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POLICY BRIEF

The Vaal SEZ and the Limits of
Reindustrialisation: The
Structural Test of South Africa's
Industrial Policy

First Quarter 2026



Executive Summary

The Vaal Special Economic Zone (SEZ) has transitioned from policy intent to formal legal designation following Government Notice No. 7186 of 3 March 2026,¹ issued under section 24(1) of the Special Economic Zones Act No. 16 of 2014.² The Notice establishes five land parcels across Sedibeng, including Heidelberg, Meyerton, and adjacent industrial corridors, as the spatial foundation of the SEZ.

This marks a significant institutional shift: the Vaal SEZ is now transitioning from a conceptual policy instrument to a legally embedded spatial-economic intervention within South Africa's industrial governance system, under the leadership of Trade, Industry and Competition (the dtic) Minister, Parks Tau.

At the public consultation in Vereeniging on 15 April 2026, the dtic Deputy Minister, Zuko Godlimpi, framed the SEZ as part of a long-term effort to “revitalise the economy of the region by driving reindustrialisation and bringing back its manufacturing strength,” grounded in nearly a decade of diagnostic work on industrial decline.³

However, this brief argues that legal designation and incentive design are necessary but insufficient conditions for success. The binding constraints lie in South Africa's deeper structural conditions: sustained deindustrialisation, weakening municipal and state capacity, energy and logistics fragility, illicit economic expansion, and fragmented governance systems (see Frontline Africa Advisory's [Deindustrialisation Research Paper](#)).

¹ Republic of South Africa. (2026). *Government Gazette No. 7186: Intention to Designate the Vaal Special Economic Zone under Section 24(1) of the Special Economic Zones Act No. 16 of 2014*. Pretoria: Government Printing Works. (Published 3 March 2026).

² Republic of South Africa (2014). *Special Economic Zones Act No. 16 of 2014*. Pretoria: Government Printing Works.

³ Department of Trade, Industry and Competition (the dtic). (2026). *Deputy Minister Zuko Godlimpi Address at Vaal SEZ Public Consultation, Vereeniging, 16 April 2026*. Pretoria: dtic Media Release.



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The Vaal SEZ, therefore, is not simply an investment promotion tool; it is a structural test of South Africa’s capacity to reverse systemic deindustrialisation under conditions of institutional stress.

1. Introduction: From Policy Intent to Legal Designation

The Vaal SEZ’s designation under Government Notice No. 7186 marks its transition from policy proposal to legally constituted industrial instrument.⁴ The spatial footprint integrates Heidelberg, Meyerton, and surrounding industrial corridors linked to the N3 and R59 logistics arteries, embedding the SEZ within existing industrial geography.

Section 24(1) of the SEZ Act No. 16 of 2014 is critical because it transforms SEZs into legally defined instruments subject to intergovernmental coordination, regulatory oversight, and public consultation.

Godlimpi’s address further framed the SEZ as a product of long-term diagnostic work within government, noting that while the region retains “strong industrial foundations,” it suffers from weak coordination and underinvestment.⁵

This dual framing - legal designation and political articulation- signals a maturation of South Africa’s industrial policy approach. However, the transition from statutory recognition to operational success will depend less on legal architecture and more on state capacity and ecosystem functionality.

⁴ Republic of South Africa. (2026). *Op cit.*

⁵ The dtic Media Release, 16 April 2026, *Op cit.*

2. SEZs in Global Context: From Shannon to Shenzhen

SEZs, at least in their contemporary and fast-evolving conceptualisation,⁶ have existed since the 1950s, with early examples such as Shannon Airport (Ireland), Xiamen (China), and Dubai South (UAE).⁷ Globally, their expansion reflects a shift toward spatially differentiated industrial policy designed to attract foreign direct investment (FDI), reduce regulatory friction, and stimulate export-oriented growth.

According to PwC, SEZs expanded from 845 zones in 1997 to over 5,400 by 2018 across 147 economies.⁸ Their effectiveness depends on several consistent factors. SEZs require strong government coordination, sectoral focus, innovation ecosystems, and long-term strategic vision.⁹

The most cited example is Shenzhen, which transformed from a small fishing village into a global industrial and technological hub following its designation in 1979. It has attracted over US\$300 billion in FDI and more than 90,000 foreign enterprises.¹⁰ Its success was driven not only by incentives but by proximity to Hong Kong, logistics integration, institutional experimentation, and continuous industrial upgrading.

SEZs therefore function not as isolated zones, but as evolving developmental systems embedded in global value chains.

⁶ According to UNCTAD (2019), the concept of freeports has existed for centuries, originating from a system in which traders conducted business directly from ships, transferring and re-exporting goods with minimal or no intervention from local authorities.

⁷ United Nations Conference on Trade and Development (UNCTAD). (2019). *World Investment Report: Special Economic Zones*. Geneva: UNCTAD.

⁸ World Bank. (2020). *Special Economic Zones: An Operational Review*. Washington, DC: World Bank.

⁹ UNCTAD). (2019). *Op cit.*

¹⁰ *Ibid.*



3. Industrial Policy Evolution and the SEZ Turn in South Africa

South Africa's industrial strategy has evolved through successive phases. The *National Industrial Policy Framework (NIPF)* and *Industrial Policy Action Plans (IPAPs)* between 2007 and 2018 aimed at structural transformation through localisation and sectoral targeting. This happened against the backdrop of decline of the manufacturing's share of GDP from approximately 20% in the early 1990s to around 12-13% in recent years.¹¹

Post-2018, the policy shift toward sectoral Sector Master Plans, including the South African Automotive Masterplan (SAAM 2035), repositioned SEZs as central instruments of spatial industrial policy.

Yet, as the DTIC *Industrial Policy and Strategy Review (2024)* notes, the binding constraint is no longer policy formulation but implementation and state capacity.¹²

The SEZ Act of 2014, therefore, represents an attempt to move from infrastructure-led industrial zones (IDZs) to integrated industrial ecosystems. However, structural weaknesses in governance and coordination persist.

4. Investment Incentives and the Limits of Financial Engineering

Globally, financial incentives account for approximately 75% of industrial policy instruments.¹³ However, international experience shows they are only effective when embedded within functioning ecosystems. Shenzhen in China, Tanger Med in Morocco and the Jebel Ali Free Zone (JAFZA) in the United Arab Emirates (UAE) demonstrate that incentives must be:

¹¹ Department of Trade, Industry and Competition (the dtic). (2023–2025). *SEZ Programme Implementation Reports and Investor Updates*. Pretoria: DTIC. Department of Trade, Industry and Competition (the dtic). (2024). *Special Economic Zones Annual Performance Review*. Pretoria: DTIC.

¹² Department of Trade, Industry and Competition (the dtic) (2024). *Industrial Policy & Strategy Review - Transforming Vision into Action: Charting South Africa's Industrial Future*. Pretoria: DTIC.

¹³ Gordon Institute of Business Science (GIBS) (University of Pretoria) (October 2025). *South Africa's Special Economic Zones: Rethinking, reimagining, and reviving SEZs to unlock their full potential*. Pretoria. UP.



- Time-bound and performance-linked
- Embedded in strong institutional systems
- Supported by logistics and infrastructure efficiency¹⁴

South Africa's SEZ incentives include a reduced corporate tax rate (15%), Employment Tax Incentives, customs relief, and accelerated depreciation.¹⁵ However, these instruments remain fragmented and unevenly accessed. Despite infrastructure investments exceeding R10 billion,¹⁶ outcomes have not translated into proportional industrial output.

A central conclusion that emerges is that SEZs do not create competitiveness; they amplify it where it already exists.

5. Performance Reality: Uneven Outcomes and Concentrated Gains

The country's SEZ system exhibits pronounced unevenness, with investment and employment outcomes heavily concentrated in a small number of zones. Coega SEZ, East London IDZ/SEZ, Dube TradePort SEZ, and the Tshwane Automotive SEZ collectively account for more than 70% of total investment and employment generated across the programme.¹⁷

These high-performing zones share reinforcing structural advantages, including strong logistics connectivity (port, rail, and airport integration), clear sectoral focus (notably automotive, logistics, and aerospace-linked manufacturing), and relatively stronger institutional and governance capacity that enables faster approvals, investor servicing, and infrastructure coordination.¹⁸

¹⁴ Santosdiaz, R. (2022). *Special Economic Zones: How one city helped propel its country's economic development*. World Economic Forum, 7 February 2022.

¹⁵ Department of Trade, Industry and Competition (the dtic). Special Economic Zones (SEZs) Explainer. <https://www.thedtic.gov.za/sectors-and-services-2/industrial-development/special-economic-zones/>

¹⁶ the dtic (2023–2025), *Op cit*.

¹⁷ GIBS (October 2025), *Op cit*.

¹⁸ *Ibid*.



By contrast, a significant number of SEZs remain underdeveloped or in early-stage operationalisation, with limited success in converting designation into sustained industrial activity. These include, most notably, the Musina-Makhado SEZ, the Nkomazi SEZ, and to a lesser extent the Saldanha Bay Industrial Development Zone (IDZ) (now SEZ), all of which continue to face challenges related to delayed infrastructure roll-out, contested investment pipelines, environmental and regulatory constraints, and weak integration into established industrial value chains.¹⁹ Some SEZs also experienced prolonged implementation delays linked to environmental approvals and infrastructure readiness constraints.²⁰

Across these underperforming zones, common constraints are evident: insufficient enabling infrastructure (particularly energy, water, and logistics), weak anchoring of lead investors, fragmented intergovernmental coordination, and limited integration with domestic supplier networks. In several cases, designation has not yet translated into bankable projects or sustained production activity.²¹

As a result, performance variation across SEZs is driven less by the design of incentives and more by differences in institutional capability, infrastructure readiness, and the degree of integration into coherent industrial ecosystems.²²

6. Structural Limits of Incentive-led Industrialisation

A consistent finding across both international SEZ literature and South Africa's experience is that fiscal incentives alone are not the primary determinant of investment location decisions. While tax reductions, customs exemptions, and employment subsidies form a visible part of SEZ policy architecture, firms frequently prioritise more fundamental considerations:

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ Gordon Institute of Business Science (GIBS) (University of Pretoria) (October 2025). *South Africa's Special Economic Zones: Rethinking, reimagining, and reviving SEZs to unlock their full potential*. Pretoria. UP.

²² *Ibid.*



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infrastructure reliability, logistics efficiency, regulatory certainty, and governance effectiveness.²³

In this sense, SEZs often attract investment not because they are fiscally cheaper, but because they are operationally more predictable than the broader economy. The World Bank notes that firms typically respond more strongly to “investment climate fundamentals” (such as power reliability, transport connectivity, and administrative efficiency) than to standalone tax incentives.²⁴ This finding is reinforced by UNCTAD, which emphasises that SEZ competitiveness is primarily determined by “hard infrastructure and institutional quality rather than fiscal concessions alone.”²⁵

In the South African context, this creates a structural paradox: SEZs risk functioning as compensatory enclaves, designed to offset broader systemic inefficiencies rather than to generate economy-wide transformation. Instead of acting as catalytic nodes of industrial upgrading, they often become insulated pockets of relative efficiency within a wider environment characterised by infrastructure bottlenecks, governance fragmentation, and policy uncertainty. This dynamic produces four interrelated structural constraints:

a. Weak export monitoring and data systems

A recurring limitation in SEZ governance is the absence of robust, standardised export tracking and performance monitoring systems. Without granular data on export volumes, value addition, and firm-level productivity, it becomes difficult to assess whether SEZs are generating genuine export-led industrialisation or merely facilitating relocation within domestic value chains. The OECD²⁶ and UNCTAD²⁷ both highlight that weak monitoring frameworks

²³ UNCTAD (2019), *Op cit.*

²⁴ World Bank. (2020). *Special Economic Zones: An Operational Review*. Washington, DC: World Bank.

²⁵ UNCTAD (2019), *Op cit.*

²⁶ Organisation for Economic Co-operation and Development (OECD). (2018). *Special Economic Zones and Regional Development*. Paris: OECD Publishing

²⁷ UNCTAD (2019), *Op cit*

significantly reduce the developmental effectiveness of SEZ programmes, particularly in middle-income economies.

b. Dependence on anchor investors

Many SEZs exhibit high levels of concentration risk, where a small number of large firms account for a disproportionate share of investment and employment. While anchor investors can catalyse initial zone development, over-reliance on them creates vulnerability: if a single firm downsizes or exits, the entire ecosystem weakens. The World Bank cautions that SEZs dependent on a narrow investor base often struggle to generate diversified industrial ecosystems and face limited spillover effects into local supplier networks.²⁸

c. Temporary, construction-led employment cycles

Employment generation within many SEZs is disproportionately concentrated in the construction phase rather than sustained manufacturing or services activity. This results in short-term job creation peaks followed by stagnation once infrastructure development stabilises. UNIDO research on SEZ labour dynamics highlights that without deep industrial anchoring, employment gains tend to be cyclical, precarious, and weakly linked to productivity growth.²⁹

d. Fiscal dependence on the state

Despite their intended role as investment-attracting mechanisms, many SEZs remain heavily reliant on public funding for infrastructure development, operational support, and incentive financing. In some cases, infrastructure subsidies do not translate into proportional private-sector uptake or self-sustaining industrial activity. The World Bank notes that prolonged fiscal

²⁸ World Bank. (2020), *Op cit.*

²⁹ United Nations Industrial Development Organization (UNIDO). (2015). *Industrial Development Report: Inclusive and Sustainable Industrial Development*. Vienna: UNIDO.

dependence without corresponding private capital mobilisation can undermine the long-term viability of SEZ programmes and distort their developmental intent.³⁰

Taken together, these constraints reinforce the central conclusion that SEZs do not inherently generate industrial transformation. Instead, they amplify existing structural conditions. Where infrastructure, governance, and institutional coordination are strong, SEZs can accelerate industrial upgrading. Where these fundamentals are weak, they risk becoming isolated zones of relative efficiency that do not materially alter broader patterns of deindustrialisation.

7. Global Lessons: SEZs as Industrial Ecosystems

International evidence consistently shows that the most successful SEZs are not standalone enclaves of preferential policy, but deeply integrated industrial ecosystems in which infrastructure, governance, logistics, and firm-level capabilities reinforce one another over time. The World Bank and UNCTAD both emphasise that SEZ performance is structurally dependent on ecosystem depth rather than incentive intensity alone.³¹

A defining example is the Shenzhen SEZ, which illustrates how SEZs can function as dynamic systems of industrial transformation when supported by strong state coordination, adaptive governance, and integration into global value chains. Originally designated in 1979, Shenzhen's success was not primarily driven by fiscal incentives, but by sustained policy experimentation, decentralised decision-making authority, and strategic proximity to Hong Kong, which enabled rapid capital inflows and logistics integration.³² Over time, Shenzhen evolved from labour-intensive manufacturing into a high-technology and innovation hub

³⁰ World Bank. (2020), *Op cit.*

³¹ *Ibid*, UNCTAD (2019), *Op cit.*

³² UNCTAD (2019), *Op cit*; African Centre for Citizenship & Democracy and Friedrich Ebert Stiftung (2021). *What is the Role of Special Economic Zones in the Global South?* Policy Brief. May 2021.



anchored by firms such as Huawei and Tencent, demonstrating the importance of continuous industrial upgrading within SEZ ecosystems.³³

Similarly, Tanger Med in Morocco highlights the centrality of logistics-led industrial development. Anchored by one of Africa's largest ports, Tanger Med has developed into a globally competitive maritime and industrial platform by integrating port infrastructure, automotive manufacturing clusters, and export logistics systems into a single coordinated ecosystem.³⁴ Its success underscores the importance of transport infrastructure as the foundational layer of SEZ competitiveness, particularly in export-oriented industrialisation strategies.³⁵

The JAFZA in the UAE further illustrates the role of regulatory certainty and trade facilitation in driving SEZ performance. Through streamlined customs procedures, full foreign ownership rights, and integrated logistics systems linked to the Port of Jebel Ali, JAFZA has become a key node in global trade networks.³⁶ Its model demonstrates that predictability of regulation and administrative efficiency can be as important as fiscal incentives in attracting and retaining investment.³⁷

Across these diverse cases, a consistent principle emerges: SEZs succeed only when they are embedded within functioning industrial ecosystems that integrate infrastructure, governance, logistics, and value chains into a coherent developmental system. This reinforces the view that SEZs are not merely spatial policy instruments, but institutional platforms for coordinating industrial upgrading over time.

³³ *Ibid, Ibid.*

³⁴ World Bank. (2018). *Morocco's Tanger Med Port Complex: Logistics and Industrial Integration Case Study*. Washington, DC: World Bank.

³⁵ *Ibid.*

³⁶ Jebel Ali Free Zone Authority (JAFZA). (2021). *Economic Impact and Trade Facilitation Report*. Dubai: DP World.

³⁷ *Ibid.*



8. SEZs and Stakeholder Capitalism

SEZs also reflect broader transformations in global economic governance toward what is increasingly described as **stakeholder capitalism** - a model in which development outcomes are co-produced through interaction between governments, firms, labour, and international institutions rather than determined by states or markets alone.³⁸ Within this framework, SEZs function as hybrid governance spaces where public policy objectives and private sector investment incentives are deliberately aligned to achieve shared development outcomes.

The World Economic Forum (WEF) and UNCTAD literature on SEZs emphasise that these zones operate as mechanisms for reducing investment risk by improving coordination between regulatory frameworks, infrastructure provision, and private capital deployment. In practice, SEZs provide structured environments where uncertainty is reduced through regulatory exemptions, predictable administrative processes, and targeted infrastructure investments.

However, their effectiveness depends critically on the degree to which stakeholder incentives are aligned across three interconnected domains: First, production systems, where firms require reliable infrastructure, skilled labour, and stable regulatory conditions to invest in long-term productive capacity. Second, trade systems, where logistics efficiency, customs facilitation, and global market access determine the competitiveness of exports and integration into global value chains. Third, labour markets, where skills development, employment stability, and wage structures determine whether SEZ-led growth translates into inclusive development outcomes.

³⁸ World Economic Forum. (2020). *Stakeholder Capitalism Metrics and Sustainable Development*. Geneva: WEF.

The World Bank emphasises that SEZs are most effective when they function as coordination platforms that align these stakeholder interests within a coherent institutional framework, rather than as isolated policy instruments focused narrowly on investment attraction.³⁹

In this sense, SEZs are increasingly understood not only as tools of industrial policy, but as institutional expressions of stakeholder capitalism in practice; where the success of development outcomes depends on the alignment of public, private, and societal incentives within a shared economic ecosystem.⁴⁰

9. South Africa's Structural Constraints

South Africa's industrial stagnation is fundamentally shaped by three mutually reinforcing structural constraints that have progressively weakened productive capacity and undermined competitiveness. First, energy insecurity (manifested in prolonged load shedding and constrained generation capacity – although the Minister of Electricity and Energy Kgosientsho Ramokgopa has been largely credited for keeping the lights on and is now shifting the focus to bringing down the cost of power) has reduced production reliability and increased operating costs, forcing firms to invest in self-generation and undermining scale efficiencies.

The South African Reserve Bank (SARB) identifies electricity supply instability as a binding constraint on fixed investment and manufacturing output growth, particularly in energy-intensive sectors such as metals, chemicals, and automotive production.⁴¹

Second, logistics system failure, within the Transnet rail freight and port operations, has significantly constrained export competitiveness. Transnet's operational inefficiencies, equipment shortages, and declining rail availability have shifted freight from rail to road, increasing costs, congestion, and logistical risk across value chains. The National Treasury

³⁹ World Bank. (2020). *Op cit.*

⁴⁰ *Ibid.*

⁴¹ South African Reserve Bank (2024). *Quarterly Bulletin*. Pretoria: SARB. 1 December 2024.



has repeatedly highlighted logistics constraints as a central drag on export performance and industrial expansion.⁴²

Third, skills mismatches persist across technical, engineering, and artisanal occupations, limiting industrial upgrading and constraining productivity growth. The Department of Higher Education and Training continues to report shortages in intermediate and high-level technical skills, despite rising unemployment, indicating structural misalignment between education outputs and industrial demand.⁴³

These constraints are not independent; rather, they reinforce one another. Energy instability discourages investment in advanced manufacturing, logistics inefficiencies weaken export viability, and skills shortages limit technological adaptation. The result is a self-reinforcing cycle of systemic underperformance.

10. Deindustrialisation as Ecosystem Collapse

Deindustrialisation in South Africa is not simply the decline of manufacturing output; it represents the breakdown of entire industrial ecosystems. As anchor firms exit, the effects propagate through supplier networks, labour markets, and municipal fiscal systems, producing cascading structural decline rather than isolated firm contraction.⁴⁴

Frontline Africa Advisory's case study evidence from Lichtenburg, Komati, and Heidelberg demonstrates that once anchor industries withdraw, secondary and tertiary economic activity contracts rapidly. Supplier firms lose demand certainty, skilled workers migrate, and municipalities experience declining own-revenue bases, which further erodes service delivery

⁴² National Treasury (2025). *Medium-Term Budget Policy Statement*. Pretoria: National Treasury.

⁴³ Department of Higher Education and Training (2023). *Skills Supply and Demand in South Africa*. Pretoria: DHET.

⁴⁴ Frontline Africa Advisory (2025). *The Impact of De-Industrialisation on Economic and Social Resilience in South Africa's Small Towns: Case Studies of Lichtenburg (North West) and Komati (Mpumalanga)*. Research Paper presented at the Lesedi De-Industrialisation Symposium. Heidelberg. 15 October 2025.

capacity. This dynamic reflects what can be described as an “industrial multiplier reversal,” where the exit of a single large firm triggers disproportionate local economic contraction.

This pattern is consistent with international evidence on industrial clustering, which shows that productivity and competitiveness are generated through dense inter-firm linkages and shared infrastructure. When these linkages collapse, regional economies enter a self-reinforcing cycle of decline. The World Bank similarly notes that deindustrialisation in developing economies often reflects institutional and ecosystem failure rather than purely market-driven reallocation.⁴⁵

In this context, SEZs cannot be conceptualised as standalone investment enclaves. Instead, they must function as ecosystem reconstruction instruments, rebuilding supplier networks, restoring infrastructure reliability, and reconstituting labour market density. Without this systemic approach, SEZs risk reproducing spatial enclaves of growth disconnected from broader regional recovery.

11. The Vaal SEZ: A Structural Test of Industrial Policy

The Vaal SEZ is located at the intersection of three structural dynamics: global value chain restructuring, AfCFTA integration, and domestic industrial decline. It is therefore not only a regional development initiative, but a national test of industrial policy coherence under conditions of structural stress.

Therefore, three plausible scenarios emerge.

1. Coordinated renewal would require strong state capacity, aligned intergovernmental coordination, and deliberate ecosystem rebuilding anchored in logistics, energy, and supplier development. This pathway aligns with successful international SEZ models

⁴⁵ World Bank. (2020). *Op cit.*

such as Shenzhen, where long-term state coordination and policy experimentation enabled structural transformation.

2. Constrained success may occur where investment is attracted to the zone, but weak spillover effects limit broader regional industrial upgrading. In this scenario, the SEZ functions as a partial growth enclave, with limited integration into surrounding municipal and regional economies.
3. Enclave development represents a failure scenario in which the SEZ becomes spatially and economically isolated, reproducing patterns of uneven development rather than reversing them.

Across all three scenarios, the decisive variable is state capacity - not incentives, land availability, or policy design. As demonstrated above, international evidence from UNCTAD and the World Bank confirms that SEZ outcomes are primarily determined by governance quality, infrastructure reliability, and institutional coordination.

12. Governance, Financing, and the Last-Mile Problem

Despite a strong national policy architecture, South Africa's SEZ implementation environment is constrained by a persistent "last-mile" governance failure, where policy intent is not translated into operational outcomes.

Four structural governance constraints are evident:

1. Fragmented governance across national, provincial, and municipal spheres creates coordination gaps, particularly in infrastructure delivery and investment facilitation.
2. Weak monitoring and evaluation systems limit the ability to track SEZ performance in real time, reducing accountability and adaptive management capacity.
3. Inconsistent financial management across implementing entities weakens fiscal predictability and investment confidence.

4. The absence of standardised reporting frameworks across SEZs undermines comparability and strategic oversight.

The National Treasury⁴⁶ and Auditor-General⁴⁷ have repeatedly highlighted similar coordination and capacity constraints at municipal level, particularly in infrastructure-heavy development projects.⁸

Together, these constraints produce a structural “last-mile problem,” where high-level industrial policy frameworks fail to materialise at implementation level due to institutional fragmentation and capacity limitations.

13. Strategic Recommendations

In response to these structural constraints, six interlinked interventions are required.

1. State capacity must be strengthened, particularly in enforcement against illicit trade and regulatory compliance, given its direct impact on formal industrial viability and investment confidence.
2. SEZ governance structures should be institutionally insulated from municipal fragility through autonomous, professionally managed development authorities.
3. Industrial policy must prioritise ecosystem reconstruction rather than isolated investment attraction, with emphasis on supplier integration and value-chain deepening.
4. Infrastructure reliability, particularly in energy, logistics, and water, must be treated as a binding constraint rather than a background assumption.
5. Skills development must be structurally embedded within SEZ planning through partnerships with technical and vocational institutions aligned to sectoral demand.

⁴⁶ National Treasury (2025), *Op cit.*

⁴⁷ Auditor-General South Africa (2024). *Consolidated General Report on Local Government Audit Outcomes*. Pretoria: AGSA.

6. Industrial policy must adopt a place-based implementation model that reflects differentiated municipal capacity and regional economic realities, rather than assuming uniform national conditions.

Conclusion: SEZs as a Test of State Capacity

The Vaal SEZ represents a legally grounded and politically supported attempt to reverse deindustrialisation in one of South Africa's most historically significant industrial regions. However, its success cannot be assessed through policy design alone.

Global and domestic evidence is unequivocal: SEZs do not generate industrialisation in isolation. Their effectiveness depends on functional infrastructure, capable institutions, and integrated industrial ecosystems. Without these conditions, SEZs risk becoming spatial enclaves rather than transformation instruments.

The Vaal SEZ therefore functions as a structural test of South Africa's institutional capacity to govern industrial transformation under conditions of energy stress, logistics constraints, and municipal fragility. Its outcome will determine not only the future trajectory of the Vaal region, but also the credibility and viability of South Africa's broader reindustrialisation agenda.

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