



**merSETA**

MANUFACTURING, ENGINEERING  
AND RELATED SERVICES SETA

# BULLETIN



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& RESEARCH

June 2018

## Industrial Policy Action Plan (IPAP) 2018/19 – 2020/21

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In May 2018, the Department of Trade and Industry (DTI) launched the 10<sup>th</sup> iteration of the **Industrial Policy Action Plan (IPAP)** which places emphasis on stronger interventions to support transformation in the South African economy led by the DTI's flagship Black Industrialist Scheme. IPAP is a key component of the Nine-Point Plan and its goal is to develop a more competitive and diversified economy. The latest IPAP also includes some interventions to gear up and respond to the challenges and opportunities posed by the digital driven 4<sup>th</sup> **industrial revolution**.

The 2018 IPAP provides a high level summary of some of the **achievements** of IPAP since its launch. Some of these achievements include:

- **The establishment of 8 Special Economic Zones and 11 Industrial Parks.** The industrial parks have employed 55,000 people.
- **Localisation and Proudly SA** program aimed at boosting domestic demand through the promotion of local products.
- **Industrial financing** through schemes such as the **Automotive Incentive Scheme** have secured investment

commitments of over R45 billion, contributing to the retention of 38,267 jobs.

The implementation of IPAP has been however confronted by **domestic structural problems** which have undermined the competitiveness of the manufacturing sector. Some of the constraints include:

- **Lack of policy coherence and programme alignment** and integrated support across government.
- The **extreme concentration of ownership and control** in the South African economy - with a small number of large firms dominating most.
- **High input costs** - The high price of key inputs such as steel, chemicals and products in the plastics value-chain remains a constraint on the competitiveness of SA manufacturing.
- **Electricity** - The security and predictability of electricity represents a major and increasingly acute concern.
- **Port tariffs** - High port charges and inefficiencies are a significant barrier and constraint on the export of value-added goods.



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- **Customs** - Illegal imports, improper practices such as staged consignments and the importation of sub-standard products is a threat to local manufacturing.
- **Skills for the economy** – The current structure of the SA economy is ill-suited to the creation of large numbers of jobs at appropriate skill levels. The challenge of skills deficits and mismatches has hindered industrial and technological development, as the economy is not producing the skills required by the manufacturing sector.

According to the DTI, concerted effort to address these issues must include support for better **demand-side planning**, deeper involvement of the **public** and **private** sectors in providing resources **for training**, and a more strategic and sustainable approach to meeting **scarce skills** needs.

The merSETA plays a major role in the success of IPAP. Its role is to address the challenges of skills deficits that have hindered the development of the manufacturing sector as highlighted in the IPAP. The **Sector Skills Plan (SSP)** is one of the planning tools that the merSETA uses to identify some of the **scarce skills** to help the sector better identify, plan and respond to skills demands.

**To download IPAP 2018 go to**  
<http://www.thedti.gov.za/DownloadFileAction?id=1240>

