning, and health, education and social work plus other social and community services, private business employment only. (Calculated from Stats SA 2019)

at structural change. It aimed to install a "bottom-up approach that enabled businesses and policymakers to engage in ways that would bring about efficient coordination within sectors, as well as more effective policy alignment to promote business and economic growth." (ITI 2022:9)

A further challenge was that the union movement had only limited capacity to engage. Their capacity varied across industries, depending on the level of organisation as well as the strength of individual unions. As Graph 3 shows, union membership varied substantially in the master plan industries, ranging from 11% in farming and hospitality to between 50% and 60% in R-CTFL, the steel value chain and auto. More broadly, worker representatives rarely have resources for research, mandating and engagement equivalent to those available to established business and government. Government did not, however, provide support for the unions to engage on the master plans.

Graph 3. Master plan industries' union density (a) and share in union membership and in private formal employment, 2020



Note: (a) Share of union members in total private formal waged workers in industry or value chain. *Source:* Calculated from Statistics South Africa. Labour Market Dynamics 2020. Electronic dataset. Downloaded from Nesstar facility at www.statssa.gov.za in December 2023.

Finally, the one-a-side did not include consumer or small-business representatives. The PPGI was expected to represent business, but its leadership was drawn primarily from established formal companies. Consumers were not organised in most industries, and small business associations generally had far less resources than big business representatives. In these circumstances, ensuring their interests were taken into consideration would require mandates to the government representatives or resourcing for relevant associations or advocacy groups.

4.3.2. Industry engagements

All of the master plans were developed with at least some tripartite engagement at industry level. All except the cultural industries master plan proposed formal platforms to drive implementation.

The master plans' final governance structures mostly comprised a high-level executive oversight committee (EOC); working groups to develop more detailed plans as required and to drive implementation of key elements; and a secretariat. Most built on platforms that were established develop the industry's master plans. (Table 3)

The cultural industries master plan did not propose governance structures, but in 2023 the Department of Sports, Arts and Culture said it would "lead in the implementation of the masterplan as well as the establishment of inclusive advisory and consultative forums at national, provincial, and local levels," in collaboration with the dtic, the Department of Small Business Development, and the Department of Communications and Digital Technologies. (DSAC 2023:41) It did not specify how these forums would be structured.

Table 3. Governance structures proposed in the published master plans (a)

MASTER PLAN	EXECUTIVE	CHAIR (MINISTER)	MEMBERS	STEERING COMMITTEE	SECRETARIAT	NUMBER OF SUB-STRUCTURES
Agriculture	EOC	DALRRD	Senior officials at national and provincial level, labour and civil society, representatives of commercial and emerging farmers		DAALRD	14 (a)
Forestry	EOC	DFFE	Government, business, labour, industry specialists	Manco of relevant managers from stake-holders	DFFE	6
Auto	EOC	the dtic	Vehicle assemblers, automotive component suppliers, labour and government		the dtic	7
CTFL	EOC	the dtic	CEOs from retail and R-CTFL; labour reps; officials from the dtic, ITAC, IDC and SARS		the dtic	7
Steel	Steel Oversight Council	the dtic	Industry CEOs, labour leaders, government officials		Project Management Unit	12
Furniture	EOC	the dtic	Industry CEOs, SAFI, senior labour leadership		the dtic	14 (c)
Sugar	EOC	the dtic	Minister of DALRRD, CEOs, retail/ manufacturing/ grower associations, unions, government officials (including Departments of Health and Energy), ITAC, IDC		Project Management Office (resource deployed by stakeholders)	7

MASTER PLAN	EXECUTIVE	CHAIR (MINISTER)	MEMBERS	STEERING COMMITTEE	SECRETARIAT	NUMBER OF SUB-STRUCTURES
Poultry	Master Plan Council	The dtic and DALRRD	producers, importers, labour, the dtic, DAALRD, Department of Health SARS, IDC, Land Bank, others as required		The dtic	Tba
Tourism	EOC	Tourism	Organised business, labour and government (maximum of 10 members)	Chaired by DG	Tourism	Tba

Notes: (a) Abbreviations: CEO – chief executive officer of private business; DALRRD – Department of Agriculture, Land Reform and Rural Development; DG – Director General; EOC – Executive Oversight Committee; IDC – Industrial Development Corporation; ITAC – International Trade Administration Commission; SAFI – South African Furniture Initiative; SARS – South African Revenue Service; tba – to be announced. (b) Includes five working groups, four value chain roundtables and five transformation partnerships. (c) Deliverables allocated to stakeholder groups, rather than set up as task teams. *Source:* Published master plans.

The executive committees of the published master plans were all chaired by the lead minister and included the chief executives of leading companies, labour representatives, and officials from relevant government departments and agencies. Consumers and small business were not represented directly except in agriculture, which included spaces for civil society and emerging producers. None of the master plans specified participation in the governance structures by Eskom, Transnet or any municipal or provincial authorities. Yet the master plans themselves often required substantial support from these agencies.

Most of the master plans set up a secretariat to back up the executive. The lead department generally acted as secretariat, although some of the master plans set up project management units or offices. In some cases the project management units were funded in part by stakeholders. The secretariats were expected to schedule and minute executive and task team meetings, and in some cases manage additional research and report on implementation.

The proposed structures required substantial capacity from all of the stakeholders.

- At the executive level, the main burden was on the Ministers who functioned as chair. For the published master plans, the Minister of Trade, Industry and Competition chaired five executive councils, and co-chaired in agriculture. Adding more master plans would obviously add to the capacity and time required.
- The executives and task teams also demanded substantial capacity from government departments and agencies as well as organised labour and business. R-CTFL, sugar and auto proposed seven working groups to develop detailed proposals and manage implementation in specific areas. The steel master plan expected 12. Agriculture proposed five standing clusters; four value chain roundtables, of which two were already established; and five transformation partnerships, mostly for specific products such as mohair, goats and cannabis. (NAMC 2023:10) The forestry master plan did not propose working groups. Instead, it provided a detailed implementation plan, with a total of 164 deliverables or high level actions in the first year. The lead agency for 80 of these was the Department of Forestry, Fisheries and the Environment, sometimes together with another organisation or through an agency. Forestry South Africa was designated as lead for 18 deliverables. The other lead agencies included the Department of Agriculture, Rural

Development and Land Reform; Transnet; the holders of specific forestry projects; the CSIR; and Stellenbosch University.

As a rule the only stakeholders included consistently in the task teams were established business and organised labour. Working-class consumers and small business were not directly represented except in the agriculture master plan. The agriculture master plan included representation for emerging farmers, but the other master plans generally did not specify how small businesses would be involved.

In theory, government officials could represent excluded constituencies. The reimagined industrial strategy documents and the 2023 Masterplan Guide neither explored nor specified what that would mean in practice, however.

In short, the published master plans implemented the reimagined industrial strategy's call for improved industry-level consultation by setting up elaborate governance structures. As discussed below under implementation, most participants interviewed found these structures effectively facilitated constructive engagements between the parties. That said, as designed they required significant capacity from industry-level stakeholders. At the same time, they effectively excluded individual consumers and downstream manufacturers as well as small business. In the event, several adopted measures that raised costs for these actors, mostly through import tariffs.

4.3.3. The use of research

The reimagined industrial strategy documents agreed that the master plans should be evidence based. They did not, however, specify how officials should identify, procure and guide the expertise and research required to test stakeholder claims. Nor did they establish a consistent process to develop, test and mandate government claims on stakeholders in the engagement process.

The consequence was a wide variation in the role of research in the published master plans. The auto and cultural-industry master plans were essentially written by experts, with little visible effort to secure agreements between stakeholders on specific measures. At the other end of the spectrum, the steel master plan – published explicitly as an initial draft – read like a brainstorm without any research back-up at all. The other plans fell in between these extremes.

The 2023 Masterplan Guide (the dtic 2023b and 2023c) only discussed research as a way to identify issues facing established business. It did not discuss the role of evidence in identifying and evaluating strategic options for the industry as a whole, as exemplified by the auto master plan. Nor did it reflect on how to develop and use evidence to test the claims of different stakeholders. In any stakeholder engagement, however, a critical step is to distinguish between debates over facts as opposed to debates over interest, and as far as possible use evidence to resolve with the former.

4.4. Strategy, targets and measures

Because documentation on the reimagined industrial strategy did not set objectives for the master plan project, it also did not set parameters for the strategic approach and specific measures adopted at industry level. In particular, it did not require that the individual master plans identify either:

- The main cost drivers in the relevant industry and where they could be moderated, or
- How the priority industries could qualitatively expand opportunities for working people.

This section first reviews the vision and strategic narrative adopted in the published master plans. The strategic narrative is understood as the underlying analysis of the problem and its causal mechanisms, which, whether explicit or implicit, effectively shapes the broad strategic approach of any policy. The section then summarises the main measures in the published master plans. They centred on promoting local procurement and trade protection, increasing black ownership, and improving infrastructure and other government services.

4.4.1. Strategic narrative

Most of the published master plans did not include a substantive strategic narrative. That is, they did not discuss the potential of the industry concerned to accelerate inclusive industrialisation, and set aims on that basis; systematically identify the main obstacles to achieving those aims; or lay out a high-level strategy to address those obstacles. They did, however, mostly include a vision statement. Moreover, a broad strategic direction could be deduced from their targets and measures. This section first reviews the vision statements and then the targets and the more or less implicit strategies in the published master plans. In most cases, the quantified targets only reflected a subset of the aims incorporated in the vision.

Seven of the published master plans included a vision statement. (See Table 4.) All of them referred to competitiveness and transformation. Only four mentioned inclusivity and sustainability. None foresaw reduced costs for basic consumer goods or for inputs for downstream industries. Steel, poultry and furniture did not provide a vision statement.

Table 4. Vision statements in published master plans

INDUSTRY	VISION
Auto	A globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society.
R-CTFL	A competitive, sustainable, and dynamic R-CTFL value chain that provides its customers with compelling products and that is invested in growing employment and advancing inclusion and transformation.
Sugar	A diversified and globally competitive, sustainable and transformed sugarcane-based value chain that actively contributes to South Africa's economic and social development, creating prosperity for stakeholders in the sugarcane value chain, the wider bio-economy, society and the environment.
Creative	Globally competitive, innovative, sustainable, vibrant and transformed Creative Industry that creates prosperity for creatives, entrepreneurs and broader society.
Agriculture	To build growing, equitable, inclusive, competitive, job-creating, low-carbon and sustainable agriculture and agro-processing sectors [*sic*].
Forestry	"Goal statement": To increase investment, jobs and competitiveness, underpinned by greater inclusivity in the Forestry Sector.
Tourism	Rapidly and inclusively growing tourism economy that leverages South Africa's competitive edge in nature, culture and heritage, underpinned by Ubuntu and supported by innovation and service excellence.
Poultry	Refers to a shared vision for the industry, but doesn't specify it.
Steel	None
Furniture	None

Source: Published master plans.

The master plans varied widely in the extent to which they contextualised their proposals in a strategic narrative.

- The auto master plan aimed to define the critical economic pre-requisites for growth. It left detailed policy reforms and commitments to implement them rigorously to other processes (specifically, engagements on the next phase of the Automotive Production and Development Programme, the APDP). The document was an expert overview to inform later engagements around implementation, not an agreement in itself.

- The R-CTFL, poultry, furniture and forestry master plans provided little in the way of industry analysis. Instead, they consisted mostly of lists of commitments by the stakeholders. In some cases, the parties' actions were seen as complementary and in others as trade-offs. In practice, the most common trade-off was that established business would promote black ownership in existing and emerging businesses if government improved infrastructure, incentives and/or trade protection.
- The steel and sugar master plans consisted almost exclusively of lists of measures arising from stakeholder engagements. Some of these measures appeared to reflect divergent strategies. For instance, the steel master plan – explicitly published as an initial draft – started with a discussion of the importance of expanding links to specific industries such as mining, but did not define measures to that end. It included 73 "implementation actions." (Steel Oversight Council 2021:4) The sugar master plan referred to the need to right-size production along the value chain, which appeared to mean downsizing cane production, but did not explore the implications or set any targets. As a specific trade-off, sugar producers agreed to increase output without raising prices in real terms for three years if retailers increased sugar sales from local producers, displacing imports. Most foreign sugar products came from eSwatini, a member of the Southern African Customs Union (SACU), so they could not be tariffed.
- The cultural industries and tourism master plans seemed designed primarily to encourage more support from government decision-makers. Both included a host of reforms without articulating an over-arching strategy or specifying changes in existing approaches beyond greater resourcing. The cultural industries master plan cast most of its measures as claims on the national budget.
- The main strategic thrust in the agriculture master plan was to extend "roundtables" for individual value chains. It also laid out separate measures for the main subsectors of horticulture, livestock and field crops, as well as primary processing. It included a commitment to rely on state land for land reform with only voluntary donations from commercial farmers. It did not, however, articulate a broad strategy for agriculture. It also did not clarify how it related to the plans for sugar and poultry.

Table 6 provides a summary of the master plans' strategies. Where the plans themselves do not provide a narrative, the strategy is derived from their lists of proposals.

Table 5. Core strategies in the published master plans

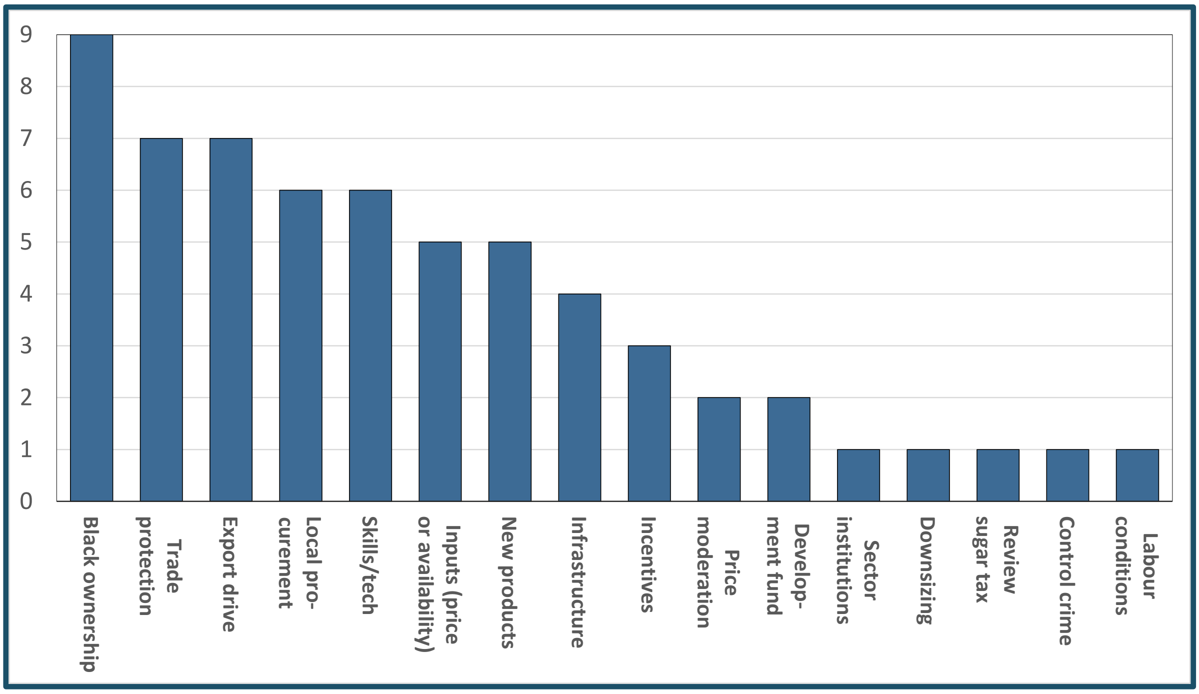
INDUSTRY	TARGET DATE	CORE STRATEGY
Auto	2035	Increase domestic and regional sales apparently through higher trade protection, enabling component producers to scale up; more black component suppliers; develop roadmaps for technology and skills, and for infrastructure to meet industry needs.
Poultry	Varies (latest 2028)	Continued strong trade protection in return for (a) moderation in prices for low-income consumers and (b) higher investment in production and exports.
R-CTFL	2030	Address shortfall in demand mostly through commitment from retailers to replace imports with domestic products and to support local manufacturers; strengthen customs enforcement.
Sugar	Varies	Address shortfall in demand through local procurement by retailers and manufacturers, displacing imports, in return for three-year price freeze in real terms, plus new product lines and continued trade protection; retain option of downsizing parts of the value chain.

INDUSTRY	TARGET DATE	CORE STRATEGY
Forestry	2025	Address supply constraint in paper production by bringing in private partners to increase productivity in state forests and accelerating effort to expand forestry especially in historic labour-sending regions, enabling an increased share of wood from small black producers.
Steel value chain	n.a.	Increase demand for steel by replacing imports in lead domestic sectors, notably infrastructure and mining, and by expanding exports to the rest of Africa.
Furniture	n.a.	Increase demand through local procurement and trade protection while task teams develop action plans to address various constraints on growth (e.g. skills, input shortages)
Creative	n.a.	Government agencies to prioritise creative industries more, especially in incentives and financing; improve creatives' incomes through better contracts and grants; and limit access for foreign performers.
Agriculture	2030	Improve governance and institutional systems to: address commodity-level challenges; improve coherence within government; develop more inclusive systems for retail sales and financing; improve infrastructure and extension services; and enhance farmworkers' conditions.

Source: Published master plans.

In practice, the master plan strategies can be understood in terms of the aims set for their task teams. According to the dtic, "The key areas of focus in each Masterplan include investing in productive assets, creating and retaining jobs, improving efficiency, promoting transformation, encouraging localization, and developing small and medium-sized enterprises (SMEs)." (the dtic 2024:185) As Graph 4 shows, all of the master plans except tourism included a task team on increasing black ownership. Seven had teams on trade protection and/or exports, and five on local procurement and on skills. Other measures ranged from reviewing the sugar tax to developing new products to assessing the availability and cost of inputs. The tourism master plan did not publish a list of working groups.

Graph 4. Number of working groups in published master plans, by topic (a)



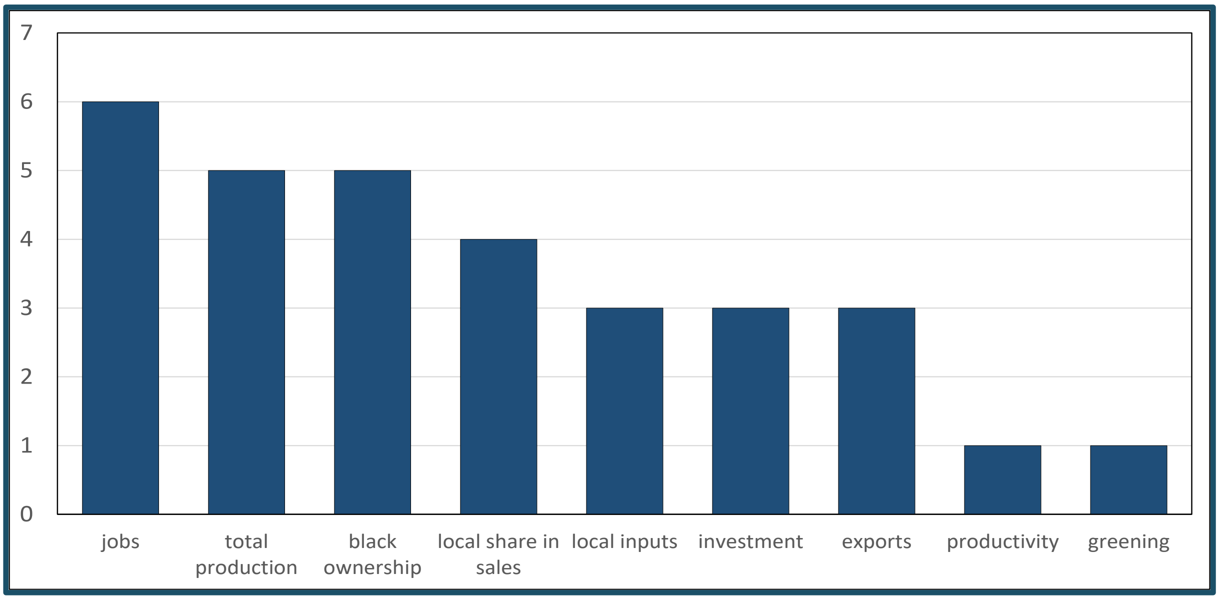
Note: (a) Excludes tourism. *Source:* Published master plans; National Agricultural Marmeting council (NAMC). Unpacking the Agriculture and Agro-processing Master Plan. 7 June 2023. Presentation. Accessed at https://www.sapoultry.co.za/wp-content/uploads/2023/06/1-DR-NTOMBELA.pdf in June 2023.

4.4.2. Quantified targets

The published master plans varied greatly in the extent to which they quantified their aims. Most provided indicators for output, employment and black ownership. Three – furniture, steel and sugar – provide one or no quantified targets. The tourism master plan replicates the targets from the 2019-2023 Medium Term Strategic Framework, while acknowledging that they have become unreachable due to the extreme effect of the COVID-19 pandemic on tourism. It also appears to draw its targets from work by the World Tourism and Travel Council rather than from engagements and research in the context of the master plan itself. (Department of Tourism 2023:42)

Graph 5 summarises the main outcomes for which the published master plans quantified indicators. Seven aimed to expand employment. Six set targets for growth, and a similar number for black ownership. Only R-CTFL explicitly targeted higher productivity, while three set targets for higher exports.

Graph 5. Number of published master plans adopting types of target (a)



Note: (a) The language used for targets varies between the master plans. Objectives are assigned to categories here based on their substantive aims. The tourism master plan is not included. *Source:* Published master plans.

Table 6. Quantified targets in the published master plans

INDUSTRY	TIMEFRAME	TARGETS
Auto	2015-2035	1.4 million cars assembled annually
		60% local content
		224 000 jobs (over twice as high as 2019)
		25% of GVA in Tiers 2 and 3 (which specifies types of input suppliers) from black-owned firms
Poultry	2020-2023	9% increase in broiler production over three years based on R1.5 billion investment in 2020
		50 new contract farmers
		3600 new jobs in major producers and 1000 on new contract farms by 2020
		Exports at 3% to 5% of production in 2023 and 7% to 10% in 2028

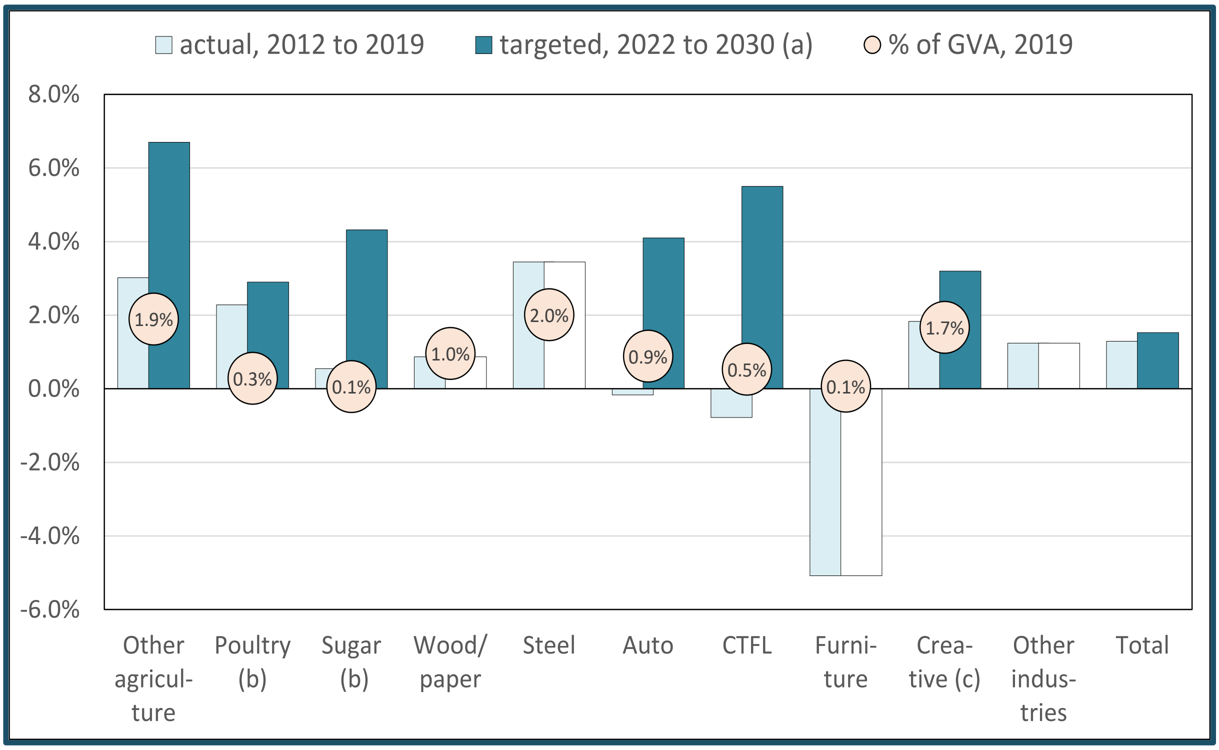
INDUSTRY	TIMEFRAME	TARGETS
R-CTFL	2016-2030	CTFL manufacturing grows 5.5% p.a.
		Local products comprise 65% of sales in South Africa (up from 44%)
		CTFL manufacturing employment grows from 92 000 to 167 000
		CTFL retail employment grows from 120 000 to 167 000
		Manufacturing GVA per employee at R205 000 – up around 25%
Agriculture	2022 to 2030	R32 bn growth above "business as usual"
		Create 75 000 net new jobs (but subsectors together project only 50 000)
		Support 303 000 livelihoods, but sectors together project only 209 000 (livelihoods are not defined)
		Share of Black farmers to reach 20% of output by 2030 (although expect variation by sub-sector within agriculture)
Forestry	2000-2026	150 000 ha of productive new plantations, of which a third from rehabilitation of state forests
		100 000 ha of new plantations black owned/small scale
	n.a.	60 000 livelihoods in new mostly small plantations, up from 25 000
		40 000 new jobs in revived forests plus formal wood and paper
		25% Black ownership of existing enterprises. Some of the largest have over 25% already i.e. Mondi/Sappi, Merensky, York.
Sugar	n.a.	Maintain employment levels
	three years from start	Increase offtake by 150 000 tonnes in Y1, rising to 300 000 tonnes in Y3
Furniture	n.a.	Hold imports to 2020 level (when historically low due to pandemic).
Creative	2018 to 2040	3.2% growth in GVA annually
Steel	n.a.	No quantified targets provided
Tourism	2023	Output and employment in tourism to return to 2019 levels, fully recovering from COVID-19 impacts
	2019-2024 (a)	Increase share in GDP from 8.9% to 9.9%
		Increase the value of international tourism spend by 4% a year, or a total of R120 billion, with 6% annual increase in number of foreign visitors
		Increase Brand Strength Index from 38.8 to 44.7

Note: (a) These targets apparently derive directly from the 2019-2024 MTSF, although the tourism master plan was only published in 2023. The master plan (Department of Tourism 2023:42) notes that the World Travel and Tourism Council is revising the targets to take into account the pandemic impacts, which are unrealistic in the current form due to the pandemic. It is not clear how this process aligns with the master plan commitment to stakeholder engagement or what role the South African government plays in setting the targets. *Source:* Published master plans.

The relative ambition of the master plan targets can be understood from the implications for growth rates in each industry and for the economy as a whole. From this standpoint, the targets were relatively high for GDP growth in agriculture, R-CTFL and auto, and for employment in forestry, R-CTFL and auto. Nonetheless, success would have only a modest impact on national growth and productivity. If achieved, the targets would boost growth in the master plan industries from 2023 to 2030 to 4.3% a year through 2023, compared to 1.6% from 2012 to 2019. But the master plan industries only contribute around a seventh of the total economy. As a result, even if they expanded as hoped, the direct result would be a 0.2% point increase in the growth rate. GDP growth would accelerate from

1.3% between 2012 and 2019 to 1.5% through 2030 (Graph 6). Given the small scale of the direct impacts, the multiplier effects would necessarily also be limited.

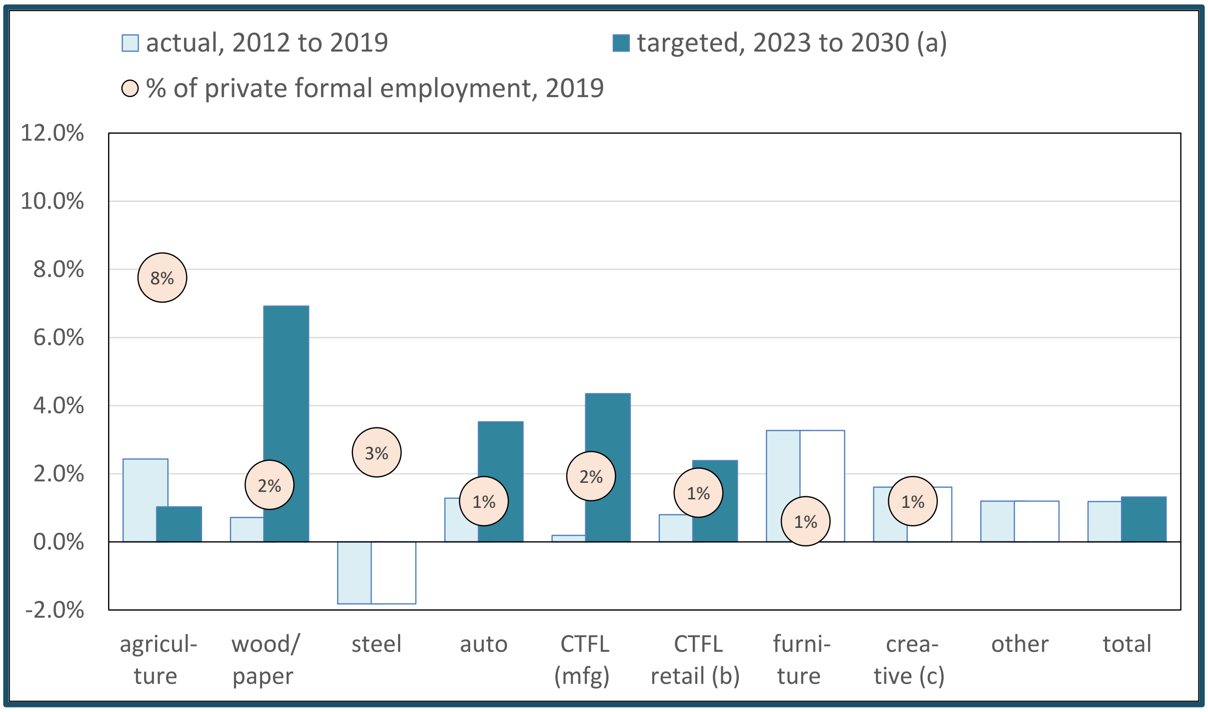
Graph 6. Targeted growth rates for gross value added in the master plans, with extrapolated impact on overall growth rate in gross value added by 2030 (if achieved) (a)



Note: (a) White bars mean no target was set, and the growth rate from 2012 to 2019 is projected forward. Tourism does not have a standard statistical category as an industry and is not included. (b) Figures for contribution to the GDP for sugar and poultry are estimated from sales figures, using the ratio of sales to value added for agriculture as a whole. (c) Includes sports, recreational and cultural activities plus media and publishing. *Source:* Targeted growth rates calculated from published master plans. Actual growth rates and share in gross value (calculated using figures in constant rand) calculated from Quantec. EasyData. Standardised Industry Service. Interactive dataset. Accessed at www.quantec.co.za in October 2023.

For formal job creation, the master plan targets were even more modest. As a group, they effectively aimed to boost formal jobs growth in the industries covered from 1.1% from 2012 to 2019, to 2% from 2022 to 2030. The direct impact would be an increase in growth rate of total private formal employment by one tenth of a percent, if the targets were achieved (Graph 7). That equates to 10 000 additional formal jobs a year. As a result, 28.2% of working-aged adults in South Africa would have formal employment in 2030, compared to 27.9% if net employment grew at the rate seen in the decade to mid-2023. Again, multiplier effects would only incrementally strengthen overall jobs growth.

Graph 7. Targeted growth rates for private formal employment (including agriculture) in the master plans, with extrapolated impact on overall growth rate in private formal employment by 2030 (if achieved)



Note: (a) White bars mean no target was set, and so the growth rate from 2012 to 2019 is assumed to remain unchanged. Baseline is year to June 2023. (b) Figures for R-CTFL retail from master plan target data. The source of these figures is not clear, since the official statistics do not separate out CTFL retail. (c) Includes sports, recreational and cultural activities plus media and publishing. *Source:* Targeted growth rates calculated from published master plans. Actual growth rates and share in formal private employment except for CTFL retail and auto calculated from Statistics South Africa. Labour Market Dynamics for 2012 and 2019. Electronic datasets. Downloaded from Nesstar facility at www.statssa.gov.za. Baseline for projections except for CTFL retail and auto is average from Statistics South Africa. Quarterly Labour Force Surveys. Third quarter 2022 to second quarter 2023. Electronic datasets. Downloaded from Nesstar facility at www.statssa.gov.za. For auto, Statistics South Africa. QES Details_BreakDown_200909_202303. Excel spreadsheet. Downloaded from https://www.statssa.gov.za/?page_id=1854&PPN=P0277&SCH=73247 in July 2023.

The most ambitious aims for economic opportunities arose from the agriculture and forestry master plans' targets for "livelihoods". The two plans hoped to generate a total of 363 000 new "livelihoods." It is difficult to model the impact on employment growth, however, because the plans did not define "livelihood". They appeared to mean primarily gardening or growing a few trees, rather than full-time employment and incomes. It is not clear if the workers themselves would consider these activities as a form of employment or sustenance, rather than a hobby. In 2020, only 23% of those who undertook farm activities saw themselves as employed. Most tended their gardens for less than four hours a week. (Calculated from Statistics South Africa 2020)

If the new "livelihoods" were nonetheless viewed as employment, the share of working-aged people with some kind of employment would reach 40% in 2030, compared to 38% absent the master plans. The employment ratio would, however, still be lower than in 2023. By this measure, total employment, including informal and domestic work as well as the new "livelihoods", would grow 1.4% a year, up from 1% a year between 2013 and 2023. Again, these estimates do not take into account possible multiplier effects.

Four of the published master plans quantified targets for black ownership. None of them gave baseline figures, however. As a result, it is not possible to estimate the impact on overall ownership levels. Table 7 lists objectives around black participation in the industries, not all of which are quantified.

Table 7. Targets for Black ownership in published master plans

INDUSTRY	TIMEFRAME	TARGETS
Auto	2015-2035	25% of GVA in Tiers 2 and 3 (which specifies types of input suppliers) from black-owned firms
Forestry	n.a.	50% Black ownership of forestry land
		25% Black ownership of existing enterprises (some of the largest producers have already reached this target)
Agriculture	2022-2030	20% share in output from Black farmers (although expect variation by sub-sector within agriculture)
Poultry		50 new contract farmers, apparently expected to be Black
Sugar		Agreed that will set targets as part of on-going engagements
Creative	2018-2040	Promote black creatives, but no targets given
Tourism	2023-2025	Use the Tourism Equity Fund to "ensure" black ownership, but no targets provided
R-CTFL	2016-2030	None
Steel		None
Furniture		None

Source: Published master plans.

None of the master plans set targets for provision of more affordable and appropriate necessities for working people or downstream manufacturers. The sugar master plan included a commitment to hold the price of sugar to inflation for three years in return for higher offtake by the retail chains, but it did not set price restraint as an overall objective. The agriculture master plan referred to food security as an over-arching aim, but in practice dealt only with national food security and local food production, not with producer or retail pricing. None of the other value chains targeted lower prices or production costs. Several proposals, particularly to strengthen import restrictions, seemed likely to raise the cost of living for working-class households and downstream manufacturers. (See the case study on poultry in Makgetla 2024)

In short, the targets in the master plans, if achieved, would provide a modest boost to growth and job creation. They would not substantially change the trajectory of growth, mostly due to the relatively small size of many of the industries covered. Some of the plans do not quantify their aims at all, however, meaning estimates of the aggregate impact of the master plans should be treated with caution.

4.4.3. Measures

Except for the auto master plan, the master plans generally included a plethora of measures with little indication of prioritisation. The measures were not always clearly listed, but ranged from around 20 to close to 100. The auto master plan did not provide specific measures but called for development of an oversight institution plus roadmaps to address five strategic imperatives.

The substantive master plan measures effectively fell into five groups: demand; pricing; production efficiency; localisation and diversification; and black economic empowerment. All of the plans included proposals on black ownership. Most also proposed protection against imports. Only a few addressed input costs, technological developments, taxes or crime.

Absent clearly defined aims for the master plan project, established businesses typically focused on lobbying for more government support. Core demands were to limit competition from imports and to improve government services. Formal businesses typically avoided disruptive actions to cut costs, for instance by writing off old technologies in order to adopt new ones, or restricting import-parity pricing by raw-materials suppliers. They were even more resistant to efforts to drive broad-based inclusion.

As noted, the agriculture master plan essentially ruled out expropriation of private land. The manufacturing master plans generally sought to grow employment only through a modest acceleration in output, rather than by scaling up support for labour-intensive activities or substantially increasing investment.

For their part, government officials largely fell back on promoting black business ownership. They neglected other measures to expand opportunities for the majority, such as faster growth in small businesses and the social economy, a shift toward more labour-intensive goods and services, career pathing for lower-level workers, and skills development.

The rest of this section reviews the measures in terms of the main categories.

4.4.3.1. Demand

Most of the published master plans included proposals to increase demand without lowering costs or prices. These measures centred on import protection; expanding private and public procurement; and promoting exports.

In terms of protection against imports, the master plans included the following measures.

- The auto master plan document argued that increased domestic and regional demand required a reduction in imports. It did not discuss how to achieve that aim for South Africa. It would necessitate profound reforms to the current incentive system, which relies on import rebates. For the region, the master plan proposed that South Africa encourage limits on imports of second-hand cars in exchange for participation in a regional auto value chain.
- Poultry, R-CTFL, steel, furniture and sugar called for stronger enforcement of existing tariffs and import standards. In steel, a newly proposed, partially industry-financed steel development fund would help pay for these initiatives. The steel plan also called for a carbon border tax on imports to offset actual and proposed carbon border taxes in other countries, notably the European Union.
- The sugar master plan expected to maintain existing tariffs. These protections do not, however, affect the (substantial) imports from eSwatini, a SACU member. It therefore proposed engagements with eSwatini to find a solution, without suggesting any specifics.
- The creative industries master plan called for increased local content requirements for broadcasters and state venues, plus stricter visa requirements for foreign performers.

The master plans also sought to encourage stronger private procurement by retailers and downstream manufacturers. Measures included the following.

- The R-CTFL plan proposed that the state explore whether it could make retailers' trading licences contingent on local procurement.
- The poultry plan proposed generally that retailers should prioritise local products.
- In sugar, retailers and downstream manufacturers committed to doubling their offtake of domestic sugar in return for price restraint by sugar producers. The effect would be to reduce imports principally from eSwatini. The sugar master plan also proposed a campaign by Proudly South Africa to encourage consumers to buy local.
- The creative industries plan argued that the NEDLAC local procurement accord should extend to the creative sector. It proposed improved collection of royalties to ensure that creatives benefit more from existing demand.

The poultry, R-CTFL, sugar, forestry, steel and tourism master plans all called for new or strengthened commitments to local procurement by state agencies. From the 2010s, these commitments took the form of designations of specific products by Treasury and the dtic, which required government agencies to seek to procure them locally. In 2023, however, the Treasury argued that a legal challenge required it to stop imposing designations as a formal requirement. It was not clear how these measures would be implemented in future. The tourism plan argued that government agencies should increase their use of tourism facilities, without specifying if that would require additional budget outlays.

The forestry and steel master plans included proposals to increase use of their outputs by downstream producers. In addition to broad proposals to expand sales to local manufacturing, the steel master plan called for increased government investment in infrastructure. It urged the government to pursue mega projects that would use substantial steel. The forestry master plan suggested promoting the use of timber in housing. That said, it also pointed to substantial constraints on wood production, so higher demand might serve only to boost prices and/or imports.

Export promotion also featured in most of the master plans. The measures were, however, vague compared to the proposals on tariffs and designations. None focused on improving competitiveness. The poultry industry proposed an export drive targeting Europe, Africa and the Middle East. Steel called for improved financing and credit insurance to support an export drive. Tourism aimed to improve resourcing for its existing efforts to promote overseas and regional tourism. R-CTFL, furniture and the creative industries all called for a stronger export effort. The agriculture master plan proposed more robust engagement with trade negotiations in order to improve access to foreign markets.

4.4.3.2. Pricing of products

Measures to reduce output prices generally aimed to offset the impact of higher tariffs on consumer necessities; to expand domestic demand; or to promote downstream manufacturing. As discussed in the section on implementation, these measures have proven difficult to implement consistently.

The poultry industry committed to exploring ways to moderate prices for the low-income group, particularly in light of the very high tariffs imposed in the early 2020s. Sugar producers agreed to limit price increases to inflation for three years in exchange for higher domestic offtake and wage restraint. Thereafter prices would rise in line with costs rather than reverting to import parity. The master plan also delayed planned increases in the sugar tax, which aims to reduce sugar consumption in order to improve public health. The tourism master plan called for the development and marketing of affordable packages for domestic tourists.

4.4.3.3. Production efficiency

Most of the master plans incorporated broad proposals for improving production efficiency. They did not, however, systematically explore cost drivers such as technological competitiveness or input prices. Instead, they mostly adopted measures outside of the production process, such as improving infrastructure; more affordable financing, at least for small business; expanding the supply of local commodities; and reducing tariffs on imported inputs.

Specific measures to reduce the cost of production included the following.

- Forestry: Restructure state forests to improve productivity, mostly through private partnerships; stronger enforcement of laws on forest-related crime; and accelerated processing of land claims on forests.

- Steel: Engage with Transnet and Eskom to improve services and prices for steel production; establish a public-private Steel Development Fund in part to support research and development for local producers; limit scrap exports to reduce the price for domestic steel producers; engage with the unions to moderate the unit price of labour.
- Furniture: Review tariffs on upholstery; IDC and SAFI to facilitate engagements on increasing the supply of key inputs such as chipboard; establish an industry growth fund to support small and medium producers; strengthen industry institutions (SAFI, bargaining councils and the forestry section of the relevant Sector Education and Training Authority or SETA).
- R-CTFL: Develop vertical supply chains to enable retailers to compete using local products; provide rebates on textiles that cannot be produced in South Africa.
- Creative industries: Government to expand financial support and training for creatives. Specific measures are not provided.
- Agriculture: Government to increase funding for relevant infrastructure and agricultural financing by R15 billion (including for irrigation, logistics and markets). The source of the funds was not specified. In addition, a new Land and Agricultural agency should be established to regulate land and natural resources. Finally, the government should add 10 000 employees in phytosanitary programmes. For comparison, in 2023 the national and provincial agricultural departments indicated in their budgets that they had just under 25 000 employees in total, most of whom did not work on phytosanitary activities.
- Tourism: Continue to support provincial infrastructure and beautification programmes, and monitor airlift capacity to avoid price hikes. The plan noted, however, that the Department of Tourism did not have power to regulate transport.

All of the published master plans included proposals for additional plans or studies to improve productivity, without laying out specifics. The auto master plan argued that it was important to reduce the cost of logistics, infrastructure (including at municipal level) and local rates, as well as labour, overheads and inputs. The steel master plan called for an exploration of ways to reduce unit costs for inputs, including iron ore, coal, rail, electricity, scrap and financing. The poultry master plan required stakeholders to develop and resource a phytosanitary plan. In R-CTFL, task teams on medium-term measures were expected to find ways to improve the competitiveness of both products and production processes, with higher financial returns to encourage investment and upgrade management and production skills. The sugar master plan said participants should develop a plan to improve efficiency and profitability, possibly including downsizing some parts of the value chain. They should also develop a subsidiary master plan on support for small growers, which should include both technological upgrades and financing. The forestry master plan expected to commission a study on upgrading sawmills. The furniture master plan generally called for improved skills. In agriculture, commodity roundtables were expected to develop plans and address constraints for individual value chains. In tourism, the implementation process was expected to generate practical measures to upgrade safety and quality standards; improve visa systems; and address regulatory issues for small business.

4.4.3.4. Localisation and diversification

Industries can also expand by growing or diversifying output. Several master plans included proposals in this regard. They were central in auto, forestry, poultry and sugar.

- A core target in the auto industry was to increase the percentage, by weight, of local production. The main measures to get there were to expand local and regional sales so as to increase the scale of production, and to provide support to more technologically advanced components producers.
- The forestry master plan foresaw a substantial expansion in forested land, primarily by supporting small growers in historic labour-sending regions. It expected R2-billion in investments to this end, although it did not specify how they would be funded.
- The poultry master plan foresaw a 3% annual increase in production with 50 new contract farms, an increase of two thirds over 2019. It also targeted a substantial increase in feed production, without any discussion of the price.
- In sugar, stakeholders committed to exploring new downstream products such as ethanol and plastics, and to developing plans to help farmers diversify out of sugar, apparently due to oversupply.

In other master plans, growth based on localisation or new product lines remained comparatively vague and peripheral. The R-CTFL plan committed to exploring opportunities in workwear and craft production, where South Africa has existing strengths. Similarly, furniture proposed developing an action plan on localisation as well as a strategy for school and office furniture. Cultural industries suggested support for local production of musical instruments and an increase in the number of live venues. The steel plan encouraged local beneficiation of scrap, and the IDC agreed to expand financing for downstream manufacturing. Agriculture expected to enlarge the production area of commercial and smallholder farms, and improve the access of small farmers to domestic retail chains.

4.4.3.5. Black economic empowerment

The published master plans had relatively few specific measures to support black ownership, although most included fairly specific targets (see section 4.6.1.2).

The agriculture master plan was the most detailed. It foresaw a new, dedicated agency to support land reform, with state commitments to land transfers and quotas for water rights for small farmers. Private farmers would also be encouraged (but not required) to donate land. The proposed roundtables for individual commodities were also expected to set up transformation schemes to provide infrastructure on and off farms. In addition, the plan called on supermarkets to use at least 3% of their profits to promote black suppliers.

Both the sugar and tourism master plans proposed new funds to help expand black ownership. In poultry it appeared that most of the 50 proposed new contract farmers would be black, although the master plan did not say so explicitly.

4.4.3.6. Resourcing

None of the published master plans specified a substantial increase in public support. That said, none provided a consolidated costing of the measures included, although several referred to programmes that would require more funds. Of these, by far the largest was the commitment in the agriculture master plan to mobilise R9.4 billion for infrastructure and R7 billion in financing. These resources were apparently expected to arise from a combination of public and private funding.

Seven of the published master plans proposed dedicated new funds, with a total of 11 instruments (that is, each of the seven planned to institute one or two new funds). Three master plans relied on existing funding sources. For the 11 proposed new funds, six anticipated only public funding; three would be solely private; and two would be a combination of public and private. The details are provided in the following table.

Table 8. New funds proposed in the published master plans

	NEW FUNDS	SOURCE	MANAGEMENT
Agriculture	Supplier Development Fund	Retailers	n.a.
	IDC Agro-Processing Fund	Government	IDC
Steel	Steel Industry Development Fund	Levy on primary steel	EOC
	Metal Fabrication Fund	Government	n.a.
Creative	Extend film incentive to music in visual media including advertising and games	Government	the dtic
	Establish dedicated funding streams for music and publishing	Government	the dtic, Department of Small Business Development or DSAC
Forestry	Blended finance facility for small business	Government and private	Industry and government representatives
	Sector innovation fund	Government	n.a.
CTFL	Customs upgrading	Retailers and producers	SARS
Furniture	South African Furniture Industry Growth Fund	Retailers and producers; IDC	
Tourism	Tourism Equity Fund	Government	Small Enterprise Finance Agency (Sefa)

Source: Published master plans.

4.5. Alignment

None of the reimagined industrial strategy documents proposed new systems to strengthen government coordination to support the priority industries. Experience indicates that this kind of coordination requires platforms that:

- Make it easy for the agencies involved to engage, and
- Provide efficient dispute-settlement mechanisms so as to avoid prolonged deadlocks and inaction.

The reimagined industrial strategy did not indicate the link between the master plan and government expenditure decisions, most of which take place through the budget process. Yet integration into the budget process was essential to scale up state support for priority industries.

Similarly, the priority industries were not guaranteed favourable access to infrastructure. Transnet, Eskom and the municipalities take the main decisions in this regard. The government did not establish new mechanisms to ensure that they responded consistently to the master plans. Moreover, the main infrastructure providers faced financial and technical crises in the 2020s. That made it particularly difficult for them to meet the industry-level demands incorporated in the published master plans.

4.6. Implementation of the published master plans

The economic crises of the early 2020s disrupted implementation of the published master plans as well as making it difficult to assess their economic impacts. From 2019 the industries and sectors covered by master plans performed, as a group, slightly worse on most measures than the rest of the economy. That does not mean the master plans failed. While they did not as a group visibly accelerate growth, job creation or investment, they may have prevented even worse outcomes.

In terms of specific measures, most of the plans set up platforms for engagement. Most met at least some short-run commitments, especially around agreements on tariffs and dedicated industry funds. Progress around loadshedding, rail and ports was less visible. Longer-term structural issues typically saw even less progress, in part because through late 2023 efforts focused on dealing with the significant new challenges that emerged from 2020.

This section reviews the overall economic context in the 2020s. It then indicates trends in growth and employment in the industries covered by the published master plans. The final sub-section provides an overview of progress in implementation, based on interviews and internal progress reports.

The tourism master plan was only released in late 2023, so it is not included in the analysis of implementation of the master plans.

4.6.1. The economic context

From 2020, the year after the master plans were launched, the world economy experienced extraordinary disruptions from the COVID-19 pandemic, rising geopolitical tensions and the deepening climate crisis. These events in turn aggravated the challenges facing the South African economy.

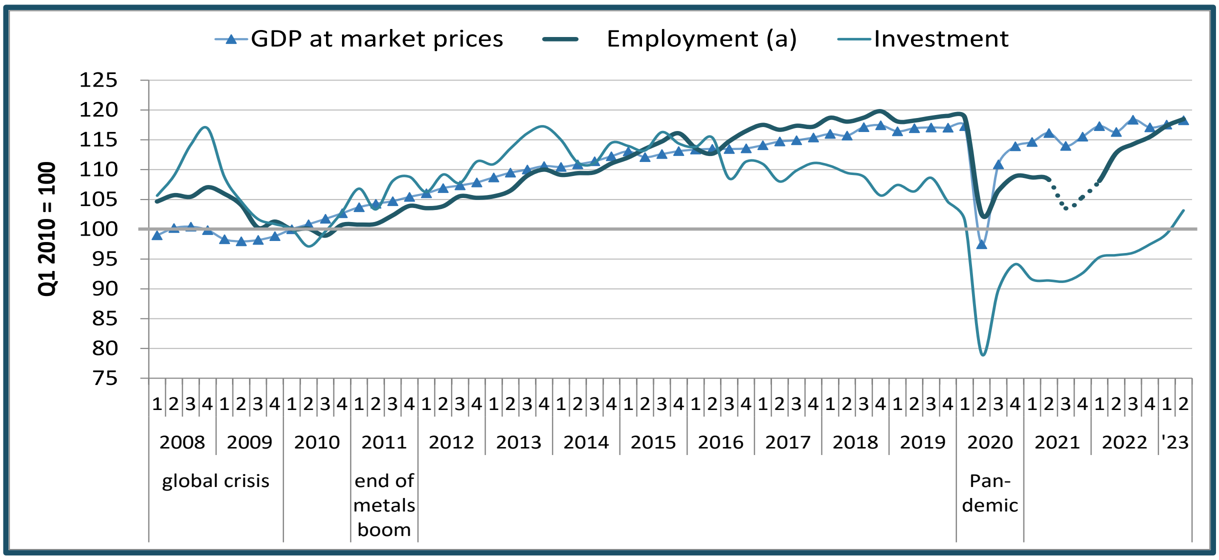
This section first outlines growth in national employment, production and investment since 2019. It then discusses how the master plan industries performed in that context.

4.6.1.1. Trends in overall employment, production and investment

The World Health Organisation declared the global COVID-19 pandemic in March 2020, soon after the decision to introduce master plans in priority industries. The subsequent lockdowns in most countries brought the biggest abrupt exogenous hit to the world economy in the past 50 years. Virtually every country experienced an extraordinary downturn in the GDP and employment. Internationally, the rebound from the lockdowns was disrupted by supply chain difficulties; the Russian invasion of Ukraine and the accompanying speculation in commodity prices; growing geopolitical tensions associated with rising trade barriers and sanctions; the slowdown in China; and, from late 2023, conflicts in the Middle East.

In South Africa, the pandemic brought a 17% decline in the GDP in the second quarter of 2020. By 2023, the GDP had rebounded to pre-pandemic levels. Still, growth remained comparatively erratic, as Graph 8 shows. The standard deviation for quarterly growth more than doubled from 2021 to mid-2023 compared to 2017 to 2019.

Graph 8. Indices of quarterly GDP and employment from first quarter 2008 to second quarter 2023 (first quarter 2010 = 100)



Notes: (a) Low response rates for the Quarterly Labour Force Survey from mid-2021 to early 2022 mean employment figures are not reliable for this period. Figures for employment are not seasonally adjusted, but they are for investment and GDP. *Source:* Calculated from Statistics South Africa. QLFS Trends 2008-2023Q2. Excel Spreadsheet; and GDP P0441 – 2023Q2. Accessed at www.statssa.gov.za in September 2023.

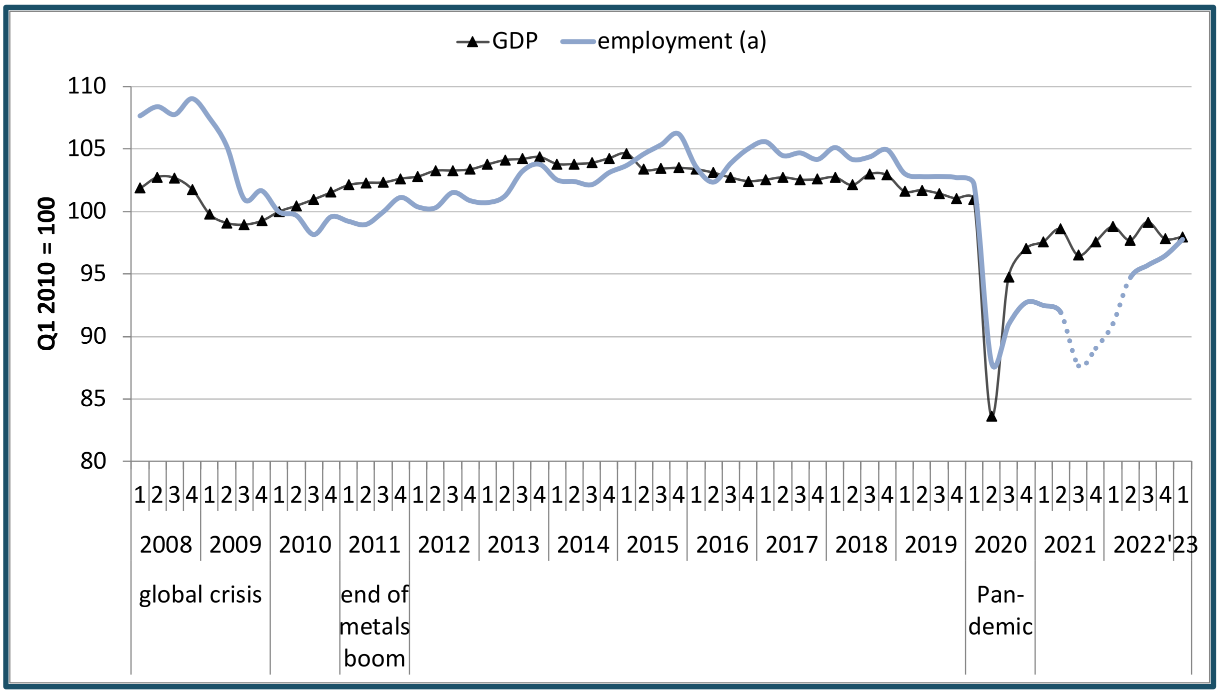
Total employment fell in line with the GDP at the start of the pandemic, and had similarly largely recovered by mid-2023. That said, official household surveys were heavily disrupted by the pandemic. Response rates for late 2021 were particularly low. The sharp fall reported in that period – reflected in dotted lines in Graph 2 – was therefore likely at least in part illusory. Response rates have since recovered, making employment statistics more reliable.

The opportunity cost for production and employment can be estimated by comparing the outcomes if GDP and jobs growth had persisted at the average rate from 2015 to 2019, when growth was already slow. In this case, the GDP in the second quarter of 2023 would have been 1.2% higher than it was in reality, and employment would have been 2.2% higher.

Gross fixed capital formation started falling in 2015, as the overall economy slowed. At the start of 2020, even before the pandemic downturn, it was 7% lower than at its mid-2018 peak. It dropped some 22% in the second quarter of 2020, faster than either employment or the GDP, but by mid-2023 had returned to pre-pandemic levels. That was still more than 10% below 2015. As a result, the investment rate – that is, gross fixed capital formation as a percentage of GDP – was only 15.5% in mid-2023, compared to 18% in 2015.

As Graph 9 shows, in per person terms, both GDP and employment had begun to fall five years before the pandemic, but the drop accelerated from 2020. As a result, the GDP per person was 5% lower in the year to June 2023 than in 2014. The employment ratio (the share of working-aged people with employment, whether waged or own account) was at 40%. That was around the same as in 1994 although higher than the low of 36% recorded in the second quarter of 2020. In effect, then, all of the proportional gains in employment achieved after 1994 had been wiped out.

Graph 9. Indices of quarterly GDP and employment per person, first quarter 2008 to second quarter 2023 (first quarter 2010 = 100)



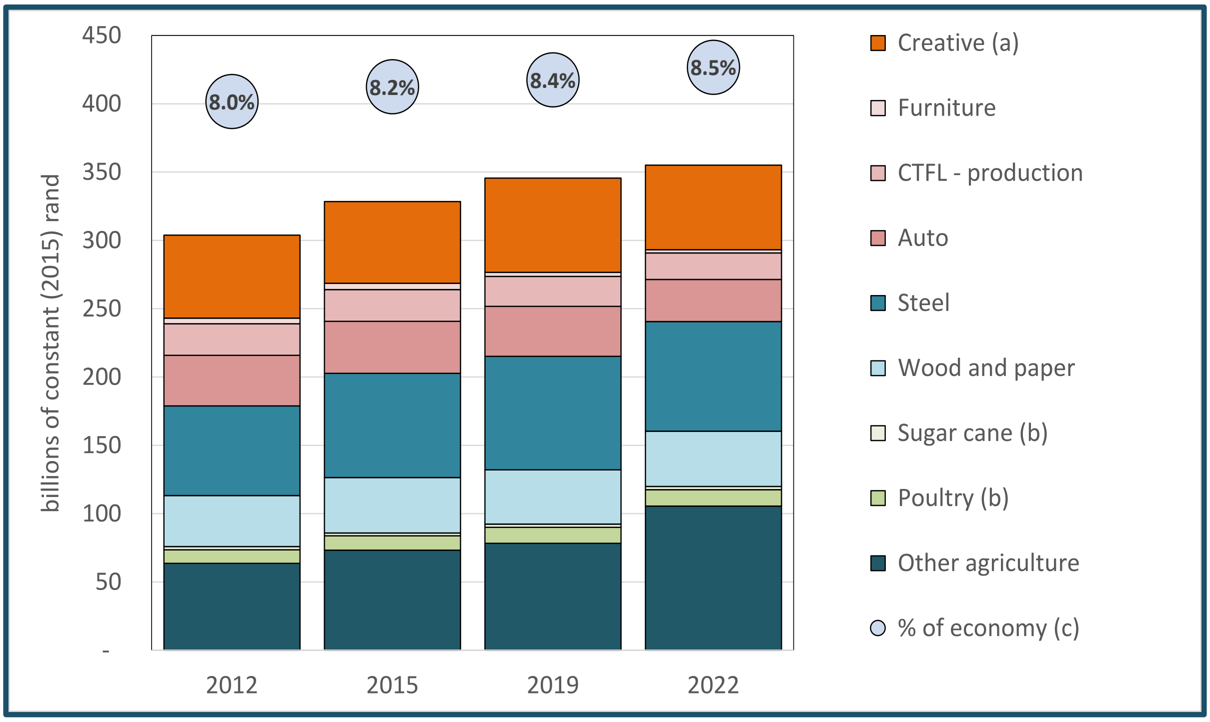
Notes: (a) Low response rates for the Quarterly Labour Force Survey from mid-2021 to early 2022 mean employment figures are not reliable for this period. Figures for employment are not seasonally adjusted, but they are for investment and GDP. *Source:* Calculated from Statistics South Africa. QLFS Trends 2008-2023Q2. Excel Spreadsheet; and GDP P0441 – 2023Q2. Accessed at www.statssa.gov.za in September 2023.

4.6.1.2. Economic outcomes in the master plan industries

The impact of the master plans ultimately has to be evaluated in terms of the aggregate impact on key economic outcomes – typically value added or sales, investment, employment creation and consumer prices. That means anecdotal examples of new investment or job creation do not help much, because they might have occurred anyway. Even if one producer reports that it expanded capacity or hired more people, the effects may be offset by reduced capital expenditure and job losses in the industry as a whole. For instance, for decades new and replacement investment in the auto industry has been publicised as showing progress. The overall investment rate (that is, investment relative to value added) in the industry is, however, just under 10%, compared to over 15% in the rest of manufacturing. (Calculated from Quantec 2023)

The industries with published master plans experienced significantly divergent growth rates between 2019 and 2022. Excluding agriculture, they slightly outperformed the rest of the economy before 2019, but they recovered comparatively slowly after the pandemic lockdown. Performance was worst for auto, clothing, furniture, creatives and tourism, represented here by accommodation and catering. In 2022, gross value added in these industries was still more than 10% below 2019 levels. The commodity-based master plan industries – agriculture, wood and paper, and steel – did much better. Agriculture outside of sugar and poultry produced 35% more in 2022 than in 2019, while wood and paper, poultry and sugar were up by around 3%. Steel was still down by 3%. The rest of the economy, excluding the master plan industries, was 0.3% larger than in 2019. (Graph 10.)

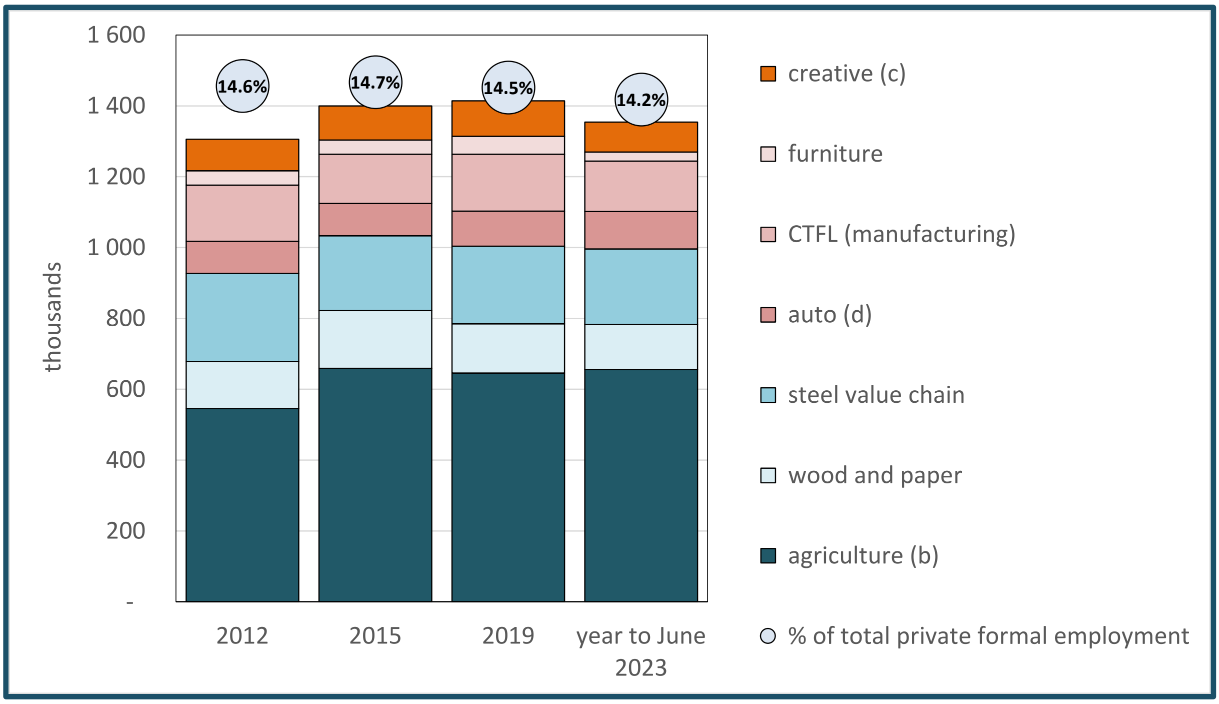
Graph 10. Gross value added in the master plans in billions of constant (2015) rand and as a percentage of the total economy, 2012, 2015, 2019 and 2022 (excluding tourism)



Notes: (a) Includes sports, recreational and cultural activities plus media and publishing. (b) Figures for contribution to the GDP for sugar and poultry are estimated from sales figures, using the ratio of sales to value added for agriculture as a whole. (c) Percentages calculated using GDP data in constant rand. *Source*: For all industries except sugar and poultry, Quantec. EasyData. Interactive dataset. Accessed at www.quantec.co.za in July 2023. For sugar and poultry sales, DALRRD. Abstract of Agricultural Statistics 2023. Figures for value of sales. Accessed at http://www.old.dalrrd.gov.za/Portals/0/Statistics%20and%20Economic%20Analysis/Statistical%20Information/Abstract%202023.pdf in September 2023.

The master plan industries as a group lagged behind in the employment recovery following the COVID-19 downturn. In the year to mid-2023, excluding tourism, they generated around 60 000 fewer formal private employment opportunities than in 2019 (Graph 11). The commodity-based master plan industries had almost returned to 2019 levels by 2022/23, driven by agriculture and the wood/paper value chain. In contrast, the other master plan industries excluding tourism generated almost 4% fewer jobs in 2022/23 than in 2019. In the rest of the economy, private formal employment was 0.4% below 2019 levels in 2022/3.

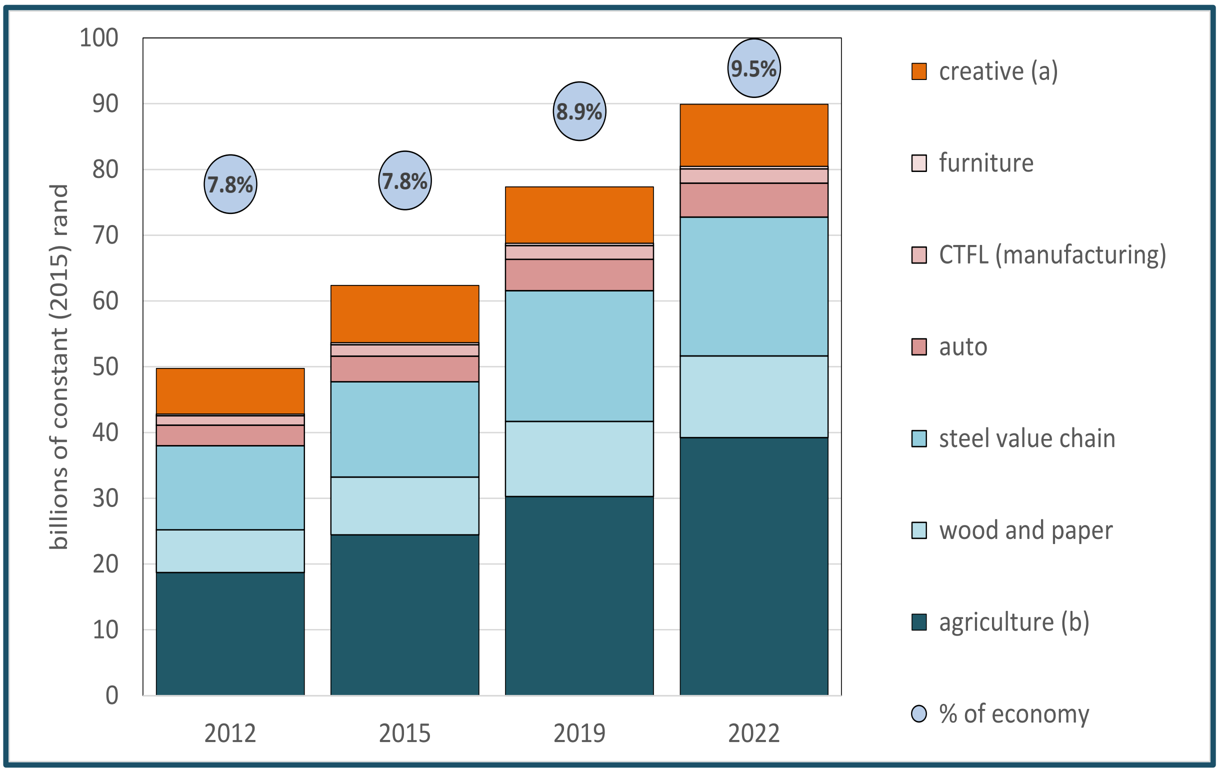
Graph 11. Formal private employment in 2012, 2015, 2019 and the year to mid-2023, for master plan industries and sectors (excluding tourism) and for the rest of the economy, in thousands and as percentage of the economy



Notes: (a) Figures for year to June 2023 are average of four quarters from third quarter 2022 to second quarter 2023. (b) Includes poultry and sugar, for which figures are not available over time. (c) Includes sports, recreational and cultural activities plus media and publishing. (d) Figures average the four quarters for 2022 from the Quarterly Employment Survey. The QLFS finds significantly fewer formal workers in auto manufacturing in 2023 (90 000 for the four quarters to mid-2023 compared to 102 000 in the Quarterly Employment Survey for four quarters in 2022). *Source*: For 2012 to 2019, Statistics South Africa. Labour Market Dynamics. Electronic datasets. For year to June 2023, Statistics South Africa. Quarterly Labour Force Surveys for second half of 2022 and first half of 2023. Electronic databases. Downloaded from Nesstar facility at www.statssa.gov.za.

The industries and sectors covered by the master plans accounted for almost 10% of national investment in 2023 (Graph 12). Agriculture alone accounted for around two fifths of that total. Agricultural investment grew almost 10% a year from 2019 to 2023. Investment in the other master plan industries excluding tourism grew 2.5% a year, which was in line with the rest of the economy.

Graph 12. Investment in master-plan industries (excluding tourism) and the rest of the economy in billions of constant 2015 rand, 2012, 2015, 2019 and 2022

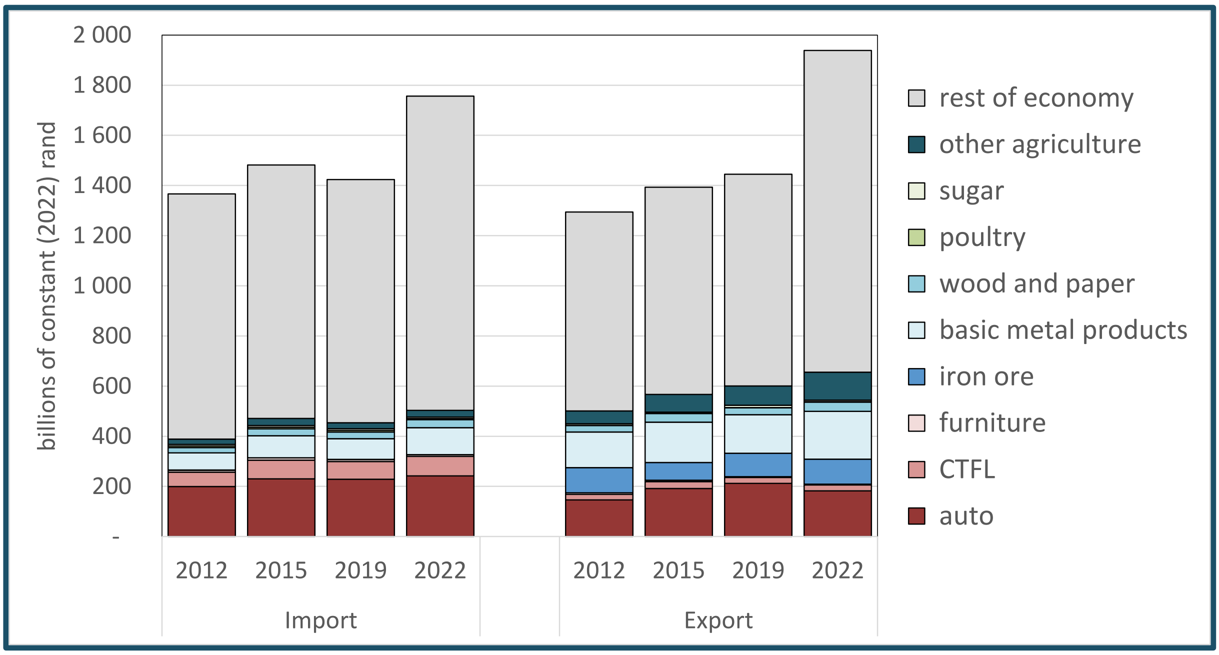


Note: (a) Includes sports, recreational and cultural activities plus media and publishing. (b) Includes sugar and poultry, for which investment figures are not available. *Source:* Calculated from Quantec. EasyData. Standardised industry series on gross fixed capital formation. Accessed at www.quantec.co.za in October 2023.

In current rand, the master plan industries accounted for around 40% of goods exports and 30% of goods imports in 2019 (Graph 13). The sharp jump in international prices for metals and coal from 2020 pushed the master plan industries' share down to around a quarter of both exports and imports in 2022. Auto alone made up around half of total imports by the master plan industries, but under a third of exports. The other exports derived almost exclusively from the commodity-based sectors, which benefited from higher world prices. Agriculture and basic metal products saw sharp jumps in the value of exports in constant rand terms (deflated with CPI) from 2019 to 2022.

Overall, the master plan industries as a group performed slightly worse than the rest of the economy from 2019. That trend disguised the relatively strong performance by the commodity-based value chains, however. Moreover, these findings do not shed much light on the effectiveness of the published master plans themselves. Due to the unusual disruption of the national and global economies that started with the pandemic, it is virtually impossible to distinguish policy impacts from the extraordinary headwinds affecting the economy.

Graph 13. Goods imports and exports by master-plan industries and sectors and the rest of the economy in constant (2022) rand, 2012, 2015, 2019 and 2022 (a)



Notes: (a) Reflated with average CPI for 2022. *Source:* Calculated from Quantec. EasyData. RSA Trade SIC & BEC. Interactive dataset. Accessed at www.quantec.co.za in October 2023.

4.6.2. Measures

The extraordinarily long list of actions required under the published master plans makes it impossible to report consistently on them. This section therefore focuses on the high level outputs and outcomes as summarised in section 4.4.3.

4.6.2.1. Engagement and platforms

The governance structures anticipated in the published master plans were all established. Most of the industry associations involved in the published master plans argued that these platforms provided an important space for established business to engage with the lead department on industry-level issues and to commission important analytical work, for instance into new products.

A majority of the published master plans had dedicated secretariat support in the form of project management units of various kinds. The agriculture master plan, however, did not have full-time staff, which some stakeholders argued led to inadequate implementation. (See Sihlobo 2024)

The lead departments incorporated important targets from the published master plans in their Annual Performance Plans.

- In its 2023/24 performance plan, the dtic pledged to manage and monitor the seven master plans for which it has a leading role (the dtic 2023:29); to ensure trade policy and export promotion; support master plan objectives; and to provide financing for qualifying projects (the dtic 2023a:99). It noted that a "Lack of commitment and buy in for masterplans and the supporting social compacts" constituted a risk. As mitigation, it proposed support for master plan exporters; development (with DPME) of a monitoring and evaluation matrix; training in covered industries on role of SMMEs; and dedicated resources to facilitate relationships with Special Economic Zones. (the dtic 2023a:209)
- DALRRD's 2023/24 annual performance plan said that "Deepening the implementation of these Master Plans remains the focus for this financial year." (DALRRD 2023:12) It argued that achieving

the targeted yields would require finalisation of "the development of the Agriculture and Agro-processing Master Plan — this will include elements of funding, technology, production inputs, etc." (DALRRD 2023:69) It did not include any other master plan targets, including around strengthening commodity roundtables and transformation projects, and scaling up phytosanitary staffing.

- The Department of Sports, Arts and Culture committed to "implementing programmes stemming from the Masterplan" in its 2023/24 performance plan. (DSAC 2023:9) Its only specific commitment in these regard, however, was to establish advisory forums across the spheres of the state. (DSAC 2023:41)

The tourism master plan was finalised in 2023, so it is not included in the Department's 2023/24 annual performance plan.

Despite progress in setting up platforms and incorporating the master plans into government's work, progress in many cases remained slow. In part, this outcome apparently reflected excessive expectations. In others, it resulted from government's inability to deliver on its commitments, especially where they required action by state-owned companies and other agencies not included in developing the master plans.

In December 2023, the president of the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) argued that businesses increasingly felt that the steel master plan had "collapsed". He argued that the steel master plan was originally presented as a way to ensure collaboration between industry stakeholders, moving away from the historic approach, where government set the direction and individual interests lobbied it separately. The aim, in this view, was both to "arrest the rapid decline" in the industry and to improve "communication and collaboration between all stakeholders". Instead, he contended, the dtic had not responded to requests for consultation; lacked the capacity to support the master plan; and drove important initiatives without adequate engagement, specifically on the price of scrap metal. (Monage 2023; see also Sihlobo 2023:1)

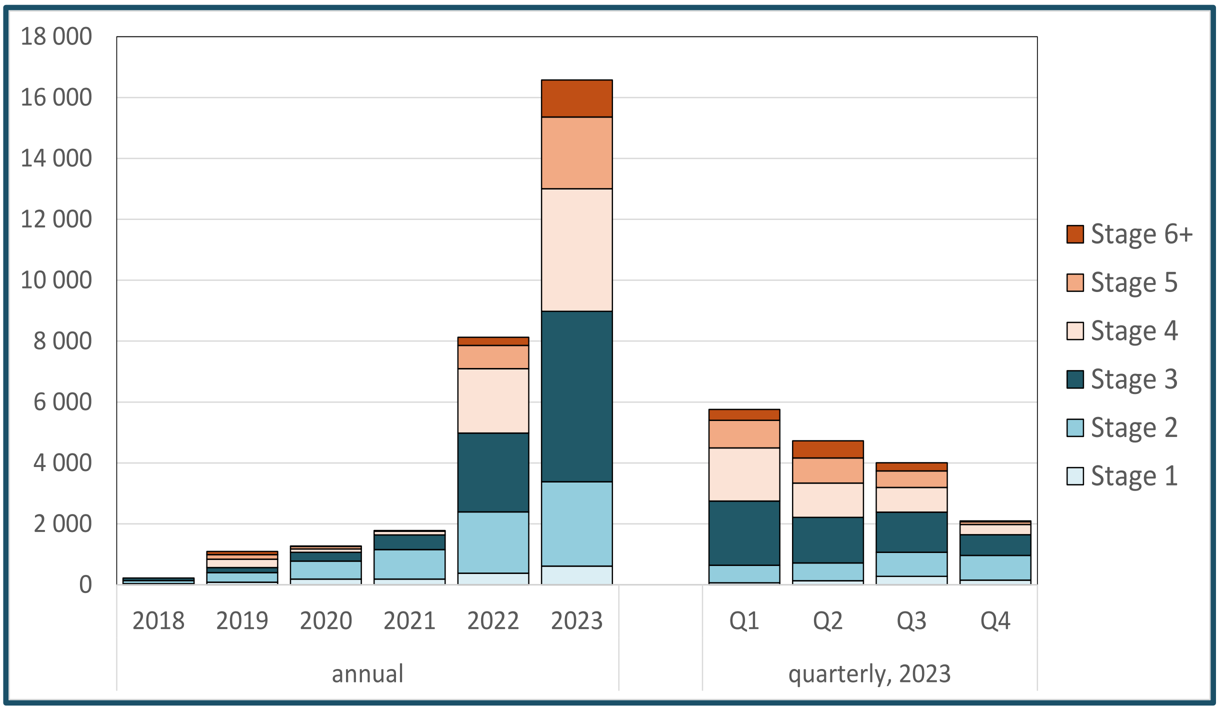
The difficulties in implementing government's commitments in the master plans reflected three main challenges.

- Established business saw the master plan project as empowering it in policy engagements. Government, however, also faces demands from its constituencies, which make it difficult to implement commitments that come at their cost. For instance, as discussed in section 4.6.2.2, government felt compelled to suspend tariffs on poultry in 2020 and 2023 in order to hold down consumer prices. Close and public collaboration with established business to design industrial policy was central to East Asian industrial policy. It is, however, much more difficult in South Africa, which has far deeper economic and social divides.

- The master plan structures did not have dispute-settlement systems. As a result, they could deadlock where stakeholders disagreed. This happened in sugar around pricing, as discussed in section 4.6.2.2; in steel around export restrictions on scrap metal (section 4.6.2.1); and in R-CTFL around tariff rebates on textiles (section 4.6.2.4).

- Commitments in the published master plans often required action by agencies outside of the lead department. On the whole, SARS and the dtic agencies participated actively in task teams. In contrast, Eskom, Transnet and the municipalities, which were not formally represented, did not respond consistently to industry-level requests. Notably, in 2023 loadshedding doubled over 2022 (Graph 14). The inability to meet expectations around infrastructure and regulatory frameworks was a core risk to the master plan process.

Graph 14. Gigawatt hours lost to loadshedding, by stage, annually from 2018 to 2023 and quarterly in 2023



Source: National Treasury. Budget graphs and data. Excel spreadsheet. Downloaded National Treasury website on the 2024/25 national budget. Downloaded from www.treasury.gov.za in February 2024.

As of 2023, the dtic had apparently relinquished hopes of leveraging the full array of government services to drive industrialisation – a central tenet of the original master-plan project. It argued that the master plans would achieve their economic impact predominantly through "sector-specific industrial financing instruments: and "private sector commitments to investment and procurement", as well as "public procurement measures; trade and standards-based measures; and regulatory unblocking". (the dtic 2023:150 and 159) In contrast, the reimagined industrial strategy had explicitly argued that they should also secure improvements in infrastructure, education and training, and regulatory frameworks outside of the dtic.

- The lead departments had constrained capacity and budgets relative to the demands of the master plans. The governance structures placed significant burdens on their highest leadership. Effective implementation would require prioritising the master plans above other departmental mandates. In addition, the master plans included a plethora of measures, making it difficult for officials to track and implement them. In most cases the annual performance plans only included broad commitments, as noted earlier; they did not specify the plans' priority outputs, such as extending commodity roundtables in agriculture, improving Eskom and Transnet services for steel, or upgrading customs enforcement for CTFL.

4.6.2.2. Demand

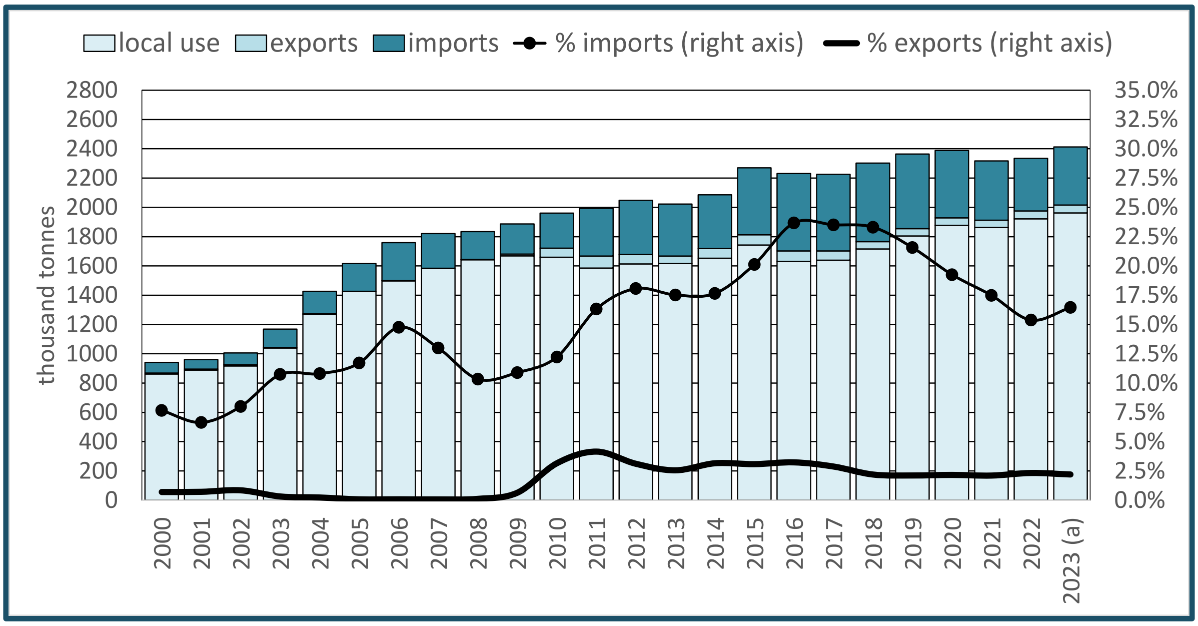
In terms of tariffs, SARS did not publish a comprehensive report on its work on products covered by published master plans. Participants in the various task teams reported some progress in implementing stronger systems to enforce tariffs and standards.

Most of the existing tariffs were retained, without a substantial increase. In R-CTFL, a benchmark price for imports was developed, which enabled SARS to identify under-invoicing.

Measures to expand domestic and regional auto sales were not implemented as of 2023. The APDP extension in 2020 did not qualitatively change the incentives system in auto, which meant that most auto imports were effectively duty-free. Moreover, little progress was made on developing a regional value chain. By extension, local sales seemed unlikely to escalate as anticipated in the published master plan document. It remained unclear how the targeted long-term doubling in auto output would be achieved in these circumstances.

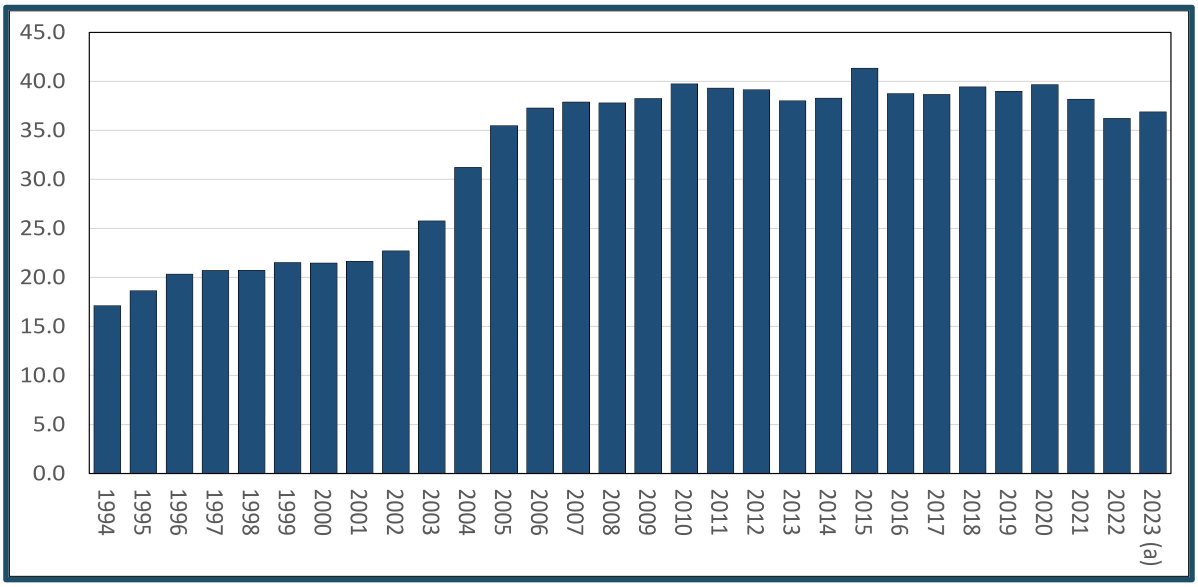
The dtic suspended the poultry tariff suspended in 2020 and 2023. In 2020, the aim was to ensure access to staple foods during the pandemic. In 2023, avian flu led to a shortage of domestic chicken. Still, as Graph 15 shows, imports remained relatively low. Since the decline was not fully offset by increased domestic production, consumption per person also fell by 5% from 2021 to 2022, following a more gradual 2.2% annual decline from its peak in 2015. (Graph 16) From 2020 to 2023, the price of individually quick frozen chicken – the staple for the poor and a significant share of imports – climbed an average of 2.6% a year over CPI. A major reason was that the price of chicken feed, which consists mostly of soy and maize, increased with global prices. Although offtake of domestic feed reached the targets set in the poultry master plan, there was no explicit agreement on delinking the price from international market swings.

Graph 15. Poultry production for local use, exports and imports in thousands of tonnes, and imports and exports as percentage of local production, 2000 to 2023 (a)



Note: (a) Figures for production and imports are not available for 2023, and are estimated based on 2% forecast growth. *Source:* Production and import data calculated from DALRRD. Abstract of Agricultural Statistics 2023. Accessed at http://www.old.dalrrd.gov.za/Portals/0/Statistics%20and%20Economic%20Analysis/Statistical%20Information/Abstract%202023.pdf in January 2024. Export data and growth in imports in 2023 calculated from Quantec. National trade data. Interactive data set. Accessed at www.quantec.co.za in January 2024. Growth in production in 2023 from *Poultry World*. South Africa's chicken meat production to increase in 2023. 3 March 2023. Accessed at https://www.poultryworld.net/the-industrymarkets/market-trends-analysis-the-industrymarkets-2/south-africas-chicken-meat-production-to-increase-in-2023/ in January 2024.

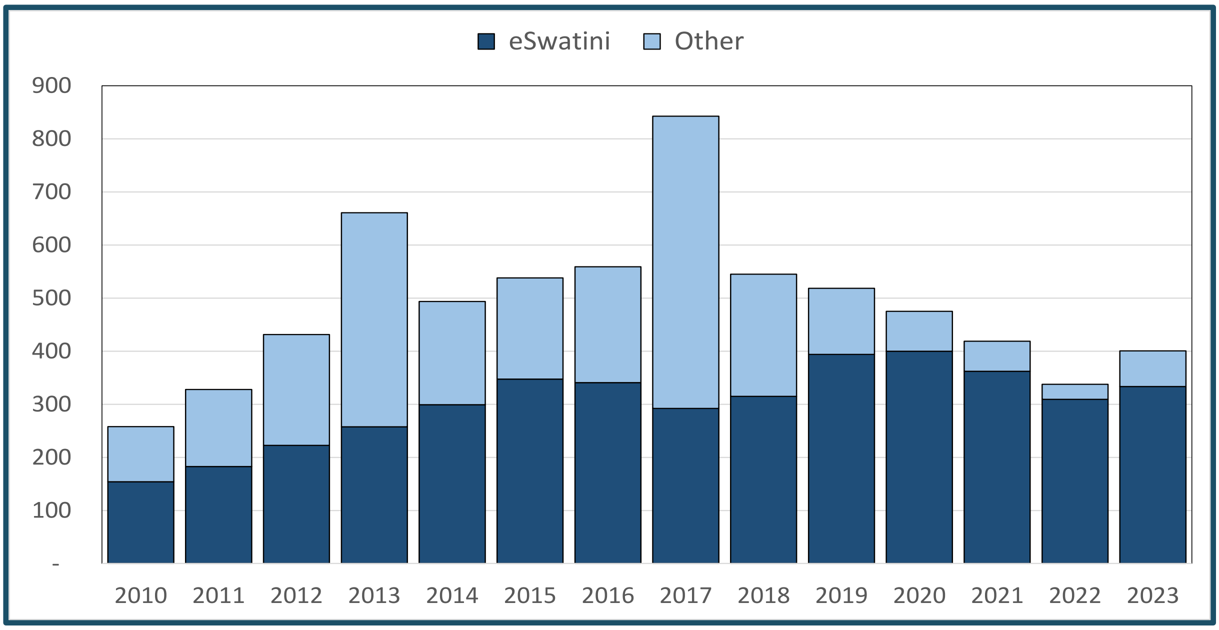
Graph 16. Chicken consumption per person, in kilograms, 1990 to 2023



Note: (a) Figures for production per person and imports are not available for 2023, and are estimated based on 2% forecast growth in output and 1% growth in the population. *Source:* Calculated from DALRRD. Abstract of Agricultural Statistics 2023. Accessed at http://www.old.dalrrd.gov.za/Portals/0/Statistics%20and%20Economic%20Analysis/Statistical%20Information /Abstract%202023.pdf in January 2024. Growth in production in 2023 from *Poultry World*. South Africa's chicken meat production to increase in 2023. 3 March 2023. Accessed at https://www.poultryworld.net/the-industrymarkets/market-trends-analysis-the-industrymarkets-2/south-africas-chicken-meat-production-to-increase-in-2023/ in January 2024.

Private agreements to increase local offtake and compliance with designations by government agencies are harder to monitor. The steel master plan hoped for increased infrastructure investment to drive sales. The 2023/24 budget did not provide projections for total public investment in infrastructure. It did, however, expect capital expenditure by the national government to increase around 2% above its prediction for headline inflation, although with large fluctuations year on year. (Calculated from Treasury 2024a)

Graph 17. Sugar imports from eSwatini and the rest of the world, in thousands of tonnes, 2010 to 2023

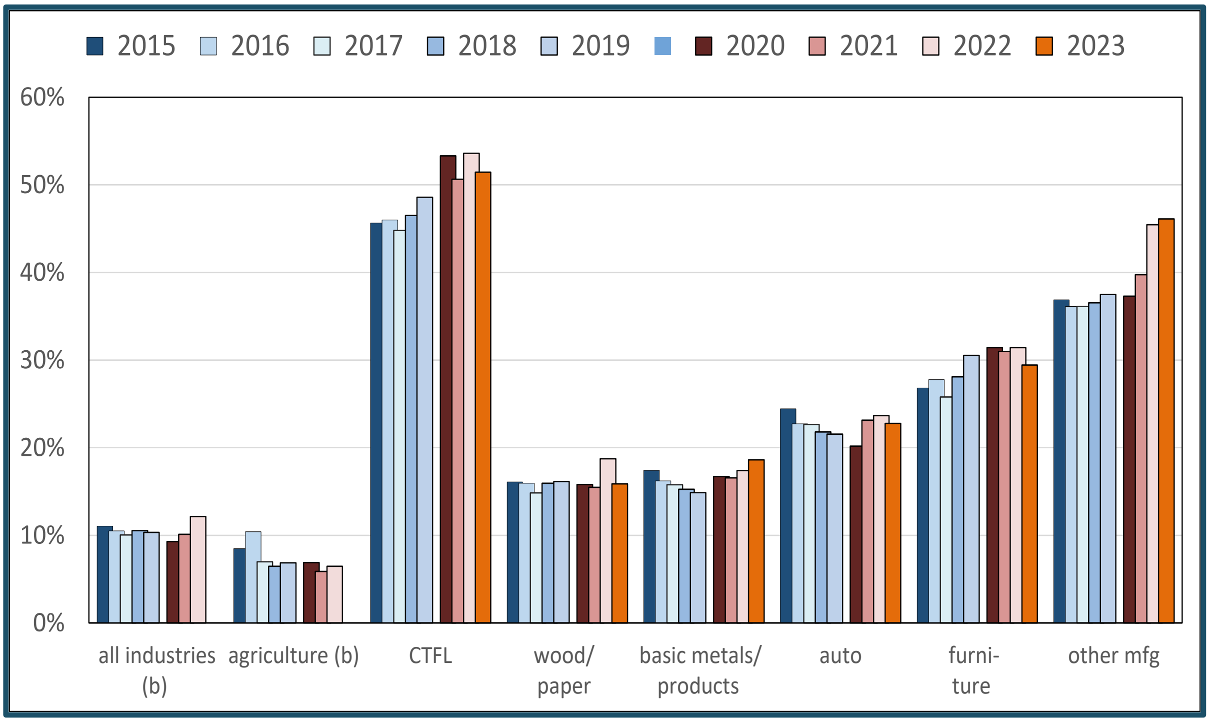


Source: Calculated from Quantec. EasyData. Interactive dataset. International trade series. HS-6 digit. Accessed at www.quantec.co.za in February 2024.

The sugar master plan included a three-year agreement for retailers and downstream manufacturers to increase their offtake of local supplies in exchange for restraint on producer prices. When the agreement came to an end, producers increased the price by 14%. From 2020 to 2022, imports of sugar, mostly from eSwatini, fell by 16%, continuing a downward trend from 2017. In 2023, however, they climbed by 19%.

Overall, as the following graph shows, in constant rand terms, import intensity flattened out from 2020 for most of the industries with published master plans. Exceptions were auto and basic metals, where the share of total sales in South Africa increased. Import intensity grew much more, however, in manufacturing industries that did not have a master plan. Part of the reason was the increase in international prices for petrochemicals, which affected the chemicals value chain.

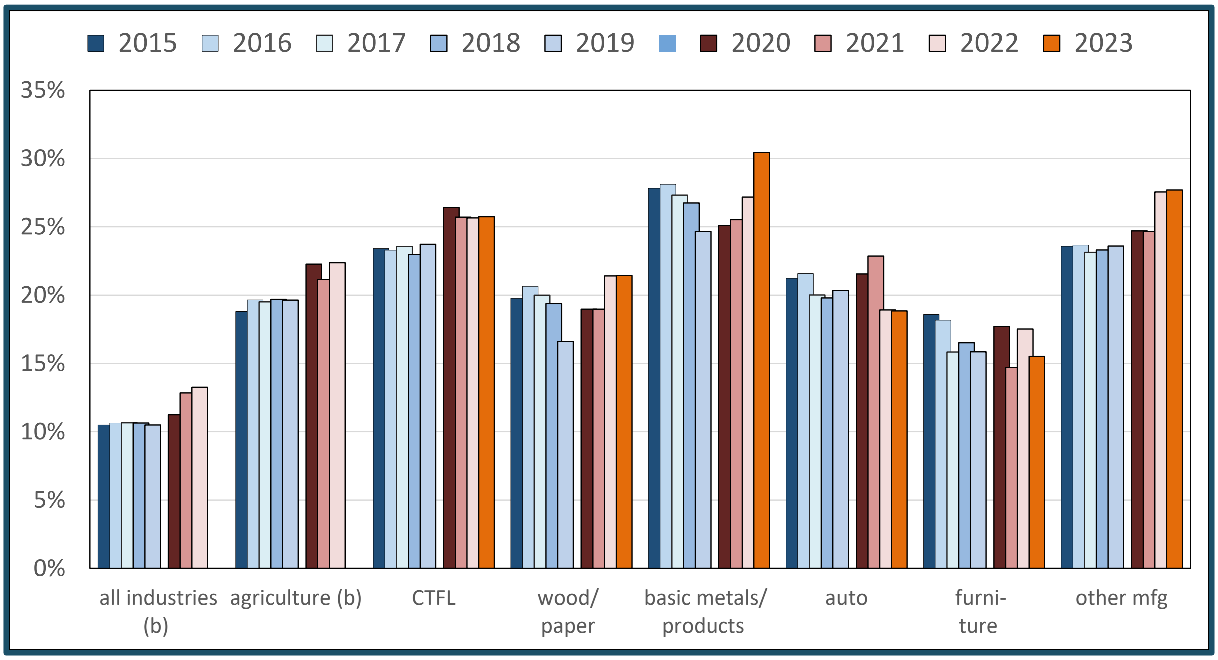
Graph 18. Import intensity for industries with published master plans, the entire economy and other manufacturing, 2015 to 2023 (a)



Notes: (a) Imports divided by imports plus reported sales. (b) Figures only available to 2022. *Source:* Calculated from Statistics. Manufacturing production and sales, downloaded by Quantec. EasyData. Interactive dataset. Quantec. EasyData. Trade data in SIC. Interactive dataset. Accessed at www.quantec.co.za in February 2024.

Among the industries covered by master plans, export intensity climbed primarily in the commodity based industries – that is, steel, wood and paper, and agriculture – and in CTFL. As with imports, the figures largely reflected the international spike in commodity prices. DALRRD reported that, in line with agriculture master plan commitments, it was engaging with a number of countries to improve access for South African agricultural exports. (DALRRD 2023:7)

Graph 19. Export intensity for industries with published master plans, the entire economy and other manufacturing, 2015 to 2023 (a)



Notes: (a) Exports divided by reported sales. (b) Figures only available to 2022. *Source:* Calculated from Statistics. Manufacturing production and sales, downloaded by Quantec. EasyData. Interactive dataset. Quantec EasyData. Trade data in SIC. Interactive dataset. Accessed at www.quantec.co.za in February 2024.

The data at SIC level do not show exports for poultry, which set targets for increasing exports as a percentage of production. In the event, chicken exports in volume terms climbed 6% from 2019 to 2023. That meant they were still 26% lower than in 2016. Hopes of diversifying to the Middle East remained unmet as of 2023, however. From 2016 to 2023, over 95% of exports went to Southern African Development Community (SADC) countries. The share of SACU countries alone averaged over 60%. (calculated from Quantec 2024)

4.6.2.3. Pricing of products

Commitments to restrain price increases in both sugar and poultry proved difficult to implement.

As noted, the price for individually quick frozen chicken climbed substantially faster than CPI in the period covered by the agreement.

After the first three-year phase of the sugar master plan, the sugar producers announced a 14% increase. They argued that the price ceilings set in the master plan had not kept pace with the cost of key inputs, notable diesel and fertiliser. The producer price index for sugar climbed an average of 4% a year from the end of 2020 to the end of 2023, then jumped over 25% in the course of 2023. Treasury did not increase in the sugar tax in the 2024/25 budget, apparently extending the delay agreed in the sugar master plan.

4.6.2.4. Production efficiency

Measures to improve efficiency in production centred largely on improvements in infrastructure and other government services. As noted, the lead departments generally found it difficult to deliver in these areas.

The dominant producer of raw steel, ArcelorMittal South Africa (AMSA) announced in late 2023 that it planned to close down its long-steel capacity, which accounted for around a third of its output.

Engagements at industry level led to an agreement to delay the closure subject to delivery in key areas, most of which had already been promised in the master plan process. In this context, a core area of contestation emerged around master plan proposals to reduce the price of scrap steel to local mills by restricting exports. AMSA argued that this approach effectively benefited new mini-mills that relied principally on scrap to produce steel relatively cheaply and with lower emissions. AMSA also wanted measures to enable it to maintain sales despite slow overall growth, including expanding use of domestic steel instead of imports in infrastructure and off-take agreements from key customers. (AMSA 2024)

Two of these strategies would effectively raise prices for other steel producers. Letting scrap prices approach export parity would limit expansion by mini-mills, an emerging technology that can produce crude steel relatively cheaply with reduced emissions. It is noteworthy that reducing the price of scrap in order to expand long-steel capacity was an important objective in the master plan. (SEIFSA 2021:11) Using local steel would in some cases raise the cost to downstream manufacturers. (See KZN Industrial and Business 2024) That said, several downstream manufacturers said they preferred to procure from AMSA because it was faster and more responsive to their requirements than imports.

In forestry, as of 2023 five plantations in KwaZulu Natal and the Eastern Cape had been transferred to new management, with local communities as partners. A plan for post-settlement support was finalised in 2022. (DFFE 2023:107ff) It was not clear how many households would benefit from the transfers. In addition, of the 152 claims on forested land, 11 had been settled since the master plan was agreed. (Creacy 2023:1)

In furniture, a tariff rebate was introduced for upholstery. As usual, the rebate was only available where producers could prove there was no local supplier.

In R-CTFL, a tariff rebate on woven textiles was introduced in line with the master plan proposals. As of mid-2023, 129 rebates had been issued, leading to duty-free imports of 11 000 tonnes of textiles worth R1.1 billion and contributing to production of clothing worth R4.1 billion. (the dtic 2024:187) Efforts to expand the rebate to knitted textiles had not been finalised as of late 2023, however. In addition, there was no data on the extent to which retailers had developed closer ties with suppliers, which the master plan argued was critical for future growth.

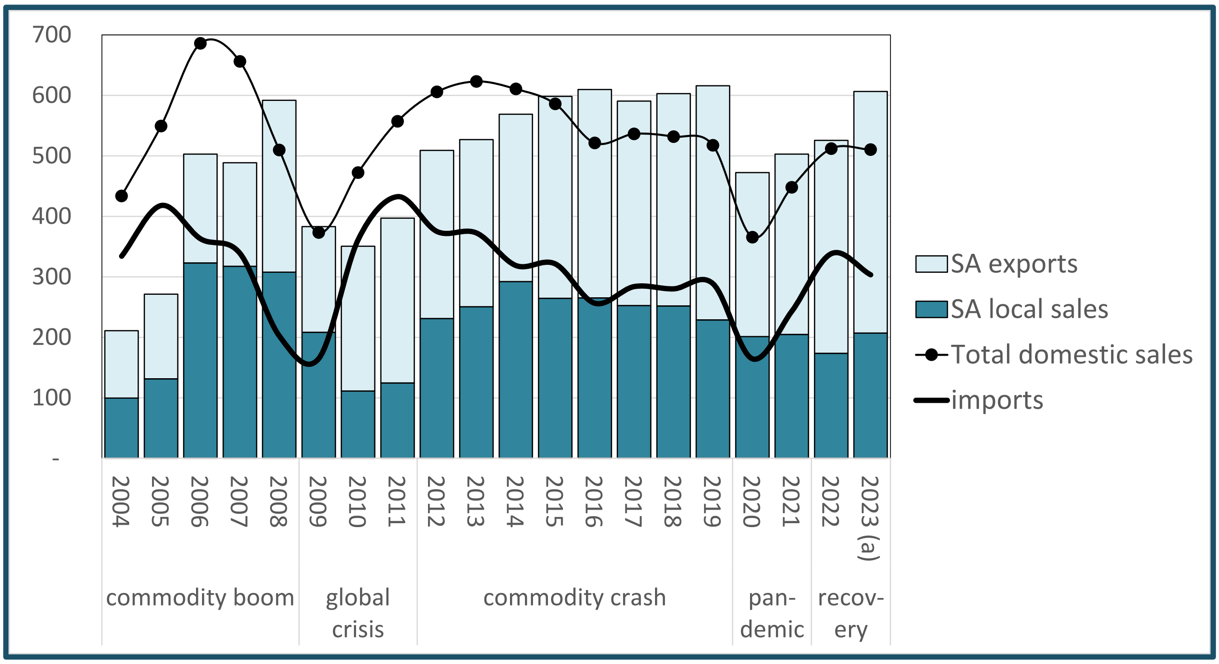
A target the agriculture master plan was to raise R9 billion additional funding for infrastructure, although the source was not specified and could include private funding. Treasury and DALRRD do not report on overall infrastructure spend for agriculture, some of which would in any case be private. According to the 2023/24 estimates of national expenditure, DALRRD's own spending on infrastructure, under the Comprehensive Agricultural Support Programme (CASP) and rural infrastructure programmes, climbed from R1.2 billion in 2022/23 to R1.3 billion in the 2024/25 budget, or slightly under inflation. It was expected to remain flat for the next two years in nominal terms. (Treasury 2024b) The proposed agricultural and land reform agency was not established as of late 2023.

The increase in phytosanitary personnel targeted by the agriculture master plan was not visibly accommodated in the national budget, although figures for phytosanitary measures are not published. Expenditure on production, health, inspections and quarantines rose from R1.2 billion in 2021/2 to R1.9 billion in 2023/4, but was budgeted to fall back to R1,2 billion in 2024/25. It was expected to grow only modestly to R1.3 billion in nominal terms in 2026/7.

4.6.2.5. Localisation and diversification

Neither the auto master plan structures nor the dtic report regularly on the share of local inputs in autos assembled in South Africa. That said, the master plan's expectations in this regard were based on strong growth in local and regional sales. In the event, they remained stagnant through 2023, as Graph 20 shows.

Graph 20. South African production for exports and local sales, imports and total domestic sales of cars, in thousands, 2004 to 2023 (a)



Note: (a) Extrapolated from January to November. *Source:* Calculated from Quantec. EasyData. Interactive data set. NAAMSA data on local and export sales, and SARS data on imports. Accessed at www.quantec.co.za in January 2024. In steel, the commitment to promoting recycling ran into headwinds as AMSA argued it unfairly supported competing mini-mills. The dispute highlighted a stark trade-off between supporting new mini-mills and sustaining AMSA's long-standing capacity. The current measures aim to promote more efficient local steel production by compelling scrap collectors to sell their products locally at around the cost-plus price. Enabling them to resume exports would push the price up to export-parity prices, which are generally significantly higher than the efficient-market price.

In forestry, progress on promoting new small growers remained slow. As of 2023, 28 000 hectares had been identified for afforestation in the Eastern Cape and KwaZulu Natal. Tenders for the requisite environmental impact assessment had just been finalised, however, with a two-year timeline. Moreover, the communities and farmers involved still had to be consulted. (DFFE 2022:17) It was not clear how many small growers would benefit from the planned expansion in forested land. In 2023/24, the DFFE only published targets on the restructuring of existing plantations.

In poultry, producers met the master plan targets for higher production and new contract farms. They also increased feed offtake, leading to expanded domestic production upstream. As noted, however, the increase in local production did not prevent a surge in prices in 2023, which in turn contributed to reduced consumption per person.

In sugar, the master plan structures launched a project to investigate the potential of producing aviation fuel from sugar in 2023. Still, efforts to promote localisation and diversification seemed likely to be constrained by the higher domestic sugar price. The large-scale producers provided a total of R60 million in premium price payments to small-scale farmers over the first three years of the master plan.

Both R-CTFL and furniture proposed the development of plans for niche products. They did not report any progress in either case.

4.6.2.6. Black economic empowerment

There is no consistent reporting on support for black ownership in the industries covered by the master plans. In sugar, the establishment of contract farms was implicitly designed to provide opportunities for black farmers. The sugar industry also established a R1 billion transformation fund in 2018, before the master plan was finalised. It paid out the final tranche in early 2023. The master plan proposed that the industry develop a new financial model for the fund, but none was announced as of 2023.

4.6.2.7. Resourcing

There is no consistent reporting on government or private funding for the master plans, or on progress in establishing the proposed new industry-level funds. Overall, it appears that spending has not scaled up substantially, in part due to the restrictive fiscal stance adopted since 2020.

According to Treasury estimates, government spending on industrialisation is expected to grow 3% a year over the upcoming medium-term expenditure period, from 2024/5 to 2026/7. Incentives and export support are expected to shrink in nominal terms in 2024/5, and as of 2026/7 should remain 0.4% below 2023/24 levels. Agriculture and rural development should grow 1.8% annually, with growth of 3.1% in farmer support and development alone. That means both functions are supposed to grow more slowly than the budget as whole. Excluding debt service, the government spending is expected to grow by 3.9% a year, and debt service will grow at 7.3%. (Treasury 2024a)

Figures on the dtic budget underscore the limited resources available for the master plans. Its total budget came to R9 billion in 2020/21; rose to R10.7 billion in 2023/4; but is expected to drop to R9.6 billion in 2024/5. The sector branch, which oversees the master plans, had R1.6 billion in 2020/21, and again R1.6 billion in 2023/24, but was expected to see a decline to R1.4 billion in 2024/5. The incentives branch, which manages the dtic's incentive funds, had R4.8 billion in 2020/21; R5.4 billion in 2023/4; but a budget of only R4 billion in 2024/5. (Treasury 2024b)

Government tax subsidies to support industrialisation far outstrip its direct spending. Necessarily, however, their value derives from estimates. Moreover, Treasury has only published figures for tax subsidies through 2021/22. It estimates that in that year, the auto industry received R34 billion through the incentives in the APDP. CTFL got R870 million from a similar scheme, and furniture and fixtures, R144 million. (Treasury 2024a:123)

IDC financing for the master plan industries also exceeded the dtic budget. It estimated that its financing for businesses in master plans and priority sectors came to R22 billion in 2021/22, climbed to R32 billion in 2022/23 but fell back to R20 billion in 2023/4. It budgeted R25 billion for these industries in 2024/5. (Treasury 2024b)

The DALRRD budget for infrastructure through CASP and rural infrastructure grants came to R1.2 billion in 2022/3, with R1.3 billion budgeted for 2024/5. Thereafter it was expected to plateau. (Treasury 2024b) Obviously, achieving the R9.1 billion target in the agriculture master plan would require some growth in this budget. That said, infrastructure spending for agriculture is spread across several spheres and functions, so the DALRRD budget is only a part of the picture.

The agriculture master plan looked to blended finance schemes that combine grants and loans to improve funding for the sector. In 2022, it launched a blended finance scheme with the Land Bank to support black farmers. The scheme is administered by the Land Bank, which works with partners to provide technical support to eligible farmers. (Land Bank 2023:15) In its first (partial) year of operation, the scheme approved transactions for 30 applicants, worth R255 million. DALRRD grants financed just over half of the total. The funds were expected to create 104 permanent and 484 seasonal jobs. (Land Bank 2023:23) DALRRD has allocated R1.1 billion to the scheme, which tripled the grants available to the Land Bank. (Land Bank 2023:242) For comparison, the Land Bank's total loans and advances came to R15 billion in 2023, down from R30 billion in 2021 (Land Bank 2023:155), due to a default that led to a pause in its active lending in 2021/2.

In 2023/24, the Land Bank and DALRRD also planned to launch a second blended fund, the Agro-Energy Fund, with total of R2.5 billion in DALRRD grants. In its first year, it would have R500 million from DALRRD and R700 million from the Land Bank. (Land Bank 2023:142) The Agro-Energy fund aims to enable farmers of all sizes in energy-intensive industries (dairy, poultry and piggeries; irrigated crops; on-farm processing) to invest in off-grid generation.

4.7. Conclusion

Table 9 summarises the actual implementation of the master plan project against the original theory of change.

Table 9. Implementation of the master plan project compared to theory of change, as of late 2023

ORIGINAL THEORY OF CHANGE	ACTUAL DEVELOPMENT
Government sets the main impacts and outcomes for industrial policy, which in turn shape the aims of the overall master-plan process as well as the master plans for individual industries.	The government did not set clear outcomes for the process or identify the changes in the national production structure that could boost growth while qualitatively improving opportunities for working-class communities. In the absence of this kind of vision, the master plans have aimed primarily at improving conditions for established businesses as the basis for achieving a modest acceleration in national growth. While supporting for existing formal business is obviously necessary, it will not in itself change the national growth trajectory to support more inclusive industrialisation.
Government identifies a limited number of priority industries that, as a group, can accelerate inclusive growth, by expanding economic opportunities and/or driving faster growth and higher incomes overall.	The government did not develop a consistent approach to identifying priority industries for master plans. In consequence, some industries in published master plans were selected based largely on lobbying by big businesses (poultry, sugar, forestry, auto). Other major industries have been left out or seen long delays in the development of a master plan. The agriculture master plan only includes first-stage agro processing rather than food manufacturing, effectively excluding a key labour-intensive manufacturing industry. The published plans include only two service industries (cultural industries and tourism).

ORIGINAL THEORY OF CHANGE	ACTUAL DEVELOPMENT
For each priority industry, the government establishes a platform with formal business and labour to develop joint initiatives to achieve agreed-on aims.	The government succeeded in establishing platforms with business and labour to develop the published master plans, with the exception of cultural industries. Participants found these platforms useful in improving communications and strengthening the voice of established business and organised labour in policy development. That said, the government delegations appear to have had limited capacity to offer their own proposals or to test the proposals arising from other stakeholders against the evidence, or to evaluate their likely impacts on inclusive industrialisation. Government delegations also appear to have agreed on some important measures without obtaining agreement from state agencies that would have to implement them, notably around local procurement, the provision of infrastructure, and regulatory changes. Most notably, the agriculture master plan says that land reform will rely on state land and donations from private landowners, which appears to rule out expropriation.
The stakeholders agree on effective actions to support inclusive growth in the industry, testing proposals against the evidence so as to ensure realistic and effective approaches.	Government has published 10 master plans, in most cases in agreement with stakeholders. Labour has declined to sign off on the agriculture master plan. The published plans all focus on streamlining regulations, improving infrastructure and promoting Black ownership. They have only limited proposals to improve productivity, cut input costs, promote small producers and job creation, or improve the provision of goods and services for lower income groups. All of the proposals centre on incremental changes that will ultimately benefit the dominant producers.
The stakeholders set up governance structures to drive implementation effectively while responding to changing conditions and needs.	All of the published master plans have established governance structures and have at least started to implement many of the short-term measures. The main initiatives that have not been started or have been dropped include optimisation of domestic and regional auto markets to reduce import dependence and grow the scale of local production; significant expansion in small-scale forestry; fast-tracking new kinds of steel to meet the needs of core domestic industries and infrastructure; limiting access to foreign performers in the creative industries and improving contracts for local performers; and enhancing farmworkers' conditions.
The on-going implementation of measures on a large scale, supplemented by new initiatives as they are agreed, accelerates economic growth and steps up economic opportunities	The immense disruptions in the global and national economies in the past four years mean that none of the master plan industries has visibly accelerated growth or employment compared to 2019.

5. IMPACT ON DIFFERENT SOCIO-ECONOMIC GROUPS

This section uses the methodology of the socio-economic impact assessment system (SEIAS) to evaluate the implications of the master-plan project for different groups. The analysis suggests a significant divergence in the costs, benefits and risks for different constituencies.

The analysis first reviews the impacts of the master plan process on various categories of business and working people. It then considers the implications for government departments and agencies. It does not reiterate the main risk that all of the groups share – namely, that the master plans will not succeed in improving economic growth, whether due to exogenous factors or because of the way the master plan project has been implemented.

5.1. Private sector

5.1.1. Established formal business

In the long run, if the master plans succeed, established businesses will benefit from faster growth and reduced costs. Even before that, they gain new systems to engage with government, labour and other businesses on industry-level challenges. Ideally, the industry-level platforms will secure more responsive and appropriate government support. That in turn could lead to improved infrastructure; financial support to upgrade or expand production, whether through tax cuts, other incentives, or help in raising private or foreign funds; protection against imports; and faster, easier and less arbitrary licencing procedures. Fundamentally, the master plan process signals government's recognition that it has to act more decisively to improve the ecosystem for the businesses that drive South Africa's economy.

For established businesses in the master plan industries, the obvious up-front cost is the need to dedicate capacity to help develop and implement the plans. Current structures require significant time and expertise to engage on the various industry task teams. In addition, government may require specific concessions in return for stronger assistance. In practice, the extent of this kind of trade-off has varied significantly by industry. Government trade-offs to date have included increasing black ownership along the value chain; price restraints on outputs in sugar and poultry; commitments to local procurement by retailers, notably in R-CTFL and sugar; and in some industries contributions to industry-level funds and institutions.

The process also brings some risks for established businesses in the master plan industries. To start with, they have to manage government pressure to set more or less ambitious targets, typically around black ownership, output, investment and job creation. Business has historically been reluctant to target economic objectives because changing market conditions may make them unattainable. In this context, a further risk is deadlock, so that the master plan is not finalised or is heavily delayed.

Another risk is that the lead departments cannot muster support from other state agencies when required. In effect, that means established businesses will not get the hoped-for benefits of the process, despite the considerable time and energy often put into developing and engaging on proposals.

In industries without a master plan, businesses risk a gradual redirection of government support toward the master plan industries. These businesses do not have equivalent formal systems to engage around government support. In response, virtually every manufacturing industry has lobbied for a master plan. In any case, if the master plans succeed in boosting overall growth, all businesses will benefit to some extent.

5.1.2. Small and emerging business

For small and emerging businesses, the cost of engaging on the master plans looms comparatively large. Typically, these producers have less capacity both individually and through their associations, making the burden harder to manage. In many smaller firms the owner cannot afford to take off even a few days for master plan meetings.

That said, smaller and emerging businesses would benefit if the master plans accelerated growth in their industries. Moreover, some master plans – notably in agriculture and forestry – require government and established businesses to scale up support for small and emerging businesses. In some master plans, downstream manufacturers have been able to negotiate for lower tariffs on imported inputs.

For small business, a key practical risk is that, because it is difficult for them to engage, the master plans end up with measures that actually increase their costs. These measures can take the form, for instance, of tariffs or import-parity pricing on inputs; or a reinforced bias toward infrastructure in urban industrial areas rather than township sites.

More broadly, any engagement process effectively empowers the parties with more capacity. Most of the published master plans effectively reflect the needs of large, established companies, which are generally not anxious to adopt disruptive measures. That makes it difficult to qualitatively scale up support for innovative labour-intensive activities. The agreement to avoid expropriation for land reform in the agriculture master plan epitomises this risk.

5.1.3. Organised labour

Like business, organised labour has to mobilise resources to engage on the development and implementation of master plans. Since 1994, the labour movement has developed significant capacity to participate in policy processes. Still, it cannot match the volume of resources available to established businesses. Moreover, union resourcing varies significantly by industry, as a function of union density and wages. The burden of engaging on master plans is comparatively larger for unions representing poorly organised, poorly paid workers. Notably, in agriculture, the clothing workers union SACTWU ended up representing farm and forestry workers.

On the plus side, by including labour representatives, the master plans represent a commitment to enhancing democracy in the policymaking process. The process opens up space for workers' representatives to influence industry-level measures. For instance, they can push to limit layoffs when industries are in crisis, to improve conditions and pay, and to enhance worker rights and pay equity.

5.1.4. The unemployed and the informal sector

For historically marginalised groups, the master plan approach promises faster growth that can generate more economic opportunities. New openings may arise both in the master plan industries and, as the national economy grows more dynamic, in other parts of the economy. For instance, the auto industry is critical for retail and services in the metros of the Eastern Cape.

In addition, if the master plans succeed in accelerating overall growth, government revenues should increase. That in turn would enable improved support for unemployed people and impoverished communities.

That said, the master plan process poses significant risks for marginalised constituencies. Above all, the commitment to an engagement process with formal industry stakeholders without clearly defined transformative outcomes may effectively reinforce path dependency. Specifically, it could end up entrenching support for relatively capital-intensive, large-scale production processes. In that case, even a moderate improvement in growth will lead to only modest employment creation.

In practice, the published master plans have either not adopted or have not effectively implemented measures to scale up economic opportunities on a large scale. They do not include the industries that generate the bulk of employment – the big professional services, security and cleaning, and retail – or the largest labour-intensive manufacturing industry, which is food processing. The agriculture and forestry master plans target support for tens of thousands of smallholders, but to date have made little visible progress toward these aims. As discussed, even if the master plans succeed in achieving their targets, they are not adequate to overcome the employment deficits and inequalities in income and asset ownership entrenched under apartheid.

5.1.5. Working-class consumers

Most of the published master plans call for measures to reduce low-cost imports in order to reduce competition with established businesses. Where these measures affect staple foods such as poultry and sugar, the risk is a higher cost of living for working-class households. If the master plans succeed in accelerating growth and job creation, this impact could be offset by higher incomes. In addition, in theory, protection from competition in the short to medium term permits local producers to upgrade their efficiency and achieve economies of scale. If successful, that would ultimately moderate prices.

5.2. Government departments and agencies

5.2.1. Lead departments

The lead departments for the master plans have to dedicate significant capacity to engage with both state and non-state actors on the development and implementation process. The structures in the published master plans, for instance, require the Minister of Trade, Industry and Competition to chair or co-chair half a dozen executive councils, each of which is expected to meet between two and four times a year. Dtic officials must participate in well over 20 task teams. The lead departments are often also expected to increase resourcing for the master-plan industries, which means they may have to reallocate budgets from other functions.

In return, the master plan process should empower the lead departments better to meet their mandate of growing the economy, promoting employment and expanding black ownership. Moreover, if the master plan process succeeds in accelerating national economic growth, government revenues should increase.

The lead departments face some risks from the master plans. First, established business can use the process to lobby for disproportionate support, effectively blocking the structural changes required for more inclusive industrialisation. Second, any failure to secure alignment across the state risks disappointing stakeholder expectations and undermining investor confidence. Finally, if the master plan process is limited to small, crisis-ridden or highly capital-intensive industries, it will not have the anticipated impact on economic growth and job creation.

5.2.2. Treasury

On the cost side, the industries with master plans are able to push the Treasury more effectively to finance better infrastructure and incentives. In the longer run, however, if the plans succeed in boosting economic growth, higher tax revenues should offset these costs. In addition, if the master plans succeed in reducing joblessness, the social safety net would face fewer claims, and more people could pay for infrastructure and housing.

5.2.3. Other agencies, departments and spheres

For other government agencies, including some municipalities, the main cost of the master plan project is increased pressure to engage on demands from the prioritised industries. They have to find the capacity and time to respond. They would also have to reallocate resources to assist the master-plan industries. On the other hand, if the master plans succeed, conditions would improve for the resourcing and delivery of government services across the board.

5.3. Conclusions

To date, the costs of the master plans have been modest, centred mostly on the time and expertise required from stakeholders. If they succeed in redirecting government spending toward priority industries, then the costs will rise, but so would the potential benefits.

For established business, the main plus is the improved opportunity to lobby for improved government services and trade protection. To the extent that the result is accelerated growth, the benefits would be widely spread.

For marginalised people and communities, the risk is that the master plans could divert attention and resources away from larger-scale initiatives to shift the growth trajectory toward more inclusive and dynamic industrialisation.

6. SUMMARY AND IMPLICATIONS

The master plan methodology reflects a coherent theory of change. It responds to real challenges for industrial policy since the transition to democracy, in particular the need to establish platforms to ensure more timely and consistent responses to industry-level needs. To achieve the dtic vision, however, requires stronger government leadership to identify and drive the structural changes needed to grow employment and small business on a larger scale.

Overall, the evidence to date suggests that:

- The master plan strategy has been effective in addressing some industry-specific constraints arising from government actions.
- As of 2023, the governance structures enhanced engagement between business, some unions and government agencies, both to oversee implementation and to develop new measures as required.
- As a group, the industries covered by the published master plans were inherently unable to scale up to transform the economy.
- Government did not substantially increase funding for the new master plans, and as of 2024 their resourcing did not approach the scale of the auto master plan, which was set as a model for the master plan project.
- The master plans mostly aimed to increase sales by existing businesses through stronger trade protection and local procurement or by promoting exports. None proposed specific measures to address key cost drivers.
- Transformation was interpreted primarily as increasing black ownership in formal businesses, with employment growth following from larger sales rather than a shift to more labour-intensive activities or small business. The agricultural plan agreed to limit land reform to state land and "donations" from the private sector, apparently ruling out expropriation.
- The master-plan proposals sometimes imposed significant costs on constituencies that were not represented in the engagements, for instance through high tariffs on staple foods; postponement of an increase in the sugar tax; and the agreement on land reform.

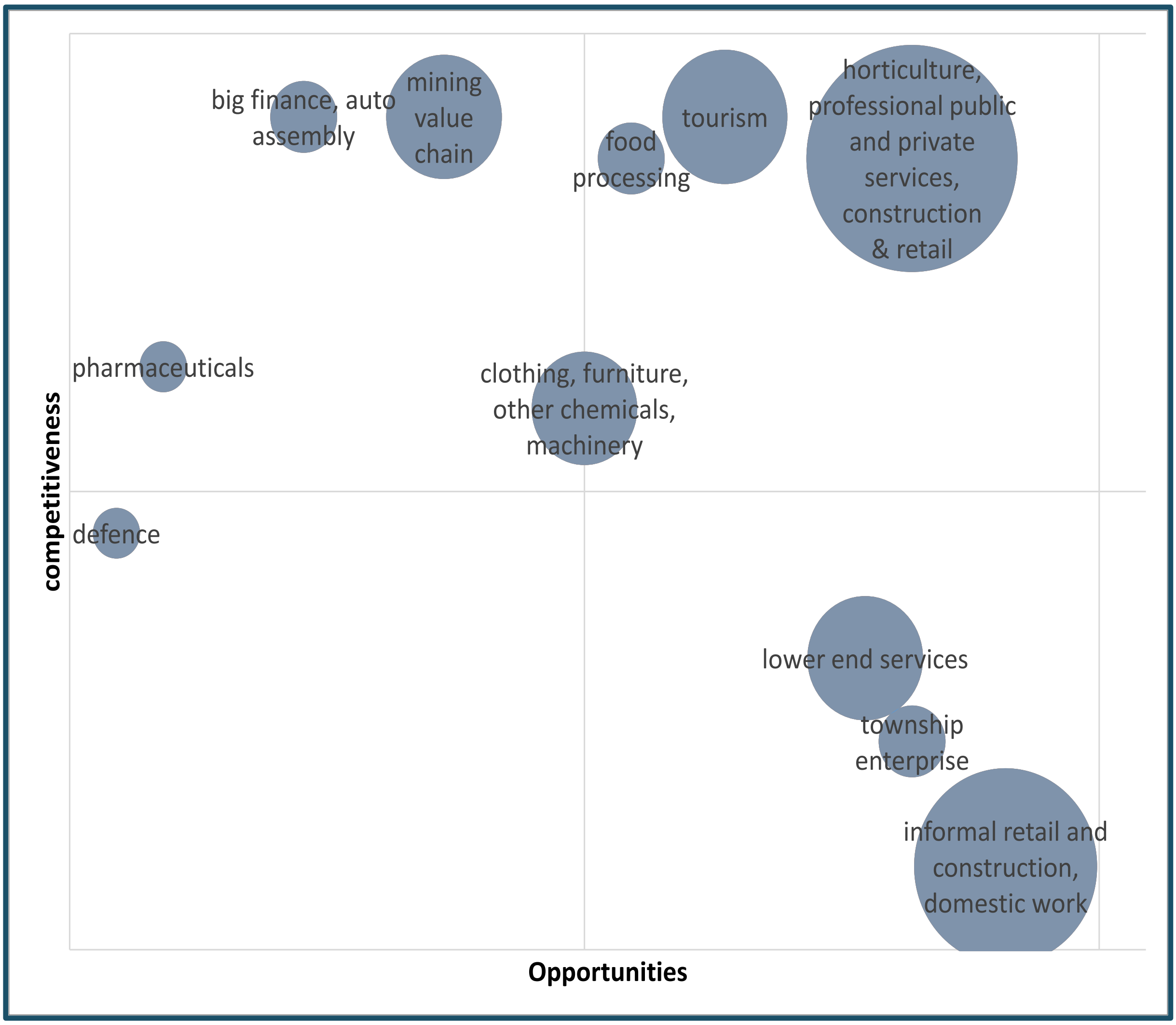
Overall, the master plan strategy helped build trust with established business in the affected industries and addressed some constraints on existing production. That in turn promised incremental improvements in GDP growth and job creation. As currently implemented, however, the strategy seemed unlikely to initiate more targeted and larger measures to drive industrialisation or generate employment opportunities on a significant scale.

From a national development standpoint, the master-plan project could be improved by the following.

6.1. Selection of industries

As originally envisaged, a more rigorous process should be undertaken to select the industries for master plans. The aim is to include a combination of labour-intensive and more advanced industries. Figure 1 suggests the effective trade-offs involved in this process.

Figure 1. Industries ranked by competitiveness and potential for creating opportunities



6.2. Industry-level goals

Master plans should be required to prioritise two kinds of measures – ensuring more competitive production and growing employment opportunities. These aims may come into conflict, as noted, and there are no easy solutions. Still, they should be more consistently considered in the engagement process.

Improving competitiveness requires identification of the main cost drivers in the industry. They may include for instance rents or tariffs on inputs; out-of-date technology and work organisation along the value chain; inadequate infrastructure; and/or a weak skills base. In South Africa, industrial policy historically relied on two strategies to improve competitiveness; first, reducing the rents to upstream commodity producers (especially the coal and iron ore mines) in order to improve the competitiveness of downstream manufacturing; and second, the provision of quality, low-cost infrastructure to formal businesses. In commodity-based value chains such as steel, poultry and sugar, the allocation of rents between primary producers, manufacturers and retailers still has a critical impact on outcomes.

Creating employment on a mass scale requires new kinds of production for both goods and services. Opportunities could arise either from substantially scaling up labour-intensive production in established businesses, or from substantial growth in small businesses. In some cases, a state subsidy might be warranted, for instance through land reform, lower-cost infrastructure and extension services for small business, subsidies for pay and in labour-intensive manufacturing and services, or support for low-income households to buy specific goods and services.

6.3. Strategic narratives

Every master plan should include a strategic narrative that provides an explicit, logical theory of change. It should

- Indicate the core aims in terms of growth and/or employment creation, and
- Justify the priority measures based on an analysis of the main blockages to achieving its aims.

6.4. Research

Stakeholders need to develop an evidence-based understanding of the core dynamics in their industry and to resolve disagreements about the facts. The master plan project was built on the idea that all of the parties bring expertise about their industry to the table. Still, their perceptions may be skewed by individual experiences as well as interest.

The research for the master plans should identify the main cost drivers and the opportunities and obstacles to small business and labour-intensive production in the industry. Ideally, the parties should agree on the researchers and the terms of reference. In the engagement process, they should continue to use expertise and evidence to test proposals.

6.5. Sustainable governance

Engagement structures should be streamlined and decentralised so as to reduce the demands on the parties as far as possible. In particular, there should be no more than two or three working groups. That in turn requires clear prioritisation of measures. The failure to prioritise underpins the plethora of implementation processes, which in turn makes it far more difficult to ensure consistent oversight. In addition, the executive oversight committees should either meet only once a year, or allow the lead minister to delegate to deputy-director general level.

6.6. Alignment across the state

Effective coordination across state agencies requires new mandating systems for developing master plans, and consistent platforms for engagement after they are adopted. Before signing off any measure, the lead departments should have to obtain formal, written agreement from the main agencies affected. Moreover, they should set up structured working groups with the most affected agencies and municipalities to make it easier to communicate around the implementation process.

6.7. Resourcing

A central assumption of the reimagined industrial strategy was that support would be scaled up for the master-plan industries. That in turn can only be justified by more ambitious programmes with clearly defined and tested priorities to achieve national development aims.

6.8. Support for other industries

The dtic should define ways to engage at industry level outside of priority industries. Otherwise every business association lobbies for a master plan, making it harder to set clear priorities for state support.

Engagements for industries not included in the master plan project could for instance combine:

- Establishing formal platforms for engagement at a lower-level, for instance at Deputy Director General or Chief Director level with bi-annual meetings;
- Setting clear lines of communication and responsibility for advocacy within government for significant industries that do not need or warrant a master plan; and
- A process to set up working groups to respond to crises or opportunities that may arise, for instance, from rapid shifts in technology, sudden infrastructure problems, or a surge in imports.

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