

# Deputy Minister Mcebisi Jonas: Opening of the Sub-national Economic Development Conference

15 October 2015, Fire and Ice Protea Hotel, Menlyn, Pretoria

Conference hosted by the National Treasury Government Technical Advisory Centre's (GTAC) Economies of Regions Learning Network (ERLN)

Good morning Ladies and Gentleman. It gives me great pleasure to welcome you all here today and to officially open this exciting and relevant conference focusing on sub-national regional economic development.

Let me begin by acknowledging our partners in this undertaking, Wits University's School of Development Studies. Wits university is playing a valuable role in exploring critical development issues facing our country. Welcome too to Ms Uma Adusumilli Chief Planner at the Mumbai Metropolitan Region Development Authority in India – we look forward to hearing how the dynamic city-region of Mumbai is approaching this. Mr Seedat, Gauteng's experience and approach to the Gauteng region will be viewed with great interest.

To the Government Technical Advisory Centre team of the Economies of Regions Learning Network who have been working to put together this conference – well done in shaping and leading this critical contribution to explore our sub-national regions and their contribution to inclusive economic growth and job creation.

The ERLN is about leadership and collaboration for economic innovation and inclusive growth - these are central to our economic growth and industrialisation.

One of the ironies of the rapid pace of globalisation over the last three decades, with increasing integration across geographies, interconnected systems of trade, liberalisation of markets and changing rules driving investment and trade is that, contrary to expectations, local and regional forces have become more, rather than less, important.

This elevates the significance of city-regions and their hinterlands as important spaces of economic activity and growth. Regional economic development attempts to address this by focusing on how resource, infrastructural, locational, cultural and social dynamics that are endogenous to a region can provide the means to compete and drive economic growth – nationally and globally<sup>1</sup>.

There are of course many challenges to regional development.

Becoming and staying a leading economic region is not easy.

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<sup>1</sup> Position Paper: Regional Economic Development, prepared by Dr Shamim Bodhanya for the ERLN, August 2015

In those, relatively few, countries which have become highly prosperous, there are often just a few regions that drive the countries forward.

A comparison and analysis of these leading regions illustrates that they have attained this position through a variety of factors and dynamics – there is no magic formula. But there are four factors that are important:

1. The first is governance: Sub-national regions require a supportive national environment – one that recognises and gives space to the importance of regionally based initiatives and systems.
2. The second is economic connectedness – sometimes referred to as the quadruple helix: this is the conscious nurturing of multiple linkages between industries, their supply chains, their customers and communities, supporting services and, importantly, academic and government institutions.
3. The third is a dynamic combination of competition and coordination – often represented in economic clusters: We need sufficient competition to spur continuous innovation and improvements from companies but also sufficient cooperation to overcome the disadvantages of fragmentation and scale.
4. The fourth is leveraging the importance of place: This speaks to the ability to use local assets and attributes to maximum advantage and overcome local disadvantages to compete successfully.<sup>2</sup> How do we use an understanding the natural, social, institutional and political capital and resources to develop and position the region?

So what about lagging regions? One of the critical challenges being faced at a subnational level is the decline of the rural hinterlands. These rural areas are economically tied to the urban catchment of large cities or agglomerations. Industrial and agricultural value chains have to be strong at all points. We often find that the rural areas which are an important part of these value chains are neglected and a weakness in any part of the value chain makes us less competitive. More needs to be done to increase the speed of investment in connecting infrastructure that increases the ease and speed of transportation, but reduces the cost of transportation between the port and the hinterland. We also have to make investments in energy, telecommunications, technology and other economic infrastructure that support and strengthen these value chains. Of course we cannot neglect the social infrastructure like education, water, sanitation and housing which are the basic services needed for these communities to thrive. That means that local government has to improve its ability to deliver. The development of successful value chains requires a partnership between the different spheres of government, the private sector, the SOEs, academia and civil society that can collectively contribute to the growth and prosperity of our rural hinterlands.

These topics are all under discussion over the next two days and I look forward to the insights that will emerge from this conference.

Industrial clusters and industrial cluster formation is especially critical to regional economic development initiatives. Many of these factors are also key components of

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<sup>2</sup> The Challenges of Regional Development, Professor Michael J. Enright<sup>1</sup>, Address at the ERLN hosted “Building Leadership in Regional Economic Development Programme”, Cape Town, South Africa, November 5, 2012

effective SEZ strategies. National Treasury developed an important discussion document on clusters in which it recognises that cluster initiatives have the potential to support and complement the objectives of the NDP and the Medium-Term Strategic Framework .

There are over 30 cluster initiatives in South Africa, concentrated in the key city-regions of KwaZulu-Natal, Eastern Cape, Gauteng and the Western Cape. Each of these initiatives is unique in their structure, evolution and operations but they generally have in common the purpose of upgrading the competitiveness of firms in the cluster, which also leads to improved regional competitiveness.

Individual firms need access to information and specialized skills which most small firms lack the resources to access. Cluster initiatives provide small firms affordable access to relevant skills and knowledge critical for improved performance. This type of support is critical when building inclusive economies and creating opportunities for emerging businesses to enter into established value-chains. Broadening ownership and participation is a key part of democratising our economy, combating anti-competitive behaviour and overcoming entry barriers that inhibit SMME's from entering established value-chains.

Government and academia can play a key role by supporting the development of linkages and connections between firms and enabling access.

But something we need to pay far more attention to in deepening our regional economic development initiatives is the critical importance of building trust between government and industry and industry role players. This trust lies at the heart of being able to share knowledge and successfully manage the broadening of participation in the economy.

We need to guard against preconceived notions of government and private sector. It is not surprising then that the most important skills sets required for working with clusters are soft skills such as relationship building, negotiation and conflict resolution.<sup>3</sup>

If regional economic development rests on the four pillars of a supportive national environment, economic connectedness, economic clusters and leveraging the importance of place then to successfully achieve and bring together these four dynamics in a meaningful way requires collaborative leadership.

Traditionally when we think of leadership, we think of a strong leader who leads from the front, from the top, the captain of the team who gives orders which then percolate down from the most senior person to the most junior.

Collaborative leadership is almost the opposite of this: it is a process of leading through mediation, negotiation, collective decision-making and engaging with individuals and groups. According to the book on *Collaborative Leadership*<sup>4</sup> by David Chrislip and Carl Larson collaborative leadership starts from the premise that '*...if you bring the*

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<sup>3</sup> National Treasury: Technical report on clusters, September 2012

<sup>4</sup> David Chrislip and Carl Larson, Collaborative Leadership

*appropriate people together in constructive ways with good information, they will create authentic visions and strategies...'*

This is something that GTAC actively seeks to do in supporting regional economic development through the Economies of Regions Learning Network.

In doing so we can draw inspiration from the practices of jazz leaders and their groups. Jazz musicians have been described as:

*"diverse specialists living in a chaotic turbulent environment; making fast, irreversible decisions; highly interdependent on one another to interpret equivocal information; dedicated to innovations and the creation of novelty" <sup>5</sup>*

I wish you well over the next two days.

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<sup>5</sup> (Barrett, 1998: 605). Leading Entrepreneurial Teams: Insights from Jazz, Nottingham University Business School,