



International
Labour
Organization



Productivity Ecosystems
for Decent Work

► Request for Proposal

Consultancy to Conduct Feasibility Study for the Establishment of an Automotive Cluster in Gauteng Province, South Africa

Email-out : thurs.26 October 2023

► 1. Background

The South African automotive industry is the largest in Africa in terms of output and sales (comprising both imports and exports). The industry is supported by an extensive and sophisticated value chain spanning the processing of raw materials (such as metals and nonferrous ores), design, components manufacturing, assembly (or manufacturing of vehicles), marketing, sales (of both domestically produced and imported vehicles), as well as a range of after-sales services. The industry has been the most dominant in the manufacturing sector for decades, accounting for 17.3% of manufacturing output and providing more than 500,000 direct and indirect jobs, over 100,000 of which are to be found in the component manufacturing and assembly segments of the value chain. In 2021, the industry rebounded strongly from the Covid-19 pandemic, when new vehicle sales increased by 22.2% to 464,493 units, from 380,206 units the previous year, according to the National Association of Automobile Manufacturers of South Africa (NAAMSA). The country exports both vehicles and vehicle components to 152 countries, with exports to 34 of those countries doubling between 2020 and 2021.

Despite these achievements, the industry as a whole faces several challenges. Its share of GDP, for example, declined from 6.9% in 2017 to 4.3% in 2021, despite a government master plan to transform it into a key player in the global automotive market by 2035. Of particular concern is the persistently low role of lower-end (Tier 2 and Tier 3) suppliers of components for the industry, in spite of the government's transformation agenda to increase the participation of that segment, especially Black-owned SMEs. Besides low participation, these lower-end suppliers are also plagued by low productivity and decent work deficits, such as poor working conditions, which in turn impact productivity and perpetuates a vicious cycle.

Role of the International Labour Organization (ILO) in tackling these challenges

Among other things, the ILO promotes enterprise and skills development, as well as productivity growth to foster employment creation and decent work. In 2022, under its Productivity Ecosystems for Decent Work project in South Africa, the ILO selected the automotive sector as one of two major sectors from the government's priority masterplans to drive its re-imagined industrial policy. The policy is aimed at reversing South Africa's "premature industrialisation", which has seen the share of the manufacturing sector decline from nearly 20% of GDP in 2000 to 11% in 2022.

The project builds on a previous one, Sustaining Competitive and Responsible Enterprises (SCORE), which focused on productivity growth at the enterprise level. The latest project tackles productivity deficits beyond the enterprise level to include sector, value chains, and policies, all of which have indirect impacts on individual firms. The focus is on small and medium-sized enterprises (SMEs), because they have traditionally had lower productivity than their larger counterparts.

The project's interventions are, therefore, made up of a combination of enterprise-level training, markets or value chains development, capacity development for key institutions in the automotive industry, as well as supporting policy development, where necessary.

Cluster development approach

Among its many interventions, the ILO is responding to a request from the Gauteng Automotive Industry Development Centre(AIDC) to support it to develop an automotive cluster to enhance production organisation and value chains for selected Tier 2 and Tier 3 firms in the Province. The cluster is envisaged to combine training for participating SMEs with value chain development within the context of appropriate government policies. A key assumption of this approach is that the cluster system promotes efficiency and increases productivity among SMEs by enabling them to share common facilities and services (thereby reducing the cost of doing business and becoming globally competitive); enhance their proximity to sources of suppliers and buyers; benefit from mentoring and purchases of supporting firms; and strengthen value chains, whilst fostering strong backward and forward linkages in their segment of the automotive sector. This does not only improve firm-level and sector-wide productivity, but it also assists SMEs involved in the components and allied manufacturing and/or supplies to take advantage of market opportunities that they could not achieve individually. They will also no longer rely solely on their internal processes and strengths. Ultimately, these synergies and complementarities are expected to create more employment opportunities and foster a high degree of decent work (that is, conducive working conditions, including better wages, social protection for workers, relatively stable industrial relations, and a safe and healthy working environment).

On the basis of the foregoing, the ILO is seeking the services of a service provider to perform a feasibility study for the establishment of an automotive cluster under the direction of AIDC.

► 2. Objective and tasks

The objective of this assignment is for the selected service provider to evaluate the opportunities and challenges of establishing an automotive cluster in Gauteng within the current policy environment, relative to best practices elsewhere. The service provider will work with key stakeholders in the sector, including but not limited to, the Department of Trade, Industry and Competition (DTIC); the Department of Small Business Development (DSBD); the South African Automobile Manufacturers Association; AIDC; the National Association of Automotive Component and Allied Manufacturers; Productivity SA; the National Union of Metalworkers of South Africa (NUMSA), and other organisations that the service provider may deem relevant to the study.

The assignment will include the following major tasks, among others:

1. An overview of the automotive sector in South Africa in general and in Gauteng in particular, outlining the various national and provincial players and their roles in the sector.
2. An evaluation of the history and best practices of automotive clusters around the world, in both advanced and emerging economies.
3. A detailed review of government policies to promote SMEs in the sector, particularly Tier 2 and Tier 3 suppliers within the context of the government's Black Economic

Empowerment and transformation agenda, as well as “greening” production practices to support a just transition, as defined by the ILO.

4. With the preceding as context, analyse the advantages and challenges of establishing and managing an automotive cluster in Gauteng, including the financial, human, and material resources that will be required and options for securing them. The analysis should reflect the current regime of automobile production, principally for internal combustion engines (ICE), and how any cluster, once established, can facilitate the transition towards the production of new energy vehicles (NEVs), especially electric vehicles.

► 4. Expected Deliverables

The deliverables from the above tasks will be the following:

1. An inception report detailing the service provider’s understanding of the assignment (not a literal reproduction of the terms of reference), proposed approach and methodology, a capability statement, and a workplan of indicative activities and timelines. The ILO will review the report and provide appropriate feedback to the service provider for further revisions.
2. A validation workshop to be organised by the service provider, with the support of the ILO, for key stakeholders to provide critical inputs on the scope and content of the study before the service provider commences work. The workplan and the report will be further revised to meet the expectations of these stakeholders based on the outcome of the workshop.
3. A draft of the study to be submitted to the ILO.
4. A workshop for the stakeholders to validate the draft.
5. A final report based on the feedback from the validation workshop for the draft report.

► 5. Application Process

Interested service providers are requested to submit technical and financial proposals that demonstrate their capacity to undertake the assignment.

The technical proposal should be accompanied by a financial proposal made up of the consultancy fee and any associated costs for the assignment.

(Travel costs will be reimbursed at the standard ILO rate of USD0.20cents per km or Rand equivalent).

The duration of the assignment will be 60 working days.

The proposal should be sent no later than **Friday 10 November 2023 mid-night South African Time** to the following email address only: productivityecosystemsSA@ilo.org

Email-subject: Feasibility Study for the Establishment of an Automotive Cluster in Gauteng Province, South Africa

Emails copied to any other email addresses will be disqualified.

ILO Supplier Database Information

Please Note the ILO only contracts individuals or companies registered in its Suppliers Database.

Interested bidders should also submit at their earliest convenience a duly filled & signed ILO Supplier forms (attached below) and email back to productivityecosystemsSA@ilo.org



ILO SUPPLIER
REGISTRATION FORM