The Challenges of Inclusive Industrial Development in South Africa's Clothing and Textile Sector

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ABSTRACT

South Africa’s clothing and textile sector has undergone a recovery process form nearly disappearing to reaching a stable condition. Over the years policies have been implemented to aid the sector and make it more competitive. However, the sector continues to be faced with developmental challenged. The study finds that within the clothing and textile sector, industrial policy has played an inadequate role as a tool of development and transformation. Secondly, the political economy of financing has been challenged as a result of pressures from transformational policies such as B-BEE. Lastly, there is a need for a policy agenda shift from competitiveness to transformation in South Africa’s clothing and textile sector.

Key words: clothing and textile sector, South Africa, industrial policy

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List of acronyms

Accelerated and Shared Growth Initiative for South Africa (AsgiSA)

African Continental Free Trade Agreement (AfCFTA)

African National Congress (ANC)

Black Economic Empowerment (BEE)

Black Industrialist Scheme (BIS)

Britain, Russia, India, China, and South Africa (BRICS)

Broad-Based Black Economic Empowerment (B-BBEE)

Clothing and Textile Competitiveness Program (CTCP)

Competitiveness Improvement Programme (CIP)

Clothing, Textiles, Footwear and Leather (CTFL)

Cut-Make-Trim (CMT)

dtic (Department of Trade, Industry and Competition)

Employment Equity Act (EEA)

Gauteng Department of Economic Development (GDED),

Gross Domestic Product (GDP)

Growth, Employment and Redistribution (GEAR)

Human Development Index (HDI)

Industrial Development Corporation (IDC).

Industrial Policy Action Plan (IPAP)

International Finance Corporation (IFC)

Kwa-Zulu Nata (KZN)

Manufacturing Value Added (MVA)

National Development Bank (NDB)

National Development Plan (NDP),

National Growth Plan (NGP)

Organization for Economic Cooperation and Development (OECD)

Production Incentive Programme (PIP)

Retail-Clothing, Textiles, Footwear and Leather (R-CTFL)

Reconstruction and Development Programme (RDP)

Small and Medium-sized enterprises (SMEs)

Small, Medium and Micro Enterprises (SMMEs)

South Africa Technical Textile Cluster (SATTC)

South African Productivity and Training Cluster (SAP&TC).

Sub-Saharan Africa (SSA)

Sustainable Development Goals (SDG)

Transnational Corporation (TNC)

United Stated Dollar (USD)

Western Cape (WC)

World Trade Organisation (WTO)

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Chapter 1: Introduction

1.1 Contextual background

Historically, the clothing and textile industry has played a pivotal role as an entry point to industrial development, industrial diversification, a source of basic consumer goods, and employment for unskilled and untrained labour (Takala-Greenish, 2015; Morris & Barnes, 2008). It has been the foundation for many countries that have experienced rapid export-led industrialisation (Gereffi & Memedovic, 2003 as cited by Morris & Barnes, 2008). Despite these progressive characteristics the sector has performed poorly in South Africa and has been negatively affected by various factors such as illegal imports, labour costs, rising Chinese competition, trade liberalisation in the 1990s, low investment, and poor response to supply-side and export stimulus. In addition, Molekwa (2018) and Takala-Greenish (2015) suggest that it was the protectionist policy measures of the 1990s resulted in this decline. The evolution of industrial policy has influenced the clothing and textile sector and has resulted in domestic markets being affected by rising unemployment and competition (Takala-Greenish, 2015).

Industrial policy has been used to encourage development and structural change. However, the success of industrial policy is dependent on the economic forces. One central aspect of South African industrial policy tends towards global competitiveness. Not all industrial policy is necessarily directed towards transformation, including the clothing and textile sector.

Transformation by means of industrial policy implementations encourages development and structural change. This means that transformation is more than just the inclusion or insertion of more firms into value chains or more firms allocated funding for development. Although the aforementioned is important, it is the characteristics (such as their location in the value chain, level of skill, production, and competitiveness, share of black ownership, and employment demographics) that make up these upcoming firms that will determine successful transformation.

The principle and agenda are not particularly the issue, instead it is the process. The funding and incentives of government incentive support programs need to be indicative of an obligation to meaningful transformation – transformation that is relevant to South Africa's context. In order to achieve transformation in the clothing and textiles sector, or in any sector for that matter, change goes beyond financial aid and reaching global competitiveness. In this context, the main areas of interest are the manner in which funds are being distributed and the share of black ownership as so to ultimately address the socioeconomic problems facing South Africa.

The implementation of industrial policy in South Africa's clothing and textile sector is reliant on government institutions and agencies such as the Gauteng Department of Economic Development (GDED), the dtic (Department of Trade, Industry and Competition) and Industrial Development Corporation (IDC). These institutions play an essential role in the development, administration, and implementation of transformation policies. Although, the political economy that exists within institutional financing requires more than just analysis. Instead, it requires a synthesis over and above the political and economic factors, which takes consideration of the individuals, workplace, and society. Furthermore, that the transformations within sectors (driven by institutional funding/the IDC) is a process, just as it is understood that development is a process.

The manner in which firms, institutions, and transformation policies relate and respond to each other is an area of interest. The interactions between government institutions with the politics surrounding the interests of empowerment and transformation are likely to determine the extent to which these policies are effective. Additionally, because funding, management and politics play a role in the implementation of these policies, financing patterns are likely to expose the extent to which funding instruments are aligned with transformation goals. Perhaps there is a disproportionate share of those who benefit from the CTCP. Meaning it is to be expected that there is a bias in favour of already existing firms and small enterprises, thus informal firms and black owned firms are not profiting from this offered incentive because they are seemingly unprofitable in their initial stages.

It is also assumed that South Africa's clothing and textile sector tends to be monopolistic in character, making it difficult for small businesses to emerge or even succeed which would be indicative of lack of transformation. Since the effective transformation effects of BEE are contested, it is only rational to investigate and challenge the understanding of transformation within the clothing and textile sector.

1.2 Research Problem and Questions

The clothing and textile sector has suffered from the influence of globalization and the changes in production location and trade (Morris, 2006; Takala-Greenish, 2015; Barnes, 2005). This has gone on to affect not only the global market but the survival of the industry, its value chains, and the livelihoods of South African citizens. The sector had nearly diminished before efforts were made by the IDC and the DTIC to revive the clothing and textile industry. The sector's non-existence would be unfortunate for the county and mean that South Africans are fully reliant on imports to sustain the demand for clothing and textiles.

The role played by the IDC and DTIC are to be commended, however, there is still an underlying contestation of what transformation means and how it is applicable in this particular context. South Africa has lost its global competitiveness (Barnes, 2005). More than that, despite the funding received in support of revival new and emerging firms have a difficult time re - entering the market. Arguably there is a narrow understanding of transformation as the IDC employs a more market rational approach to its funding processes. The DTIC narrowly bridges the gap, but there remains a need for a contextualized transformation that would address or rather redress the outcomes of past events. Transformation would mean that the sector is secured not only in a global context but from the ground up. From equipping employers, employees and owners with the necessary skills, and opportunities to participate in the sector to ensuring that those who are being empowered are especially the previously disadvantaged; not to ignoring the prevalent inequalities that exist in the country. It then becomes clear that in order to achieve transformation in the clothing and textiles sector, or in any sector for that matter, change goes beyond financial aid and reaching global competitiveness.

This paper purposes to investigate the question to what extent the incentives offered by the government institutions encourage and enable transformation within the sector. Further investigating the role played by primary government institutions such as the DTIC and IDC, including the GDED.

To help answer the primary question these secondary questions will be investigated:

- To what extent has the IDC sought to align its funding instruments with BEE and transformation goals?
- Are the incentives offered by the transformation programme truly challenging issues of concentration of economic power existing within the sector? Making use of BEE compliance as a metric?
- Is the decision-making process of the IDC influenced by the embedded institutional politics found within industrial policy?

Therefore, Chapter 1 of this study evaluates theoretical perspectives on industrial policy, the political economy of institutional financing, and black enterprise ownership. Chapter 2 provides an analysis on the industry development, effects of globalization, industry capacity and sector analysis of the clothing and textile sector. Chapter 3 discusses key policy developments in relation to the clothing and textile sector, particularly incentive support programs. Chapter 4 provides the results and discussion of the findings of the study's analysis, and interviews in relation to theories and previous studies. Lastly, chapter 5 summarises the study as it concludes the findings and recommend solutions.

1.3 Methodology

This study purposes to investigate to what extent the incentives offered encourage and enable transformation within the clothing and textile sector. Further, investigating the role played by primary government institutions. The primary question broadly pertains to the use of incentives and how their enhancement is used to facilitate transformation in the clothing and textile sector. The research is important for us to understand whether the incentives and support offered by government organisations are sharp instruments, particularly in terms of South Africa's clothing and textile sector's transformation goals.

The methodology is inductive, seeking to observe and describe patterns and identify meaning from them. Therefore, the study follows a qualitative research approach, making use of secondary data. This type of data is originally collected for research and studies by other scholars and organizations is a review of literature as a source of information. The study will make use of a mixed methods of descriptive statistics and industry trends using secondary data, policy review, company case studies, and interviews. "Mixed methods research encourages researchers to use multiple approaches to collecting and analysing data within a single study, recognising the limitations of using a single method. Despite this, a number of controversial issues and debates such as the paradigm-method fit issue and the "best" paradigm issue have limited the widespread acceptance of mixed methods research (Migiro & Magangi, 2011)."

This research approach and the aforementioned data sources have been particularly selected to help answer the research question beginning with a theoretical framework that underlies the study, followed by an organization of the data that has been collected, and lastly a data analysis and integration.

The study will make use of data or data collection methods such as case studies, interviews, and documents. These are purposefully targeted in order to successfully answer the research question. Case studies are useful in conducting a robust and holistic investigation and enable the researcher to examine information within a specified context (Zainal, 2007). In essence, they provide a contextual analysis that details particular events, under specified conditions and the relationship between the two. The case studies used for the purpose of this research are firms which have received funding and or assistance from government through incentives provided by their intervention programmes, such as the CTCP.

Both quantitative and qualitative philosophies have contributed to the development of mixed methods research. The researcher will make use of a mixed methods approach according to either a post-positivism, constructivist, or pragmatist philosophical orientation. The researcher aligns themself with a pragmatic philosophy, whereby "Pragmatism as a philosophy includes the use of induction (or discovery of patterns or gaining an understanding of the meanings humans attach to events, a closer understanding of the research context, and collection of qualitative data,)." (Migiro & Magangi, 2011)

The study also followed a semi structured research interview method. A semi structured interview is flexible and is most appropriate for small scale research (Drever, 1995). The research interviews were carried out online using Zoom at the Gauteng Department of Economic Development (GDED), Department of Trade, Industry and Competition (dtic), and Industrial Development Corporation (IDC). These interviews comprised of individual experts in the clothing and textile sector from all three organisations. Interviews were recorded and for the purpose of the study the participants will remain anonymous as is in accordance with the POPI Act. Below are the questions that were used during the interviews:

a) What has been the share of black-owned firms eligible for the incentives – if it is small, then why is this case? What is the attrition/dropout/success rate of black-owned firms vis-à-vis other firms?
b) To what extent have the incentives encouraged the development of black ownership in the supply chains?
c) Is there evidence of ownership transactions or outsourcing relationships emerging at stage of application, during incentive period or afterwards – in attempts of taking advantage of incentives (firms often play these strategies where they run into issues of not being able to qualify because of criteria on their own)?
d) Are there any firms given priority, access to higher subsidies and discounted rates over others (and for what reasons)?
e) Is the funding tailored to the firm's needs or is generally for investment in equipment?
f) Are the incentives aimed at challenging existing monopolies and to the extreme concentration of economic power in the sector? In other words, are smaller firms given

as much priority as or has the support just increased support to medium/large (black) companies

Company documents were also sourced for the purpose of this study. These documents contain information about Company products, Province, Sector, Workforce profile, Compliance and compliance rating, Manufacturing value added, and BEE status. However, the name of these companies will also remain anonymous. Unfortunately, the study could not make use of company biographies and interview companies due to covid-19as intended and stated in the proposal. Instead, the study analysed companies receiving funding from IDC. These companies make up a representative sample of industrial development in the industry.

Strengths

1. A mixed methods approach can be used to help answer questions that are broad in nature because the researcher is not limited to a single approach.
2. The use of more than one approach allows for greater insight and understanding.
3. The use of both quantitative and qualitative data can be used to inform both theory and practice.

Weaknesses

1. Challenges in interpreting results may arise if there are conflicting results due to the difference in methods.
2. The application of this approach is not approved by methodological purists.

Chapter 2: Theoretical perspectives

2.1 Perspectives on development and industrialization

East Asian countries applied the general transition from agriculture to manufacturing, which resulted in higher levels of productivity as well as higher incomes for the population; all of which were accompanied by the structural transformation. At the same time, the South Asian experience of development was slightly different and contrary to the expected norm, it was driven by the services sector. South Asia has also experienced economic growth and development almost matching the recent growth performance of East Asia. The catching-up process of developing countries is typified by growth in a single industry in terms of its import, production, and export. Thereafter, followed by diversification of the industry coupled with a shift from simple to more sophisticated consumer goods.

Countries have had the freedom to identify their comparative advantage and use a combination of indigenous and imported ideologies and structures for development. Countries in the catching-up process are likely to experience the advantages of lower costs as all the possible risks have already been undertaken by the already industrialized countries. However, disadvantages such as low investment and technological innovation may arise. This emphasizes the importance of foreign domestic capital and infant industry protection. A lot of developing countries face a range of challenges thus leading to the last point. Therefore, the rate at which development will occur will certainly vary.

2.2 Inclusive value chains

There are various debates surrounding industrial development. Recent debates have been centred on Global Value Chains as a path to industrial development. An implementation of the Global Value Chains approach refers to a process where firms enter into and upgrade supply chains of multinational and transnational firms. These firms then participate in a range of activities necessary for the production of a good or service on a global scale – these activities range from conception to final use or disposal (Kaplinsky, 2000).

Global Value Chains have functioned as a steppingstone for developing countries. The integration into the global economy is a vital precondition for developing countries with the aim to catch-up, thus, this approach presents itself as a useful tool for development. But there is no perfect policy prescription that can be applied to every or any developing or low-income country. Also, the Global Value Chain framework is flawed. Although there is room for improvement, that does not render the framework useless or invalid. However, it is important to ask questions about its viability within a South African context.

The advocates of Global Value Chains argue that this approach to industrial development is an inclusive one. The function of this framework is to manage and expand the relationship among consumers, workers, firms, and the world (Gereffi & Ferenandez-Stark, 2011). The framework is argued to be a useful tool for policy, particularly upgrading, economic development, employment creation, and poverty alleviation, providing an understanding of the organisation of global industries as it examines the structure and dynamics of different actors involved in a given industry. Upgrading, within the context of industrial development, refers to the improvement of a firm's position within a value chain (Bair, 2005), which implies an increase in competitiveness that allows for value addition through the production process.

Its attention to international production networks has had a major influence on international business literature (Bair, 2005). A vital condition for development in many low-income countries is to join global value chains, as in many cases (e.g., Mexico, Vietnam, Thailand, and China) it has paved a way for developing countries to integrate into the global economy (Kaplinsky, 2000). If South Africa, typified by developing and underdeveloped countries, is to survive and participate in today's international economy, it needs to position itself strategically within these global networks. In the same way, develop strategies that will allow leading firms access to improve their position.

Successful value chains are expected to bring about economic development, directly linked to employment creation and poverty alleviation, which is facilitated by the role played by both the state and firms. And so, it is vital to consider the structure of institutions within developing countries administering global value chain policies. This is because of local, national, and international institutional context and policy. Therefore, Global Value Chains are embedded within the local dynamics of society, economics, and institutions (Gereffi & Ferenandez-Stark, 2011).

The firms that participate in a range of activities within the value chains need to represent the South African population. But because it has been acknowledged that the Global Value Chain framework is flawed there is a prevalent gap regarding its viability within a South African context in the clothing and textile sector. Since Global Value Chains argue that this approach to industrial development is an inclusive one it needs to reflect that value chains need to be inclusive to an extent where it promotes and reflect black ownership and participation with the value chains.

Chapter 3: Literature review

3.1 South African industrial policy

Industrial policy[1] has the capacity to promote development and structural change Development for OECD countries has been characterized by catching up. The success of industrial policy is

[1] According to Pack and Saggi (2006) industrial policy refers to "any type of selective government intervention or policy that attempts to alter the structure of production in favour of sectors [or activities] that are expected to offer better prospects for economic growth in a way that would not occur in the absence of such intervention in the market

dependent on the economic forces that necessitate industrial policy since industrial policy is used to correct failures that occur in the market (Lee, 2013).

In order to achieve the overall objective, the most influential approaches to achieving development has been by following current comparative advantage, getting prices right, and financial liberalization among others. In addition to this, structural change can be achieved through the improvement in how goods are produced, reaching a new or advanced level of complexity, moving towards higher levels of productivity and skill availability. Notably, structural transformation and economic development has been dependent on the industrialization and development of manufacturing (Bhorat et.al, 2016).

Although industrial policy can effect economic change, the sectoral compositions of output and employment can have an impact on the extent of development. Achieving structural change using an industrial policy approach has its limitations due to intra-sectoral heterogeneity as some activities can play differing roles in the economy and growth. This suggests that industrial policy may tend to overlook microstructural dynamics of learning, productive capabilities, and organisational changes in industry.

However, an important aspect of South African industrial policy is its tendency towards global competitiveness. Bringing further attention to global value chains; an approach to industrial development that is inclusive and aims to position sectors strategically within these global networks. Its framework is particularly useful for industrial policy when it comes to upgrading, economic development, employment creation, and poverty alleviation. Upgrading, within the context of industrial development, refers to the improvement of a firm's position within a value chain (Bair, 2005), which generally implies an increase in competitiveness that allows for value addition through the production process. Furthermore, Global Value Chains are embedded within the local dynamics of society, economics, and institutions (Gereffi & Ferenandez-Stark, 2011).

The knowledge production in rich countries positions them at an advantage as they possess the relevant capacities to upgrade their production process. This enables these countries to engage in value addition. Instead, South Africa seemingly remains at the bottom of the production

equilibrium." Its is "is ultimately about promoting investment by the private sector in new industrial capabilities" (IPAP, 2021) chain because it cannot leverage more than just affordable labour and raw materials. Thus, this should call for local capacity, skill and technology development that will be sustainable even on a global scale.

Industrial policy is a highly debated topic because it can arguably be used as an indicator of power relations and access to rents. It is an expression of the balance of power in a country, and a predictor of who will benefit and who will be excluded from current and future economic rents. Many countries with a developmental state use industrial policy as a tool to achieve their developmental goals. Although, the outcomes of industrial policy are likely to differ at different times even in the same country (Lee, 2013).

The responsibility for economic transformation has become central to the role of government, as a result government policy formulation and implementation is best understood in terms of both economic and political forces (Roberts, 1998). States are known to have compulsory associations which claim control over territories and people within them (Evans, 1995). However, Roberts (1998) rejects the idea of an autonomous developmental state. Lee (2013) mentions that state intervention is essentially the use of non-market institutions which are likely to have different economic interests and visions, and the state simply regulates and coordinates private interests for the sake of public interests. This is problematic as it points to a bias that exists within industrial policy implementation whereby particular interests are served and firms showing promise or potential are preferentially selected. Consequently, defeating the purpose of industrial policy. Roberts (1998) further explains industrial development as being a coordinated process of exploiting linkages in the interests of large-scale capital.

Traditionally, industrial policy tended to favour capital intensive firms since they have been the recipients of majority of the development funding, such as mining industry where mineral processing is energy intensive and is dependent on the generation of electricity. This begs the question on the shift or broadening of funding to a more labour-intensive sector. The evolution of industrial policy over the years has had a direct influence on the clothing and textile sector and has resulted in domestic markets being affected by rising unemployment and competition, particularly from imports (Takala-Greenish, 2015). However, a matter of concern is the role of the South African government in the economy because just as it is important to identify policies, it is essential to answer the questions of how and why government will have capacity to accomplish economic policy objectives (Roberts, 1998).

Moreover, with respect to policy, in order to measure the success rate of government's intervention there has to be a balance between two dimensions (of development and transformation) – industrial competitiveness and societal welfare (Morris & Eienhorn, 2008).

The implementation of industrial policy in South Africa's clothing and textile sector is reliant on government institutions and agencies. The IDC being one of them specializes in financial development, and others in regulation. The IDC is South Africa's largest state-owned development finance institution as it provides funding for the development of South Africa's and Africa's industries. The IDC has approved numerous funding transactions; some approved for black industrialists, black empowered companies, woman-owned businesses, and youth owned businesses. Additionally, the dtic under the leadership of Mr Ebrahim Patel together with the IDC, have approved R784 billion (80 percent) of the target set in 2018 and new investment was allocated R110 billion.

3.2 Political economy of institutional financing

The dtic and IDC play an essential role in the development, administration, and implementation of transformation policies. The IDC's participation and funding of the textile industry dates back to the 1940s, and its mission has always been to transform and grow the economy through industry funding (Netshitomboni, 2021. During the Second World War, the IDC emerged as a vital agency of the state, at times a conduit, in financing the industrialization of South Africa. Furthermore, the IDC was simultaneously responsible for the creation of other financial institutions such as the International Finance Corporation (IFC) and the Accepting Bank for Industry. The IFC was introduced in the context of rapid industrialization in the South African economy, and thus, as a solution to the problem faced with heightened demand for industrial finance (Netshitomboni, 2021). The IFC was founded based on the idea and realization that the private sector is important for the achievement of development (IFC, 2020). During this time, the Accepting Bank for Industry was designed to serve financial service needs that were required. It entailed the provision of short-term financing and assisting commercial businesses with access and capacity to source domestically produced manufacturers.

The IDC offers financial support incentives to a variety of sectors, namely, Agro-processing and agriculture, chemical products and pharmaceuticals, basic and speciality chemicals, clothing and textiles, basic metals and mining, light manufacturing, media and audio visuals, machinery and equipment, industrial infrastructure, tourism, and automotive and transport equipment (IDC, 2020). Its priorities are aligned with the government's policy direction in a way that will develop the country's industrial capacity, and further facilitate job creation through industrialisation. Although the IDC has faced market constraints along the way, it has continued to strive to fulfil its mission; to ensure the transformation and growth of the textile industry.

The IDC's work is in line with a key objective of the South African government which is transformation. It functions as an implementing agency of industrial policy centring its activities on projects and policies such as the National Development Plan (NDP)[2], Industrial Policy Action Plan (IPAP)[3] and National Growth Plan (NGP)[4]. This affiliation equips the IDC with industrial capacity to achieve specific development outcomes. As a result, the funding process and instruments at the IDC's disposal should be geared towards achieving transformational objectives.

However, Netshitomboni (2021) warns that literature often misunderstands and takes for granted the financing mechanisms used by the IDC. Netshitomboni's (2021) assessment of how the IDC was financed and how it funded its clients indicates that during its first 10 years the IDC's mission was geared towards reducing South Africa's reliance on imported inputs while promoting the use of domestic materials. At the time the IDC was supporting industries that could be characterized as import-substituting with the textile industry as the first and largest recipient of IDC funding, thus, the industry's growth can be attributed to this. From its inception, the objective assigned to the IDC was to constitute two main objects which would prompt the establishment of new industries and industrial undertakings and further provide for incidental matters. The first of the IDC's objective set out that it was responsible for one providing funds for new or emerging industries as well as industrial undertakings. Secondly, financing the expansion of existing industries. The problem, however, arises when a sector does not fit a certain criterion, or when politics interferes with the allocation of funds.

Accordingly, the IDC has a track record of providing concessional funding to firms that are classified as upstream and/or capital-intensive (Goga, et.al, 2019). This funding model can be restrictive as its potential reach is weakened because its tendency to neglect to provide funding for downstream and labour absorptive sectors such as the clothing and textile sector. The development of downstream linkages has been weak although government has increased

[2] The NDP is a government strategy guide to reach a country vision of development by 2030
[3] IPAP is a policy document that aims to improve sectoral industrialisation in South Africa.
[4] The NGP was established after the NDP to cater specifically for inclusive economic growth and the reduction of unemployment.

beneficiation, shown support to more downstream and labour-intensive activities as well as investing in the strengthening of local value chains (Maia, et.al. 2005). This is problematic for a country that is known for its recent advocacy for development and growth through SMEs. Arguably, because downstream linkages are characterised by black people, such a restrictive model automatically sets programmes such as BEE and BIS behind.

Further, as a developing country, South Africa is known to have infrastructure challenges. The creation purpose of the BRICS National Development Bank (NDB) is to address this shortfall. The development bank filled the void for developing countries and set infrastructure as a priority (Amsden, 2001). The establishment of the NDB in 2015 helped raise capital and address the failures within BRICS countries. The fundamental challenge faced by the BRICS NDB is that it follows a similar approach similar to that of the World Bank. Luna (2020) argues that national development banks which still follow an approach based on market fundamentals do not have the capacity for growth and development.

Rather, NDBs success rate is dependent on "the world institutional context in which the economy is embedded" (Luna, 2020). In other words, an embedded economy interacts with man and his environment. It is aware of the issues of politics, religion, cultures, etc., and is able to integrate them with production, distribution, and consumption. The relationship with both nature and humans allows for favourable societal conditions and because it is such an integrated economic process establishes stability and unity. Whereas a disembedded economy flourishes in a self-regulating market. It is reliant on the determination of price by supply and demand for maximum profit gains thus, having no interference from humans or his environment. Neglecting issues relating to politics, religion or culture leaves nature, human capacity and purchasing power in the hands of the market which has proven to be disastrous for society. The market is not institutionalized enough and as long as NDBs operate on the fundamentals of the market it can never bring about growth, development, or progressive change. Yes, it is important to make a profit, but not at the expense or exploitation of the commodities that grant that opportunity. Luna (2020) suggests a double movement between an embedded and disembedded economy. It is easy to run with a disembedded economy; however, an embedded economy requires the active safeguarding the use of commodities.

Another challenge is the challenge of each BRICS country having their own national interests and further transforming their ideas into reality (Chin, 2014). For example, India and Brazil have infrastructure development needs, China needs the opening of a new avenues for its engineering and construction sector, and South Africa is advocating for the financing of Africa as a whole. Also, the operations of a development bank can be stifled by poor performance of debtors. Thus, the initial development banks which were guided by a broad-based investment criterion targeting a wide range of industries began to stifle the quality of development.

The financing of an industry for the purpose of development and growth is not a new concept in South Africa. The conception of incentive programs in South Africa are not the first and likely not to be the last. There are various programs within the sector and in others with similar agendas.

However, in order to address the prevalent socioeconomic issue of inequality; where there is skewed relationship between ownership and consumption because large firms have control over markets, then there needs to be a diverse pool of investments that does not only include upstream industries. Transformation requires allowing entry of potentially innovative firms, and investment in capacity development and sophistication. Institutional financing should be understood by considering both economic and political factors. It is not advisable to presume or conclude that there is a clear understanding of the processes that take place when industries receive funding from the selection criteria to approval. In doing that we are likely to end up with outcomes we do not understand either, moreover outcomes of which we disapprove. The political economy that exists within institutional financing requires more than just analysis but instead a synthesis that over and above the political and economic factors, it takes consideration of the individuals, workplace, and society. Furthermore, that the transformations within sectors (driven by institutional funding/the IDC) is a process, just as development is a process.

3.3 Black enterprise ownership

It goes without saying that ownership equips one with power and thus it will be helpful to construct a representation of the lived realities and experiences of South Africans who are involved and participate in the sector and how they are affected by this particular issue.

In 1990, it was recorded that Anglo-American, Sanlam, and Old Mutual had control over 75 percent of the JSE. In 2016, their domination had decreased significantly through the influence of BEE. Black ownership rose to 10 percent, and a rise to 39 percent in foreign ownership. Additional to this, they have expanded and diversified their leadership teams, executive teams, and board of directors across both race and gender. In relation to this, the clothing and textile sector is not one of the 10 industries, 19 super sectors, 41 sectors and 114 subsectors appearing on the JSE’s categorized company list. Racial identities continue to fragment South African businesses today.

The South African government has employed a Black Industrialist scheme, which refers to the leveraging of the State's capacity to unlock the industrial potential within black-owned and managed businesses through deliberate, targeted, and well-defined financial and non-financial interventions. The dtic defines a black industrialist as “black South Africans who own and, through significant shareholding, control an enterprise whose products are significantly used and have a considerable impact on decent employment and create broad-based economic opportunities”. According to the DTIC (2015) the core elements of an "industrialist" are: having a “significant influence in an enterprise or industry, control of an enterprise through shareholding, board and executive management control, and production of products (goods and/or services) with significant wider use” (Marais & Coetzee, 2006).

According to the Strategy for Broad-Based Black Economic Empowerment economic transformation refers to a movement away from the creation of wealth for a particular racial minority towards an economy that benefits all, mainly ensuring the communities which were previously marginalized to gain control, management and ownership of land, labour, entrepreneurship, and capital (Mondi, 2017). In 2015, the dtic through the Black Industrialist Development Programme had an objective that was to produce and place over 100 black industrialists as leaders in South Africa’s efforts towards industrialization. BEE has been supported by the IDC for more than 20 years. During this time, they provided R28-billion to black-owned businesses, and over R53-billion for B-BBEE. They have ensured their support of black industrialists as it is the organisation’s strategic instrument.

The dtic reported a clean audit in 2017/18, however, commentators predicted that BIS “would be open to corruption and favour those politically connected”. It has been identified and reported that the list of beneficiaries included former and present executives of various state-owned entities. However, the IDC responded stating that those politically connected appear because they are automatically excluded from IDC loans and remained subject to stringent checks, and that their intention is ensuring integrity of the investment decision-making process was not compromised by the presence of politically influential persons in transactions (Hay, 2018).

According to Hay (2018), the growth of black capital ownership and foreign capital entry feeds the perceived notion of unbundling the white monopoly capital in South Africa. In the name of transformation, Jacob Zuma during his presidency was consistently accused of corruption, preferential treatment, and dealings. The most prominent and otherwise successful of his dealing was with the Gupta (or Zuptas) and his son. The relationship between these parties influenced ministerial appointments and the misallocation of government funds. However, in their defence they claim that their actions rightfully challenged white monopoly capital and Mbeki's BEE preferential tenders. Zuma's abuse of power of awarding state contracts was ultimately defended by hiding behind the argument of its apparent potential to bring about radial economic transformation (Desai, 2018).

However, this argument does not hold. Unless transformation, according to their satisfaction, amounts strictly to corporate restructuring and South Africa's largest corporations being listed abroad or internationalised. Perhaps there is more to unbundling white monopoly capital than ownership transfer and a higher percentage of black representation in upper management of clothing and textile companies. In that case, very little has been accomplished by the ANC to change the power of monopolies. Tender based capitalism is likely to be insufficient and has proven to be unreliable. Instead, they are arguably parasitic to radical economic transformation, and this is problematic because the state does not represent the active participants of the economy in its entirety. According to Mondi (2017), a state which has been captured by an elite is likely to experience worsened poverty and stifled growth.

Mondi (2017) recognizes the difficulty latecomer black industrialists face in an open economy when attempting to participate in economic activity that requires economies of scale as well as a variety of high quality and expert inputs. The South African government believes in the Black Industrialist Programme as a means to aid latecomer black industrialists, however, the need to be both locally and globally competitive and specialist against firms that have specialized, and established production networks exacerbates the difficulty. Perhaps a radical approach that is inclusive and not narrowly focused on race and class is what South Africa needs to help address issues of racial identities, class formations, low levels of growth and high poverty levels, particularly amongst black people.

Additionally, according to Matumba and Mondliwa's (2015) analysis, understanding "market power in the industry, slow progress in the transformation and diversity of ownership in the liquor industry," the enforcement of B-BBEE and competition law cannot succeed in addressing issues of market power in a mass market and is also unlikely to change the existing structures in the market; its achievement would be to solely influence ownership.

Chapter 4: Clothing and textiles sector

4.1 Industry development

The clothing and textile sector has been widely recognized for its historical role in the South African economy. South Africa's domestic market demand, various generous state support, and the captive domestic market of the apartheid era sanctions once produced and nurtured a thriving clothing and textile manufacturing sector (Takala-Greenish, 2015). The sector has played a pivotal role as a means of access to industrial development and paved a pathway for the journey to economic development. This was accomplished through export-led industrialization and industrial diversification, the sector serving as a source of basic consumer goods, reliance on low-cost labour, employing unskilled and untrained workers, having low barriers to entry, thus, relatively easy to establish, and having volatile production and trade patterns that change market conditions, which have made it very competitive and more consolidated (Morris & Barnes, 2008; Morris & Barnes, 2014; Takala-Greenish, 2015).

South Africa was not the sole beneficiary as the clothing and textile industry has formed the foundation for other countries that have experienced rapid export-led industrialization (Gereffi & Memedovic, 2003 as cited by Morris & Barnes, 2008). The once poor and developing countries, especially in the Asian region (i.e., Korea and Japan), have developed by establishing this particular sector. They used the clothing and textile sector as a tool and means of development and growth acceleration. Since 1978, the role of Bangladesh's clothing and textile sector has become important to its people because it contributes to 85 percent of total export earnings, engages a large number of the population by employing 1.5 million workers, and has played a significant role in its socio-economic development (Hasan, et.al.,2016). Ethiopia is another example of how successful rapid integration into the global trade system can result in a country becoming one of the fastest growing economies in the world (Alderin, 2014). The Ethiopian clothing and textile sector emerged when TNCs began to outsource their production to Africa for its abundance in natural resources. Ethiopia's textile industry is rapidly expanding, employing approximately 40,000 people, and reported to have grown exports by 28 percent in 2012.

4.2 Effects of globalization

4.2.1 Trade liberalization and 2008 global financial crisis

The era of globalization had a great influence on Sub-Saharan Africa together with the rest of the world; economies have progressed into global value chains and encouraged developing and low-income countries to establish a clothing and textile sector (Morris, 2006). The global shift in production from developed to lower-cost developing countries seemingly provided employment opportunity for a country like South Africa because the sector is labour intensive, with an unskilled labour force, thus offering entry-level jobs, particularly in the informal sector (Morris, 2006; Takala-Greenish, 2015; Barnes, 2005).

During the 1990s, before the implementation of liberalization in South Africa, there was no incentive to export in other sectors that are traditionally focused on the domestic market. Liberalization initiated the transformation and development of unpopular domestic industries and encouraged growth on a broader level and made use of export incentives.

In the late 1990s, the sector contracted since the opening of the economy and performed poorly. Its downturn continued to persist as focus began to mount on competition. Trade liberalization along with illegal imports, labour costs, rising Chinese competition, low investment, and poor response to supply-side and export stimulus have deteriorated the sectors success. The textile sector showed higher levels of production, although it only lasted until the year 1997 before experiencing a sharp fall in both production and employment along with capacity utilization (Roberts & Thoburn, 2003).

4.2.2 Chinese imports

The early 2000s reflect China's domination of South African imports of CTFL. Although over time its market share was lost to Mauritius, Madagascar, Lesotho, Swaziland, and other Asian countries with Vietnam in the lead (TIPS, 2017). Rising Chinese competition followed ever since (1) the joining of the WTO in 2001 and (2) the end of the MFA in 2004 (Morris & Eienhorn, 2008). International competition gained momentum meanwhile imports from China (and India) along with their heavily discounted valued goods had devastating consequences for the local manufacturers of South Africa (Barnes, 2005; Molekwa, 2018). According to Morris and Eienhorn (2008), South Africa was unable to maintain industrial competitiveness and lacked the capacity to deal with welfare issues and the country suffered from both direct and indirect impacts.

Direct impacts refer to countries being complementary or competitive where consumption of Chinese imports have a direct impact on welfare. During the time period 1998 and 2002, there was a decline in import prices (from \$2.18 to\$1.22). Additionally, there is evidence that clothing had a general welfare impact on disposable income. Whereas indirect impacts are when "international competition has acted to suppress domestic prices as local manufacturers have had to compete with their global counterparts. Cheap imports put price pressure on local manufacturers to drop clothing prices. We use international prices as benchmarks when negotiating with local manufacturers which forces domestic suppliers to be competitive." Ultimately industrial competitiveness diminished, and issues of welfare could not be attended to and affected long-term sustainability (production capabilities and enterprise interaction along value chain) and population's standard of living (through rising unemployment and negative effects on consumption patterns – prices).

4.3 Industry capacity

Growth of the manufacturing industry in the 1990s was slightly higher than in the 1980s but was well below that of developed countries, the world, and the developing economies. Natural resource industries and heavy industries linked to natural resources (iron and steel) dominated manufacturing exports~~.~~

It was not helpful that (the country's economy began to lose the capacity to sustain or support the clothing and textile industry). Furthermore, the Rand was volatile; affecting its capacity to compete, many South African firms have lost international contracts in their destination markets. Factory owners began to lose their property when investment declined, and the funding took away from the required capital to have capacity as firms.

However, there is a prevalent power struggle between developed and developing countries that was birthed by globalization. A technology gap exists between the firms in developed and developing countries (Molekwa, 2018). Developed countries want to maintain their technological lead and concern regarding national competitiveness arises because challenging matured industrialized countries opens up a country like South Africa to vulnerability. Perhaps a country such as South Africa will have to focus on restructuring its industry while developing new competencies. Therefore, it is important to determine how and with what resources we can participate most appropriately and optimally in the process.

The purpose is to discuss and uncover issues related to transformation and development in the sector but not negating the environment in which the sector finds itself. The decline continues to be perpetuated by underlying constraints such as inflexibility, poor communication, and lack of entrepreneurship or support thereof, as well as production structures required for industrialization. The success of any sector is also dependent on the quality of the business environment and how well developed are the clusters. Ultimately, these affect a company's generated productivity, competitive choices, and capabilities.

There are prevalent tensions that exist within industrial policy. These tensions facilitate the balance of producer and consumer interest over time and recognize that the promotion of building long-term capability requires short-term welfare costs. There are also inter-sectoral implications that are linked to employment and price within a sector. For example, Takala-Greenish (2015) writes extensively about the decline in the manufacturing of the clothing and textile sector. He writes that:

"T&C manufacturing provides a good example of how this decline reflects sector specific trend and forces as well as factors shared across manufacturing and the economy."

And that:

"The decline is also a concern given the potential loss of benefits in terms of employment and redistribution and in light of the poor economic growth, limited industrial diversification, and evidence of deindustrialization."

Although seemingly convincing, South Africa's clothing and textile sectors' failure to succeed is not truly represented by the factors that have been discussed. Further probing discussions and investigation are required regarding the "intense debate regarding the mechanisms through which manufacturing and diversification contribute to growth and development, what conditions allow this development to take place, and what economic and political entities and forces shape this process" (Takala-Greenish, 2015). According to the SDG 2019 Report, the country's priority challenges are institutional weakness, a decline in government trust, and a perceived lack of leadership. Keeping this in mind, one cannot dispute the importance of the clothing and textiles sector for South Africa regardless of the sectors' misfortune.

Despite the sector's progressive characteristics, the sector has performed poorly in South Africa. Faced with great declines it nearly reached a point of no recovery. Unfortunately, the South African clothing and textile sector exists and is expected to successfully function in a declining economy. Although, there has been an increase in the number of assets owned by Black Africans. Despite this increase, the asset inequality between groups asset inequality for Black Africans continues to increase. As there is a prevalence in the lack of confidence in local brands, the mismatch between productivity levels and wage rates, and a lack of investment in technology, innovation, and export-led industrialization are likely to hinder development and transformation in the long-run. The sector's major market, production trends, and dynamics point to poor performance and deterioration of the sector with declines in output, employment, imports and exports, and investments (Barnes, 2005; Takala-Greenish, 2015).

It was the commitment of local government in the Cape and KZN clothing and textile sector clusters that they manged to achieve "systematic competitiveness through value chain alignment and firm level upgrading". KZN and the Western Cape host the largest cut-make-and-trim (CMT) industry (Barnes, 2005). Two out of five of CTFL workers were employed in the KZN province with the WC being the second largest employer and Gauteng coming in third accounting for one fifth of CTFL employment. According to a report by the Western Cape Industrial Symbiosis Programme (WISP, 2020), KZN is a key area for future development and possible capacity and capabilities for fabric production and furnishing. While the WC is home to majority of South Africa's retailers; 'having a diverse range of firms active at every stage in the value chain', it offers local manufacturers a comparative advantage.

4.4 Sector analysis

The following trend and data analysis are adapted from The World Bank (2021), TIPS (2015 & 2017), and the IDC (2020):

4.4.1 Output

With a population of more the 59 million people, the economy has a recorded growth of 1,5% in the fourth quarter of 2020, with an annual growth rate of 6,3 percent. GDP revenues are sourced from manufacturing, agriculture, tourism, financial services, transport, wholesale and retail trade, and transport. According to Stats SA, South Africa's economy is characterised by persistently high levels of inequality with the bottom 60 percent more dependent on social grants instead of on income from the labour market.

The clothing and textile sector is recorded to contribute 21.606 percent in 1990, 14.423 percent in 2008 and 11.7781 percent in 2019 to South Africa's GDP. During the time period 1994-2001, the opening of the economy resulted in a fall of GDP contribution of 1 percent each year from 7 percent in 1994 to 3 percent between 2011 and 2016. From 2001-2014 it experienced a yearly growth of over 4 percent.

The clothing and textile sub-sectors each comprise 40 percent of CTFL value added. The sector is recorded to contribute 21.606 percent in 1990, 14.423 percent in 2008 and 11.7781 percent in 2019 to South Africa's GDP.

Currently, contrary to popular belief, the R-CTFL value chain does not contribute highly to the country's economy. However, CTFL plays a larger role than the manufacturing section of the value chain, with a GDP contribution of R74 billion and employing over 210 000 people (dtic, 2021).

4.4.2 Employment

Unemployment is reported to be 28,48 percent in 2020 and 32,5 percent in 2021, Human Development Index (HDI) value rising from 0.627 to 0.709 (positioning it at 114 out of 189), (UNDP, 2020).

Interestingly, Takala-Greenish (2015) points out that regardless of the clothing and textile sector being labour intensive the decline in employment has had an effect on the sectors manufacturing.

Data between 2008 and 2015 shows that women constitute the majority of employed in the sector. African women in particular comprise of two-thirds of employment, while Africans generally constitute 63-73 percent, Coloured/ Indians 17-31 percent, and Whites 4-18 percent.

From 2008-2017 a quarter of employment in CTFL was provided by textiles and approximately two-thirds by clothing. Employment declined by 2 percent each year during this time period. While employment may have seen some recovery in the clothing subsector, from 2015 to the third quarter of 2017, the other subsectors continued to see a rise in unemployment.

4.4.3 Imports and exports

CTFL imports growth doubled in comparison to exports during 2010-2016. In 2016 CTFL accounted for only 2 percent of exports but 5 percent of imports. Export growth orientation is represented by “stagnant domestic demand, competitive currency and the dtic’s incentive scheme for the sector encouraging production for export.

Chinese imports undoubtedly impacted South Africa’s local clothing and textile sector; imports rose from $223m to $1123m from 2000 to 2006, however, there remained a lack of attention given its impact on local manufacturers along with their ability to compete and upgrade in order to meet the new reliability, quality, and price demands (Morris & Eienhorn, 2008).

Table 1: South Africa’s 2000 clothing and textile import and exports

Country Name	Export (USD)	Export Product Share	Import (USD)	Import Product Share
World	634,938.06	2.41	862,177.64	3.22

Europe & Central Asia	238,339.03	2.59	215,108.89	1.86
North America	160,101.07	6.09	54,677.52	1.59

Source: World Integrated Trade Solution (WITS)

According to Table 1, in the year 2000, South Africa's clothing and textile export product share to the world was 2.41 percent (634,938.06 USD), with a higher import product share of 3.22 percent (862,177.64 USD). The country's export product share to Europe and Central at 2.59 percent (238,339.03 USD) and North America at 6.09 percent (160,101.07 USD) are significantly higher than the import product share to these regions, 1.86 percent (215,108.89 USD) and 1.59 (54,677.52 USD) respectively.

Table 2: South Africa 2008 clothing and textile import and exports

Country Name	Export (USD)	Export Product Share	Import (USD)	Import Product Share
World	658,946.53	0.89	2,036,573.10	2.33
Europe & Central Asia	245,787.90	0.94	345,391.00	1.17
East Asia & Pacific	150,647.56	0.82	1,130,468.12	4.89

Source: World Integrated Trade Solution (WITS)

According to Table 2, in the year 2008, South Africa's clothing and textile export product share to the world was 0.89 percent (658,946.53 USD), with a higher import product share of 2.33 percent (2,036,573.10 USD). However, it is noticeable that South Africa's export product share to Europe and Central at 0.94 percent (245,787.90 USD) and North America at 0.82 percent (150,647.56 USD) are lower than the import product share to these regions, 1.17 percent (345,391.00 USD) and 4.89 (1,130,468.12 USD) respectively.

Table 3: South Africa 2019 clothing and textile import and exports

Country Name	Export (USD)	Export Product Share	Import (USD)	Import Product Share

World	1,250,907.66	1.40	3,267,813.52	3.71
SSA	694,408.60	2.95	752,067.12	7.43
Europe & Central Asia	235,870.97	1.00	294,854.18	1.04

Source: World Integrated Trade Solution (WITS)

Table 3 indicates vital changes in South Africa's clothing and textile import and export product share trajectory. In 2019, there is an apparent shift in South Africa's export product share to Sub-Saharan Africa (SSA) at 2.94 percent (694,408.60 USD), also, its intra-continental import product share is significantly higher at 7.43 percent (752,067.12 USD), with a higher import product share of 2.33 percent (2,036,573.10 USD). Although the world's share in export products continues to remain significantly low. The export product share to Europe and Central slightly increased to 1.00 percent (235,870.97 USD).

4.2.3 Black Economic Empowerment (BEE)

The concept of BEE emerged in the early 1990s, although it can be argued that its initial conception dates as far back as 1955 according to the ANC's Freedom Charter (Ponte, Roberts & Van Sittert, 2007), as it directly aligned with development and transformation goals. One can infer from the programmes and policies that the South African government has administered over the years that there is a clear inclination of transformative intent from an undesirable to a more desirable circumstance.

BEE policy was formally introduced in 2003 as a preferential procurement policy administered by the DTIC to empower black people in a manner that is both equitable and sustainable across all sectors so that they would be enabled to own and manage the productive assets of their communities or simply have ownership and control over their businesses (Shava, 2016). The dtic was greatly involved with the development of BEE policy and ensuring its implementation (Tangri & Southall, 2008).

Kleynhans and Kruger (2014) characterize BEE as the empowerment of black people and correcting imbalances in society. However, BEE is not narrowly focused on economic development and transformation, nor is it purely about the transferring of ownership from white people to black people. Essentially, it aims to also provide equal opportunities for all South Africans, but especially the previously disadvantaged. Moreover, as a way of redressing the injustices and inequalities of apartheid, BEE purposes to equip black people with skills and provide them with opportunities aligned with advanced economic transformation and increased economic participation (DTIC, 2020).

The South African government has made it clear that it prioritizes doing business with firms that are aligned with BEE, and as a result many firms that are black empowerment driven have emerged and led to the majority of tendering contracts being issued to 'black' companies which have a predominantly black clientele and shareholders (Freund, 2007).

It is commonly found that firms misunderstand that equity compliance does not necessarily mean empowerment compliance, as it is essential to obtain an empowerment status (Tangri & Southall, 2008; Shava, 2016). Being BEE compliant means that companies support economic transformation in a way that empowers black people to have a meaningful role in the economy. In contrast, a company that is compliant with the Employment Equity Act (EEA) ensures that equitable representation for individuals who have experienced disadvantages in employment, such as women, disabled and black people (including Africans, Indians, and Coloureds). Thus, BEE compliant companies have to find a balance between BEE requirements and their already existing value chain structures. Despite this, Boshoff (2012) highlights that firms are also more likely to alter boundaries and meet BEE requirements within a broader strategic environment due to pressure received from clients and their preferences. One cannot dispute that there has been some good achieved through BEE. Although, black people have reaped benefits from BEE, questions continue to persist regarding the extent to which BEE successfully administers the transformation of wealth ownership in South Africa. Accordingly, due to failures in regulating and implementing BEE there are many opposing opinions regarding the purpose of BEE.

The dtic has put a significant effort in black incentive industrialist incentive programmes in support of BEE policies, which Hay (2018) states have failed to achieve genuine and sustainable transformation. He argues that apart from black people having a share in minority stakes of companies they have had no contribution in establishing black entrepreneurs should rather own real assets. Unfortunately, these transactions tended to establish black capitalists as junior partners and simultaneously constitute a new source of profit for (white) financial capital. Few of these renter capitalists have any involvement in business operations or production. Meanwhile, in some cases BEE may have created the basis for an elite coalition between black and white business, the minority stake holding, and high financial gearing of black partners has made the constraints of this model increasingly clear. This empowered elite remains small, economically weak, and politically dependent on the ANC, and compromised by the increase in inequality over the same period in which they were empowered (Holdts, 2019).

It has become evident that BEE has both the elements of an enabler along with shortcomings, thus, these negative and positive effects result in a push-pull effect. Ultimately, the effects of BEE seem to work against each other. The consistently stagnant economic growth in South Africa requires corrective procedures to change this effect (Kleynhans & Kruger, 2014). According to Kleynhans and Kruger (2014), there is no clear indication of short-term effects, however, long-term possible effects, although not definite, can be achieved such as sustained profitability and increased investments. The successful implementation of BEE has the potential to enhance competitiveness and production efficiencies on productivity, turnover and investment.

In addition, BEE also aims to remove the stereotype that black people are unproductive, the newly employed black people are likely to perform better than their predecessors and could potentially produce increased output for firms participating in BEE and increase efficiency. It could further help safeguard property rights, grasp the attention of shareholders with particular intrinsic preference towards BEE, and afford compliant firms with a wider range of preferential business scope, which have direct effects on competitiveness and productivity.

The dominating argument against BEE is this: its sole purpose is to elude whites and benefit blacks and so on. Ponte et.al. (2007), Tangri and Southall (2008), and Shava (2016) raise concerns surrounding the actual effectiveness of BEE, particularly the emergence of black elites who have high-profiles and are well-connected that manipulate procurement systems. They argue that BEE has become limited by acts of corruption which led to issues such as mismanagement, fraud, lack of evaluation, monitoring, and accountability, thus gross incompetence.

BEE is further accused of doing very little to assist the black population of South Africa (Shava, 2016). Again, it is undeniable that there are black people who benefit from BEE, however, the share is disproportionate to a small number of prominent black figures. Meanwhile, the majority black population is growing poorer, and for this reason, making it clear to see that BEE's capacity is hindered and does not empower the majority of the previously disadvantaged. Instead, BEE seems to increase the poverty gap in communities. Therefore, BEE is accused of having contradictory objectives and essentially forming a black capitalist class. Most importantly, the critiques against BEE illustrate the need to understand how different groups work to further their interests through the state and its institutions (Ponte et. al., 2007).

Chapter 5: Clothing and Textile Sector Policy Development

5.1 Locating South Africa's clothing and textile sector in post-apartheid economic policy

South African industrial policy also has a background of having a strong commitment to development and transformation. These two fundamentals are found embedded in a wide range of the country's policies; including those used to aid the clothing and textile sector and are primarily driven by its history of apartheid. These developmental and transformational policies date back to the mid-1900s. This background maps out the country's vision and priorities when it comes to development and transformation.

An investigation by UNDP (2020), of the provisions made by South Africa's Charter finds that it has made a commitment to development and, thus, is obligated to ensure the implementation of its citizen's right to development is attained. It indicates that South Africa's transformation model is based on the fulfilment of development through radical transformation policies, which is a legally recognised human right. Additionally, the ANC's Freedom Charter advocates for the people of South Africa to have a share in the country's wealth and land. Commitment to transformation and development is evident. Central to the policies are South African citizens as they are going to be the drivers of transformation and development.

In 1994, post the apartheid regime, one of the first priority tasks performed by the newly elected democratic government was to adopt the Reconstruction and Development Programme (RDP) which purposed to remove hunger, homelessness, inequality, and poverty, and further provide equal access to welfare, education, health, transport, and employment. Here we see that from the inception of developmental policy human well-being is prioritized. Their well-being was defined by whether or not they were healthy, fed, sheltered, educated, mobile and employed. It was understood that employment would be the beacon that would make the former possible,

To eliminate and redress discriminatory employment practices that were experienced by the previously disadvantaged, the Employment Equity Act 55 of 1998 followed and challenged organisational structures to be inclusive and encouraged the establishment of ca to promote the participation of black people in the economy (Kleynhans & Kruger, 2014).

In 1996, the Growth, Employment and Redistribution (GEAR) plan was introduced; a further attempt at improving the economic circumstance of the majority who have been marginalized and stimulate economic growth. The perspective of redistribution acknowledged the extent of inequality, and its implementation makes use of social mechanisms (taxation, welfare, monetary policies, etc.) to level the playing field.

The Accelerated and Shared Growth Initiative for South Africa (AsgiSA) as launched in 2006 with the objective to also reduce poverty and unemployment, and increase the country's GDP through interventions, policies, and programmes. This initiative advocated for a move to increased inclusive growth and a more active industrial policy (Annual Report, 2008). Economic growth was recognised as an essential factor and measure for development. It referred to an increase in state capacity, government spending, consumption, net exports, investment, and growth in national and per capita income. However, economic growth alone does not guarantee economic development; they had to work together.

The government's implementation of the National Industrial Policy Framework produced the Industrial Policy Action Plan in 2007, which aimed to select particular sectors that showed signs of potential in growth, employment, growth of exports, diversification, and where sectors have completed their research and self-discovery process (IPAP, 2007). Identified sectors will be allocated appropriate policy instruments so as to upscale the industry and allow it to reach full potential by (1) supporting investment, (2) industrial upgrading, (3) promoting industry and Economic Cluster specific infrastructure; and (4) addressing monopoly pricing.

In 2012, came the National Development Plan (NDP) which encompassed the same elements in the aforementioned policies. Its goals are to grow an inclusive economy, build capabilities, enhance state capacity, and promote leadership and partnerships throughout society by 2030. The following are the three priorities that stand out: faster economic growth for increased employment, improvement in the quality of education, skills development and innovation, and capability building of the state for its developmental and transformative role.

The overall purpose of these policies was to bring about economic development and transformation by addressing issues of poverty, employment, inequality (inclusivity and decreasing monopoly), economic growth.

The clothing and textile sector in particular has been recognised as a key sector and has had its own policy development. As recognised by the IPAP and NDP a blanket approach to all sectors is likely to be ineffective just as applying a blanket development approach to all countries will not work. The NDP takes on a broader approach to development which was a turning point for South Africa. So, the questions remain: with the use of incentive programmes provided for the clothing and textile sector, what does transformation mean and look like for South Africa's clothing and textile sector?

Table 4: Economic policy summary

Policy name	Year	Key focus areas
Reconstruction and Development Programme (RDP)	1994	Poverty Unemployment Inequality
Growth, Employment and Redistribution (GEAR)	1996	Economic growth Increased employment Redistribution
Accelerated and Shared Growth Initiative for South Africa (AsgiSA)	2006	Economic growth Reduce poverty Reduce unemployment
Industrial Policy Action Plan (IPAP)	2007	Sectoral growth and development
National Development Plan (NDP)	2012	Promote development through an inclusive economy, building capabilities, enhancing state capacity, and promoting leadership and partnerships

5.2 Incentive support programs

5.2.1 Clothing and Textile Competitiveness Program (CTCP)

The DTIC implementation of the Customised Sector Programmes (CSP's) has sown the seed for the establishment of the Clothing and Textiles Competitiveness Programme (CTCP) which is aimed at structurally changing the clothing and textile sector's manufacturing industry by providing financial assistance from the IDC for investment in interventions that would improve competitiveness (SA Government, 2020). Since 2009, the CTCP has invested more than R3.5 billion into the sector, redeeming and providing a turning point for South Africa's clothing and textile industry. The DTIC along with the IDC are primary providers of incentives that support the regeneration of the South African Clothing, Footwear, Leather, Leather Goods, and Textiles Industries. The CTCP comprises of two programmes managed by the IDCs CTCP Desk, namely, the Production Incentive Programme (PIP) and the Competitiveness Improvement

Programme (CIP). It is important to note that one of the mandatory conditions is that the applicant is required to be bargaining council compliant where applicable. Evidence of compliance is necessary for the approval of application.

The PIP, introduced in 2011, aims to structurally change the Clothing, Textiles, Footwear, Leather, and Leather Goods through investing funding towards interventions that would improve competitiveness. Those applying for this programme receive 7,5 percent incentive based on Manufacturing Value Added (MVA) which is banked with the IDC. Incentives are ring-fenced and only made available once companies are eligible for upgrading and competitiveness improvement interventions. Within the PIP is an Upgrade Grant Facility and an Interest Subsidy for Working Capital Facility whereby the former is focused on improving competitiveness and the latter on the support of working capital requirements that may result from future or past upgrading interventions (IDC & dtic, 2013).

A capital amount of R1 000 000 000 allocated to PIP beneficiaries in its first two years has been fully distributed. During this time period the total value of PIP approved funding increased by 50% from R476 368 109 in the prior year to R712 710 721 with the number of approvals rising from 172 to 284 applications. PIP has higher concentration of firms in KwaZulu Natal (42%), Western Cape (34%), and Gauteng Province (15%) regions. There is also a high concentration of funding in KwaZulu Natal (43%), Western Cape (36%), and Gauteng Province (7%) regions. PIP funded firms comprise 39% of clothing and 38% of textiles, with a 41% and 36% allocation of funding, respectively (dtic, 2013).

The CIP seeks to create globally competitive companies by means of a cluster approach (ordinary and national clusters supported by subnational clusters) so that they maintain and decrease unemployment levels. Interventions consist of innovative plans which are market development, process, product, and people focused.

CIP has a total value of R 218 004 669 approved during the year ending 31 March 2013. This was a 461% from R38 887 851 in the previous year. The number of approved companies has increased from 123 to 144 in this time period. The total value of CIP pay-outs under the CIP increased by 150% from R23 832 347 (31 March 2012) to R59 696 926 (31 March 2013).

5.2.2 R-CTFL Value Chain Master Plan for 2030

The vision for South Africa's R-CTFL masterplan vision realizes a need for a dynamic, competitive, and sustainable value chain that will provide customers with quality and reliable products. The plan's commitment is to employment growth, progressing towards inclusion and transformation. The main aim is the ensure value chain localisation, enhance both domestic and international market growth, advance competitiveness, skills, and technology, and transforming the value chain. The implementation of this plan is to be guided by building demand to create growth, and verticalization and ecosystem development to inform the actions of stakeholders, Government policy and public resources allocation.

The following are the objectives to be achieved by 2030:

1. R-CTFL employment growth; creating 121 000 new jobs to 333 000 workers.
2. Boost and develop competitiveness, particularly of the products, cost, and process within the value chain.
3. Make use of new and advanced technologies to increase efficiency (shorter lead times) in the value chain.
4. Encourage investment through improved financial returns in the value chain, thus, an implied expansion of job creation and economic activity.
5. Develop employable (operator, technical and management) skills that provide capabilities to use with the implemented advanced technologies and enhance competitiveness.
6. Achieve transformation within the value chain by (1) developing Black and female senior management, (2) increasing worker ownership, (3) inspiring Black industrialist investment, and (4) ensuring the inclusion black-owned SMME's in the manufacturing eco-system of the sector.
7. Guarantee an ethical and environmentally responsible R-CTFL value chain in South Africa; and
8. Create a domestic value chain with an operating environment that is fair and equitable, further eliminating import fraud, and activities of illegal local production.

The Master Plan for the clothing, textile, leather, and footwear value chain is the first commitment made by various stakeholders, such as government, retailers, manufacturers, and workers. Its critical role is in achieving its objectives and realizing its vision by developing the country's industrial capabilities and supporting the creation of decent employment, wealth increase, and ultimately reaching industry prosperity for all stakeholders in the industry. The successful implementation of this Master Plan would yield higher levels of local manufacturing and employment in the sector's value chain. Most importantly, the realisation of the Master

Plan to 2030 will require "structural change within the value chain based on growing the domestic market."

One of the important aspects of the Master Plan to note that South African retailers and key domestic suppliers have reached a common ground. They realize the importance of developing productive capabilities. This is to enable the supply chains of retailers to provide quality merchandise on short lead times. Although government has provided support for the development of productive capabilities and performance decline in the value chain has stabilised, the manufacturing sector of the value chain performs sub-optimally; only contributes 1.33 percent to South African employment.

The enhancing of retailers and CTFL manufacturers competitive position is coupled with employee benefits throughout the sector's supply chain. The recent finalisation of the African Continental Free Trade Agreement (AfCFTA) further reinforces international growth aspirations of South African retailers to capture more than the local market share.

Chapter 6: Results and Discussion

Case studies

Shantara Industries is a knitwear manufacturer of school jerseys and ties of 55 employees. The CTCP's intervention helped them hire a consultant that assisted them in developing a competitiveness improvement plan. Shantara implemented a new manufacturing methodology based on Constraint Management. It restructured its manufacturing process for the Cut-Make-Trim (CMT) plant and invested in state-of-the-art knitting technology. According to Shantara, the CTCP has changed their view of the manufacturing process and has resulted in it becoming more innovative and technologically superior in comparison to other school-jersey manufacturing plants in South Africa. As a result, there are prospects of having an increased market share and an increased capacity to provide employment opportunities as they continue to grow. The knitwear company has a B-BBEE Level 1.

Canvas and Tent Manufacturing (Pty) Ltd employs over 400 workers in Ladysmith KwaZulu-Natal, with a Level 3 B-BBEE. It is considered a world leader in the design and manufacture of canvas-related products such as tents, bags, storage items, sleeping gear, picnic, rucksacks, chairs, and related items. CTCP Initiatives has had an impact on the company's Factory Reorganisation and Capital Upgrade through the PIP. The use of the PIP by mapping out and remodelling product and handling flow made significant improvements in throughput (improved by 15%), and redirected more attention towards investment in equipment, including primary upgrades, in order to increase product output and efficiency. Under the CIP Canvas and Tent went through a four-year training process with South African Productivity and Training Cluster (SAP&TC). The agenda was to focus on upskilling the Supervisory and Factory Floor to allow them to leverage competitive advantages to accompany the technological advancements of the upgraded plant and equipment. Joining the South Africa Technical Textile Cluster (SATTC) increased their market share and granted them the opportunity to be part of a consolidated beneficial cluster. SATTC members aim to become "recognised global suppliers of standard-setting quality and innovative Technical Textile products in identified product and market segments" (dtic, 2013).

EAC Tannery (Pty) Ltd provides leather to various sectors in the industry, including automotive and upholstery. It is recognised as a major role player in South Africa's tanning industry. With CTCP's intervention the company has become more efficient. This is evidenced by an overall lower energy consumption, the saving of water, increased sales, and lowered costs. Additionally, the support received from the PIP enabled the company to be more efficient in applying its working capital by releasing short-term capital into financing the normal operations of the company.

Table 5: Clothing and textile company analysis

Company	Company products	Province	Sector	Workforce profile	Compliance	Manufacturing value added	BEE status	Compliance rating
A	Manufactures and distributes corporate uniforms and industrial workwear	KwaZulu-Natal	Clothing	13.5% African males (Production staff) 72.9% African females (Production staff) 1% Indian (Management)	Tax Clearance, Bargaining Council Compliance Certificate	Increased by 157.3% between 2009 & 2018	AAA Level 2	100.0%
B	Produces school uniform products	KwaZulu-Natal	Clothing	***	Tax Clearance, Bargaining Council Compliance Certificate	Increased by 61.3% between 2009 & 2018	Non-compliant	100.0%
C	Global manufacturer and trader of Mohair Tops and mainly Natural Fibre Yarns	Eastern Cape Western Cape	Textiles & Leather	***	Tax Clearance, Bargaining Council Compliance Certificate, Environmental Requirements,	Increased by 183.9% between 2009 & 2018	Non-compliant	87.5%

					Audit confirmation letter			
D	Cotton Elastane/Lycra, Fleece, Fancy Fabrics and Striped Single Jersey, Special Finishes, Mercerising	Cape Town	Textiles	17% African male (Production staff) 56% Coloured male (Production staff) 23% Coloured female (Production staff) 13%: 1 Coloured male, 1 Coloured female, 1 Foreign male (Management)	Tax Clearance, Bargaining Council Compliance Certificate, FICA, Environmental Requirements Audit confirmation letter	Increased by 40.2% between 2009 & 2018	Non-Compliant	87.5%
E	Textile laminating: bonding of various fabrics, textiles, foam, EVA, synthetic leathers, and peel and stick coatings	KwaZulu-Natal	Textiles	***	Tax Clearance Bargaining Council Compliance Certificate Audit confirmation letter	N/A	***	100.0%
F	Production of military headwear and military webbing	Gauteng	Clothing	15.5% African male (Production staff) 69% African female (Production staff) 5% Coloured (Production staff) 6%: 1 coloured female, 1 white male, 2 white females, 1 African female (Management)	Tax Clearance Bargaining Council Compliance Certificate Audit confirmation letter	Increased by 127.5% between 2009 & 2018	Level 6	100.0%
G	Textile Fabrics	Kwazulu-Natal	Textiles	3.6% African (Management) 1.8% Indian (Management) 3.6% White (Management)	Tax Clearance Bargaining Council Compliance Certificate Audit confirmation letter	***	Non-Compliant	87,5%

6.1 Industrial policy's inadequacy as a transformational tool

One of the roles assigned to government is the responsibility for economic transformation. The government policy formulation and implementation of the clothing and textile sector has fallen short of this. In light of the economic draw backs, the sector has undertaken devastating consequences. The initial response was aimed at stabilizing the sector as evidenced by the policy measures taken by government through the enhancement of competitiveness.

Shantara Industries, Canvas and Tent Manufacturing (Pty) Ltd, and EAC Tannery (Pty) Ltd are good examples of companies that have benefitted from the CTCP. The CTCP played a critical role in increasing these companies' competitiveness through developing a competitiveness improvement plan to address innovation and technological advancements, and investment in equipment that would later result in an increase product output and efficiency.

Although we understand that the country was faced with a crisis and ran the risk of losing an entire sector a bias exists within this particular industrial policy implementation because; already existing firms are first in line to receive assistance and firms showing promise or potential are preferentially selected. At the time this solution was a reasonable step to take. However, it becomes problematic when after more than 10 years has passed and the sector has stabilized this policy implementation does not evolve. It does not allow adequate space for small businesses to grow or develop. Therefore, going against and neglecting one of the central goals of government.

As previously mentioned, in order to measure the success rate of government's intervention there has to be a balance between two dimensions (of development and transformation) – industrial competitiveness and societal welfare (Morris & Eienhorn, 2008).

Interviews from the IDC and dtic, explicitly revealed that transformation was never a priority for the sector. However, in an interview, the Gauteng Department of Economic Development shared that the department procures from the SMMEs. They make it a point that they buy from the SMMEs. For example, in the various projects that relate to empowering the SMMEs such as a collaboration with the Department of Arts, Sports and Culture. Items such as the sporting attire (e.g., netball tracksuits) and equipment (e.g., cricket bats) they have made it a mission to procure them locally. Another example is given by the Department of Social Development in driving a uniform program for many years. They ensure that SMMEs participate in the process when tenders are to be issued and bringing the economy to the township and small businesses.

In line with one of the goals set out in the NDP, that people should be able to work closely to where they work; the clothing and textile sector is heading there slowly but surely. An example of this is the Tshwane clothing and textile Hub. The aim is to create a business hub that will be in the city center of Tshwane. It will consist of mini hubs that will be in townships that exist in Tshwane and employ the unemployed people, especially those that have the skills and do not have work. Therefore, driving the mandate to create employment and improve the lives of the community.

Again, transformation goals were never at the forefront of intervention measures taken for the clothing and textile sector. The issue of transformation only arose when the sector began to stabilize. However, a lot of work has gone into ensuring that firms which apply for and receive funding are bargaining council compliant.

There are signs of transformation, in the interest to see how many SMMEs were catered to, many were owned by women. Also, many big companies have been replaced by smaller companies as a lot of companies created their own SMMEs in their production of equipment and made them subsidiaries.

There is a notable amount of transformation, particularly in footwear because there are many SMMEs. But, because of the way they are structured, they remain under the radar and are not bargaining council compliant and thus could not receive incentives. It is also difficult to indicate how many companies are black owned. The incentive program was purely limited to only certain companies, so not necessarily that all entities have benefited.

The government organisations in support of this sector run a black industry support program, and through this create an opportunity for transformation. This additional programme is sector neutral and is structured in a way that entities must start transforming from level seven to level four in next year, along with an assessment of the overall scorecard and equity transformation.

One of the positive outcomes: SMMEs supplying established retailers. A project driven within the GDED calls on a SMMEs is that specialize in designing and making garments to enter a competition. A sample of their work is judged by a panel, and they are further given a task to put together a garment within a given time. The winner would be the one that gets to supply the one of the established retailers.

Another positive outcome: Upgrading businesses to a professional level. Those that would participate in workshops may conduct their business in a garage and are not a registered company. You find that the same person who is not registered wants to conduct business with government and want to be considered. However, through this form of intervention, government has been playing a huge role in that area, to formalize these kinds of businesses, equipping them to be sustainable. After they have done that automatically they are able to also employ people from the community.

6.2 Evidence of Political economy of institutional financing

Previously, companies which were already operating would be the ones to receive funding. Now, new or startup companies (less than three years) are welcome to apply for incentives. This is because in the past, this wasn't catering for real investment promotion, because there was no support at the start, so that support is being offered.

Also, even if companies are not currently bargaining council compliant, and are willing to work towards compliancy, in future (within approximately three years), they will be welcome and allowed to apply. In the past, this was not the case. The IDC’s funding did not make it a priority or requirement for a company to be bargaining council compliant.

As previously discussed, the IDC’s work is affiliated with the NDP, IPAP, and NGP. Its activities and projects should be in line with a key objective of the South African government which is transformation. However, Netshitomboni (2021) clearly pointed out that the initial objective assigned to the IDC was to provide funds for new or emerging industries as well as industrial undertakings and finance the expansion of existing industries. In this regard, one cannot fault the IDC, as it has managed to achieve this. On the other hand, the transformational agenda has not been fully actualized.

Table 4 shows a variety of companies (A to G) in the clothing and textile sector who have sent in their application for the CTCP. These companies manufacture and produce a variety of products. Company A Manufactures and distributes corporate uniforms and industrial work wear. Company B produces school uniform products. Company C is a global manufacturer and trader of Mohair Tops and mainly Natural Fibre Yarns. Company D manufactures and produces Cotton Elastane/Lycra, Fleece, Fancy Fabrics and Striped Single Jersey, Special Finishes, Mercerising. Company E specializes in textile laminating: bonding of various fabrics, textiles, foam, EVA, synthetic leathers, and peel and stick coatings. Company F specializes in the production of military headwear and military webbing. Company G manufactures and produces textile fabrics.

Majority of these companies are concentrated in KZN (Companies A, B, E, and G). Whereas other companies, such as C, D, and F are located in the Eastern Cape, Western Cape, and Gauteng.

The workforce profiles of these companies indicate that majority of the production staff are African and coloured. Although there is a small percentage of the workforce in management, most of the companies have a diverse representation.

The compliance requirements of a company are dependent of the type of manufacturing and production processes followed. The overall required elements of compliance include Tax Clearance, Bargaining Council Compliance Certificate, FICA, Environmental Requirements, and an Audit confirmation letter.

The general trend shows that manufacturing value added (MVA) has increased during the time period between 2009 to 2018. This is indicative of the progress that the program has made a positive contribution to the net output of manufacturing activity. Company A increased by 157.3%, Company B increased by 61.3%, Company C increased by 183.9%, Company D increased by 40.2%, and Company F increased by 127.5%.

Not all companies who had received funding were compliant with BEE. Company A has a BEE status of AAA Level 2. Company F has a BEE status of Level 6. Companies B, C, D, and G are non-compliant. Furthermore, only companies A, B and F have a compliance rating of 100 percent, and companies C, D, and G have a compliance rating of 87.5 percent.

6.3 From competitiveness to transformation – a shift in policy agenda

It is found that there has been high level of technology maturation because this is a sector which has got competitiveness as a nomadic phenomenon. “As far as transformation is concerned, there are two views when the industry is in decline. Your first duty is to stabilize it. Large amounts of money can be spent on SMEs which are fully transformed, but they will be the first ones to go because they have exposed them to an unsustainable situation. That's where this money that has been funded then becomes some cost”. But in the interest to see how many SMEs were catered to, many were owned by women, and within that there is definitely a bit of transformation. Also, many big companies have been replaced by smaller companies as a lot of companies created their own SMEs in their production of equipment and made them subsidiaries.

Also, it was found that there are other contributors, outside of policy, that have hindered transformation. In an interview at the dtic an expert said: "we don't have strongly administered duties safeguards, and there is where you hear all about counterfeit goods, your illicit trade, under valuation under invoicing and so on. So, those are our major risk. And the trade integration wasn't to that level crystallized. That means our own local retail rate, the distributor, our local domestic consumption was an inward focus. They were always input oriented almost to 70%. So, these are some of the issues in terms of transformation also plays its role."

Although, we shouldn't restrict ourselves to only CTCP, or the new growth program. We need to view transformation as an ecosystem, and it will look at if the trade is not integrating industry means then we could collapse. "So, the basic ecosystem we want to create through a master plan or a social contract that could integrate trade with industry. Frankly, a lot of retailers you will hear a program called Enterprise Development Program. It is not just about incentive. A lot of affirmative action is happening in the country. Transformation is driven by the demand side through affirmative procurement by retailers."

Chapter 7: Conclusion and Recommendations

The clothing and textile sector is a very complex sector with several variables. It is important to note that incentive programmes initial mission was to prioritize stability. The programmes offered wanted to offer a conducive environment for firms to be competitive. Therefore, from this study one can gather that structure of these incentives followed a strategy which aimed to save failing firms and make firms within the sector competitive, and transformation cannot be assessed through incentive programmes alone.

It has also been made clear that this sector cannot survive without government support. A lot of affirmative action is happening in the country. Transformation is driven by the demand side through affirmative procurement by retailers. What has been accomplished, thus far, was accomplished in a difficult situation. In addition to rectifying and rebuilding the sector South Africa is far away from major markets, but perhaps there is opportunity to investigate alternating between exports and regional trade. There is still a lot of technology maturation still needs to take place, as skill ability has been lost from 65 percent to 30 percent with very little to no 4th industrial revolution occupation for the sector.

The recently issued South African R-CTFL value chain Master Plan to 2030 incorporates elements of transformation. The first vision has been attained, which was to stabilize the economy. Now the vision that is set out requires a structure that will also in turn be a tool to attain the set-out agenda and objectives, being transformation.

Balancing the objective of transforming the industry and saving an industry which is in distress and in need of global competitiveness is difficult. Policymakers need to strike a balance in their – structural transformation that is not inclusive carries less meaning in the context of a highly unequal country where ownership is concentrated much in the hands of white people. The IDC, working together with the DTIC, need to be bolder and pay urgent attention to devising cross-cutting and *'smart incentives'* that are aimed at addressing multiple objectives.

First, there is a need to transform the value chain. As it stands, the funding criteria favours companies whose proposals are convincing that have potential to be competitive down the line and are already in established parts of the value chain. It does not, however, allow for an important consideration that could help transform the industry. The first exclusion is that of innovative companies that are branching into new or non-existent areas of the value chain. As indicated, the profile of companies funded by the programme are largely in traditional areas such as uniforms, gear, and various textile fabrics. New areas of interest in the clothing and textiles sector are opening up. With the fast-changing nature of the fashion industry, materials that have been traditionally considered as focused on the 'black' market which have been dominated by small boutiques in townships, rural areas or townships hold huge potential for gaining traction and demand in the near future, both in South Africa and abroad. Black suppliers, start-ups and companies have an important role to play here as they already possess the experience. Their involvement could not be limited just in the more obvious tasks of training established firms, but in a joint-venture or equity partnerships since the smaller firms could face problems of scaling up due to lack of resources. Funding towards such companies and initiatives could take into account the consideration that because they are in the early stages of learning how to become competitive, it would take considerable investment, time, and skills development to achieve competitiveness in these new areas. For this reason, close monitoring of these firms and other forms of ancillary support in the form of technical assistance and inter-firm linkages and relations.

Second, the funding criteria needs to be aligned to the important objective of supplier development where the larger and well-established firms could be incentivised to work with black suppliers of materials to gain privileged access to funding of incentives. An audit needs to be taken of the extent to which black suppliers have the potential to be involved or are involved in the business of supplying inputs to the clothing and textiles sector. This is compatible with the government's industrial policy aimed at more inclusive and transformed supplier industrial bases.

Third, The BBBEE scored card of the company applying for funding should be given more weight than it currently is in the awarding of incentives. At present, companies that have been receiving funding for extended periods of time still remain BBBEEE non-compliant for a long time after having received funding, with others getting subsequent funding even though this is the case. Whilst it does not have to be that companies already comply with a particular target, staggered or upward-cascaded targets can be set and tied to disciplining mechanisms should they not be met. This will incentivize companies to meaningfully improve their BBBEE scorecards.

Lastly, greater emphasis needs to be placed on performance management and monitoring of firms receiving funding. It currently seems that firms are engaged in a process of self-reporting where they report back on their own performance. IDC appointed auditors or evaluators need to regularly visit firms to make sure that was is being reported by firms is indeed taking place. East Asian developmental state literature self-reporting is not the best way to go about doing performance management. An instructive example is the case of the Taiwanese Industrial Development Bureau (IDB), which according to Wade (2014) had its own engineers and evaluators doing regular factory visits to physically inspect performance. The monitoring needs to be against indicators that have already been alluded to above including improvement of BBBEE, Black Supplier Development, local content requirements, skills development, and training initiatives.

Further research questions that have been identified are:

- How are the current textiles and clothing companies connected to a global value chain?
- Are they connected simply through buying input and selling their processed output to be further processed? Or do the firms you interviewed have a standard buyer they always work with? Do they share technology, provide skills training, investment?
- Who sets the prices? Who determines export volumes? How to explore other forms of power than just production volumes or prices to establish other forms of power in these value chains?
- Is there transfer of skill, technology, investment from within the value chain?

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