

The Western Cape Cluster Programme

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Western Cape Situation

- WC One of 9 Provinces in South Africa/ 15% of SA economy
- 5million population
- 4 million in CT
- GGP - \$25billion
- Mixed economy; Mature service economy, along with strong base of primary & labour intensive manufacturing sectors

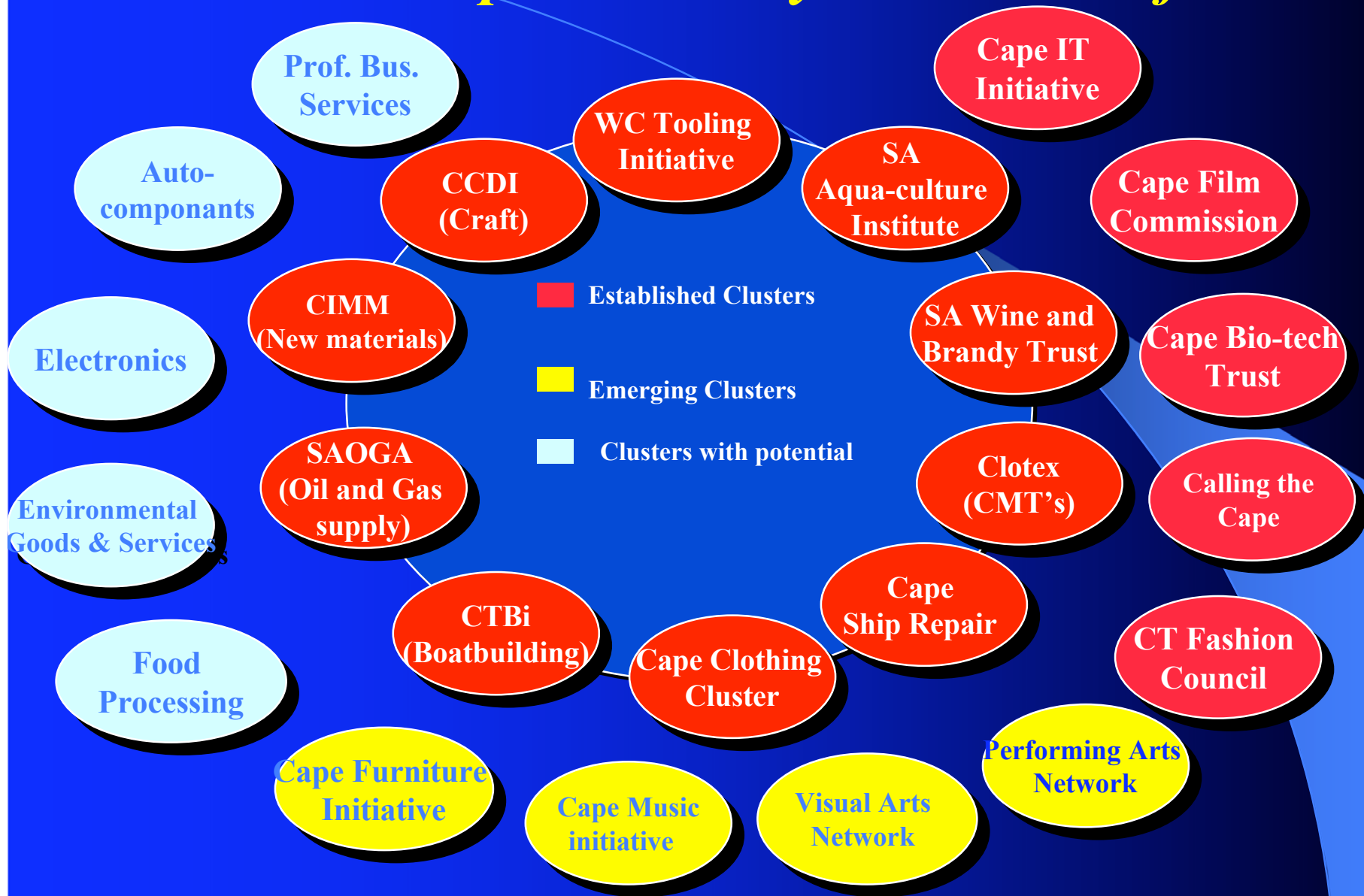
History of Cluster Programme in the Western Cape

- National DTI's cluster roadshows in 1996/97
- First cluster launched in 1998 (Cape IT Initiative)
- Steady progress through to 2004 – 10 clusters initiated
- 2004 – Recognition & Budget to “The Special Purpose Vehicle/ SPV Program”
- Development of SPV Indicators and Benchmarking
- Micro-Economic Dev. Strategy 2004 - 2006

Where we are now - 2008

- 18 Cluster initiatives
- \$8m annual budget
- 30 Staff Managing SPV Program in Gov
- 70 employed across the SPV's
- Institutional Foundations in place
- Increasingly focused on SPV led projects

Western Cape - Industry Cluster Portfolio



Nature of Sector Initiatives

- Average 4/5 up to 18 employees.
- Not-for profit companies
- Public/ private sector funded
- Open membership
- Representative boards (majority industry + reps from academic & research institutions / government)
- CEO's – industry specialists

5 Key Functions of SPV's

- Strengthening of Cluster Networks
- Marketing & promotion of sector
- Firm Level Competitiveness
- Infra-structure & Logistics
- Skills

Lessons: Process & Choice of Sectors

- Process of setting up cluster bodies
- Choice of the sector and the definition of cluster
- Need for wide participation
- Need for openness/ non-exclusiveness
- Close handholding by government

Lessons: Drawing in private sector

- Initial scepticism
- “What’s in it for me” approach
- Identification of leadership group
- Maintaining of momentum
- Need to avoid being bogged-down in corporate governance issues
- Sensitivity by government as to their power

Lessons: Role of Government

- WC has 4 sector units, employing staff of 30, with approximately 15 sector specialists
- Funder of operational & project costs
- Spreading of best practice across SPV's
- Monitoring and evaluation
- Ensuring SPV keeps on track
- Ensuring good corporate governance
- Mobilising resources from government for projects

Lessons: Incremental Process

- WC SPV Program
- Long steady process – need 20 year time horizon
- 5 year: Building of foundations & institutions
- 5 – 10 years: Expanding of portfolio & Consolidating program
- 10 – 20 years: Transformation of the sector, and focus on key projects

Policy Implications

- 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 (+- \$200k per cluster initiative to establish a presence).

To conclude:

From the Western Cape experience developing a broad-based cluster programme has provided a solid platform for a regional government to build institutional “thickness” in targeted sectors, and is the key vehicle to encourage industrial restructuring.

Thank you!

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