

**FINAL, FINAL, DRAFT**

# **South African R-CTFL Value Chain Master Plan to 2030**

---

# TABLE OF CONTENTS

Foreword by Minister Ebrahim Patel.....	2
1. Introduction .....	3
2. THE R-CTFL VALUE CHAIN .....	4
2.1. THE R-CTFL value chain structure .....	4
2.2. Status Quo analysis.....	5
3. The R-CTFL Value Chain - comparative analysis.....	7
4. The South African R-CTFL value chain masterplan .....	8
4.1. R-CTFL Masterplan VISION AND OBJECTIVES.....	8
4.2. STRATEGIC APPROACH TO IMPLEMENTATION.....	10
4.3. Key R-CTFL value chain development indicators .....	10
4.4. SA R-CTFL masterplan IMPLEMENTATION .....	11
4.4.1. Commitment 1: Grow the market for local CTFL producers.....	12
4.4.2. Commitment 2: Increase local CTFL procurement.....	12
4.4.3. Commitment 3: Stem the flow of illegal imports .....	13
4.4.4. Commitment 4: Strategic use of Tariffs and rebates.....	13
4.4.5. Commitment 5: Extend CIP and PI in an appropriate format for 3 years .....	14
4.4.6. Commitment 6: Align production capacity to sales cycles.....	15
4.4.7. Commitment 7: Value chain transformation .....	15
4.5. Task Teams.....	17
4.5.1. Task Team 1: Trade licensing .....	17
4.5.2. Task Team 2: Illicit and illegal trade and manufacturing .....	17
4.5.3. Task Team 3: Effective tariff protection.....	18
4.5.4. Task Team 4: Future supply side incentives and support.....	18
4.5.5. Task Team 5: Skills and productivity development .....	19
4.5.6. Task Team 6: Export competitiveness .....	20
4.5.7. Task Team 7: Strategies for adjacent and niche CTFL value chains.....	20
4.6. Implementation and Monitoring .....	22
4.6.1. Executive Oversight Committee .....	22
4.6.2. Programme Management Office .....	22

# FOREWORD BY MINISTER EBRAHIM PATEL

It is my pleasure to confirm the Master Plan for the retail - clothing, textile, footwear and leather value chain.

The Master Plan is an action plan – simple, focusing on actions all stakeholders can undertake, and a mechanism to monitor it. It represents the development of a new partnership which knows what the problems are, and finding new ways to tackle them.

The Master Plan will represent the first commitment from a broad array of retailers to buy local, driving local manufacturing and employment.

To achieve the objectives of the Master Plan, the industry will need to rethink and re-invent itself so that each of us makes a substantial contribution and we all benefit. It will require commitment from all stakeholders, including retailers, manufacturers, workers and government.

The policy, regulation and programme recommendations presented in this report have been widely workshopped and discussed with South Africa's major R-CTFL industry stakeholders. It balances various stakeholder interests so that implementation of the R-CTFL Masterplan vision and associated objectives play a critical role in the development of South Africa's industrial capabilities and support the realisation of a decent work agenda for South Africans, and increase the wealth and prosperity of all the stakeholders in the industry.

If implemented, the commitments contained in this Master Plan will yield an increase in local manufacturing, with local purchases expected to increase in real terms by R35 billion over the same time period, representing real growth in CTFL manufacturing output per annum of 5.5%. Employment in the value chain, including retail and manufacturing could increase by 121 016 (from 212,416 to 333,162 jobs), with manufacturing jobs expected to account for 73 549 of this.

This report details the 7 commitments to be implemented in support of the realisation of the first phase of the R-CTFL Master Plan through to 2030. Implementation will require structural change within the value chain based on growing the domestic market; increasing purchases of domestic suppliers; accessing and growing export markets; enhancing value chain competitiveness; driving industry transformation with a focus on supporting new entrants – in particular black industrialists – and increasing the level of worker ownership in the sector; and bolstering value chain skills and technology levels. In addition, Government will establish a number of task teams to drive key interventions, and will establish an Executive Oversight Committee to oversee the implementation of the Master Plan.

This is a moment for leadership, a moment for changing the trajectory of the industry – where we say we can do different things and get different outcomes.

I would like to thank the industry stakeholders who contributed to the development of this Master Plan, including the team lead by Prof Justin Barnes, and the work of the Sectoral Facilitator, Mr Harald Harvey.

**EBRAHIM PATEL**  
**MINISTER OF TRADE & INDUSTRY**

# 1. INTRODUCTION

The R-CTFL Master Plan was developed through a process based on extensive research and consultation with industry stakeholders including government departments and entities, representative associations, large retailers, manufacturers and the representative trade unions in the sector. Meetings with social partners were facilitated by the Minister of Trade, Industry and Competition to finalise the Master Plan for the R-CTFL value chain. This process has culminated in seven commitments being made as the core of the Master Plan, with another seven areas of further work being addressed through joint task teams, and two commitments on shared governance, implementation and monitoring.

The development of the Master Plan was based on an approach that set out to:

- Be bold in ambition, aiming to deliver significant new jobs along the value chain behind a clear set of commitments from retailers to buy local.
- Make choices about focus – to ensure that limited resources are targeted at the key levers that will deliver results.
- Develop pragmatic and practical plans, with measurable milestones and outcomes.

This Master Plan has, in addition, been designed against the following key principles:

- A phased approach to planning and implementation: This document sets out the first phase of what is intended to be an evolving Master Plan. As implementation progresses, stakeholder commitments, strategies and plans will also develop and evolve. The intent is for the Master Plan to be flexible and enable agility and responsiveness
- Social dialogue among the key stakeholders, ensuring that ownership of the ambition and plans is shared and rooted in a wide base of support
- Specific and concrete commitments by all the stakeholders, so that the Master Plan draws on the combined resources and capacity of industry, labour and government to achieve the desired objectives
- Shared governance, accountability and implementation of the vision and commitments
- A bias for action, agility and plans that are practical and pragmatic

## 2. THE R-CTFL VALUE CHAIN

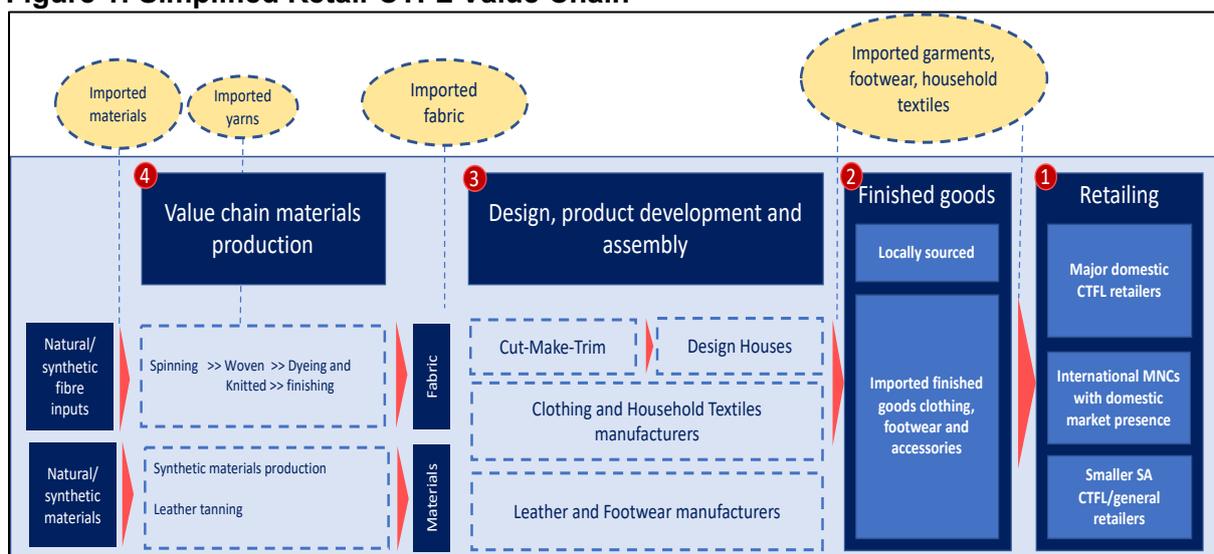
This section provides a brief description of the R-CTFL value chain, as well as some key data which highlights the significance of the sector in the South African economy, and provides a starting point for monitoring and impact assessment.

### 2.1. THE R-CTFL VALUE CHAIN STRUCTURE

This Master Plan focuses on the clothing, textiles, footwear and leather (CTFL) value chain feeding into South Africa’s major CTFL retailers. A deliberate choice was made to focus on this value-chain as it holds catalytic potential to stimulate growth behind increased demand from retail. Adjacent value chains in the broader CTFL market which include government procurement, technical niche markets, the workwear and corporate clothing market, and the informal clothing economy (including Shweshwe markets) will be added in the next phase.

A summarised picture of the retail, clothing, textile, footwear and leather (R-CTFL) value chain is provided below.

**Figure 1: Simplified Retail-CTFL Value Chain**



The domestic R-CTFL value chain has been through a turbulent period. Imports have displaced significant portions of the local supply chain, while South African retail performance has come under intensive pressure as tightening market conditions, international competitors, illegal trading and credit supply restrictions have reduced their sale of CTFL products in the domestic market. Consequences of these developments on CTFL manufacturers have included more onerous costs, quality and delivery pressures, contracting order-books, and the displacement of local production with cheap imports on seasonal purchases.

Countering these negative trends, government has in recent years undertaken a number of interventions to stabilise the industry including:

- Funding support through the IDC;

- Support for competitiveness through the IDC-administered Clothing and Textiles Competitiveness Improvement Programme (CTCIP) and associated Production Incentive (PI);
- Trade support through tariff adjustments, rebates, import control and trade remedies administered by ITAC (International Trade Administration Commission of South Africa);
- The countering of illicit trade through actions such as the development of the risk engine, increased inspections and raids by SARS and Customs;
- Support for companies in distress through IDC funding and labour market interventions such as the Training Layoff Scheme – now called the Temporary Employer/Employee Relief Scheme;
- Local procurement of products through the designation of the industry for purposes of public procurement;
- Competition policy; and
- Cluster development.

At the same time, many domestic retailers have started purchasing from local suppliers on rapid replenishment, Quick Response, and Fast Fashion models that provide them with a competitive advantage in the form of in-season trading capabilities. These rapid replenishment, Quick Response, and Fast Fashion capabilities represent a common strategic priority for South African retailers, particularly if they are to compete more effectively with the entry of global competitors into the domestic market.

There is consequently clear common ground between South African retailers and their key domestic suppliers in respect of the importance of developing productive capabilities that will enable the retailers' supply chains to provide them with world class merchandise on short lead times. Doing so should enhance the competitive position of the South African retailers and CTFL manufacturers, with commensurate benefits for employees throughout the supply chain. Given the international growth aspirations of the South African retailers, the opportunity may be greater than only capturing local market share, particularly with the recent finalisation of the African Continental Free Trade Agreement (AfCFTA).

## **2.2. STATUS QUO ANALYSIS**

The South African retail, clothing, textiles, footwear and leather (R-CTFL) value chain generates an estimated R74 billion in Gross Value Added, or 1.7% of domestic Gross Domestic Product (GDP).

South African CTFL retailers purchased (from a combination of domestic manufacturers and through imports) an estimated R70 billion CTFL products in 2016 comprising R43 billion worth of clothing products, R12.7 billion textiles products, R11.6 billion footwear, and R2.6 billion leather products. Imports of these products are higher than local purchases, with an estimated R39 billion or 55% of total purchases imported. Estimates of the imports for subsectors are

53.9% of clothing, 56% of textiles and 61.1% of footwear of total retailer purchases being imported.

Government support has had some impact on improving capabilities and performance in certain areas and over the last few years the value chain's decline has been moderated – but the manufacturing portion of the R-CTFL value chain has still performed sub-optimally – despite pockets of excellence; and manufacturing in the sector remains non-dynamic with limited impact on gross value add (GVA). Formal employment in the CTFL manufacturing sectors has stabilised at approximately 90,000 since 2013, following a decline in employment in the prior decade.

The R-CTFL value chain in South Africa sustains approximately 212,000 formal jobs (1.33% of total South African employment) with some 92 000 jobs estimated in CTFL manufacturing and 120,000 jobs estimated to be in the retail portion of the value chain. In addition, an estimated 165,000 foreign manufacturing jobs are sustained by South African CTFL retailing activities.

The latest Quarterly Employment Survey (QES), published by Stats SA on 26 September 2019, for the period ending 30 June 2019, estimated formal employment in the manufacturing sector for CTFL at nearly 87 000. The survey further estimated that the manufacturing sector is composed of 44 700 clothing manufacturing jobs, 27 600 textile manufacturing jobs, 9 100 footwear manufacturing jobs, and 5 300 leather jobs.

In addition to the formal sector data in the QES, StatsSA publishes the Quarterly Labour Force Survey, which includes data on the formal and informal sector. The latest QLFS, for the same period ending 30 June 2019 indicates that the CTFL employs a total of 235 000 people.

In this document, unless otherwise indicated, the data refers specifically to the procurement, GVA and employment for the R-CTFL part of the sector, using data applicable to the participating retailers.

The research done suggested a range of issues impacting on the value chain's performance. While numerous value chain strengths were identified (e.g. quick response retailing, the availability of labour, and institutional support for the value chain), a number of weaknesses were also identified, including weak human capital and associated skills, outdated production processes and equipment, and deficient supply chain capabilities. Major threats highlighted were misaligned policy implementation, the continued growth of imports, international retailers growing their footprint in South Africa while not purchasing anything locally, and fraud / under-invoicing within services such as import control. More positively, several opportunities were identified, ranging from quick response capability development, regional and international export growth (via South African retailers and government initiatives to open up new markets), and investment in new technologies leading to local value chain capability development.

### 3. THE R-CTFL VALUE CHAIN - COMPARATIVE ANALYSIS

Comparative research reveals that many developing economies' CTFL value chains have performed better over the last decade in respect to exports, domestic market performance, value chain deepening, upgrading for competitiveness and employment growth. Key findings of the research on comparator countries Brazil, Colombia, Indonesia, Malaysia, Mexico, Morocco, Poland, Romania, Thailand, and Turkey include:

- Labour costs are not the primary reason for the challenges of the South African CTFL value chain, and the primary opportunity to develop the value chain does not lie in progressively lowering wages – Turkey employs seven times more people in the value chain and has a substantially higher minimum wage. Poland and Romania have higher minimum wages and continue to perform strongly in the CTFL value chain, while Morocco and Colombia have similar minimum wages to SA.
- CTFL value chain success appears to be strongly correlated with market access advantages (domestic or international); the breadth and depth of value chain capabilities; and the success of public CTFL policies and incentives.
- South Africa's CTFL value chain duty structure provides substantial protection relative to the comparator countries. South Africa's maximum clothing tariff of 45% is higher than every comparator country reviewed with the average for the 10 economies (21.6%) being less than half the South African MFN rate. Similar findings emerge for footwear (30% vs 18.1%), leather products (30% versus 15.1%), fabric (25% versus 13.6%) and yarns (22% versus 5.9%). In fact, only Brazil has higher tariffs than South Africa (for footwear, fabric and yarn).
- Despite higher levels of nominal protection in South Africa, comparator countries have lower levels of imports. High levels of tax evasion by importers have led to a low actual tariff support. Policy lessons from comparator countries identified useful trade tools – Mexico implemented an importer registry and established reference prices for specific HS codes; Indonesia limits the flow of imports through a small number of ports for better supervision and customs control; and Colombia set a base duty on the weight of CTFL products combined with a strict import licensing regime.
- South Africa's regional trade agreements have provided some opportunity for manufacturers and retailers in the sector; however growth has been constrained by low per capita income in these markets and the extent to which these markets are supplied with pre-owned imports. Nevertheless, regional trade agreements provide clear future opportunities.
- Comparator economies do not appear focused on building entire CTFL value chains to compete internationally. Comparative experiences show that while vertical capabilities can augment value chain competitiveness, they are not a pre-requisite for international or domestic market competitiveness in respect of downstream CTFL manufacturing.

## 4. THE SOUTH AFRICAN R-CTFL VALUE CHAIN MASTER PLAN

### 4.1. R-CTFL MASTERPLAN VISION AND OBJECTIVES

The South African R-CTFL masterplan vision for 2030 is:

*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.*

The objectives are:

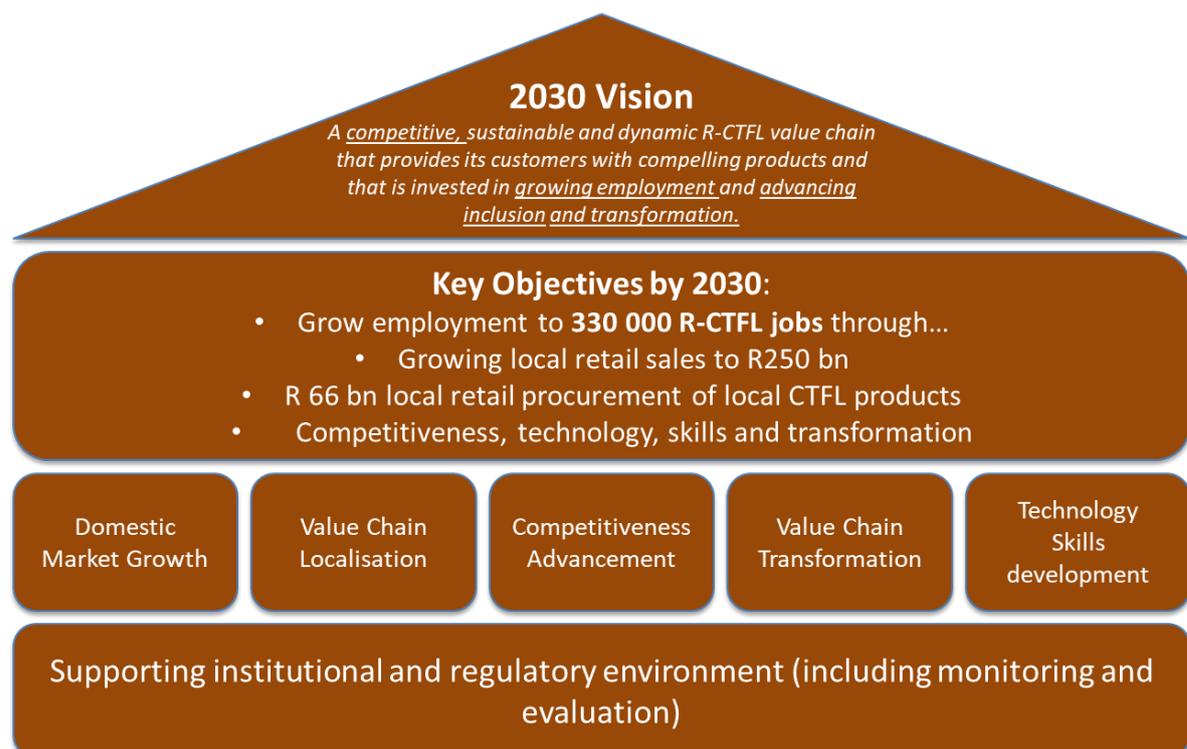
1. By **2030**, grow R-CTFL employment by at least 121 000 net new jobs to 333 000 workers through focused action that:
  - Increases the share of local CTFL retail sales of locally manufactured clothing and footwear to 65% of total retail sales (2016: 44% by value)
  - Grows procurement by local retailers of locally manufactured CTFL products to at least R69 billion (in constant 2016 Rand) (2016: R31 billion)
  - Grows local CTFL manufacturing output per employee by at least R36 000 to R205 000
  - Delivers upstream formal manufacturing employment growth of 70 000 net new formal jobs to a total of 160 000;
2. Enhance the value chain's cost, process and product competitiveness;
3. Embrace new technologies, especially those that support shorter lead times within the value chain;
4. Improve financial returns throughout the value chain to ensure greater levels of investment and by implication expanded economic activity and job creation;
5. Advance management, technical and operator skills capable of using advanced technologies and competitiveness;
6. Transform the value chain through the development of Black and female senior management, and by advancing worker ownership, attracting Black industrialist investment and advancing inclusion of black-owned SMME's in the CTFL manufacturing eco-system;
7. Ensure the South African R-CTFL value chain is recognized as ethical and environmentally responsible; and

8. Establish a fair and equitable operating environment within the domestic value chain, with this encompassing the elimination of import fraud, and illegal local production activities.

These objectives are crystallised into a set of five strategic pillars –

- Market growth – both domestic and international
- Value chain localisation
- Competitiveness advancement
- Value chain transformation
- Skills and technology advancement

## The R-CTFL Master Plan Framework



## **4.2. STRATEGIC APPROACH TO IMPLEMENTATION**

The implementation of the Master Plan is to be guided by two guiding strategic principles that will inform stakeholders' actions, Government policy and allocation of public resources:

### **1. Build the demand drivers to fuel growth through the value chain**

Stakeholders have a shared ambition for the R-CTFL value chain to ultimately become a fully verticalized producer of finished goods made up of locally manufactured raw materials and components. The phased approach to this Master Plan takes a deliberate approach to achieving this, starting with a recognition that growth and value-chain development will come from building the demand drivers to stimulate upstream investment and development. In Phase 1, drawing on increased local procurement by retail, the focus will be on developing clothing and footwear manufacturing as a first step on a journey that will in turn build demand scale for the growth and development of the textile, leather and component levels of the value chain.

### **2. Verticalisation & ecosystem development**

The competitiveness of South African retailers in the context of challenged consumer demand and increased competitive intensity is tightly bound to the efficiency and productivity of their supply chains. The cost competitiveness and quick response and fast-fashion capabilities of retail supply chains is highly dependent on the ability of retailers to develop dedicated supply chains that are tightly integrated into their own operating models. This Master Plan seeks to enable the development of verticalized supply chains within dynamic and vibrant ecosystems of specialist suppliers and services. These verticalized supply chains will be made up of a rich combination of scale manufacturers and SMMEs that will at the same time deliver on transformation and competitiveness upgrading objectives.

## **4.3. KEY R-CTFL VALUE CHAIN DEVELOPMENT INDICATORS**

If South African CTFL retailers are to drive the development of the local value chain (as per this Master Plan) they will need to purchase an increasing portion of their CTFL requirements from local sources, as opposed to imports. For this to occur, the manufacturing portion of the South African CTFL value chain needs to substantially advance its competitiveness, government and its agencies need to enhance the policy and regulatory environment within which the value chain operates, and labour needs to contribute to improving productivity and adaptability of production. Based on these assumptions, as well as assuming broader economic growth, the impact can be significant –

- Local manufacturers could increase their share of retailer supply from 44.7% in 2016 to 65% in 2030;
- employment could increase by at least 121 016 (to 333 162), with 73 549 of these jobs being generated in the manufacturing portion of the value chain, and the balance of 47 467 in retail;

- retailer sales could increase from R165 billion to R250 billion (in constant 2016 rands);
- retailer purchasing from the CFTL value chain could increase from R70 billion in 2016 to R106 billion in 2030 with domestic purchases amounting to R69 billion – an increase of around R35 billion on 2016 levels;
- CTFL importing levels could stabilise at around R40 billion.

The estimated potential impact of a successful R-CTFL Master Plan on the SA R-CTFL value chain through to 2030, is presented in Table 1.

**Table 1: Summary of key SA R-CTFL value chain masterplan indicators**

Estimates of key economic variables as per the R-CTFL Value Chain Master Plan

KPI	Base (2016)	2030 Objectives	Change	% change	Average annual growth p.a. (2017 to 2030)
SA CTFL retailer sales (R millions)	165 119	249 757	84 638	51,3%	3,0%
CTFL manufacturing GVA (R millions)	15 562	32 931	17 369	111,6%	5,5%
Retailer purchases of CTFL items: total (R millions)	69 900	105 730	35 830	51,3%	3,0%
Retailer purchases from SA CTFL manufacturers (R millions)	31 252	68 725	37 473	119,9%	5,8%
SA as a portion of SA retailer purchases (%)	44,7%	65,0%	20%	45,4%	-
Imported CTFL items (R millions)	38 648	37 006	-1 643	-4,2%	-0,3%
Imports as a share of SA retailer purchases (%)	55,3%	35,0%	0	-36,7%	-
R-CTFL value chain employment (total)	212 146	333 162	121 016	57,0%	3,3%
R-CTFL manufacturing employment	92 146	165 695	73 549	79,8%	4,3%
R-CTFL retail employment	120 000	167 467	47 467	39,6%	2,4%
CTFL manufacturing GVA per employee (Rand)	168 885	206 376	37 491	22,2%	1,4%

Source: IDC Calculations

#### 4.4. SA R-CTFL MASTER PLAN IMPLEMENTATION

Seven commitments from stakeholders form the core of Phase 1 of the R-CTFL Master Plan. Seven task teams will be formed to further develop additional areas of policy and planning. An Executive Oversight Committee will be established to provide shared governance and accountability, to monitor implementation, and this will be backed by a capable and activist implementation management facility.

The 7 core action commitments are to:

1. Grow the local market for local CTFL products
2. Increase local CTFL procurement
3. Stem the flow of illegal imports
4. Employ strategic tariff and rebates measures
5. Extend the CIP and PI & CIPC in an appropriate format for 3 years
6. Align production capacity to sales cycles, and
7. Transform the value-chain

Each of these commitments is detailed below - identifying the desired target outcome, and describing the activities to be undertaken by the various social partners.

#### 4.4.1. Commitment 1: Grow the market for local CTFL producers

The agreed target is to grow total CTFL retail sales to R250 billion in 2030, with local CTFL share increased to 65% of sale in order to support R69 billion local CTFL procurement that deliver total R-CTFL employment of 333 000 workers including 165 000 CTFL formal sector manufacturing jobs

<b>Commitment 1: Grow the market for local CTFL producers</b>			
<b>3 main actions:</b>			
<ol style="list-style-type: none"> <li>1. Develop &amp; market local brands &amp; labels</li> <li>2. Upgrade local design &amp; manufacturing competitiveness</li> <li>3. Extend &amp; scale “buy local” campaigns</li> </ol>			
<b>Retailer commitments</b>	<b>CTFL commitments</b>	<b>Labour commitments</b>	<b>Government commitments</b>
<ol style="list-style-type: none"> <li>1. Each local retailer to develop “buy local” labels/brands</li> <li>2. Minimum commitment to marketing of local labels/brands</li> <li>3. Proudly SA</li> </ol>	<ol style="list-style-type: none"> <li>1. Invest to upgrade local design behind local design labels/brands</li> <li>2. Proudly SA</li> </ol>	<ol style="list-style-type: none"> <li>1. Lead and scale “buy local” campaigns</li> <li>2. Proudly SA</li> </ol>	<ol style="list-style-type: none"> <li>1. Enforce designated category status for government procurement</li> <li>2. Proudly SA</li> </ol>

#### 4.4.2. Commitment 2: Increase local CTFL procurement

Retailers made a commitment to a target to grow local CTFL share of sales to 65% in order to support R69 billion local CTFL procurement that delivers total R-CTFL employment of 333 000 workers including 165 000 CTFL manufacturing jobs

<b>Commitment 2: Increase local CTFL procurement</b>			
<b>3 main actions:</b>			
<ol style="list-style-type: none"> <li>1. Grow local CTFL procurement to R69 bn / 65% share of retail sales</li> <li>2. Commence retailer-led work to identify specific scale import substitution opportunities &amp; define clear roadmap to development of local CTFL verticalization, capacity and capability</li> <li>3. Develop an agreed common definition and methodology for determining “local” procurement</li> </ol>			
<b>Retailer commitments</b>	<b>CTFL commitments</b>	<b>Labour commitments</b>	<b>Government commitments</b>
<ol style="list-style-type: none"> <li>1. Commit to local procurement targets with a clear roadmap over ten years &amp; specific import-substitution opportunities</li> <li>2. Define local content, determine how the 65% target will be measured &amp; provide impact reports for increased localization</li> <li>3. Resource working groups</li> </ol>	<ol style="list-style-type: none"> <li>1. Invest in demand-led capacity, technology and skills upgrading</li> <li>2. Work with retail to identify new products, input requirements and develop new domestic productive capabilities</li> </ol>	<ol style="list-style-type: none"> <li>1. Negotiate appropriate adaptability arrangements</li> </ol>	<ol style="list-style-type: none"> <li>1. Extend targeted CIP &amp; PI programmes for 3 years aligned to verticalization &amp; transformation</li> <li>2. Consider appropriate trade relief &amp; rebates</li> <li>3. Consider Competition Act exemptions where necessary &amp; appropriate</li> <li>4. Qualifications for training</li> <li>5. Examine feasibility for SEZ for clothing</li> </ol>

4. Lead value-chain verticalization & work with domestic industry to identify new products, input requirements and develop new domestic productive capabilities			6. Masterplan-aligned IDC funding for the sector
---	--	--	--

#### 4.4.3. Commitment 3: Stem the flow of illegal imports

Stakeholders set a target to significantly reduce illegal imports to eliminate unfair competition against local CTFL retailers and manufacturers

<b>Commitment 3: Stem the flow of illegal imports</b>			
<b>Main action:</b> 1. Upgrade SARS enforcement capacity and capabilities through: <ol style="list-style-type: none"> <li>Development of comprehensive valuation database</li> <li>Deployment of expertise to support enforcement around Rules Of Origin, mis-declaration and under-invoicing</li> <li>Facilitation and commitment of resources to upgrade customs infrastructure, clearance procedures and logistics</li> </ol>			
<b>Retailer commitments</b>	<b>CTFL commitments</b>	<b>Labour commitments</b>	<b>Government commitments</b>
1. Deploy resources for valuation database development 2. Second experts to support customs enforcement 3. Funding for customs infrastructure upgrading 4. Registration on the Authorised Economic Operator and Preferred Trader programmes 5. Use SETAs to train buyers and manufacturers on legal importation processes and methods.	1. Deploy resources for valuation database development 2. Second experts to support customs enforcement 3. Funding for customs infrastructure upgrading	1. Support development of valuation database 2. Secondment of experts to support customs enforcement	1. Implement customs enforcement upgrading plan 2. Develop valuation database 3. Review customs enforcement infrastructure, capability and capacity requirements 4. Finalise AEO programme & roll out through the value chain 5. Accelerate City Deep pilot project

#### 4.4.4. Commitment 4: Strategic use of Tariffs and rebates

Stakeholders set a target to provide fair protection for domestic CTFL value-chain where local production capacity exists and/or will be developed, and the strategic use of rebates to support localization of manufacturing.

<b>Commitment 4: Strategic use of Tariffs and rebates</b>
---

**3 main actions:**

1. Maintain applied tariff dispensation for CTFL imports, but
2. Develop appropriate mechanisms to provide transparency with regard to tariff rebates
3. Review rebate provision on importation of second-hand clothing
4. Review rebate provisions on imported primary materials and components to support localization of manufacturing, subject to:
  - a. Demonstrated, measurable and enforceable employment and investment growth benefits
  - b. Future rebates subject to strict conditionalities (e.g. bargaining council compliance, tax. Compliant)
  - c. Effective enforcement to prevent abuse
  - d. Taking account of employment and production across the value-chain, including textiles

Retailer commitments	CTFL commitments	Labour commitments	Government commitments
1. Off-take commitments to support scale opportunities to support and grow investment in local finished goods, primary material and component manufacturing	<ol style="list-style-type: none"> <li>1. Invest to sustain and grow finished goods, primary material and component manufacturing</li> <li>2. Targeted use of rebates to support employment growth</li> <li>3. Eliminate rebate abuse</li> </ol>	1. Provide information on upstream and downstream industries	<ol style="list-style-type: none"> <li>1. Deliver on rebate commitments</li> <li>2. Support value-chain in developing scale demand for locally manufactured finished goods, primary materials and components</li> <li>3. Develop mechanisms for tariff rebate transparency</li> <li>4. Upgrade monitoring and enforcement of rebate regime</li> </ol>

**4.4.5. Commitment 5: Extend CIP and PI in an appropriate format for 3 years**

Stakeholders set a target to increase investment and upgrading in the CTFL value-chain to drive competitiveness and productivity

**Commitment 5: Extend CIP and PI in an appropriate format for 3 years**

**3 main actions:**

1. Extend the CIP and PI programmes in an appropriate format for a further three years, with adjustments to focus investment support towards verticalization and transformation and on dynamic value-chains and firms, with added support targeted at firms that are growing and adding jobs
2. Tailoring of programmes to the specific requirements of CTFL sub-sectors
3. Upgrade programme support to improve outcomes, efficiency, effectiveness and agility

Retailer commitments	CTFL commitments	Labour commitments	Government commitments
1. Identify and commit to specific procurement targets in specific lines and categories to support upstream scale investment	1. Specific investment and upgrading targets to deliver against retail procurement commitments	1. Delivery of commitment #6 to align productive capacity to sales cycles	<ol style="list-style-type: none"> <li>1. Extend CIP &amp; PI commitments for three years</li> <li>2. Upgrade programme support capabilities</li> <li>3. Tailor programmes to CTFL sub-sector requirements</li> </ol>

#### 4.4.6. Commitment 6: Align production capacity to sales cycles

Stakeholders set a target to align production capacity to sales cycles to support growth of local CTFL share of sales to 65% and local CTFL procurement of R69 billion to in turn deliver R-CTFL employment of 333 000 workers including 165 000 CTFL manufacturing jobs

#### Commitment 6: Align production capacity to sales cycles

##### Main actions:

1. Implement appropriate adaptability arrangements to better align production capacity to selling cycles to be negotiated and agreed between labour and employers on a case-by-case basis for specific value-chains where clear job creation increases have been agreed, and where increased procurement, employment and investment commitments have been made by retailers and manufacturers and are authorised by a national bargaining council. Such adaptability agreements will be subject to:
  - a. Workers' agreement thereto
  - b. Workers total take-home pay and social benefits ideally being more than they would otherwise have been entitled to under current bargaining council agreements
  - c. No downward variation in overall employment conditions
  - d. Programmatic and effective monitoring and evaluation mechanisms to be put in place to periodically review that workers are not prejudiced financially and that expected productivity benefits are being realized
  - e. Learnings from case-by-case agreements (current and future) to be systematically reviewed with a view to developing a framework for sector-wide flexibility arrangements in support of CTFL competitiveness and productivity upgrading without prejudice to worker earnings and benefits

Retailer commitments	CTFL commitments	Labour commitments	Government commitments
1. Specific procurement commitments	1. Design & implement adaptability models that deliver job growth	1. Negotiate and agree adaptability arrangements	1. Deploy targeted support

#### 4.4.7. Commitment 7: Value chain transformation

Stakeholders set a target to accelerate Broad-Based Black Economic Empowerment and economic inclusion through the R-CTFL value chain with a particular focus on growing Black industrialist investment, increasing SMME participation and worker empowerment.

#### Commitment 7: Value chain transformation

##### 2 main actions:

1. Retail and CTFL manufacturing procurement to actively support BBBEE transformation and SMME inclusion in supply chains and the value-chain ecosystem
2. Commit and deliver on specific black and worker ownership targets through broad-based and inclusive models that are genuinely empowering and compliant with the BBBEE Codes and labour legislation.

<b>Retailer commitments</b>	<b>CTFL commitments</b>	<b>Labour commitments</b>	<b>Government commitments</b>
<ol style="list-style-type: none"> <li>1. Specific black and worker ownership targets</li> <li>2. Procurement targets from black-owned and SMME suppliers and</li> <li>3. Dedicated supplier-development investment</li> </ol>	<ol style="list-style-type: none"> <li>1. Specific empowerment and worker ownership targets</li> <li>2. Procurement targets from black-owned and SMME suppliers and</li> <li>3. Dedicated supplier-development investment</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop worker skills around participation in ownership and management</li> <li>2. Support partnership models at workplaces</li> </ol>	<ol style="list-style-type: none"> <li>1. Government procurement to follow retail and manufacturing commitments</li> <li>2. Align Government incentives to support transformation objectives</li> </ol>

## 4.5. TASK TEAMS

During the first phase of the Master Plan, Government will establish seven task teams with support from industry stakeholders and social partners.

The 7 task teams include:

1. Trade licencing
2. Illicit and illegal trade & manufacturing
3. Effective tariff protection
4. Future supply-side incentives and support
5. Skills and productivity development
6. Export Competitiveness & Preparing for the African Continental Free Trade Area (AfCFTA)
7. Strategies for adjacent and niche CTFL value chains

Each of these task teams is detailed below - identifying the process and including activities to be undertaken by the various social partners.

### 4.5.1. Task Team 1: Trade licensing

The objective is to develop concrete and implementable proposals and plans to secure increased procurement of local CTFL outputs by international retailers operating in South Africa

Terms of reference:

1. Identify opportunities and requirements for, and potential commitments from, international retailers operating in SA to procure from the domestic value chain.
2. Explore whether amendments to the trade licensing regime to include Master Plan commitments is appropriate, and if so, in what form

Task Team Composition:

1. Department of Trade, Industry and Competition
2. Companies and Intellectual Properties Commission (CIPC)

### 4.5.2. Task Team 2: Illicit and illegal trade and manufacturing

The objective is to eliminate illegal and illicit trade and competition

Terms of reference:

1. Develop and implement an Intergovernmental Illicit Economy Strategy
2. Co-ordinate government efforts in responding to illicit activities emanating from cross –border movements.
3. Represent Government in engagement with Business, Labour and Civil organisations in discussions on the illicit economy.
4. Advocate for necessary policy changes in order to enhance government’s mandate in stemming the tide against criminal syndicates.
5. Develop and run media campaigns to create awareness, provide update and demonstrate achievements in combatting illicit activities

#### Task Team Composition:

1. Department of Trade, Industry and Competition
2. International Trade Administration Commission (ITAC)
3. South African Revenue Service (SARS)

This task team will engage with and draw on input, expertise and resources from other government agencies and other social partners as appropriate and when required.

#### **4.5.3. Task Team 3: Effective tariff protection**

The objective is to investigate more effective tariff arrangements as a means of substantially reducing illegal and under-invoiced imports, including considering the feasibility of potentially introducing minimum specific tariffs.

#### Terms of reference:

1. Investigate and understand in detail the Colombian model (ideally through inviting a relevant expert to visit South Africa) and its applicability to South Africa
2. Review WTO framework considerations
3. Review valuation methodologies used by other countries and recommend alternative options for South Africa
4. Conduct a benchmark review to determine the risk/reward opportunity of MST vs. investments and amendments to improve on existing available instruments, including a review of the Memorandum of Cooperation with China regarding the potential for customs data exchange to facilitate more effective enforcement; and an effective valuation methodology.

#### Task Team Composition:

1. Department of Trade, Industry and Competition
2. International Trade Administration Commission (ITAC)
3. South African Revenue Service (SARS)

This task team will engage with and draw on input, expertise and resources from other government agencies and other social partners as appropriate and when required.

#### **4.5.4. Task Team 4: Future supply side incentives and support**

The objective is to investigate and develop proposals for future supply-side incentives and support in order to substantially increase investment and upgrading of manufacturing capacity, capital equipment and technology.

#### Terms of reference:

Drawing on the programme review and learnings from the three-year extension of the PI and CIP programmes, the task team will:

1. Review the effectiveness and impact of the CIP and PI programmes

2. Review and report on key bottlenecks and binding constraints in the R-CTFL value-chain requiring future supply-side support and incentives, including CTFL sub-sector specific challenges requiring fit-for-purpose and customised programme
3. Investigate amended and/or alternative supply-side support measures including a possible CIT-based investment incentive
4. Recommend a framework for supply-side support together with specific proposals for future supply-side support measures and/or investment incentives

Task Team Composition:

1. Retailers
2. CTFL manufacturers
3. Organised Labour
4. Department of Trade, Industry and Competition
5. National Treasury
6. International Trade Administration Commission (ITAC)
7. Industrial Development Corporation (IDC)

#### **4.5.5. Task Team 5: Skills and productivity development**

The objective is to develop concrete plans to rapidly and effectively upgrade management, operations and technology skills across the R-CTFL value chain to enable step-change productivity upgrading and technology absorption capabilities in support of competitiveness, employment growth and transformation.

Terms of reference:

1. Review and report on key skill and human capability gaps, bottlenecks and binding constraints in the R-CTFL value-chain
2. Review and report on key bottlenecks and constraints in the R-CTFL-related skills development delivery system
3. Develop a skills development strategy for the R-CTFL value-chain, including:
  - a. Short-term measures to unlock opportunities for upgrading currently constrained by critical skill constraints
  - b. Longer-term plans to fund and deliver skills development in management, operations and technology-related job families

Task Team Composition:

1. Retailers
2. CTFL manufacturers
3. Organised Labour
4. Department of Trade, Industry and Competition
5. Industrial Development Corporation (IDC)
6. Department of Higher Education & Technology
7. Department of Employment & Labour
8. Department of Small Business Development
9. The Fibre Processing and Manufacturing Sector Education and Training Authority (FP&MSETA)
10. Wholesale and Retail Sector Education and Training Authority (W&RSETA)

#### **4.5.6. Task Team 6: Export Competitiveness & Preparing for the African Continental Free Trade Area**

The objective is to develop a strategy to grow CTFL exports that complements the locally-focused R-CTFL masterplan in ways that add scale to local demand, accelerate growth in value-chains where local CTFL has competitive advantage, and leverages opportunities for collaboration and competitiveness upgrading. Priority will be given to growing CTFL exports into Rest of Africa, and to developing a shared strategic roadmap for the implementation of the AfCFTA in relation to phasing of CFTL tariff-lines and Rules of Origin.

##### Terms of reference:

1. Identify and size attractive export market opportunities that map to local sources of CTFL competitive advantage, with a particular focus on opportunities arising from the AfCFTA
2. Develop a South African CTFL export competitiveness strategy that:
  - a. Defines areas of local CTFL competitive advantage in select markets and value chains, particularly in Africa
  - b. Develops a roadmap for AfCFTA implementation
  - c. Sets out plans for the development of a CTFL “Brand SA” and collaborative marketing and go-to-market strategies
  - d. Describes opportunities for collaboration between local CTFL firms and within clusters
  - e. Defines requirements and plans for cluster upgrading and investment
  - f. Recommends enabling policy and regulatory measures

##### Task Team Composition:

1. Retailers, with regional or global reach
2. CTFL manufacturers
3. Organised Labour
4. Department of Trade, Industry and Competition
5. Department of International Relations and Cooperation (DIRCO)
6. International Trade Administration Commission (ITAC)
7. Industrial Development Corporation (IDC)
8. South African Footwear and Leather Export Council (SAFLEC)

#### **4.5.7. Task Team 7: Strategies for adjacent and niche CTFL value chains.**

Stakeholders agreed that the focus of the Masterplan on the domestic retail value chain needs to be complemented by developing strategies for opportunities that exist in adjacent and niche value chains.

##### Terms of reference:

1. Identify key opportunities for growth in:
  - a. Government and parastatal tenders and procurement of CTFL
  - b. Workwear and Corporate clothing
  - c. “Shweshwe” economy – formal and informal township and direct-to-customer market for traditional fabric-based apparel

2. Develop strategies and plans to develop these markets including exports and import substitution
3. Develop strategies to upgrade the competitiveness of the value-chain serving these markets.

Task Team Composition:

1. Homeware and home textile retailers and wholesalers
2. Corporate clothing wholesalers and aggregators
3. Corporate clothing manufacturers and
4. Homeware, furniture and home textile manufacturers
5. Organised Labour
6. Department of Trade, Industry and Competition
7. International Trade Administration Commission (ITAC)
8. Industrial Development Corporation (IDC)
9. National Treasury (Chief Procurement Officer)
10. Government department and SOE Procurement offices

## 4.6. IMPLEMENTATION AND MONITORING

The implementation and governance commitment is to:

1. Establish an Executive Oversight Committee
2. Establish a R-CTFL Master Plan programme management office

### 4.6.1. Executive Oversight Committee

The objective is to provide high-level leadership and co-ordination of R-CTFL Master Plan implementation and ensure and promote shared ownership and accountability for outcomes and commitments amongst the social partners.

<b>Executive Oversight Committee</b>			
<b>Terms of reference:</b>			
<ol style="list-style-type: none"> <li>1. Champion the vision, mission and implementation of the R-CTFL Master Plan</li> <li>2. Provide high-level leadership, guidance and coordination of implementation</li> <li>3. Monitor and evaluate Master Plan implementation</li> <li>4. Agree Master Plan baselines and targets and a baseline monitoring and evaluation framework</li> <li>5. Establish a small representative R-CTFL Master Plan Implementation Management Team to drive day-to-day implementation</li> <li>6. Receive reports from and provide guidance to Task Teams</li> <li>7. Make recommendations and proposals regarding course-corrections, amendments and the evolution of the R-CTFL Master Plan</li> <li>8. <u>Meetings</u>: Every Six Months, chaired by the Minister of Trade &amp; Industry</li> </ol>			
<b>Composition</b>			
<b>Retail</b>	<b>CTFL</b>	<b>Labour</b>	<b>Government</b>
<ol style="list-style-type: none"> <li>1. CEOs appointed by the Minister</li> <li>2. NCRF Representative</li> </ol>	<ol style="list-style-type: none"> <li>1. CTFL CEOs appointed by the Minister</li> <li>2. Association representatives from clothing; textiles, footwear/leather</li> </ol>	<ol style="list-style-type: none"> <li>1. Labour representatives from each of clothing; textiles; and footwear/ leather</li> </ol>	<ol style="list-style-type: none"> <li>1. Minister of Trade, Industry &amp; Competition</li> <li>2. Standing representatives from DTIC; ITAC; IDC and SARS; and meeting-specific representation from other relevant government departments (as required),</li> </ol>

### 4.6.2. Programme Management Office

The objective is to provide secretariat support to the Executive Oversight Committee and dedicated programme management of Master Plan implementation.

<b>Programme Management Office</b>
<b>Terms of reference:</b>
<ol style="list-style-type: none"> <li>1. Secretariat to the Executive Oversight Committee</li> <li>2. Provide programme management and co-ordination of Master Plan implementation</li> </ol>

3. Develop, manage and co-ordinate programme implementation plans
4. Prepare and implement programme baselines and targets and a monitoring and evaluation framework
5. Co-ordinate and drive Master Plan Task Teams
6. Make recommendations and proposals regarding course-corrections, amendments and the evolution of the R-CTFL Master Plan to the Executive Oversight Committee

<b>Composition</b>			
<b>Retail</b>	<b>CTFL</b>	<b>Labour</b>	<b>Government</b>
<ol style="list-style-type: none"> <li>1. Expert resources</li> <li>2. Funded/deployed resources</li> </ol>	<ol style="list-style-type: none"> <li>1. Expert resources</li> <li>2. Funded/deployed resources</li> </ol>	<ol style="list-style-type: none"> <li>2. Deployed resources</li> </ol>	<ol style="list-style-type: none"> <li>1. Ministerial Champion</li> <li>2. DTIC-appointed PMO Head</li> <li>3. IDC Resources</li> <li>4. Expert resources from DTIC; ITAC; SARS; DHET and occasional experts from other relevant government departments (as required),</li> </ol>

## 5. SUPPORT FOR THE MASTER PLAN

The following parties have expressed support for the R-CTFL Master Plan, and commit to working towards achieving its outcomes:

On behalf of Pepkor	On behalf of Pick 'n Pay
On behalf of Edcon	On behalf of the Foschini Group
On behalf of Woolworths	On behalf of Mr Price
On behalf of Truworths	On behalf of National Clothing Retail Federation
On behalf of South African Apparel Association	On behalf of Apparel and Textile Association of South Africa
On behalf of Apparel Manufacturers of South Africa	On behalf of The Southern African Footwear & Leather Industries Association
On behalf of Textile Federation	On behalf of Hometex
On behalf of Cotton SA	On behalf of Mohair South Africa
On behalf of Southern African Clothing and Textile Workers Union	On behalf of National Union of Leather and Allied Workers
On behalf of South African Government	

## 6. APPENDICES

List of Association Members – TO COME