

The role of Cluster Initiatives within Regional Development

M4P 12-14 March 2007

Nigel Gwynne-Evans
Dep.of Economic Development:
Western Cape Government

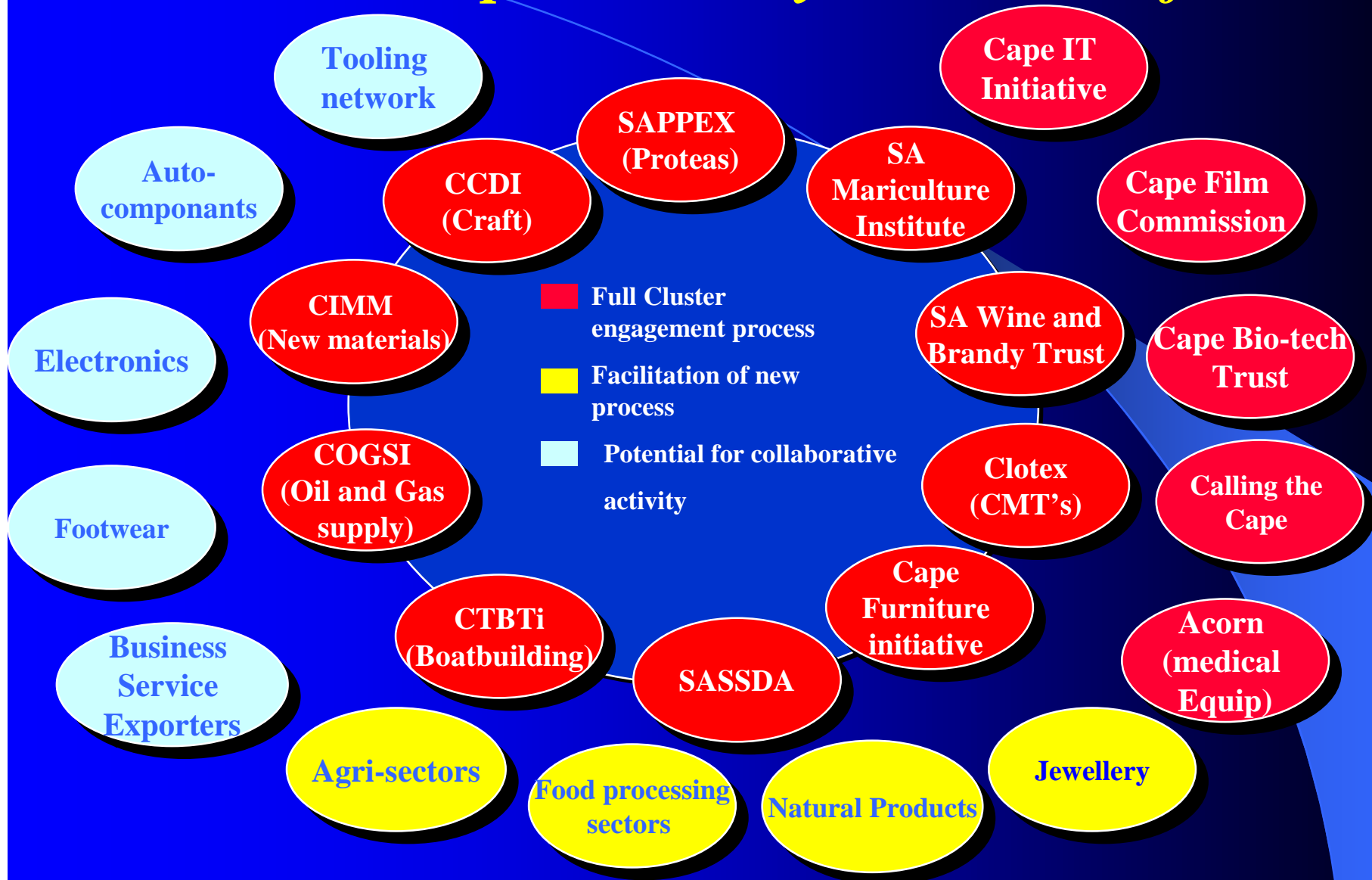
Overview

1. *Background to the WC Cluster Programme*
2. Role of cluster initiatives: 10 Key functions
3. Building a cluster programme: Lessons learned and policy implications

History of Cluster Programme in the Western Cape

- Department involved in facilitating DTI's cluster roadshows in 1996/97
- First cluster launched in 1998 (Cape IT Initiative)
- Steady progress to 2003 (10 initiatives launched)
- Major funding boost and recognition through provincial government iKapa Elihlumayo "Growing the Cape" Programme – 5 new sectors launched early 2004.

Western Cape - Industry Cluster Portfolio



Nature of Sector Initiatives

- Average 4/5 up to 12 employees.
- Not-for profit companies – Sec. 21's/ Trusts
- Public/ private sector funded
- Open membership
- Representative boards (majority industry + reps from academic & research institutions / government).
- CEO's – industry specialists

Overview

1. Background to the WC Cluster Programme
2. *Role of cluster initiatives: 10 Key functions*
3. Lessons learned and policy implications

Role of Cluster Initiatives

10 key functions

Understanding
industry

Networking

Business
Development

Transformation

The Cluster Initiative

Innovation
Support

Building
Institutions

Productivity
Interventions

Debottlenecking
Problems

Skills &
Training

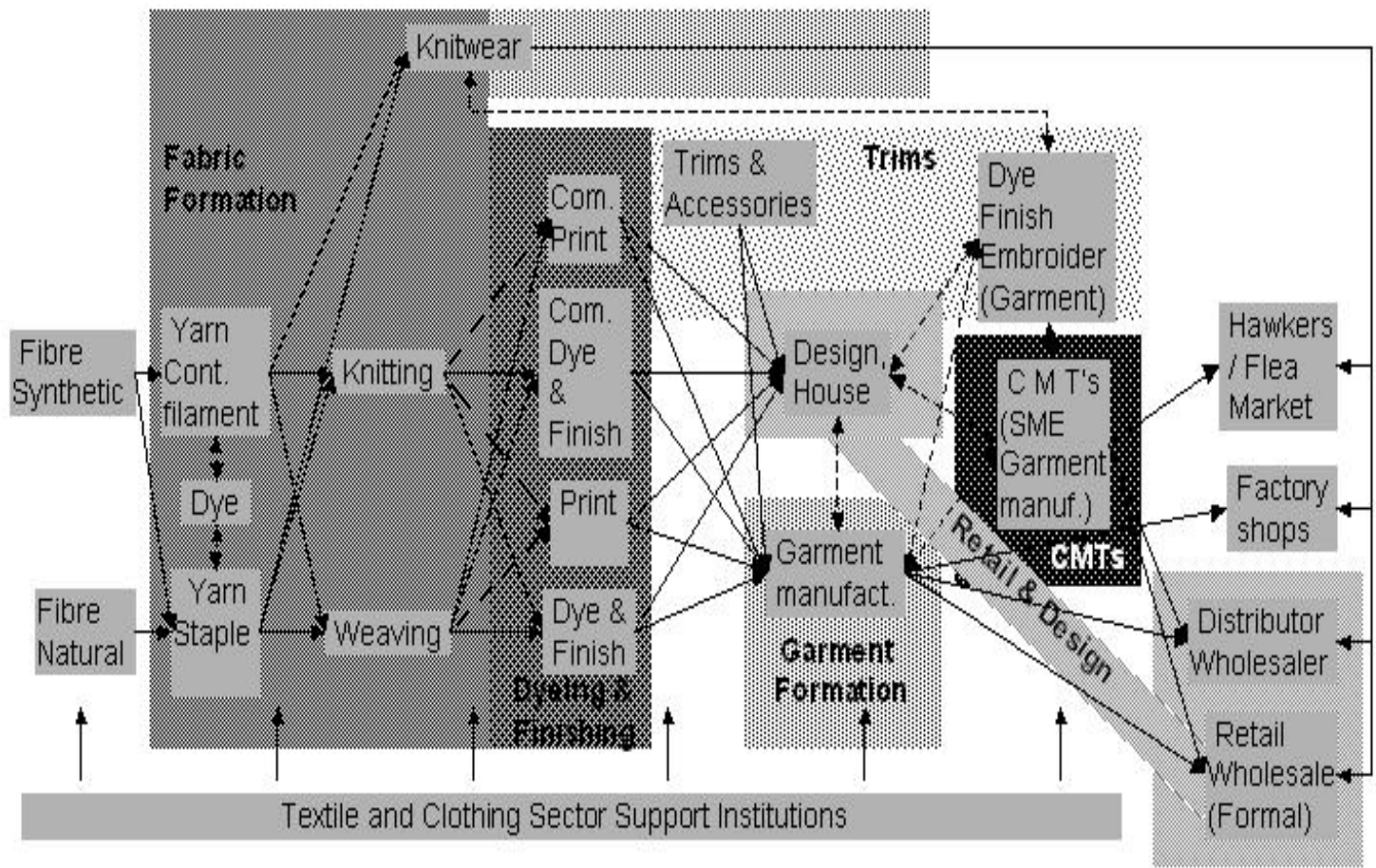
FDI/Trade
Promotion

1. Understanding the industry

- Undertake research on the size of the industry / key trends (exports, markets, employment etc)
- Know who's who – e – enabled databases
- Cluster mapping and understanding competitive and dynamic sub-sectors – movers and shakers!
- Understanding cluster strengths and weaknesses (Porters “diamond”)
- Understanding the gaps/ opportunities in the value chain

Eg. RALIS (Rapid Appraisal of Local innovation systems) WC Clothing Analysis

RALIS Western Cape C&T Value Chain: Sub-sector analysis clusters



(SDG 29/04/2004)

2. Networking

Ubiquity of knowledge – tacit knowledge increasingly important

- Encouraging co-operation (*co-opetition*) between firms
- Building of social capital – bringing firms, government, academia together.
- Hub for distribution of information/ providing connections

Eg – Boom room; Listening Lunches; Bio-Buzz Events, Manufacturing Round Table.

3. Business Development

- Incubation
- Mentorship
- Access to finance/ opportunities
- Facilitating partnerships
- Export facilitation Programmes

Eg. Cape IT Initiative - Bandwidth Barn

Our Afronaught - The \$600m “Shuttleworth Phenomena”

4. Innovation support

- The Cluster IS the innovation system
- Hosting of events/ presentations
- Linking new ideas / sources of innovation to service providers/ partners
- Facilitating access to R&D grants
- Facilitating Intellectual Property Protection
- Success stories – Changing Mindset – the \$600m “Shuttleworth Phenomena”

E.g Cape Craft and Design Initiative: Product improvement Programme

5. Productivity Programmes

- Value chain interventions
- Benchmarking clubs
- Inter-and intra-firm upgrading
- Quality and Productivity systems
- Site visits and demonstrations
- Technology transfer

Eg. Cape Clothing Benchmarking Initiative

6. Marketing and promotion

- Building local and international awareness
- Profiling success stories
- Leading trade and investment missions
- Facilitating international and local exhibitions/conferences

Eg. Oil and Gas Initiative (COGSI) – Houston Offshore Oil and gas expo.

Cape Boatbuilding and Tech. Initiative – Targeting of top international boating magazines.

7. Skills and training

- Facilitatory role
- Understanding needs of industry & supply
- Encouraging better responsiveness from tertiary level and college providers
- Retaining and attracting scarce skills

*Eg. Calling the Cape – 200 seater Dutch call centre
Afrikaans → Dutch training programme*

8. De-bottlenecking problems confronting industry

- Business environment
- Transport, logistics, bandwidth
- Access to finance
- Non-tariff barriers
- Access to technology/skills

Eg. SA Mariculture Initiative – Unblocking phytosanitary ban on exports of SA shellfish to EU/US

COGSI – Special break for Customs Duty Deposit on high value cap. equipment for vessels

9. Building support institutions: Examples of Cluster-driven facilities

- Bandwidth Barn incubator
- Acorn – Medical devices virtual incubator
- Tooling training centre
- Textile Tech. Testing Station

- Boat-building and technology centre
- Cape Craft Showcase
- Airport Jewellery Hive

10. Transformation

- Awareness workshops for all firms
- Encouraging JV's between black owned firms/ est. firms
- Focused support for emerging firms
- Encouraging access to procurement/ contracts
- Developing BEE charters
- Monitoring progress of industry sector

*Eg. Cape Film Commission – Transformation fund
ICT Charter*

Overview

1. Background to the WC Cluster Programme
2. Role of cluster initiatives: 10 Key functions
3. *Building a cluster programme: Lessons learned and policy implications*

Lessons - Role of cluster institutions

- In-depth understanding of the structure and dynamics of the sector
- Building rich networks between firms, support institutions & government (institutional thickness).
- Providing the “communication space” for all players
- Pro-actively developing projects to grow and re-invent the sector
- “Oil not the engine”

Lessons – Role of provincial Government (1)

Understand process of clustering

```
graph TD; A[Understand process of clustering] --> B[Develop deep understanding of key sectors and dynamics]; B --> C[Support/incubate new initiatives]; C --> D[Ongoing guidance and support through governance structures]; D --> E[Fund with distinction between operational and project costs];
```

Develop deep understanding of key sectors and dynamics

Support/ incubate new initiatives

Ongoing guidance and support through governance structures

Fund with distinction between operational and project costs

Lessons - Role of provincial government (2)

- Develop best practise around the package of potential interventions
- Monitor and evaluate performance
- Co-ordinate services
- Provide the link between sectors and central government
- Provide vision and leadership

Lessons – Role of national government

- National government needs to recognise role of regions in facilitating cluster processes
- Should empower regional government to build sectoral capacity
- Provide central funding programmes for regional clusters – Revised Sector Partnership Fund
- Provide funding and support to projects emerging from regional clusters

Best practise examples: Canada, New Zealand, Mexico, Slovenia.

Policy Implications (2)

- Work with what exists – difficult to create industry from scratch / private sector not energised
- Clear differentiation between annual operational costs and projects.
- Aim for self-sustainability – most will remain dependent on some form of gov. support.
- Initial funding requirement to launch regional cluster programme does not need to be excessive (+- R5m per year to initiate process).



Thank you!

Nigel Gwynne-Evans
Ngwynne@pgwc.gov.za