



South African Cultural Observatory

Realising the Economy of the Imagination and the Creative and Cultural Industries: Options for South Africa

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SUMMARY

The Economy of the Imagination and the Creative and Cultural Industries (CCIs) present many important socio-economic development options for South Africa. However, current economic options, in recent years, have been seemingly undermined by a slew of negative trends and factors: the increased balance of payments, low growth rates, persistent inequalities, the increased impact of climate change, and outraged social and student movements. These interlinked processes and experiences have added to the state's financial burdens, and the rating agency's move to downgrade South Africa's status has impacted on the country's economic and investment outlook.

However, there is more scope for action than is often assumed. For a middle-income economy South Africa's capacity for innovation, ingenuity and creativity has been impressive. The challenge though, is to ensure that the play of the imagination and the significance of creativity in stimulating and conditioning economic development and robust nation-building are more widely appreciated and given greater priority within policy and leadership circles.

This report essentially comprises five sections. **Section One** provides introductory and contextual background regarding the creative economy internationally and in South Africa, and the challenges of embedding the CCIs within a supportive and creative milieu. The international emphasis on the contribution of the CCIs and creative economy is enhanced and new scholarship on institutional economics, economic geography and political economy approaches such as the Varieties of Capitalism perspective are considered. These collectively underline the importance of acknowledging the particularities of the social and political economy in the relevant national and/or regional economy, the workings of institutions and networks, and the importance of space and place, in the implementation and experience of economic development interventions. The rediscovery and expansion of the industrial cluster approach internationally and its application to new ways of conceptualising and realising economic development are noted. This includes the increasing invocation of CCI clusters. The commodification of ideas in the new creative economy and the ways in which the high-income countries have managed to retain their competitive advantage about proprietary knowledge and patents are significant. The middle-income economy challenge to stay in touch and, in some respects, narrow the gap between high-income countries with the globalised articulation of the creative and post-knowledge economy is discussed.

Section Two outlines key contextual policy issues and initiatives regarding the contemporary creative economy and the CCIs in South Africa. The main strategy and policy productions are identified and situated.

Key Findings

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- The growing momentum for increased public and private sector support for the cultural and creative economy and its agents and agencies, should take due account of their 'embeddedness' within the broader social and political economy.
- The particularities and relative diversity of South African CCIs require more nuanced policy support and incentives.
- The renewed international interest in industrial clusters and their applicability to new forms of economic and industrial development have substantive policy implications for South Africa. The creation and/or stimulation of industrial clusters should form an integral part of smart and reflexive industrial and economic policies and programmes.
- CCI Cluster Development should be a key aspect of reworked industrial and economic development strategies, especially at sub-national levels.
- CCI, and industrial clusters more generally, work well with initiatives to reinforce social and cultural capital and look to exploit 'knowledge pool' and the wider political and social

This section provides a series of reflections derived mainly from current research of the South African Cultural Observatory (SACO) relating to the subject of CCIs in South Africa. Thereafter, participant inputs from cross-domain workshops conducted by the SACO in the country's nine provinces are analysed for further insight into the workings of the creative economy.

Section Three comprises two main sub-sections. The first of these considers the advent of the creative economy and explores current trends and developments about the CCIs internationally and also provides a brief historical context. The second sub-section provides a series of snapshots of CCIs in the South African context utilising current research of the SACO.

The next section examines the industrial cluster approach regarding the establishment and/or development of CCI clusters. Firstly, it provides an overview of the articulation of the contemporary cluster approach from the 1990s. An overview of the nature, scope and effects of industrial clusters is provided. Secondly, the policy dimensions of clusters in the post-2008 era are discussed. The invocation of clusters in new approaches to regional economic development and industrial modernization including 'smart specialisation' and 'place-based' approaches are investigated. In addition, the roles of clusters in promoting innovation and the spill-over effects of their activities are outlined. Thirdly, the workings and dynamics of CCI clusters are explored, as well as their compatibility with new economic development approaches that take cognizance of institutions, place and context. The interaction of CCI clusters with a broader 'knowledge pool' is scrutinised. This creates the background in Section 5 for the consideration of the 'economy of the imagination'.

In the final sub-section, the South African experience in industrial clusters is discussed, and examples considered. There is a degree of institutional support for industrial clusters, and a partial revival of state interest in their re-deployment. The report by contrast argues for the substantive use of industrial clusters within both a reworked industrial strategy and policy and regional economic development policies and initiatives. As part of this process a specific programme for CCIs that involves multi-stakeholder governance and inter-governmental cooperation between agencies such as the DTI, DAC and IDC, is suggested.

Section Five considers selected social and political economic issues regarding 'the economy of the imagination' in South Africa. In the first place, it considers the significance of new, under-utilised and alternative discourses on economic development. Secondly, it analyses the growing significance of creativity and imaginative thinking in economic development models and practices. Thirdly, the invocation of history as a means of re-thinking approaches to development is examined. The fourth consideration relates to the question of ingenuity both past and present, which is encountered in the South African society and economy. Finally, **Section Six** outlines the policy implications of the report, particularly with regard to the CCIs.

Key Findings

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- There is considerable scope and demand by practitioners and organisations in the arts, culture and heritage fields, for closer cooperation between state departments at national and sub-national levels in regard to the development of the creative economy and the CCIs more specifically. For a middle-income economy South Africa's capacity over the years for innovation, ingenuity and creativity has been impressive, if under-appreciated. The broad sphere of the 'economy of the imagination' needs to be mapped and audited, and the constituent social and cultural capital stocks and institutional networks developed and leveraged more consciously in economic and industrial policy especially at sub-national levels.

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1. Introduction

In recent decades the South African economy has experienced uneven and volatile growth. Although there have been a number of successes such as in the motor industry, economic growth has generally not been accompanied by significant job creation. In part this is a manifestation of the general slowdown in the global economy in the last decade, and lower growth rates in large new economies such as China. However, there are signs of a restructuring and in general a renaissance of national economies – a process usually accompanied by the expansion of the creative and cultural economy. A number of countries have been successful in leveraging off the cultural and creative industries (CCIs) such as the United States of America (USA), United Kingdom (UK), Australia, China and India and the European Union (EU) region more generally.

The 2015 EY report, *Cultural Times – The First Global Map of Cultural and Creative Industries* verified this trend as the first global survey quantifying the global economic and social contribution of the industries. The study analysed 11 CCI sectors, including: advertising, architecture, books, gaming, movies, music, newspapers/magazines, performing arts, radio, television and visual arts. It found that the top three employers are visual arts, books, and music (EY, 2015). It also showed that CCI revenue generated globally accounts for 3% of the world's Gross Domestic Product (GDP) or a total of \$2,250-billion creating a total of 29.5 million jobs worldwide, or 1% of the earth's active population, surpassing the combined 25 million jobs created by the automotive industry in Europe, Japan, and U.S. (EY, 2015). The European and the Asia-Pacific regions have been the most successful at capitalising on the CCIs, which contribute over \$700-million to each of the region's GDPs, creating in excess of 7 million jobs (EY, 2015). South Africa is aligned with this trend and a recent report on the mapping of South Africa's creative industries (DAC, 2014), found its creative economy sector contributed over R90.5-billion to the national economy or 2.9% of the GDP in 2013/14.

With the growing emphasis internationally on the increased contribution of the CCIs, and the creative economy more generally, to national and sub-national economic development, it is important to reflect on the context and kinds of interventions that may enable and sustain such industries and networks. As a range of new scholarship within the new institutional economics, economic geography and the Varieties of Capitalism (VOC) approach (Wood, 2011) have underlined the:

- particularities of the social and political economy;
- play of institutions and networks; and
- spatial dynamics

as making a significant difference in the implementation and experience of economic and development interventions. These factors all attribute to the importance of acknowledging the 'embeddedness' of economic activities – the ways in which such activities are conditioned by non-economic institutions (Polanyi, 1957; Granovetter, 1985).

This report considers these issues with specific reference to South Africa. It considers the broader social and political economy and identifies resources, networks and developments within the economy and society which have the potential to shape and reinforce interventions to expand the creative economy and the CCIs. This 'economy of the imagination', is an acknowledgement of how ideas and the commodification of such ideas constitute a central and significant feature of the new economy of the 21st century. This economy of the imagination in South Africa is more diverse and pervasive than is usually acknowledged and for this and other reasons, it has not been leveraged sufficiently in terms of strategy and policy.

What will be argued is that there is fertile terrain for current and future CCIs both in rural and urban spaces and centres. Moreover, there is significant scope for new and more reflexive policy and

accompanying interventions at national and sub-national levels to ensure this dynamism is explored more directly – particularly around creative clustering.

As Interreg (2014), an EU body focussing on regional development issues notes, there is a marked increase in policy work in the EU, and its constituent economies:

Policy-making in the creative industries is often expected to help achieve economic and non-economic goals, albeit with a substantial bias towards economic objectives. Support shown to CCIs has three main economic goals: to encourage innovative activities, to stimulate growth and create new jobs as well as to generate increased international visibility of national products and services. The non-economic goal — to secure cultural diversity — is also very important for a majority of CCI policymakers (Interreg, 2014: 14).

This publication report looks to illustrate the contextual dimension of current and particularly future policy in regard to CCIs by focussing on selected theory, policy and practice in regard to industrial clusters and increased interest internationally in cluster approaches related to the creative and cultural industries. Insights gained from this exercise will then be applied to the South African situation.

While South Africa has several decades of experience in regard to industrial clusters, there is scope for revisiting and possibly expanding state-led interventions in this regard in the creative and cultural industries. In the case of actual or potential CCI clusters, a more bespoke set of policy measures may be required. These measures would need to take cognisance of the spatial dimensions of the creative economy, and the fact that there is a substantive sub-national dimension to clusters and processes of creating clusters. Furthermore, by their very nature, CCIs would seem to require a more interdisciplinary approach (Interreg, 2014). This in turn strengthens the opportunities for inter-governmental collaboration both vertically and horizontally. To deepen the inquiry outlined above, relevant case material and snapshots of CCIs in South Africa will be considered and integrated. This material includes insights from current and ongoing research by the South African Cultural Observatory (SACO). In looking to promote the CCIs the importance of designing policy which takes account of context has been stressed. In terms of industrial policy certain work on industrial clusters shows an appreciation of the social ‘embeddedness’ of economic action. We will thus consider the international experience of clusters, with specific reference to CCI clusters. This illustrative material will provide both theoretical and policy insights for the subsequent South African case material.

The promotion of the CCIs requires reflexive industrial and indeed cultural policies which take account of the socio-economic context. In terms of industrial policy the expanding work on industrial clusters, including CCI clusters, has seen a widening of the fields of inquiry to include the play of institutions and the aspects of the ‘embeddedness’ of economic action. We will therefore consider the international context and especially the continued trend internationally in regard to CCI clustering and experiences thereof.

In this context, it is important to understand the policy currently and potentially influencing the CCIs in South Africa before reviewing the global trend toward the ‘creative and cultural turn’, specific South African manifestations of these, and the centrality of the cluster approach before considering the recommendations for policy review, incorporation and implementation.

The International Experience

The formal institutional and state support for CCIs in South Africa, this report argues, should be guided at state level, by reflexive and viable strategy and sets of policies. Best practice suggests that these should be inter-agency and span the public, private and third sectors. Furthermore, relevant interventions and institution building should be embedded within the broader social and political

economy, taking due cognisance of the nature, particularities and workings of the ‘economy of the imagination’ within the country in question.

Recent decades have seen more formal and substantive efforts to mainstream CCI within national and sub-national development policy. In addition, within transnational regional blocs there is an increased emphasis on the creative economy and leading the way in this regard is the EU. The reasons are complex: the relatively developed nature of the majority of the members; the need to reinforce the process of integration of new EU members (particularly Eastern Europe); and the concern with addressing low growth rates and achieving ‘smart specialisation’. In the USA, with its highly developed knowledge economy, and large intellectual property (IP) revenues, the bulk of work in constructing industrial and economic policy to further stimulate the creative economy appears to be occurring at state (regional) and local levels. There are signs in recent years, however, of more direct federal involvement (Brookings 2008).

While there is significant awareness of the CCIs within the BRICS (Brazil, Russia, India, China, and South Africa) grouping, there are contradictions. A recent study of the BRICS bloc and CCI promotion (CISAC 2014) outlines the somewhat surprising underdevelopment in certain aspects of the creative economy spheres in the constituent countries.

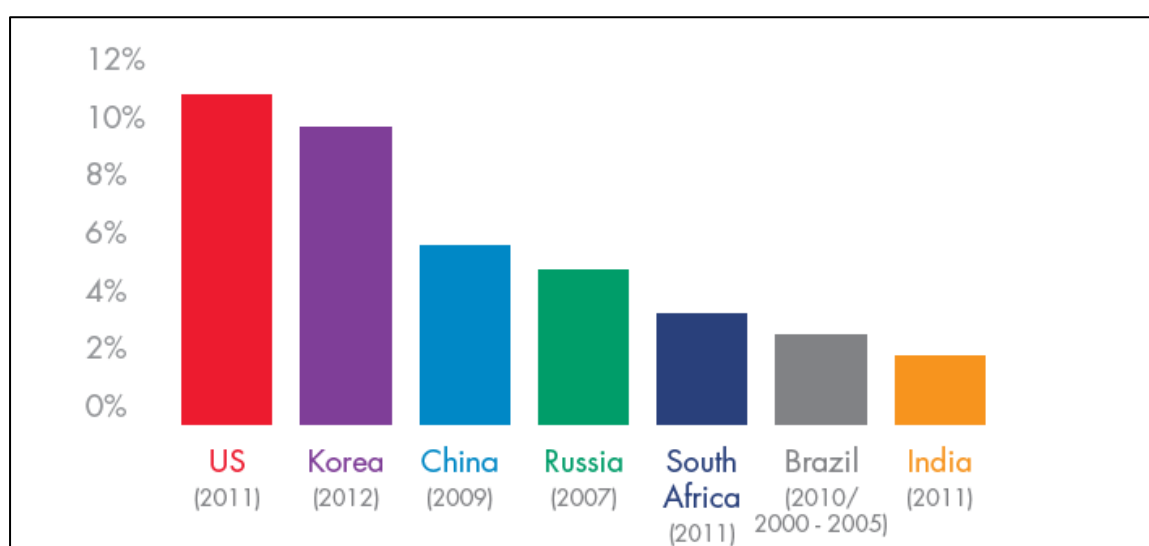


Figure 1: CISAC (2014) estimated percentage of copyright-based/creative industries/media and entertainment sector to GDP, BRICS and selected countries 2000-2012*. *Estimates based on information and studies by WIPO, FIRJAN, the IDB and KPMG.

The lag is particularly evident in regard to the realisation of the IP in BRICS economies compared to advanced industrial economies. For instance, South Korea in 2010/11 generated \$4.5-billion from its IP revenue while the entire BRICS grouping only realized 0.5bn (CISAC 2014). These disparities are partially being addressed with China making strides in very recent years. The rise of internet services company TenCent into the top ten ranking list of tech companies in 2016/17 is a manifestation of this. However, the situation does suggest certain shortcomings within the BRICS group in the conception and nature of measures aimed at CCI support and in the appreciation of the creative social context. A 2014 study of the workings and impact of CCIs (Zheng and Chan 2014) in China shows that such structures have not been very effective. This is due in part to the socially embedded constraints and controls on the play of ideas and creativity.

The other constituent members of the BRICS grouping may experience differing forms of enabling and constraining factors, but there are other structural and contextual factors which seem to require formal strategy and policy responses. The current disjunctions in the political economy of creative industries in the differing economies are due in part to the disproportionate revenue flows from the

internet and the ways in which the social media are linked with the internet. The current hegemonic position of the USA in regard to computer software and social media is still well entrenched as can be seen in the list of top tech companies in 2016-2017.

Table 1: Top Nine Tech Firms 2016/2017

COMPANY	VALUATION
1. Apple Inc.	\$741.8-billion
2. Alphabet Inc. (Google)	\$367.6-billion
3. Microsoft	\$340.8-billion
4. Facebook	\$231.6-billion
5. Oracle	\$187.6-billion
6. Tencent	\$181.1-billion
7. Samsung Electronics	\$199.46-billion
8. Intel	\$147.2-billion
9. Cisco Systems	\$139-billion

Source: World's Top Most. www.worldstopmost.com/2017-2018-2019-2020/largest-tech-companies-world-top-richest-list/

What the report also underlines is the need for more coordinated extra-national/regional collaboration by BRICS grouping and non- Organisation for Economic Co-operation and Development (OECD) economies to seek to address such long-term structural disparities. One example, which was raised with South African counterparts by the Brazilian government, was the need for more direct South-South connectivity specifically in terms of underwater data cabling. Currently, in Brazil and South Africa, cabling runs in a south-north-south arrangement. Apart from the political economy dimension, the BRICS group and other related economies will need to find ways to explore more thoughtfully the creative milieu of the national economies, and the changing nature and location of the forces and expressions of innovation.

The most recent Global Innovation Index (GII) (Cornell University et.al. 2016) is not without encouragement for the BRICS grouping, but there will be structural challenges as the constituent economies attempt to improve their current positions. Fifteen of the top 25 economies in the GI are in Europe including the top three: Switzerland, Sweden and the UK. Europe benefits from strong institutions and well-developed infrastructures. China has moved up the ranks to become the 25th most innovative economy. South Africa is in 54th position; Russia is 43rd up five positions from its 2015 position; India has moved from 66th from 81st in 2015; Brazil 69th one up from 70th in 2015. In terms of the African economies, Mauritius takes top spot at 53rd followed by South Africa 54th up from 60th (Cornell University et. al. 2016).

It is one of the central arguments of this report that South Africa has a particularly under-rated social and economic milieu for innovative and creative economic activity. However, recent policy pronouncements notwithstanding, this potential competitive advantage has not been given sufficient acknowledgement or adequately leveraged in regard to CCI enhancement. Furthermore, while it is outside of the scope of this paper, there would appear to be both the scope and need for more coordinated cooperative effort in stimulating the creative economies in the respective BRICS economies. In this regard the current and emerging strategies of the EU in stimulating regional economic development, industrial modernisation, and CCI development would appear to provide a useful reference point for any future collaborative efforts on CCI development.

2. South African Policy Environment affecting the CCI

There are numerous policies which also have the potential to influence South Africa's CCIs. These include:

- The [National Development Plan 2030](#) (2011);
- The [White Paper on Arts & Culture](#) (1996);
- The draft revised [White Paper on Arts & Culture](#) (2016);
- [the Mzansi Golden Economy Strategy](#) (2011);
- The DTI's [Industrial Policy Action Plan](#) (IPAP) 2016/17 and earlier iterations;
- The DTI's [Special Economic Zones Act](#), (2014);
- The [New Growth Path \(2010\)](#) (2010);
- [National Industrial Policy Framework](#) (2007);
- [Cultural Industries Growth Strategy \(CIGS\)](#)(1998);
- [Film Development Strategy](#) (2011);
- [Music Industry Task Team Report](#) (2001);
- [Local and Digital Content Development Strategy](#) (2009);
- [Copyright Review Commission Report](#) (2011); and
- [AsgiSA](#) (2006).

2.1. Macro-Economic Policy

Industrial and economic policy in South Africa in the interceding years since the end of apartheid has morphed significantly and new socio-economic policy frameworks now have an impact on the CCIs, determined mainly by the New Growth Path (NGP) (2010) and the National Development Plan (2011), which set out South Africa's major macro- and socio-economic goals for South Africa. Essentially larger macro-economic and development planning in South Africa (the Reconstruction & Development Programme – RDP – and the Growth, Employment and Redistribution GEAR) was later replaced by semi-coherent planning documents including the 2006 AsgiSA (Accelerated and Shared Growth Initiative – South Africa) and the 2010 New Growth Path (NGP). Later, the NDP 2030 (2011) extended macro-economic planning and policy by introducing the 20-year vision for economic development. Such development is to be divided into strategic five-year implementation plans (NDP, 2011). The NDP (2011) draws from and builds on the previous policy incarnations of the RDP and GEAR, AsgiSA and the NGP.

The NGP (2010) and the NDP (2011) are the separate blueprints for inclusive growth and job creation and were drawn up by two new government departments created by President Jacob Zuma after he was elected president in 2009. The NGP was announced by the Department of Economic Development in October 2010, while the National Planning Commission produced a longer-term NDP the following year. The NGP (2010) aims to create 5-million jobs within a decade and advocated tighter fiscal policy and more flexible monetary policy to spur economic growth in a sustainable fashion. The NDP (2011) proposes to create 11-million jobs and eliminate poverty in South Africa by 2030. This plan is seen as more business friendly than the NGP, suggesting that some labour regulations be eased to encourage companies to hire people more easily, as well as lower entry wages to enable young people to get jobs. "The enabling milestones of the NDP specifically related to economic development include, among others: increasing employment, raising per capita income, improving skills, broadening the ownership of assets to historically disadvantaged people and establishing a competitive base of infrastructure, human resources and regulatory frameworks" (Kaiser and Kea, 2013:91). According to the NDP, among key potential growth drivers are agriculture and agro-processing, mining and downstream and sidestream minerals beneficiation, as well as high-level services such as tourism, business and logistics and seizing the potential of new economies. The power of the knowledge

economy is reiterated here and also in the past three versions of the Department of Trade & Industry's Industrial Policy Action Plans (IPAPs). The Kaiser and Kea Report (2013:91) notes that although creative industries are not specifically listed in the NDP "they can claim to be a significant labour absorbing sector, if properly supported".

However, there are some potential policy linkages and expansions which could influence the development of a creative cluster. One of the key priorities of the NDP (2011) is to diversify the South African economy and to create opportunities for growth and job creation outside of the minerals and energy complex on which the country is dependent. The NDP demands a "wider system of innovation which links key public institutions to areas of the economy that are consistent with the economic growth agenda" (NDP, 2011: 38). It also suggests a shift to a more "knowledge intensive economy" (ibid.) which is innovative and creative and can support a wide range of small and medium business. The NDP states that:

South Africa's competitiveness will rely on national systems of innovation, permeating the culture of business and society. Innovation and learning must become part of our culture. This will require interventions from the schooling system through to shop floor behaviour and R&D spending and commercialisation (NDP 2011: 130).

The emphasis on the knowledge economy and innovation is directly associated with the creative industries. While not clearly articulated in the NDP, it could be a potential point of leverage for the Department of Arts & Culture and creative and cultural industry practitioners. The CCIs have also been identified as a driver for new small and medium business development in South Africa. The NDP states that 90% of jobs created in South Africa between 1998 and 2005 were created in the micro, small and medium firms and claims that "small and expanding firms will become more prominent and generate the majority of new jobs created" (NDP, 2013: 145). There is scope to amplify this through supporting the CCIs, potentially through a creative cluster and SME support. In addition, the NDP also stresses the need for national unity while recognising cultural diversity. It repeatedly emphasises the need for social cohesion to be maintained and levels of conflict and violence in South African society to be reduced. This is a key link with the CCIs, DAC's mandate and South Africa's cultural policy (MGE 2010; DAC 1996), including its latest iteration (DAC, 2016).

The IPAP 2012/13-2014/15 is more specific in identifying the creative industries as targeted for growth and government support. "The IPAP takes its cue from the National Industrial Policy Framework (NIPF) (2007) in providing an outline for sectoral priorities and the re-focusing of the South African economy to include more SMMEs in the formal economy and to transform the economy to uplift historically disadvantaged communities" (Kaiser and Kea, 2013:91). The NIPF (2007) advanced the vision for South Africa's industrialisation path. The policy's objectives included aims to:

- facilitate diversification beyond the current reliance on traditional commodities and non-tradable services;
- intensify South Africa's industrialisation process, and movement towards a 21st century knowledge economy; and
- contribute to industrial development in Africa, with a strong emphasis on building regional productive capabilities (NIPF, 2007).

The later policy has supported this original approach – and in regard to the CCIs, off this policy base, the Department of Trade and Industry created a dedicated creative industries sector desk within the Industrial Development Division – although the latest IPAP 2016/17- 2018/19 (2016) makes no mention of the CCIs outside the film industry and incentives/subsidies. In general, much of the limited macro-economic policy acknowledgment thus resides in the labour absorptive capacity of the sector, its role in stimulating entrepreneurship and its turnkey ability in driving knowledge economy and innovation.

From the above it is obvious that South Africa has taken strides toward developing an industrial economy through various policy and planning tools. In this, the concept of industrial clusters has played a pivotal role in the analysis of innovation, and the formulation of policies to support it (Porter, 1990). Regional agglomerations of industrial activity have long been recognized as potential sources of innovation and general economic growth – hence Marshall’s (1890, 1919) focus on explaining the localization of particular industries and the benefits of industrial districts. Revolutions in transport and communication may seem to have reduced the need for firms to operate near one another, yet scholars continue to argue “locality matters” (Schmitz, 2004). This is a key argument of this report – since in the CCIs in particular there already is significant organic clustering, which could be better supported to grow specific and general industries in the creative economy.

2.2. Arts & Culture Policy

The Department of Arts and Culture has been working with the 1996 White Paper on Arts and Culture “which sought to bring about the transformation of Arts, Culture, and Heritage and redress the legacy of apartheid in the sector” (DAC, 2014: 36). Its interventions however embraced an arm’s length approach of non-interference in the sector, which in part has resulted in a less than desirable pace for transformation of the sector (ibid.). The DAC’s initial focal points were four turnkey sectors: film, music, publishing and craft. The belief was that these had the “most potential to create employment and generate income, to be self-sustaining industries and to export goods and services” (Van Graan, 2005: 9). The sectoral focus, combined with the fact that South Africa was focusing on other priority areas meant that “the value or validity of cultural activity was increasingly being left to market forces to determine, and subsidies for the arts and culture sector – beyond the chosen four areas – declined” (ibid.). For the CCIs directly, the 1996 White Paper on Arts, Culture and Heritage has continued to provide the overall policy direction – supported by additional legislation, strategies and research. But its usage has not been without challenges and significant emerging gaps – and thus, the initiation of a legislative (2007) and policy review (2009) of the White Paper culminating in a first draft of the policy in 2013 and the updated draft policy which is currently open for comment (DAC, 2016). The Draft Revised White Paper on Arts and Culture (RWP) (2016) sets out to remedy many of the policy gaps of a now 20-year-old-policy, including the need for:

- alignment with other national policies and plans;
- accelerated transformation;
- inclusion of African Knowledge Systems (DAC 2016: 3);
- greater acknowledgement of the role and impact of technology and planning to incorporate it into modern creative practices; and
- general modernisation.

In the 1990s the current Department of Arts and Culture was part of a broader Department of Arts & Culture, Science and Technology. In 1998 this department released a strategy document ‘Creative South Africa: A Strategy for Realising the Potential of the Cultural Industries’. (Department of Arts & Culture, Science and Technology, 1998). The Department stressed that “encouraging the cultural industries in South Africa is one of the most powerful means of enhancing the country’s identity and distinctiveness, while simultaneously creating employment, developing human skills and generating social capital and cohesion”(Cultural Strategy Group, 1998:6). In addition, the links between cultural activities and social cohesion and national building and economic growth were emphasized: “in a globalising world where every place begins to feel and look the same, it is cultural products and activities that mark out one place from the next – difference in this sense creates competitive advantage” (CSG, 1998: 6). Because of the debates, film, music, television, craft and publishing were the four sectors that were identified as comprising the core of the creative industries in South Africa. In addition, since their recognition, a range of support strategies were subsequently developed see

(SARS 2001; IDC 2001, DTI 2005, 2007, 2010). However, television and film have mostly received policy attention and a range of more detailed support initiatives – perhaps due to the industry’s ability to absorb many creative practitioners and to both sustain livelihoods, while also promoting South African culture.

Although film was preferred, the other sectors of the industry were also given more attention via the Mzansi Golden Economy (MGE) (2011) which aligned with the NGP and IPAP2 and sought to fill major gaps in the 1996 policy and enable specific programmes in support of the White Paper to reposition arts, culture and heritage for economic growth and large-scale employment. The MGE proposed the following interventions:

Mzansi Golden Economy (2011) proposed interventions:

- Education and skills development for both basic education and higher education. A national skills academy (NaCISA) was proposed by the MGE to encompass the total spectrum of the needs for this sector and to collaborate with the Departments of Basic Education, Higher Education, Trade and Industry and Labour;
- A sourcing enterprise (virtual and physical) to enhance access to activities, products and services offered by the arts, culture and heritage sector;
- Developing ‘more than you can imagine’ cultural precincts in all the provinces;
- National and international touring at 6 planned festivals and events expanding to 26 events per annum and securing international platforms for programming of cultural productions and exhibitions;
- Establishing information precincts at cultural precincts, libraries and elsewhere;
- Enhancing heritage sites such as Constitution Hill, Samora Machel Memorial, Freedom Park etc.;
- Establish an Art Bank as a funded commercial venture and to procure art works for all public buildings;
- Public art programme as expanded public works and community works programme to focus on Heritage Legacy projects, storytelling and beautification through art in communities, showcasing of artistic talent and skills development as well as large-scale public art programmes in cities; and
- The establishment of a Cultural Observatory (DAC, 2016: 41; MGE, 2011).

While the MGE was a short-term expansion, full policy revision was overdue considering the fast-paced technological, economic and political changes. The White Paper review process is ongoing, and arguably, still requires significant work, time and attention (Van Graan, 2016). Nevertheless, the revision seeks to both retain the key informing principles of the 1996 White Paper, and ensure the policy is robust enough to manage future variables, while being prescriptive enough to ensure sector-wide transformation, support, service delivery and development. The 1996 White Paper has its successes – for instance, it guided the establishment of a number of Statutory Bodies, Performing Arts Councils, Constitutional Bodies and Heritage Institutions. It also gave form, shape and purpose to the Department of Arts and Culture. It holds at its centre the mandate of transforming arts, culture and heritage in South Africa from an exclusive system into a fully inclusive system (DAC 1996; 2016). This has not changed in the review, but rather there is a sense of urgency in the RWP to reach specific economic, employment, growth, development and transformation objectives that have not been achieved since the 1996 iteration. Some have argued that its application – through it and the various pieces of legislation, policy strategy and research supporting it – has not been adequately monitored and evaluated, making the next policy harder to conceive (Van Graan, 2016). The RWP is long overdue and it certainly takes into consideration some of the exclusions and limitations of the previous paper,

however it is still being developed and expanded, currently standing as a strong concept note for potential future directions, rather than as a concluded policy. Critical core considerations are in place, but these need expansion to deal with some of the practical challenges that will be faced in achieving the policy directives. Strategic questions still need to be asked – who benefits, how will they get funding/support, who will give it to them; how will success be measured? Significant changes are likely in the near-term for South Africa’s arts, culture and heritage sectors. These will ideally spur needed change and support of the sectors and also growth across the CCIs – some of which can emerge with a more coherent approach to creative clustering, which was briefly mentioned in RWP (2016: 41, 47), and the MGE (2011) as ‘cultural precincts’.

Policy is the directional map for the sectors and CCIs, but it is not a silver bullet for complete change. History, politics, social upheaval, technology, innovation and the milieu in which humans are creative also has a significant impact. The next section considers the CCIs in particular as vehicles for potential growth as well as their role in the new creative economy with a view of what is happening in South Africa specifically, via a series of snapshots.

Summary:

- *The 1996 White Paper on Arts & Culture continues to provide overall policy direction.*
- *The Draft Revised White Paper (RWP) is set to remedy the gaps in the current 20-year-old policy document, including: alignment with other national policies; transformation acceleration; inclusion of African Knowledge Systems; role and impact of technology into modern creative practices; and general modernisation and overhaul.*
- *Revision also is set to ensure policy robustness to manage future variables.*
- *There is a sense of urgency in the RWP to reach specific economic, employment, growth, development and transformation objectives that have not been achieved.*
- *The RWP considers some exclusions and limitations of the previous paper.*
- *It is proposed that important changes are likely to be implemented for SA’s arts, culture and heritage sectors.*

3. The CCIs and the New Economy

Today, there is an increased awareness in policy circles that creativity and innovation are the driving forces of the global economy. Since the mid-20th century there have been a series of progressive shifts from an industrial economy, to post-industrial forms, and the growth of the knowledge and information economies. Indeed, for some scholars the knowledge economy has been supplanted by the creative economy (Araya and Peters, 2010; Venturelli, 2000; Florida, 2014). Increasingly in the new knowledge and creative economies, novel forms of value are being created. While the industrial economy was based mainly on the tenants of land, labour and capital, in the new economy the creative industries produce meanings from the world of ideas. This shift has been accompanied by new notions of public space (both physical and virtual), and more democratic and interactive forms of creativity. In this process, copyright industries, patent-based industries, research and development, and other creative industries – predicated strongly on intellectual property – have been reinforced by the diversification of Information and Communications Technologies (ICTs).

The upsurge in interest in the creative economy and the complex but productive relationship between culture and economic development, was reinforced by the 2008/9 global economic crisis which indicated, among other impacts, the limitations of the 20th century industrial economy. In this ‘new economy’ creativity and the power of ideas are accorded more prominence by academics and analysts in understanding the nature and processes of economic growth and prosperity (Howkins 2013;

Warwick Commission, 2015; 2014). Successful centres, cities and regions of development are more than ever predicated on the rise and presence of the ‘creative class’ (Florida, 2014). Increasingly public officials at local, sub-national and national level have looked to leverage arts and culture policy as tools for developing new kinds of communities with high levels of well-being and prosperity (Florida, 2014; Warwick Commission, 2015) – something considered here. Essentially the creative economy and CCIs are receiving more focussed policy attention. There are still shortcomings though and investment in the creative and cultural economy does not always match growing policy interest – partly because of limits to growth, neo-liberal capitalism, and general fiscal restraint. However, it is argued in this context local and regional strategies such as clustering – which have mainly been applied to industrial sectors – can be applied to the creative sectors. This is a core finding of this paper.

3.1. Overview of CCIs & Contemporary Trends

There are a number of trends that have informed the current thinking on the value and contribution of the creative economy to national and international policy, and support for the CCIs. The CCIs are receiving more attention now than in previous decades particularly because of their potential for job creation, stimulating innovation and the growth of smaller enterprises. However, there is still a disparity in their incorporation into development policy. In addition, along with increased emphasis on supporting the CCIs and the creative economy, we are seeing a seemingly paradoxical reduction in certain cases of public support for the arts, culture and heritage sectors, with the private and third sectors viewed as options for picking up the slack in terms of investment and social capital. This is in line with the continued expansion of macro-neoliberal thinking and policies and the overall decline in spending on public goods in many developed and developing economies. There are counter-trends at macro-regional levels, particularly in the EU where funding is available for regional and even local initiatives. Despite this paradoxical scenario, the creative economy and associated cultural and creative industries are a viable means to an end.

Critical to understanding the cultural and creative industries is the need to create a broad definition and to identify the trends which have conditioned them over time. Attempts to define the CCIs have their usual limitations, particularly as technology and innovation draw new boundaries and horizons for the sector on a regular basis. The terms ‘creative economy’ and ‘creative and cultural industries’ have also been subjectively shaped and changed over time. Broadly the creative economy could be defined as an evolving concept based on creative assets potentially generating economic growth and development (UNDP 2010). According to the UNDP, the creative economy:

- Can foster income generation, job creation and expert earnings while promoting social cohesion, cultural diversity and human development;
- Embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives;
- Is a set of knowledge-based economic activities with a development dimension and cross-cutting linkages at macro and micro levels to the overall economy;
- Is a feasible development option calling for innovative, multidisciplinary policy responses and inter-ministerial action; and
- At the heart of the creative economy are the creative industries (UNDP, 2010).

UNESCO defines the CCIs as “those industries that combine the creation, production and commercialization of products which are intangible and cultural in nature. These are typically protected by copyright and they can take the form of goods or services”. Also of value is the British government’s definition of the creative industries as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property”. The *Creative Industries in South Africa* Report (Department of Labour, 2008) points out that a challenge in the valuation of the cultural

industries is that the “the terms used – cultural industry, cultural sector, and creative industry – are fluid and lack definition”.

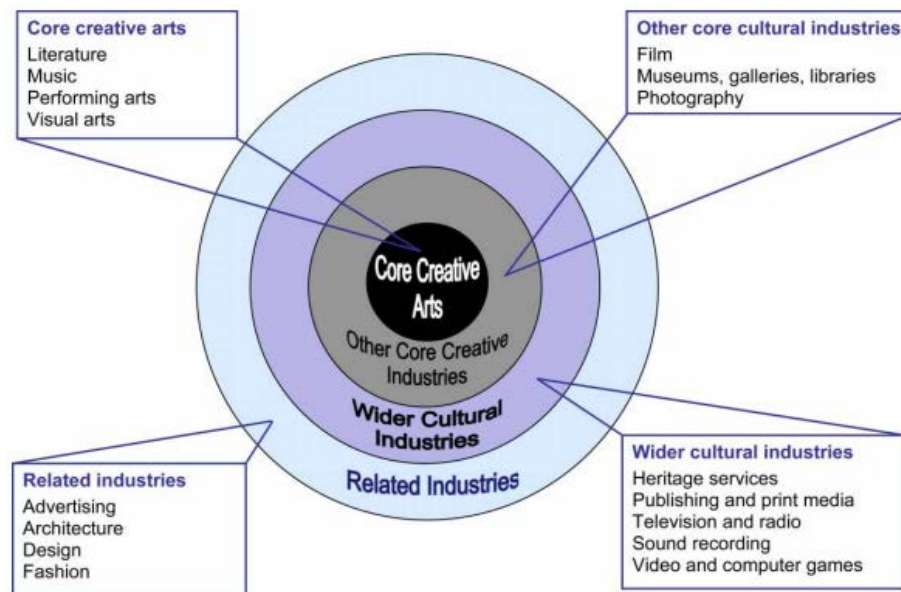


Figure 2: Throsby's (2008) concentric circles model of the cultural industries

Despite definitional challenges, some progress in this field has since been made, with the so-called ‘concentric circles’ model (Throsby, 2008) becoming a generally accepted framework for understanding the relationship between the creative arts and cultural industries. In this model, “core creative arts” are understood as being things like literature, music and the performing and visual arts – those endeavours most closely associated with artistic creativity and innovation. As one moves outwards from the core, the proportion of commercial content relative to cultural content increases, but these creative industries still draw on the core creative arts for material, skills and innovation.

Throsby (2013) argues that a study of the economic contribution of the creative artist should thus also acknowledge their input into the creative industries. In addition to this, the Unesco Cultural Economy model from the *Unesco's Framework for Cultural Statistics* (2009) outlines the interaction of cultural domains with related domains and intangible cultural heritage and supporting industries such as education and archiving as outlined below.

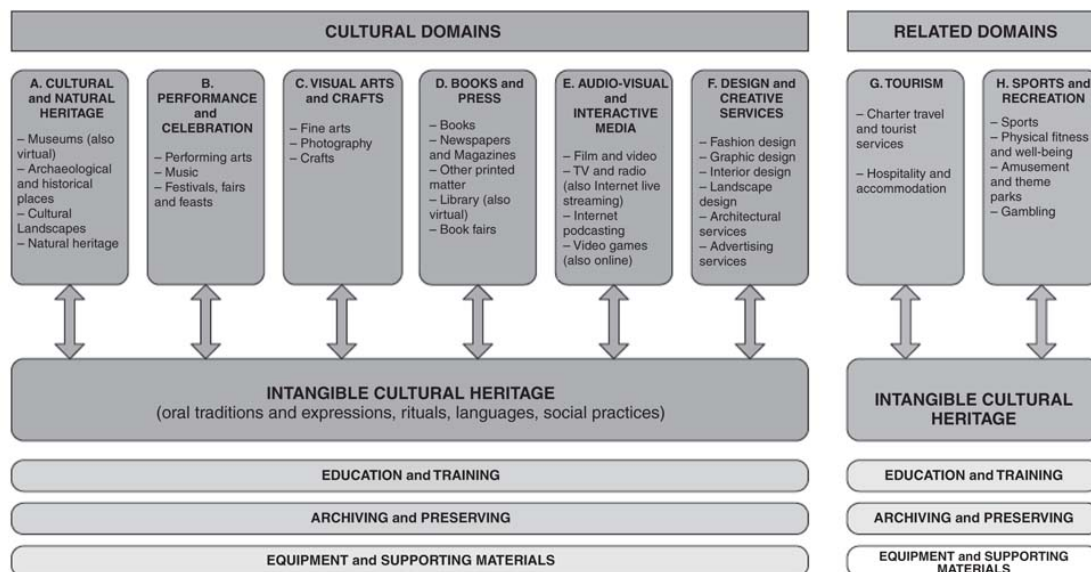


Figure 3: Unesco's framework for cultural statistics (2009)

The Unesco framework has identified different creative industry sub-sectors or domains, ranging in size and substance. It also provides a starting point for independent national and regional analysis in defining the sectors and industries; and developing policies that support these. However, while policy is critical, a sound, data-rich view of the industry mechanisms and economic impact also improve policy and budgetary support. This is the reason that mapping and impact analysis of the growth spurned by the CCIs has generated government's sustained interest in the CCIs, via the measurement of the economic contribution of these industries, i.e. quantifying the scope and size of the sector (the dti, 2013/14; DAC 2016). This is evident not only in South Africa but also globally. For instance, in the European Union (EU) the resilience of the creative economy was demonstrated during the economic crisis with job creation in CCIs growing on average by 3.5% a year from 2000 to 2007, and continuing to grow at 0.7% annually between 2008 and 2012 (EY 2014: 16). This was while the number of jobs in the rest of the economy fell by 0.7%.

Released in late 2013 the *Special Edition of the United Nations Creative Economy Report: Widening Local Development Pathways* (Unesco and UNDP 2013) stressed the power and impact of culture as an enabler and driver. The report highlighted that the world trade in creative goods and services had achieved a record US\$624-billion in 2011, and that this trade had more than doubled from 2002 to 2011 – a figure which has increased subsequent to 2011 (CBI 2015). The creative economy comprises one of the fastest growing sectors of the world economy. It also has a significant transformative impact in regard to income generation, the creation of jobs, and export stimulation. For example, overall, developing economies in the period 2002 – 2011 realised an average 12.1 % annual growth in the export of creative goods.

A recent consultancy report on the mapping of South Africa's creative industries (DAC, 2014), found that South Africa's creative economy sector contributed over R90.5-billion to the national economy. This comprised 2.9% of the GDP in 2013/14, exceeding, for instance, the contribution of agriculture to the GDP (2.2%). The sector also contributed R24-billion in taxes in the 2013/14 period, and helped underpin the empowerment of black South Africans, women and younger people. Over 50% of the creative industries and enterprises are owned by Black South Africans, 40% are owned by women and more than 30% by young entrepreneurs. This information was amplified by the SACO's Cultural Employment in South Africa (2016) paper which found that CCI jobs made up 2.93% of jobs in the country in 2014, slightly more than mining. These statistics are explored further in the section below. Similarly, a recent study of the contribution of the creative industries in the Americas, shows that the

contribution of this sector to GDP varies considerably – from under 2% in Chile to over 10% in Brazil and the USA (IDP 2014). With greater policy interventions and clear strategies, it is possible to develop the sector further. This is already happening in the United Kingdom, the European Union and in China.

Understanding the broader context of the CCIs requires definitional clarity and impact analysis, which is broadly discussed above, but also requires an understanding of the historical, international and contemporary trends defining the emergence of the CCIs which is the subject of the next section.

Historical & International Trends

The concept and evaluation of the CCIs is entrenched in the history of art, media, cultural studies, politics and economics. No emerging CCI trends today can be disconnected from their historical, ideological and conceptual roots. A sweeping view shows how ideology has moved from a focus on the 'Culture Industry' (Adorno, 1979) to 'cultural industries'; and then later to the 'creative and cultural industries' in the context of the 'new economy' – which leverages ever more on imagination, ideas and innovation. There are four mega trends that define the emergence of the CCIs and their prominence in creative economy, geospatial and ACH discourses. Further to these are a number of sub-trends that have also played a role in CCI discourse and debate.

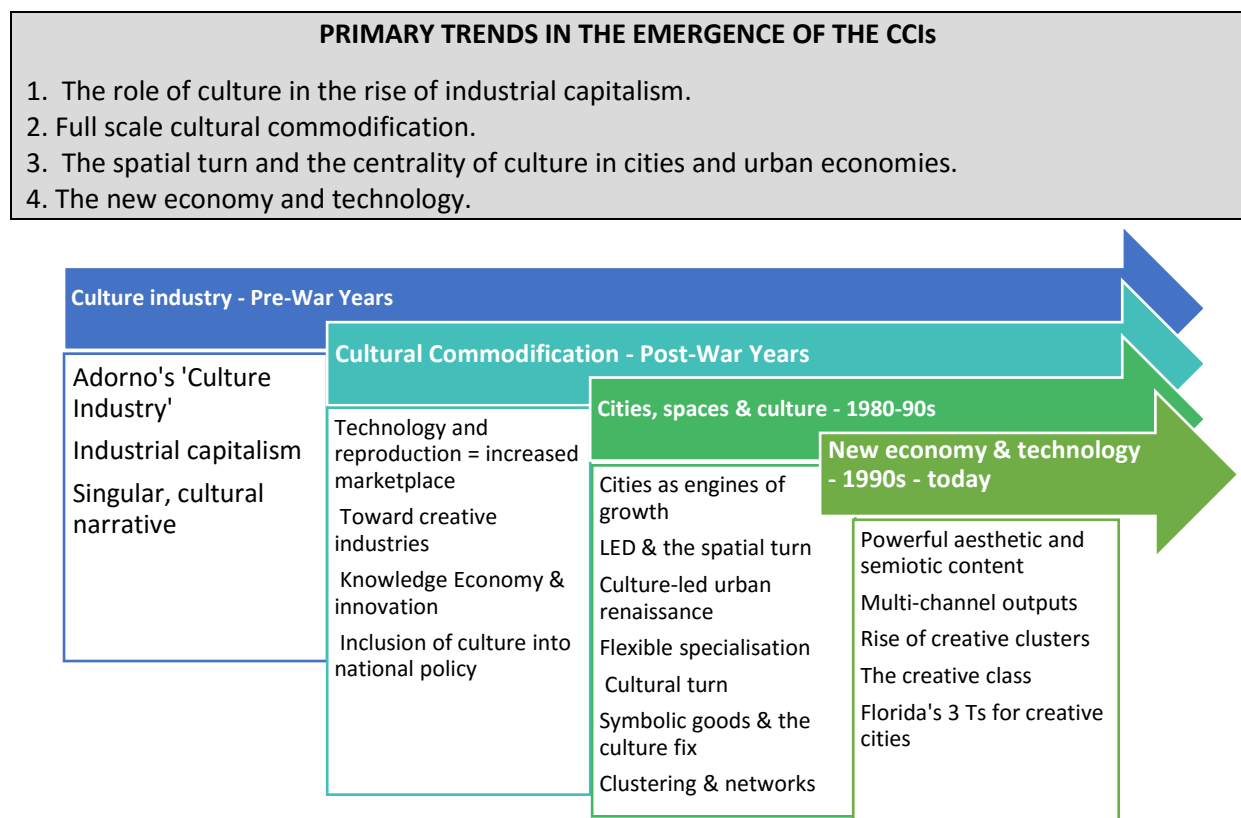


Figure 4: Summary of major Creative Economy and CCI trends in the past 100 years.

a) Culture and the Rise of Industrial Capitalism

The term 'culture industry' was coined by Adorno and Horkheimer (1979) of the Frankfurt School in the 1940s when they noted a general shift to the commodification of cultural products. Essentially, the industrial age (18th - 20th century) fundamentally changed the way art was created, produced, viewed and distributed. Under capitalism, art and culture became engulfed by the economy and the marketplace driven by the new industries of mass reproduction and distribution (Adorno, 1991). There arose a tension between pure 'culture' and the production of 'cultural commodities' on a large scale

starting with the advent of the printing press and extending into modern times (Adorno in O'Connor, 2007: 12). The shift saw art moving from having a primarily intrinsic value to an exchange value. This ideological shift set the tone for the coming ages of information and knowledge.

b) Cultural commodification

In the 20th century, cultural commodification was amplified by technological advancements. Once-off works of art that were expensive to produce, became easier to reproduce because of technology (O'Connor, 2007: 20). The ability to reproduce meant that there was an increasing number of copies of art works, which could be repeatedly duplicated, provided there was demand for them in the market place, leading to increased commodification.

In Europe, the idea of the 'cultural industries' re-emerged in the 1960s when this concept now carried more positive connotations and was separated from a general theory of capitalist development. At this time it was used to describe a new economic sector called 'information economics' which focused on symbolic and cultural production. Previously distinct industries such as print, film, broadcasting and music were for the first time brought together into a single unified sector, which was seen to be global in scale. The global reach of this sector concentrated on investment and it was a period of centralisation. There was a great deal of criticism of this trend as analysts and practitioners felt that artists, crafts people and cultural producers were losing their identity and diversity in the new cultural economy (cf. Williams, 1981). However, these critiques generated a more comprehensive view of the diversity of the industry and can be credited with the perspective change from Adorno's concept of one 'Culture Industry' to many cultural industries (O'Connor, 2007: 21).

The idea of an 'information' or 'knowledge economy' also gained currency. In the early 1970s, Daniel Bell (Bell, 1973) argued that the driving force in capitalist development was no longer physical capital but human capital in the form of scientific knowledge. An increasing proportion of value, he asserted, came not from the use of energy to manipulate matter, but from ideas and creativity. The shift to a post-Fordist economy in the 1970s was also understood to mean that an increasing proportion of consumption was no longer merely about the satisfaction of basic material needs, but the satisfaction of immaterial needs, which included culture and lifestyle.

During the early 1980s even more complex thinking about "connections between technologies of production and distribution, changing business models, the emergent connections between symbolic and informational good, and between culture and communications systems" emerged (O'Connor, 2007: 22). The shift was partially inspired by the increased incorporation of culture in national policy.

Since the 1990s the culture industry has increasingly come to be called the "creative industry", which now included the whole ICT sector, software development and aspects of design which were previously excluded – but not unproblematically. The connection between culture and economy has raised challenges for the way in which the state invests in cultural production and generates policy to manage the cultural sector. In South Africa, finding the balance between serving the public good and ensuring that the country is able to embrace the opportunities of the knowledge economy is a clear challenge for the future.

c) The CCI's & the spatial turn: Culture, cities and urban economies

Globally during the 1980s, cities increasingly tried to restructure in order to become economic engines of growth; in this milieu, the role of arts and culture was again incorporated into thinking around how it could stimulate local economic development. This resulted in the 'spatial turn' and the discourse on the culture-led urban renaissance (Bell & Jane, 2004; Evans & Foord, 2005 in O'Connor, 2007: 27). The beneficiary of this thinking was largely the city/urban node which leveraged off the creative industries'

role in making cities more attractive and liveable – support for which started in policy and public funding of arts initiatives.

There were evident linkages between the clustering of cultural industries and urbanity itself, which helped spur the ‘re-discovery of the city’ during the 1980s and 90s (O’Connor, 2007:34). The spatial turn, driven by economic geographers, saw the shift from mass production to ‘flexible specialisation’ where smaller niche markets were emerging and generating a proliferation of goods and services which had a higher ‘symbolic’ content and could appeal to new ways of constructing social identity away from the ‘mainstream’ (O’Connor, 2007: 28). Here culture was connected to social space and more nuanced, multi-layered spatial levels. In addition place-specific networks and social capital came together with never before seen levels of mobility which gave rise to the ‘network society’ – a new global scale of exchanges built around interlocking networks (Castells, 1996).

During this time, the benefits of spatial proximity, such as clustering, were explored, and evidence showed that it generated a range of promising socio-economic benefits (Porter, 1998). In understanding clusters and the process of clustering freelancers, micro business and SMEs were studied and found to be an “extremely significant part of the overall employment in the sector” and were growing fast (O’Brien and Feist, 1995; 1997; Pratt, 1997; O’Connor, 1999; Creigh-Tyte and Thomas, 2001; in O’Connor, 2007: 29).

Off the back of this trend, a new economic and social order was emerging organised around consumer markets for symbolic goods. Culture and economics were again fully embedded concepts. This was capital’s ‘cultural fix’ working particularly at the level of the city (Harvey 1989), where spectacles, festivals, shopping experiences and ethnic quarters had transformed the derelict industrial cities of the developed world into centres of up-market cultural consumption (in O’Connor, 2007: 30-31).

d) Trends in the CCI & the New Economy

A rapid expansion of the cultural and creative industries has taken place over the past 25 years. In part this growth has been catalysed by global interconnectedness and technological innovation, but in essence, value has always been attached to this type of aesthetic and semiotic content. Economic geographers have contributed much to the development of theory and understanding of the CCIs – and one of the key trends in the new economy is the rise of the creative cluster.

Scott (2000), for instance, looked at ‘cultural commodity production’ which involves high levels of human input, organised as clusters of small companies working on a project basis, where teams, partnerships and alliances dissolve and re-form constantly (cf. Bilton, 2007; in O’Connor, 2007: 36). In this context, clustering emerged as one of the central sites and theoretical tools of analysis, driven by these geographers, investigating networking and clustering in different locations and sub-sectors of the cultural industries (cf. O’Connor, 2007: 36-38). Here the cultural industry agenda merged with evolving thinking and approaches to culture-led urban regeneration, such as Richard Florida’s (2002) idea of the ‘creative class’, where an ‘agglomeration’ of ‘creative professions’, or talent, is attracted to creative cities with high levels of tolerance and technology, creating the three ‘T’s’ which further amplify the city’s creativity.

Outlook

The aforementioned trends speak to the centrality of culture and creativity in human development and understanding capitalism. However, there is additional room for:

- A deeper understanding of what it is exactly that makes the CCIs so valuable;
- What that value is in socio-economic terms; and
- How policy can create a context for the growth of CCIs in a way that ultimately enables both tangible and intangible outcomes for cultural actors and communities, consumers, and cultural groupings.

The gap between development frameworks and cultural actors is still significant, as is seen in South Africa, but this is changing as the arts, culture and heritage sectors and the CCI mature and expand (Agenda 21, 2012: online).

For Africa and other emerging economies, the opportunity to leapfrog, compete and collaborate in the CCIs is substantial. As with all art forms with long traditions, marketplace integration is not always instantaneous; and there are still many barriers and limits to access, distribution and prominence. The tension lies squarely in the skills, access and technology gap. South Africa though, comparatively, is still more advanced than other countries on the continent and indeed other emerging economies. Given the global ‘cultural turn’, there is a sound argument for stronger policy in support of the CCIs, and indeed strategies that help grow the sector to achieve its potential. The next section considers some of the emerging South African trends.

3.2. South African Snapshots

Comprehending the nature and scope of the CCI sector in South Africa is a relatively new and ongoing endeavour – and it presents significant challenges. The CCI sector is a dynamic but fragmented one, especially in terms of the smaller firms and organisations involved. Shifts in the location and naming of firms are more likely than in most other sectors of the economy. In addition, the cultural industries tend to have a greater presence in less urbanised centres, particularly peri-urban and rural areas, which means accessibility is a factor in research efforts. Furthermore, there is considerable flux in terms of employment patterns within the sector/s. This is particularly the case with regard to smaller operations and one-person enterprises, which many CCI start-ups and operations represent.

Like many countries, South Africa has embraced a broader definition of arts, culture and heritage, which takes an expanded view of commercial activities. This is part of a wider repositioning of the DAC in the 2011-14 period – exemplified by the articulation of the Department’s major strategy document, the Mzansi Golden Economy (2011); and in initiatives such as the commissioning of the 2013/14 CCI mapping study, and core sections of the new draft White Paper on Arts & Culture (DAC, 2016). The Cultural and Creative Industries Federation of South Africa (CCIFSA) explains that while the importance of the CCIs is recognised for their role in shaping South Africa, these firms are not necessarily acknowledged for the role they play in creating viable employment opportunities and contributing to the country’s overall GDP (CCIFSA, 2014). The snapshots below outline some of the key perspectives from South Africa’s arts, culture and heritage sectors and CCIs considering the greater creative economy and its current and potential impact.

Cultural Employment

The level of employment is a key determinant of economic activity and contribution. To this end, a 2016 SACO report written by Serge Hadisi and Jen Snowball, illustrates the depth and scope of cultural employment in South Africa on the basis that the CCIs continue to attract attention worldwide as potential drivers of economic growth, innovation and job creation. The recently released first world-wide CCI mapping study (CISAC, 2015) showed that the global CCIs employ 29.5-million people or about 1% of the world’s working population. Given South Africa’s high unemployment rates, which hover between 26 and 27% (StatsSA, 2016), the study found that certain of the StatsSA national data, in particular the Labour Market Dynamics South Africa (LMDSA) (2008-2014) survey, can provide a useful source of data on employment in cultural industries.

Although the industrial labour classification system used by South Africa differs from Unesco guidelines on defining cultural occupations (2009), certain of the guideline’s classification codes and categories that demarcate ‘cultural sector’ employment have value and can lead, within limits, to internationally comparable statistics. More problematic however is the linking of cultural employment to the relevant industries. In the South African system certain of the industry classifications differ

distinctly from the international system on which the Unesco Guidelines are predicated (Hadisi and Snowball 2016).

Following the example of a recent United Kingdom study using national data rather than survey data for an analysis of employment in UK cultural industries, Hadisi and Snowball (2016) provide a range of insights into the nature and impact of cultural employment in South Africa. Nevertheless, the study, using the Quarterly Labour Force Survey (QLFS) and the Labour Market Dynamics of South Africa report (LMDSA) of StatsSA showed that cultural and creative occupations contribute substantially to employment in South Africa, making up 2.93% of total employment in 2014 (443 778 jobs). Significantly in the South African case, this share of employment, is significantly larger than the mining sector, and around two-thirds of jobs in the agricultural sector.¹ The report demonstrates through a time series analysis that cultural employment will outpace non-cultural employment, mirroring the experience of CCIs in the EU regional economy (EY 2014: 16). However, cultural employment is more volatile in South Africa than non-cultural employment, being more sensitive to economic downturns (Hadisi and Snowball 2016). Other key findings were:

- a) Time series analysis showed that while cultural employment can grow faster than non-cultural employment, it is more volatile as it is significantly affected by economic downturns.
- b) Compared to non-cultural jobs, more jobs in the cultural sector are in the informal sector, especially for women.
- c) There are significantly more freelance (or “own account”) workers in cultural employment.
- d) The percentage of black African, coloured and Indian or Asian people employed in cultural occupations is somewhat lower (81% in 2014) than in non-cultural occupations (89%).
- e) Cultural workers tend to have higher levels of education and earnings than non-cultural workers, suggesting that this sector has the potential to boost economic growth.
- f) Cultural jobs tend to “cluster” in some provinces, notably those with larger cities (ibid.).

What is evident from this study is that CCI employment can be both charted and amplified. To do so, alignment and collaboration with entities such as StatsSA and the Department of Trade and Industry are necessary to ensure that national data, employment or export, is captured appropriately so we are better able to understand the real dynamics of the industry and sectors.

CCIs and Transformation

A 2016 SACO study by Snowball, Collins and Tarentaal (2016) investigates to what extent the CCIs in South Africa are moving towards transformation and the inclusion of people from diverse backgrounds in their ownership and employment profiles. Using a survey of some 2400 CCIs, it also compares ownership and employment patterns across the six Unesco cultural domains (Unesco 2009).

The findings, on the whole, are encouraging. The firms involved are making a distinct contribution to both ownership and employee transformation although, the ownership and employment profile in the bulk of the Unesco domains is not yet as representative of the national labour force demographics as it could be. In some of the domains, most particularly Audio-Visual and Interactive Media, this is a reflection of the short-term contractual work on offer, which often requires accessing networks of social capital – an area where white South Africans are still advantaged given class and education backgrounds (Snowball, Collins and Tarentaal 2016: 19-20).

The authors stress that given structural differences between the domains, particularly between the less and more commercial sectors, a unified policy for CCIs is problematic. A more nuanced and bespoke set of interventions would seem to be required. In addition, with too narrow a focus on the economic and financial aspects and benefits of the CCIs, the smaller and less commercially-oriented

¹ This figure only includes those working in cultural occupations within and outside without the CCIs, and does not involve employees in the CCIs in non-cultural jobs.

sectors will be adversely affected. That said, statistical analysis does show that the funding policy for CCIs is responsive to transformation imperatives with those firms which have the appropriate structure and credentials being more likely to attract state funding (Snowball , Collins and Tarentaal 2016: 19-20).

CCIs and Urban and Rural Regeneration

A recent SACO commissioned study by Crozier and Parsons (2016) on the role of CCIs in facilitating the regeneration of urban and rural economies provides a number of pertinent insights in regard to the broader socio-economic effects of CCIs operating in differing socio-economic localities in South Africa. While much of the prevailing literature suggests that the use of CCIs to promote broad scale regeneration activities is only viable in larger cities or metropolises, they suggest that there is South African evidence that CCIs can also function as a driving force for the regeneration of rural areas (Crozier and Parsons, 2016: 66). In line with international literature they stress that while CCIs can act as catalytic agents for regeneration, they need to have institutional and contextual support from the prevailing local economy. From the case studies the authors argue that the CCIs tend to act more as partners in stimulating urban and rural regeneration, as opposed to lead agents (Crozier, Parsons 2016: 68). It is thus a strategic imperative to create a supportive environment for CCIs in the context of broader economic interventions (Crozier and Parsons 2016: 68).

Drawing on a case study of the small rural town, Nieu-Bethesda, in the Eastern Cape, they note two contextual social phenomena, namely a particularly distinct conflation of a sense of place and identity – the question of terroir covered earlier – and an example of the ‘counter-urbanisation of professionals’ with sections of the middle class, predominantly white, moving to certain small towns and rural areas (Crozier and Parsons 2016; Ingle 2010). They also note that the process of a clustering of creatives in an area has created an environment that in turn attracts more creative people (Crozier and Parsons 2016: 61). This aligns with the British Council’s (2016) recent findings and is supported by Florida’s theories on creative cities, but with the rural focus. Interestingly, across South Africa there are many small rural towns that favour this type of clustering, often at the nexus of tourism, natural endowments and terroir attractiveness, and a supporting environment for creative practice. A few of these are: Hogsback, Clarens, Hilton, Darling, Greyton and others.

Sarah Baartman District Municipality Case Study on CCI Clustering

In a forthcoming SACO report, the question of CCI clustering is also explored via the case study of the Sarah Baartman District Municipality in the Eastern Cape. Here Drummond and Snowball (2016) utilize Geographic Information Systems (GIS) to map the locations of CCIs within the towns of the district to ascertain the existence of clustering. The GIS-based approach utilised CCI information from the 2014 DAC mapping study. They then examine the relationship between the CCIs and process of socio-economic development by operationalising an Economic Welfare indicator which comprises economic and social development aspects. Similarly to Crozier and Parsons (2016), they note the particularities of the South African case where CCIs seem to be operational in small towns as well as in the large centres most directly associated with such industries in the international literature.

The study argues that there is a direct relationship between the number of CCIs and the degree of socio-economic development within a municipal region. In turn this shows a broader causal link between the CCIs and socio-economic development. The establishment and/or expansion of CCI clusters has a greater chance of occurring if appropriate hard and soft infrastructure is in place, and members of the creative class are present and/or are moving into the centre or area in question. Policy-wise the authors suggest that there is considerable potential for looking to enhance CCIs in small towns, with the provision that investment is strategic and guided by well-conceived Local

Economic Development interventions. In addition, CCIs should not be seen as the panacea for the socio-economic problems faced by small towns (Drummond and Snowball 2016: 21).

Provincial Mapping of CCIs

A research presentation by Melissa Sanqo and Igor Litvine (2016) drawing a national sample of CCI firms from information cleaned and processed from the DAC 2014 Mapping Study data, and cross referencing with national demographic statistics, shows that Gauteng, the most populous province nationally contains the highest number of CCIs in the country. However, KwaZulu-Natal (KZN), although with a distinctly higher population than the Western Cape, has fewer formal CCIs. This can be ascribed in part to the fact that the Western Cape is more urbanised (ibid.). However, the longer-term historic layering of social and cultural expertise in the Western Cape, and competitive lifestyle opportunities can also account for the comparative advantage of the province. An added possibility is that with there is an under-capture of rurally-located cultural industries in KZN.

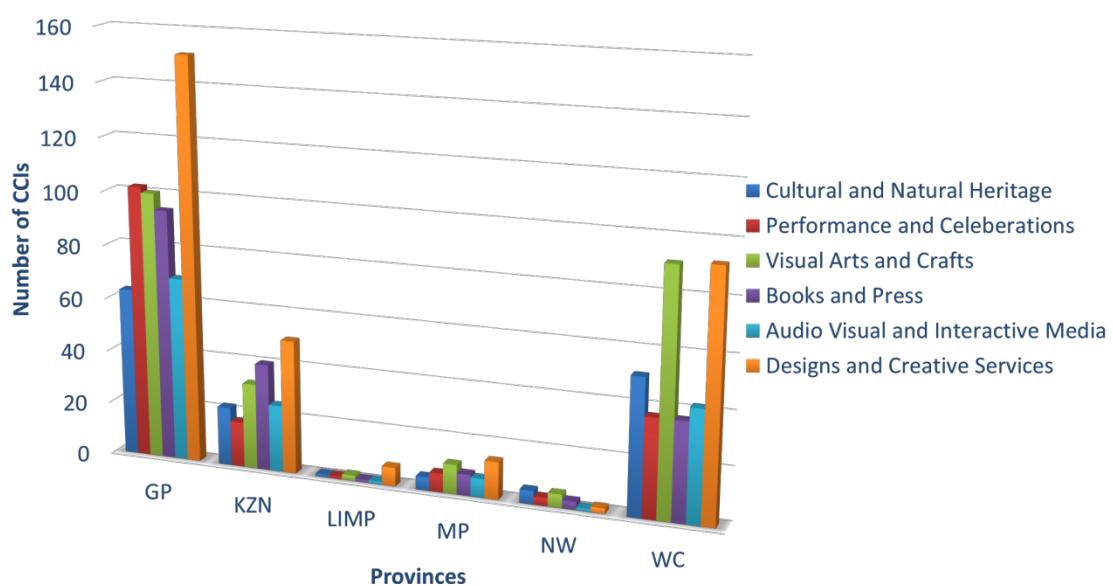


Figure 5: Number of CCIs per province from national sample involved in select cultural domains

Workshop-based Insight into South Africa's CCI Sector's Perspectives

The SACO in 2016, reached across South Africa via a domain workshop series that aimed to listen, learn and distil from the inputs of practitioners across all nine provinces. The workshop outcomes and analysis take-outs revealed, through many voices, the real needs of the industry. There were over 30 emerging themes from the domain workshop series and the outcomes show a similar thread of emergent themes emanating from the sectors. Many of the participants noted that while networks are strong, smaller cities, towns and rural areas struggle to access networks and need more structural support in integrating them into existing networks and supporting the development of new linkages. All sector representatives noted that there is a need for a central portal to access industry-relevant information and resources to share perspectives. The other critical needs included infrastructure – for example studio space – and resources. There is also a strong demand for education, capacity-building and training, emerging from the sector and a need for support in professionalising the sector.

Of the 154 participants who participated in the feedback survey, 33% noted the critical importance of sharing knowledge and information; 18% noted the need for enhanced networks (18%); and 9% identified the need for monitoring and evaluation indicators (9%). The workshops demonstrated the

communications and information flow gaps between government and the industry and vice versa; and the industry requirement for support in understanding the policy and funding environment. The workshops also demonstrated the importance of the ‘need for the opportunity to be heard’ and to share views and to engage across sectors and with government, funders and non-arts related institutions. The more peripheral the practitioners were from the major urban nodes, the greater the need for active provincial and local municipal arts, heritage and culture officials – and for more network opportunities within provinces and municipalities to build the social capital and support networks that enable information flows and access to opportunity. When asked what kind of support they would require, 8% of respondents noted that publishing information and enabling sharing online was critical. Others (15%) noted that enhanced institutional connections would help them build the formal networks needed and help provide access to information. Lastly, 16% indicated that community engagement and training was a necessary support area, in conjunction with capacity building initiatives and social development.

There was also a concern from these workshops regarding the Khoisan cultural heritage. The Khoisan group who were present at the Western Cape domain workshop proposed that the SACO Research Agenda should also look at addressing the restoration of the Khoisan culture and heritage in South Africa. This group proposed that their cultural heritage concerns be incorporated into the SACO initiatives.

There was also a request for business training support to build the sector and viable arts businesses. Examples of requested support extended from help with company registration to the more complex need for artistic hubs. The practitioners also indicated that they wanted ‘useful research’ suggesting the following:

- community-based research;
- practise-based research;
- relevant and responsive case studies with a focus on BRICS and pan-African countries;
- showcasing of different research methodologies (alternatives); and
- academic resources and industry trends.

Findings emerging from these workshops are being considered by the SACO in the context of the wider themes and practitioner challenges and opportunities. The domain workshops have provided SACO with numerous ongoing engagement and opportunities in the South African cultural landscape; and in part is a sound argument for the need for formal clusters or hubs to support local, provincial and regional creative entrepreneurship.

Summary:

- The CCIs have come into sharp focus in relation to their value and contribution to national and international policy.
- CCIs have the potential for job creation, stimulating innovation and the growth of small businesses.
- It is becoming more clear that creativity and culture are commodities in humankind as well as the essence of human existence and give meaning to people’s lives.
- CCIs are entrenched in the history of art, media, cultural studies, politics and economies.
- Creativity and culture are at an equally accelerated rate as the advances in technology.
- The cluster strategies, existing clusters and the establishment of new creative clusters are crucial because policy will give direction to these sectors and the CCIs.

4. Clusters & the CCI

4.1. The International Experience

The late 1980s and 1990s saw the emergence of a range of new approaches to understanding how contemporary industrial economies worked and were spatially constituted at sub-national, national and regional levels. Among these new theories and approaches, was that of business clusters introduced and popularized by Michael Porter in his seminal text *The Competitive Advantage of Nations* (1990) and in subsequent writings. Porter looked to shift the model of competitive advantage from firms to the nation. Longer-term and more dynamic means of competitive advantage was less dependent on production and cost-efficiencies than on conditions and factors that underpinned productivity growth and innovation over time (Porter 1990; Flew 2010:86). While there are understandably differences in formal definitions of clusters, Porter's still has wide acceptance:

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete but also cooperate (Porter 2000: 15).

Firms within clusters compete against each other in the market, but simultaneously cooperate on matters with regard to the promotion of the cluster's interests. Porter saw this phenomenon as one of 'coopetition'.

It is worth stressing however that industry clusters represent more than a grouping of firms within a particular industry or sub-sector of that industry. The economic and industrial cluster model is synergistic; it embodies a dynamic relationship not only between the constituent firms but also a broader partnering and networking with stakeholders in the region (IKED, 2004 17-18). The agglomeration of industries in itself is thus not sufficient evidence of clustering. For meaningful clustering, 'it is the social networks and embedded ties that are critical to locational decisions' (Flew 2010: 3). Porter (1990) argues that economic activities are embedded in social activities; that 'social glue binds clusters together'. As Porter sees it, clusters provide three kinds of competitive advantage to the firms or organisations involved therein (Porter 1998; 2000; 2008):

Porter's (1990) analysis of the competitive advantage of clustering

- **Clusters Increase Productivity and Efficiency**

The firms would benefit by having better access to skilled labour, specialized inputs, and information as well as access to public goods. By clustering small companies would be able to enjoy some of the benefits of economies of scale. Clusters would also be more likely to benefit from linkages with universities and other tertiary and training institutions.

- **Clusters Stimulate and Enable Innovations**

Opportunities for innovation would be improved by proximity to buyers and suppliers, stronger business and inter-firm linkages and greater scope for cooperative knowledge. There would also be more pressure to innovate where other competitors are facing similar cost challenges.

- **Clusters Facilitate Commercialization and New Business Formation**

Firms operating in a cluster would generally be in a better position to gain information about opportunities, and to locate resources for business start-ups. Spinoffs and start-ups seem more possible with the proximity of other companies and associated commercial relationships and there is also generally more focussed demand. Commercializing products is less problematic with skills, suppliers and other resources in close proximity. These factors in turn lead to increased linkages between firms and spill-overs across firms and associated institutions.

Clustering is one of the main drivers of economic growth in localities, cities and at regional level. There are alternative means, however, of encouraging regional and sub-national economic growth. The creation or strengthening of informal networks, the development of supply chains and workforce skills enhancement can all play a role in creating growth and boosting competitiveness. (DTI [UK] 2004: 5).

Key Factors Underpinning Successful Clusters

While clusters differ significantly both in developing and developed economies, a number of common features can be identified as underpinning successful clusters across the global economy. These factors include 'softer' elements of cluster performance such as leadership efficacy and an entrepreneurial culture. Among other factors are access to finance, specialist services and markets (DTI, 2004: 5). More generally, the dynamics of the region in which the cluster is embedded would have a conditioning effect on the nature and development of particular clusters. There are of course differing ways of categorizing such factors. The 2012/3 cluster policy report of the European Creative Industries Alliance (Kind and Meier zu Köcker 2012), for instance, identifies five key factors in the long-term and sustainable stimulation of clusters.

Five key factors in the long-term and sustainable stimulation of clusters

i. Long-term involvement and Commitment of Participants

The players involved are central to the cluster. It is incumbent then on the cluster to secure the long-term involvement and commitment of participant companies. This requires a mobilization of potential new players, and identifying and integrating new competencies into the cluster's value chain. The cluster management performs a crucial role here.

ii. Financing

Clusters need to access and secure sources of private and/or public funding based on a solid accompanying financing plan.

iii. Innovation Dynamics and Innovation Management

Companies need to have relationships and networks in place to ensure that innovation management and cross-firm innovation activities are encouraged and maintained.

iv. Prioritization and Expansion of Sectors

Clusters need to do more than bundle current sector-specific competencies by looking to focussed expansion of existing activities and the evolvement of new activities through their networks and cross-cluster interaction.

v. Regional Development

Clusters, especially the larger ones, have the ability to increase a region's competitiveness by increasing the productivity of the local companies involved. This can in turn increase the economic effects for the region e.g. in terms of jobs and higher value added. However, this process demands a continuous and strategic interaction with various regional forces, networks and initiatives. Clusters as GIZ reminds 'are networks of alliances between a large number of different actors in a (regional) production system' (GIZ 2017).

Source: Kind and Meier zu Köcker (2012)

Internationally, at macro-regional, national and sub-national levels, the exploration of clusters now constitutes a central aspect of economic and development policy (Kind and Meier zu Köcker 2012; Mills, Reynolds and Reamer 2008). Clusters tend to change rather than remain static, responding to the shifts in the markets. But there is scope for institutional interventions and support to develop and

sustain them. This is where policy interventions, support and institutional growth can facilitate the development and diversification of clusters – particularly for the ACH sectors and the CCIs.

The Policy Dimension

While many clusters have evolved organically, there is nevertheless, Porter argues, a strong rationale for public policy (Porter, 2007). As clusters bring to bear a range of externalities across firms within a particular location, as well as accompanying public goods. Public policy helps negate in part the effects of market failure, by providing incentives and structure. Secondly, state agencies can work closely with cluster participants in understanding constraints to productivity and helping address shortcomings in relevant aspects of existing policy. There is also the question of public investments in assets which would benefit cluster participants. Public incentives could also lead to cluster participants investing collectively in these assets. Thirdly, at cluster level, rather than industry or firm level, public policy is more likely to avoid the inefficiencies and possible distortions of more narrowly defined interventions (ibid.).

In the post-2010 period, what is noticeable is that cluster development is linked with new forms of strategies in which a multiplicity of state and non-state agencies and actors are involved. While the locus of cluster formation and activity is at the sub-national level there is a need for complementary roles by national and sub-national agencies. In addition, in certain extra-national regional economies the promotion of globally competitive clusters has become a sizeable enterprise. This is particularly the case in the EU since the 2000s (Mills, Reynolds and Reamer 2008: 22). For example, to promote national cluster initiative programmes in its member states, the European Cluster Observatory was created to collect and provide data on EU clusters and cluster policies for policy circles, practitioners, business and researchers. Furthermore, the European Cluster Alliance was instituted to facilitate trans-national cooperation at policy level.

While many clusters have evolved organically, there is nevertheless, Porter argues, a strong rationale for public policy (Porter 2007). For one, as clusters bring to bear a range of externalities across firms within a particular location, as well as accompanying public goods. Public policy helps negate in part the effects of market failure, by providing incentives and structure. Secondly, state agencies can work closely with cluster participants in understanding constraints to productivity and helping address shortcomings in relevant aspects of existing policy. There is also the question of public investments in assets which would benefit cluster participants. Public incentives could also lead cluster participants investing collectively in these assets. Thirdly, at cluster level, rather than industry or firm level, public policy is more likely to avoid the inefficiencies and possible distortions of more narrowly defined interventions (ibid.).

But the terrain of public policy has shifted noticeably in recent decades. Roles and responsibilities within the development policy process are transitioning. Porter sees a shift from an old model in which government is responsible for economic development ‘through policy decisions and incentives’ to a new model. In the latter economic development becomes ‘a collaborative process involving government at multiple levels, companies, teaching and research institutions and institutions for collaboration’ (Porter 2008:27),

More broadly, lessons from successful learning regions for development policy can be presented as follows:

Table 2: Emergent paradigm vs. traditional paradigm: trends in business promotion and development policies.
Source: Haines and Robino 2008.

	<i>Traditional paradigm</i>	<i>Emergent paradigm</i>
Institutionality	State responsibility	Plurality of actors – PPP

		Associativism, subsidiarity
Institutionality	Centralism	Decentralization
Decisional logic	Political-bureaucratic Top-down	Entrepreneurial Bottom-up
Finance: sources of resources	State	Co-finance Self-finance
Services provided	Supply oriented	Demand oriented
Approach	Vertical, Sectoral	Horizontal, Territorial
Analytical Unit –beneficiaries	Enterprise – sector	Cluster – networks- productive chains
Areas of support, kind of services provided	Direct financial support Subsidies to specific firms and sectors	Immaterial – intangible factors marketing, consultant, liaison role

In the period after 2010, clusters have become more strategic aspects of economic development strategies and policies at sub- and supra-national levels (Interreg 2016). This is particularly the case in developed economies and in certain regional blocs such as the European Union (EU). While clusters may not seem a natural fit with traditional industrial policy, the evolution of the post-knowledge economy and new forms of economic inquiry and policy advocacy has seen a heightened awareness of their applicability to economic development strategies and interventions.

The reasons for this include a growing recourse to place-based development approaches, and more emphasis on the ways in which institutions and networks can enhance or impede economic performance, and more sophisticated conceptualization of the workings of state and non-state actors and agencies in productive learning regions and locales.

Key intersecting themes in the increased invocation of clusters in development policy discourses in recent years are those of innovation enablement and smart specialization (Chapain et al 2010; Chen 2011; Interreg 2016; Muro and Katz 2010). There is substantial evidence that firms and inventors located in clusters are markedly more innovative. Clusters can help constitute effective learning environments in which firms can even benefit from the R&E inputs of other firms. In addition, clusters encourage synergies between large international corporates, SMEs and research institutions. Furthermore, knowledge flows and spill-overs from industrial clustering facilitates innovation (Muro and Katz 2010; Chen 2011). On a conceptual level, cluster approaches and frameworks help highlight the ‘missing middle’ between the state and firms. They also help focus attention on the ‘black box’ of innovation (Muro and Katz 2010:30).

A typical example of the beneficial effect of clusters on innovation within firms is depicted below.

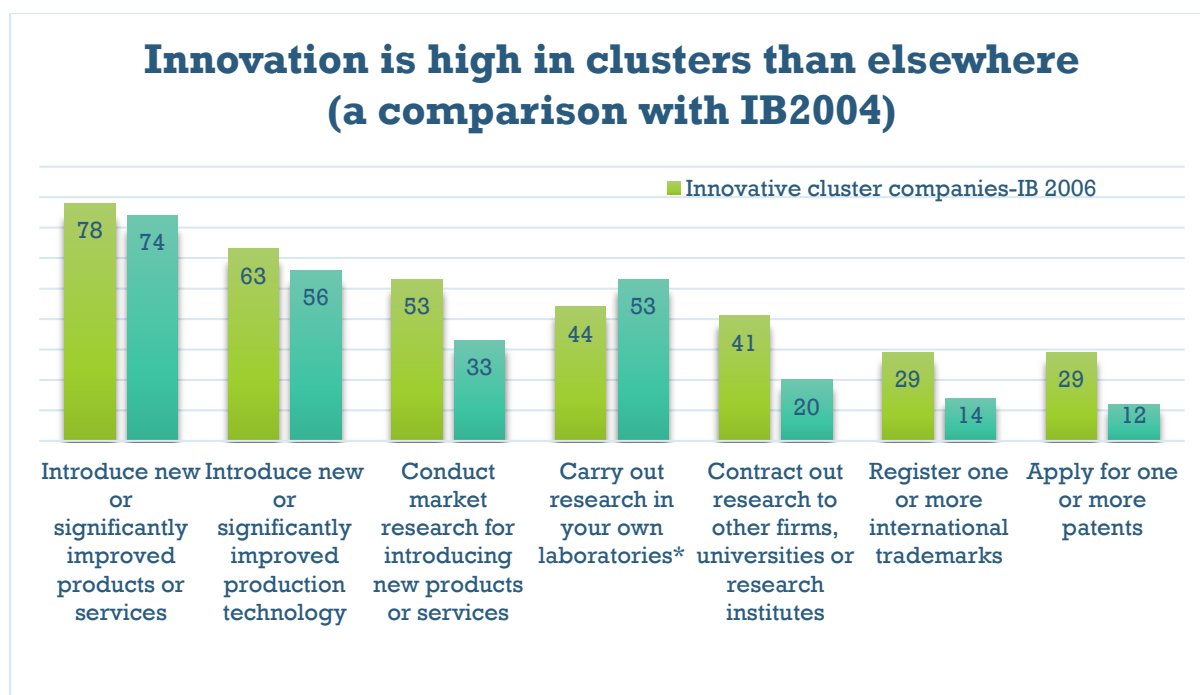


Figure 6: Table Innovation in cluster ranking system. Source: Interreg 2016.

The question of innovation is central to the growing articulation between Smart Specialization and cluster development policies.

‘Smart Specialization’ is an OECD framework for economic transformation which analyses and defines regional competencies and locates new areas of opportunity (OECD 2013; RDA Hunter 2016). It is a place-based approach. Its most thoroughgoing application to date has been in the European Union, but has attracted interest and associated pilot programmes in a range of developed and transitional economies (e.g. RDA Hunter 2016).

The framework has its immediate intellectual origins in the work of the ‘Knowledge for Growth’ expert group (see Foray, David and Hall 2009). The group argued that specialisation in R&D and innovation was imperative for policy makers, especially those in regions and countries that were not dominant in the main science and technology domains. A key consideration was/is whether to opt for a thin spread of investment across technology research fields and thus risk minimal returns. An alternative strategy, they contended, was to look to ways of complementing a country’s existing productive assets and foster comparative advantage on an inter-regional basis (ibid).

The notion of smart specialization does not entail the imposition of specialization through a ‘top-down’ industrial policy and ‘picking winners’. Rather there would be an ‘entrepreneurial process of discovery’ that would uncover the domains of economic activity in which a country or region excelled (ibid. 2; OECD 2013: 13). In this learning process entrepreneurial actors are expected to play a central role in identifying potential areas for future specialization (Foray, David and Hall 2009: 2; OECD 2013: 13) given inter alia their understanding of local skills, expertise and uncoded knowledge.

The role of government is less interventionist and more enabling in smart specialization. There is more emphasis on multi-level coordination and working with a range of stakeholders and setting up new forms of smart governance (OECD 2013). The process of selecting areas of specialization is decentred. The responsibilities of government are primarily three-fold:

- Providing incentives for entrepreneurs and relevant organizations to become involved in the discovery of the specializations of the region.

- Establishing a reflexive process of evaluating and monitoring capability formation in a disinterested fashion and ensuring that incentives are provided for capabilities with potential but not wasted on non-viable enterprises.
- Locating and developing complementary investments linked with emerging specialisations (Foray, David and Hall 2009: 4).

Clusters are core components of a smart specialization strategy given the ways in which cluster development drives industrial, economic and technological specialization at regional levels particularly. Logically, public policies would look to promote cluster infrastructure and knowledge-based investments. This in turn would reinforce knowledge spill-overs within and outside of clusters (OECD 2-13: 21). In addition linking cluster development directly to accelerated structural change would see cluster development linked to the deepening of existing capabilities and building new capacities (ibid.). Core to such interventions would be clusters embedded within substantive new and emerging technologies.

There are significant synergies between strategic specialisation and cluster-based interventions. For instance, both work well with place-based approaches, and foster cross-sectoral collaboration. Such complementarities in turn allow governments to mesh policy considerations with regional and cluster-based programmes.

CCI Clusters

In the latter decades of the 20th century the CCIs were still somewhat tangential to industrial policy interventions. The situation has changed in recent years, particularly in developed economies and regions, and in certain large emerging economies. Nevertheless, the CCI sector is a complicated one for policy makers to confront as it is both cross-sectoral and requires wide-ranging and nuanced policy interventions. A uniform public policy approach is thus not advisable (Kind and Meier zu Köcker 2012: 20).

Internationally, the concept of clusters has become influential of late in regard to the development of CCIs. There are of course shortcomings in the approach, but also ways of synthesizing the deployment of such clusters within more integrated economic development strategies. While agglomeration processes are evident in CCI sectors in developing and developed economies, the cross-cutting and inter-disciplinary nature of the CCI sector stands to benefit from formal cluster initiatives. The establishment of functional clusters has made a difference to participants and the localities and regions in which they are situated.

In addition to differing cluster and locational tendencies for the different sectors of the creative and cultural industries, there are also differences in how such firms are located within the CCI value chains. Production and manufacturing activities are in general the most regionally concentrated. Consumer end-use activities, such as retail booksellers are the least regionally concentrated (Power 2011:27).

Because of the diversity of the CCI base, the CCIs often act independently. The cooperation between the industries is not a given, although a number of self-employed creative workers do function across sectors. It could be argued that in certain respects, the CCI does not constitute a single industry; each of the CCI sectors is heterogeneous and complex in itself (Power 2011:21). The CCI contains a variety of business structures which can range from freelance practitioners to small and large enterprises. In general, the majority of CCI sectors see a predominance of small and micro firms (Kind and Meier zu Köcker 2012: 25). Partly because of the heterogeneous, complex and somewhat fragmented nature of the CCI clusters there is not the degree of coordinated lobbying and leveraging of political influence in the more traditional industries.

Entrepreneurial activities in the CCI are not only shaped by processes of agglomeration. Contextual and social factors are also important in the structuring of the CCI which includes social factors such as network externalities, social capital and political support. With generally larger numbers of self-employed workers access to finance is a pervasive issue (Chuluunbaatal et.al. 2014: 553 [check reference]). Ivey Moore comments that '[a]ll capitalist production involves risk to a greater or lesser degree but there is a substantial case for believing that the cultural industries are riskier than others' (Moore 2014: 741).

As opposed to more traditional industries, the CCIs are predicated substantially on creative human capital, with creativity, specialist knowledge and talent among the key assets (Potts and Cunningham 2008). In the CCIs creative workers are quite often self-employed and creative work is often project based. Those working within the CCIs often have quite divergent education backgrounds and experience. In addition, CCIs sub-sectors include a broader spread of enterprises than most of the traditional industries. The interdependency of large enterprises and SMEs found in other industry sectors is also evident in the CCI although there is some variance between the constituent CCI sectors.

Modes of working among the CCIs and the nature of entrepreneurship displayed may have different characteristics than in most traditional industries. Moreover, given that much of the goods produced are 'cultural' in nature, there is more content-driven emphasis than pure commercial orientation. This is both the cause and effect of the greater preponderance of micro SMEs within the CCI (HKU 2010; Berlin 2013). The firms and actors often operate in quite specific kinds of market conditions, with a particular emphasis on niche markets. This can result in business models being highly specialized (Berlin 2013: 22). This feature is acknowledged in some policy circles in the call for more nuanced and reflexive business support for the CCIs (HKU 2010; Kind and Meier zu Köcker 2012).

Access to finance is particularly problematic within CCI sectors, inhibiting the realization of the commercial potential of CCI. The supply of project finance requested by CCIs is still relatively rare nowadays and secured largely as debt (Masalin 2015; CICC 2014). General support schemes for SMEs are not particularly user friendly. In addition, the heterogeneity of the CCI appears to be part of the problem. The breadth of the creative sector and the diversity of business models therein, renders it more difficult to present coherent investment options to financiers (ECIA and CICC 2014: 5; Kind and Meier zu Köcker 2012).

In a certain number of CCI sectors firms seem to have fewer links with research institutions and knowledge institutions than do traditional industries. However, design- and technology-oriented CCICCs sectors generally do collaborate more extensively with such institutions. In the creative sectors innovation is not well demarcated. CCIs thus do not exploit sufficiently the economic potential of innovations. This presents challenges to policy makers to devise new ways and methods of identifying and realizing the innovation potential of creative firms and actors (Kind and Meier zu Köcker 2012: 28).

The cross-cutting and complex nature of the CCIs offer considerable opportunities for more institutionalised forms of clustering. For one, cluster managements are better placed to foster dialogue within the CCI cluster, between the CCI cluster and with non-CCI clusters and agencies. By striving for cooperation, networks are strengthened and diversified, synergies established, and transdisciplinary projects forged. With more formal cluster structures in position there is scope for the creation of a more coherent identity and collective culture. This in turn will reinforce efforts at lobbying and attracting political support for the cluster in question.

Secondly, such developments help provide an environment conducive to innovation, with the delineation of commercially viable innovation. Clusters can also facilitate improved access to

technologies. In addition, they could foster productive cooperation with research and knowledge institutions and industry partners.

Thirdly, a central set of tasks for CCI cluster management would be to counter the relative lack of business orientation of CCI actors. By improving business skills and specialist capabilities of creative practitioners it would raise awareness of commercial opportunities of innovative practices and products, both actual and potential. The collective knowledge of the CCI cluster would provide more substantive business intelligence for the cluster participants. (Kind and Meier zu Köcker 2012)

Fourthly, the realisation of the full potential of the CCI, as we have seen, is usually constrained by access to finance. With formal cluster managements in place specific services could be provided to coordinate and streamline funding applications for the commercialization of innovation, incubation processes, and new start-ups. Cluster management should be able to develop more formal and viable relationships with private and public funders (Kind and Meier zu Köcker 2012; ECIA and CICC 2014).

Table 3: Characteristics of Cultural and Creative Industries

Theme	Characteristics
Size of companies	• Large number of freelancers and micro businesses. • Lack of medium sized companies • High level of entrepreneurial activity
Nature of products	• User value differs • Cultural by nature • Content focused • Intangibility • Value difficult to define and linked to creativity
Labour practices	• Diverse skills • Informal hiring
Business processes	• Project based • Network based • Less structure • Proximity to clients and consumers
Business models	• Volatile market • Emerging business Strategies • Digital Impact • Different models • (Some) close to clients and consumers
Sectors	• Diversity • Fragmented and dynamic • Immature life cycle
Market	• Niche • Limited knowledge • Changing environment • International dimension (global value chain)
Statistical variance and unsuitability	• Lack of Suitable statistics • Intangible nature of the CCI

Source: ECIA et. al. 2014: 10

4.2. The Knowledge Pool and CCI Clusters

One needs to account as well for a dynamism and structural change with regard to formal clustering processes and models involving the CCIs. For instance, the Walloon Creative District is an EU-funded project aimed at diversifying and consolidating the creative economy in the Walloon region by facilitating collaboration between creative and traditional industries and organisations to set up cross-sectoral and inter-industry cluster processes and institutionalisation. Clusters play a central role in the initiatives which seek to synthesize ‘competencies from all relevant stakeholders’ by applying this ‘along innovative and cross-sectoral value chains, with the support of an integrated policy mix’.

CCIs and the Knowledge Pool

In his writings on cluster implementation, Porter was careful to stress that viable clusters needed to interact with the institutions, networks and human capital available in the region and locale where they were located. However, this has not always been in the case in the conceptualisation and implementation of clusters in developed and developing economies.

The question of CCI cluster embeddedness has been explored with more specificity since the early 2000s. For instance, Paulina Tomczak and Krzysztof Stachowiak (2015) underline the importance of understanding the complexities of location processes within the heterogeneity of the CCI. Because of their characteristics CCIs often display different locational traits and patterns than the traditional industries. While some CCI sectors seem to have a greater tendency to cluster and others may seem to exhibit more dispersed kinds of production, there are underlying spatial characteristics in these processes. Their relationship to local and/or national and global value chains will see variations in CCI clusters from local and more endogenous to more spatially dispersed and endogenous forms. Tomczak and Stachowiak warn against disregarding spatial aspects even when encountering those that do not seem to have much of a spatial context (ibid. 25).

In addition, it is argued that because particularities of work in CCI firms which draws heavily on the creative process which has an inherent portability and are often more human capital-intensive they are less reliant on location than many of the traditional industries. Paradoxically, the sense of place and associated socio-cultural attractions and connotations are generally more important to the creative industries than more conventional ones in terms of location and clustering. This is why creative professionals and workers often opt for certain kinds of largely urban settings: ‘As unique sets of social interactions between creative individuals and organisations, distinctive city landscapes offer both opportunities and restrictions for building an exceptional creativity space.’ (ibid. 15)

In addition to the question of spatial dynamics, the workings of CCI clusters are more conditioned than is often appreciated by the social construction of creativity and talent. For example, the authors of a study of the Mongolian circus industry, argue that CCI development is not fully explained or accommodated by the workings of a particular cluster (Chuluunbaatar et. al.2014). Rather, the ‘social aspects of creative talents’ can contribute to the consolidation and maintenance of a creative industry sector (2014: 552). Social capital in this instance is manifested in three dimensions: a structural dimension constitutes the networks and connections between actors; a relational dimension includes the personal relationships between creative individuals and their contacts; and the cognitive aspect incorporates shared meaning and discourses between the participants.

The ways in which creative space is more broadly structured by enabling and inhibiting factors at national and sub-national level is also of significance. Jane Zheng and Roger Chan in a recent study of the implementation of creative industry clusters in China, notably the *chuangyi chanye jijuqu* (CCSQs,) contend that despite certain functional clustering, stimulated or reinforced by state support, the CCSQs have not been particularly successful in fostering small creative firms and individuals. Rather, such interventions have been more aligned to existing/conventional cultural policies that tend to

inhibit the development of more dynamic and critically-edged forms of culture and creativity (Zheng and Chan 2014: 9).

While the efficacy of measures to support CCIs will vary internationally, there is scope, however, for more integrative approaches to cluster conceptualization and deployment. Caroline Chapain and Roberta Comunian (2010) suggest that the cluster model be integrated with a 'knowledge pool' perspective which would allow certain limitations, especially in the CCI sector, to be addressed. The 'knowledge pool' model is useful in depicting the complex relationship between creative industries and place. The model underlines the role of both the personal dimension and the broader local and regional structures and networks that help shape the local and regional creative economy.

Rather than focussing too closely on the clustering dynamics of creative firms, it is thus more productive 'to focus on the wider system that enables and supports the development of creative individuals in a specific urban and regional context' (p11). This would allow a more extensive understanding of the complex relationship between creative actors and place in four areas or layers, namely: personal, operational, networking and regional infrastructure.

In the first layer, the emphasis falls on the relationship between creative individuals and their locale or place where they live. The second layer considers the operational advantages and disadvantages of locating and working in a particular place. The third tier involves the linkages between creative individuals and firms. This would include the relationships with other industries, institutions and government as well as social networks. The fourth layer would include the wider set of infrastructure and actors and agencies with some linkages to the creative economy. These resources would be available on local and/or regional levels. (ibid.)

A somewhat different narrative in regard to policy advocacy in regard to CCI clusters is that of Richard Florida's writings on the phenomenon of the creative class (2005; 2008; 2010), particularly with regard to the USA and other developed economies. For Florida the creative class is pivotal in new forms of smart urban development and the establishment of creative cities. He suggests that there is a strong positive correlation between the presence and nature of the creative calls in different cities and local economic growth. His policy advice is for local governments to look to attract and retain numbers of creative individuals. This entails investment in knowledge and cultural-oriented projects and amenities, and other supportive infrastructure, ensuring that the urban landscape provides rich and diverse life-style options. While such advocacy underplays the need to link such a creative class to a functioning labour market and production system. The array of networks and relationships that need to be operationalised is also a crucial aspect for the construction of a dynamic local economy. (Scott, J.A. 2006; L'Ovidio and Pradel 2013).

The criticisms notwithstanding, the emphasis on and indeed the problematisation of the creative class, highlights the social construction of creativity and innovation, in urban economic spaces and national and regional economies more generally.

South African Clusters

International best practice and a consideration of South Africa's experiences suggest that governments should not only revisit its current policy on industrial clusters, but that in addition a specific CCI cluster programme should be developed. Furthermore, such interventions should be undertaken with a view to rework existing approaches to industrial modernization and regional economic development.

The South African experience with clusters is an uneven one. Post-1994 industrial policy saw an enthusiastic uptake of a cluster approach in which Michael Porter's consultancy played a central role. Both the DTI and IDC undertook a number of cluster projects within selected industries, and a host of accompanying cluster studies were undertaken, particularly by the IDC. In addition, at a sub-national

level a number of provincial and local government agencies were temporarily attracted to the cluster approach (Haines 2014; Rogerson 2008). However, with the growing appeal of IDZs and the evolution of the IDP (Integrated Development Planning) approach, linking national to sub-national planning, there was a declining interest in deploying cluster-approaches (Haines 2014). Furthermore, the institutional context and the importance of social capital in cluster development have been underplayed (ibid.).

The DTI maintained a relatively modest involvement in cluster policy and implementation. However, value and supply-chain analysis and advocacy in the 2000s and after, along with a continued emphasis on targeted interventions, have tended to predominate.

Regional and sub-national industrial strategy has seen some modest invocation of cluster approaches but there has not been much traction. Part of the problem has been with the implementation and effects of spatial and institutional aspects of sub-national development strategies (Harrison and Mathe 2010; Madell 2015; Haines 2014).

Spatial Development Initiatives/Corridors (SDIs) were seen as spearheading sub-national economic development in the 1990s and early 2000s. However, these did not evolve into an integrated development strategy and tended to remain as sectoral concerns. Over time the SDIs have been overtaken by more a more selective focus on IDZs (Industrial Development Zones) and SEZs (Special Enterprise Zones). SEZs were in part an update and extension of IDZs (Harrison and Mathe 2010). Both IDZs and SEZs have been linked with cluster development but more at a conceptual level with little formal empirical evidence currently available.

In addition, the decade saw a number of failed attempts to produce a nationwide spatial framework. In 2003 and 2006 draft versions of a National Spatial Development Perspective (NSDP) were completed (Harrison and Mathe 2010). The NSDP was accorded cabinet approval but was not able to generate a broad-based support. This was due in part to the perception that certain areas would be disadvantaged in the implementation process (Harrison and Mathe 2010).

A Regional Industrial Development Strategy (RIDS) was publicized in 2006 and linked to the National Industrial Development Framework which was released in 2007. The RIDS was in part a reworking of the RILS (Regional Industrial Location Strategy) that the IDC worked on in the later 1990s and early 2000s. The RILS document in turn had incorporated elements of the Regional Industrial Development Programme which had placed a particular emphasis on decentralized industrial development in peripheral and ex-homeland regions and also, though more vaguely, with regard to industrial development in the South African Customs Union (SACU) (Harrison and Mathe 2010; Rogerson 2008; Haines 2014). Both the RIDP and RILS strategy exercises saw regional policy as both sub-national and supra-national. By contrast the macro-regional aspect is downplayed in the RIDS strategy which is essentially national in focus (DTI 2014).

The DTI and IDC subsequently maintained a watching brief in regard to clusters. In recent years, however, there has been a something of an upsurge in interest nationally in clusters influenced in part by the revival and expansion of international thinking and practice on the subject. For instance, in a 2014 meeting of the DTIs Economies of Learning Network ran a workshop on Regional Industrial Clusters (the dti 2014). The core presentation used the RIDS as the policy touchstone emphasizing that a more broad-based and decentralized process of industrialisation should have as one of its key principles the building of value chains and clusters (ibid.).

In addition, the DTI has established a Cluster Development Programme (CDP) as one of its incentive programmes with the aim of promoting 'industrialisation, sustainable economic growth and job creation needs of South Africa through cluster development and industrial parks'. A key objective is to improve the competitiveness of enterprises within a cluster or Industrial Parks. The first phase of

the programme will be a pilot one, where a limited number of clusters will be selected. In addition, there will be an emphasis on Industrial Parks in former homeland areas or townships (the dti 2017).

This increased interest is matched by signs of renewed academic work on the subject. For instance, a 2015 study of cluster development by Leipzig and Dimitrov in the South African tooling industry suggests that the underdeveloped state of this sub-sector would benefit from a formal cluster initiative and accompanying state funding. They stress that given infrastructural, technology and resource issues impeding facing cluster development in certain sub-sectors within developing economies such support was imperative (Leipzig and Dimitrov 2015).

A study by Pisa, Roussouw and Viviers (2015) identifying industrial clusters in the NorthWest Province of South Africa, has relevant policy implications. They argue that the application of a cluster approach in resource-dependent sub national regions would diversify economic activity and enhance competitiveness. They urge government at national and provincial level to assess its current capabilities and look to play in the future a catalytic and supportive future role in terms of facilitating cluster development. This would include creating a business environment conducive to industrial cluster development.

Some recent studies of CCI sub-sectors and domains have noted processes of clustering and agglomeration, but also the particularities and contradictions of such processes. A 2013 study by Gustav Visser of the interrelationship between the South African film industry and urban change indicates some interesting patterns. In Johannesburg the historical locus of the industry, film industry firms display a relative 'diffuse spatial pattern' (Visser 2013). In Cape Town by contrast most of the film businesses are located in the CBD or contiguous areas, with studios on the fringe. The recent successes of the Cape Town film industry and its more efficacious clustering is reflective of more focussed local support and funding, but also because of a more discernible cultural milieu which embeds the relevant Cape Town firms (ibid).

Booyens, Molotja and Madalitso (2013) explore the dynamics of high-technology SMMEs through a case study of the New Media Sector in Cape Town. Nevertheless, they argue that:

...despite creative industries receiving policy recognition at national level in South Africa, limited progress has been made in terms of actual and clear policy initiatives directly supporting such industries. Furthermore, policy initiatives for creative industries are small, seem to have little impact and lack integration (ibid.).

They note, however, some progress at local level about creative industry advancement. This is a reflection of a more self-conscious promotion of such industries by the metropolitan authorities and accompanying process of innovation within the space economy of greater Cape Town (Booyens, Molotja and Madalitso 2013). These inputs have in turn contributed to an ongoing process of creative industry clustering. They note that the high-tech creative SMMEs in question need far more in the way of contextual and bespoke support in order to move to higher levels of innovation and business development (ibid).

In recent decades government has sought to expand its involvement with the creative economy. There is specific and not insubstantial support for certain sectors and sub-sectors of the CCI. These usually take the form of incentive programmes, the most well-known being the film industry incentive programme run by the dti. Music, craft industries, and print and publishing are among other sectors for which incentive funding is available. There are also generic incentive programmes for innovation and SMME support, which can be leveraged. The raised requirements in terms of local content for broadcasters will provide a further option for film, television and media-related firms. In addition to incentive funding from the dti and IDC a number of DAC entities such as the National Film and Video Association (NFVA) and the South African Music Recording Organization (SAMRO) are a source of funding for the relevant sub-sectors of the CCI. There is also some project-level funding available at

provincial and local levels. Nevertheless, despite these potential sources of financing and business support, access to funding remains a leading requirement of the CCI sector (e.g. Booyens, Molotja and Madalitso 2013).

Part of the problem is the difficulty in coordinating differing inputs from a plethora of agencies at national and sub-national level. A step in the right direction has been the creation of an inter-departmental task team on the CCIs with a particular interest in the employment creation prospects of the South African creative economy. However, it is contended that a comprehensive and reflexive set of strategies and policies will be required to provide the requisite structural underpinnings to a larger, vibrant and sustainable CCI sector.

The foregoing discussion suggests that a radical rethink of the current industrial cluster programme is required. The current notion of industrial clusters as separate but complementary to industrial policy will need to be reconsidered. Moreover, a more substantive industrial cluster policy, given international best practice, would require a significant revision of current industrial and economic development strategy. In 2008 international policy adviser Dani Rodick advised the South African government to develop a more inclusionary process of industrial development through the direct and strategic involvement of the private sector. He stressed the importance of the then novel notion of 'self-discovery', and the associated ideas of reflexivity and openness, to ensure that future policy exercises took account of the particularities of South African society and economy.

A reworking of current industrial policy should take stock of the significance of the interconnected trends internationally to smart specialization and place-based approaches to economic and industrial strategy. Furthermore, the relationship between smart specialization and cluster development, as discussed earlier, should inform the rethinking of industrial policy.

Given the locus of new initiatives on CCIs and smart specialization is within the EU region, it would be worth considering some form of SA-EU partnership to develop a CCI cluster programme. There are several reasons for this including the EU's track record to policy-oriented CCI research in South Africa. In the mid-2000s it funded selected CCI mapping research in the Gauteng and Western Cape provinces and in a 2012-13 there was collaborative effort on a study of South African trade in cultural goods and services (Kaiser Institute & Kea 2013). Interestingly, a key recommendation was for a partnership to be established representatives of Creative Industry membership-based organizations and DTI and DAC as the main government departments involved in the agenda of cultural trade. Other state departments and agencies would be involved via a forum. There was also scope for the involvement of relevant EU agencies.

An additional policy touchstone is the ongoing project – 'Development of Clusters in Cultural and Creative Industries in the Southern Mediterranean -- funded by the EU and run by Unido in regard to developing pilot programmes for CCI clusters in the Southern Mediterranean region, involving Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia. A central aim of the project is 'to embed the concept of clusters with the Cultural and Creative Industries' (Unido 2014).

Summary:

- Clusters are geographic concentrations of interconnected companies that compete against each other in the market but also cooperate on matters concerning the promotion of the cluster's interests.
- Clustering is one of the main drivers of economic growth in localities, cities and at regional level.
- Clusters tend to change rather than remain static because they respond to market activities.

- Clusters have the ability to change a region's competitiveness by increasing the productivity of the local companies involved.
- Clusters also need stable sources of funding both from the public and the private sectors.

5. Beyond the Knowledge Pool: Towards the Economy of the Imagination²

5.1. International Dimensions

Here we consider the notion that South Africa has an under-appreciated milieu of innovation and creativity situated within and outside the formal national economy – a kind of ‘economy of the imagination’. While difficult to chart comprehensively without significant and comprehensive research and analysis, there is distinct scope for leveraging assets and resources within this broad space to promote creative economy and national economy more generally. In addition, there would be occasion for identifying job creation opportunities including those with a labour-intensive character.

The ‘economy of the imagination’, we would contend, is a shorthand notion to describe forms, experiences and institutions and networks of creative and innovative work and economic activity which take place within and across national boundaries. Precise delimitation of such activities is difficult if not impossible due to the changing nature of the actors, agencies and networks involved over time. This is why an historical dimension is an important aspect.

The notion of the ‘economy of the imagination’ has as one of its central touchstones the importance of locale and place in shaping processes of creativity and innovation, and subsequent or accompanying production and consumption activities. The notion of the economy of the imagination would hopefully sensitise policy-makers regarding the importance of setting or context in efforts to promote local and/or regional economies. More specifically in the South African case, it should provide insights into the complex interactions between socio-cultural milieu and the CCIs.

The challenge is to frame long-term, historical inquiry in which the question of how innovative and creative economic activity is embedded and reproduced. The methodology of such research would be need to bridge qualitative approaches (including the ethnographic to historic) to new quantitative approaches, such as ‘culturomics’ (Michel 2011). The research project would ideally be dialectical in having a substantive interplay between empirical findings and theorizing. That said, early visioning can already be conducted.

Imagining the Economic Future

The 1990s and 2000s has seen the increased challenge of neo-classical economic orthodoxy both in terms of theory and practice, and the emergence of a variety of new and/or alternative approaches to matters of economic growth and development. These approaches span the ‘new’ economic geography and economic sociology; a rethinking of institutional economic theory; inter-disciplinary studies of regional industrial districts and territoriality and development; along with new considerations of local and regional economic development where divisions within developed economies become more significant as opposed to simple dichotomies between north and south (Pike et al 2011). Explorations within 21st century Marxist economics, and political economy more generally, and new modes of considering contemporary capitalism such as the development of regulation theory, and the Variety of Capitalism (VOC) writings, have added to the analytical models and tools available to scholars and policy researchers (Wood 2011; Wood and Lane 2011). The significance of these

² This section is based on a forthcoming article *in New Agenda*.

bodies of writings is extensive and we will have to be selective in the discussion that follows. These insights will help shape the compact discussion on the economy of the imagination (EOI) with special reference to South Africa.

We have already identified earlier the question of place and identity in terms of the location dynamics for CCIs. There has been a growing interest in recent decades regarding the nature and conditioning effects of a territory or locale within regard to economic development and underdevelopment. Influential in the thinking about the economics of space and place has been the new economic geography, and writings of scholars such as Paul Krugman (e.g. Krugman 1995) and David Harvey. Territory or locale is polyvalent construct, which can interact with the forces and processes of innovation, production and accumulation (Harvey 2009). Locale is not a passive 'space' and account needs to be taken of the roles of social and cultural institutions in both making and sustaining productive regions. In addition, given the advent of the creative economy notion, there is something of a revaluation of the role of local spaces as a means to stimulate more effectively the production of ideas to link past and present cultural capital (Pike et. 2011).

The valuing of place as an act of economic activity in its own right, is among the insights provided by heterodox economics and economic geography. A popular grasp of a key aspect of this approach is embodied in the rationale for the establishment of an aerospace park ('Aeropolis') in the Andalucía region of Spain. The importance of visioning economic development is captured in the words of a publicist for the venture:

The ghost's words to Kevin Costner, in the baseball movie *Field of Dreams* – 'If you build it, they will come' – could be the thinking behind Aeropolis, a 580,000m² (6.2 million ft²) industrial park next to Seville's San Pablo airport and a symbol of Andalucía's ambitions to become a cornerstone of Europe's aerospace industry (cited in Haines and Mohloare 2014: 70).

Beyond the public relations hype, what is significant is that Aeropolis has become one of the top aerospace industrial facilities in Europe (ibid.).

Of relevance to our discussion and to the consideration of the usefulness of a cluster-based approach to CCI support, is the recent and growing academic and policy interest in 'place-based' economic development approaches at sub-national levels stimulated by the [Barca Report](#) (2009) which is something of a touchstone. The approach can be contrasted to a space-neutral and people-oriented approach. In reality though, both approaches are about people and place. However in the place-based perspective, there is a greater emphasis on how the well-being of a person is conditioned by the context in which she or he lives (Barca 2012; Hildreth and Bailey 2014).

The place-based approach is grounded on two core arguments. Barca explains:

The specificity of the place-based approach relates rather to the hypotheses concerning knowledge and local elites. First, the place-based approach argues that no actor knows in advance "what should be done". It posits that sensible and reasonable decisions can emerge as the innovative result of a process of interaction and even conflict between endogenous and exogenous forces, i.e. between the knowledge embedded in a place and external knowledge. In conjunction with this assumption, it also stresses the role played in producing underdevelopment by the failure on the part of local elites, even when democratically elected, and their innate tendency to seek rents from public interventions. For these two reasons the place-based approach, while sharing with the communitarian approach, the emphasis on the knowledge, preferences and values of local agents, assigns a much greater role to exogenous

institutions – their knowledge, preferences and values – and therefore advocates multi-level governance (Barca 2011: 223; also cited by Hildreth and Bailey 2014).

Multi-level governance provides a corrective to institutional weaknesses at the national and the local, which could impede the realization of the potential of different places. It sees a variety of actors – public, private and third sector – collaborating in ways that help develop the sub-national economy. Many of these activities and collaboration occur in the ‘missing space’ between the national and the local – a space in which development policy in many developed and developing economies does not adequately address (Barca 2011; Hildreth and Bailey 2014).

In a place-based perspective knowledge about places is a key part of designing regional economic and industrial strategies. Such strategies and policies need to locate, or ‘discover’ or generate new knowledge and thinking. One needs to take cognisance of the ways in which an idea of community is entwined with the workings of a local institutional context – a form of social capital. In this process there would be an interaction with the range of endogenous and exogenous actors and agencies potentially involved. Rather than starting from a clean slate or having an ‘off the shelf’ set of policies, region specific assets should be invoked (Hildreth and Bailey 2014; Barca 2009).

Also of particular relevance to our discussion is the expanding discourse on social capital. The term has embodied diverse intellectual origins. One of these is the discourse on embeddedness of economic behaviour within networks of inter-personal relationships within economic sociology, where factors such as mutuality, trust and cooperation are stressed. These efforts are often positioned in the space between the state and market. Robert Putnam (1993; 1995; 2000) played an important role in popularising social capital from a sociological perspective. Economists have been increasingly attracted to efforts to quantify the variables.

Social capital has a range of interconnected aspects. These include a predisposition to civic engagement. There is a tendency to opt for horizontal sets of relationships which entail reciprocity and cooperation in contrast to vertical relationships of authority and dependence. In addition, social capital encourages networks of solidarity, raised levels of trust and tolerance, as well as self-conscious and altruistic participation in various kinds of voluntary associations.

There is usually a positive correlation between the presence of productive social capital and economic development. For instance, Helliwell and Putnam (1995) argue that among the reasons for the continued success of industrial and economic districts in Northern Italy is that there is more of a predisposition to horizontal relationships in the North compared to the South where hierarchical and vertical relations are stronger.

Complementing the expanded invocation of social capital literature within social and economic sciences is an increased interest in the nature and workings of cultural capital. There are different strands here, with the writings of sociologists Pierre Bourdieu being particularly influential (Bourdieu 1986). Cultural capital is also being constructed primarily within the field of economics, specifically the sub-field of cultural economics (Throsby 1999). Bourdieu contends that forms of capital can be expressed in immaterial forms of social or cultural capital rather than as economic and physical capital. He argues that cultural capital embodies non-financial social assets and enables social mobility beyond expected economic limits or options. Cultural capital, he emphasizes, is created and exercised in historical time – a perspective which foregrounds the historical dimension.

In part such writings help explain the continued shift to knowledge and post-knowledge economies in which creativity becomes a core component of economic development (for alt view: Haines and Shelver 2013). Another form of capital, heritage capital, considers the ways in which value and meaning is attached to experiences, activities, structures, and objects, which should fall into heritage categories. The associated exercise involves processes of historical inquiry. Whether heritage capital is but a sub-division of cultural capital is a matter of debate. It is more than knowledge processed in

the present through accessing the past (Graham 2002), as heritage-constructed value can reside in cultural practices or ways of being as well as physical capital such as places and buildings.

Intersecting with the above discourses is a growing sophistication in the study of how institutions structure and condition the national and supra-national experiences, cultures and trajectories of economic growth and development (Wood 2011; Wood and Lane 2014).

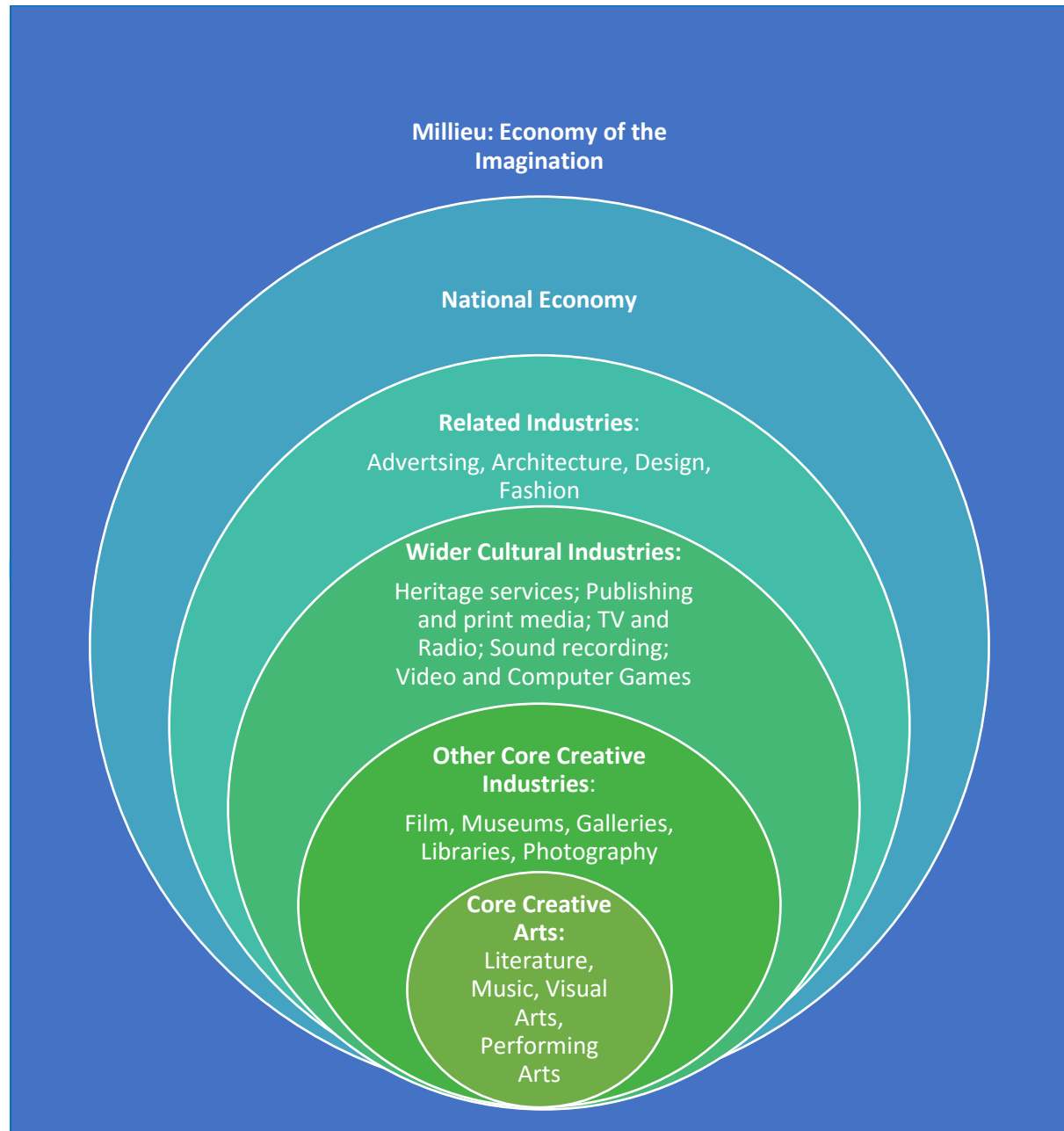


Figure 7: The Role of the Economy of the Imagination in relation to the Creative and Cultural industries and Related Industries – an expansion of Throsby’s Concentric Circles.

In the process of constructing new creative economies, there is, ironically perhaps, distinct value in re-visiting the past. The emerging study of ‘development history’ is of significance here. For one, it underlines the importance of grasping the play of human agency over time within economic and social development processes. The forms of historical inquiry can provide scholars and policy elites with a more nuanced understanding of the processes such as the emergence of creative classes and the ways

in which social innovation is developed in particular places within historic time. A second and related point is that development history should provide insights into the making of place or territory and the forming of a sense of identity linked to such spaces. Thirdly, there is the question of recording or even recovering networks, initiatives and social and cultural capital that could inform and/or contribute to activities and structures shaping a creative and innovative culture and economy (Haines 2014b).

South African Ingenuity Past and Present

The emphasis on history allows one to better grasp the particularities and hidden advantages of countries. This is particularly so in the case of South Africa. A development history would be able to highlight the forces of creativity, innovation and ingenuity within the social and formal economies, both past and present. This would help define the nature and scope of competitive advantage in South Africa. The examples of such activities are wide-ranging. We consider some select instances below.

A culture of ingenuity can be traced back into the early 20th century, linked to South Africa's rapid industrialization. A capacity to respond in a swift and cost-effective way to manufacturing and engineering challenges is but one manifestation of such capabilities. There are a range of narratives. For example, South African auxiliary services during WWII forged a reputation for their ability to fix seemingly insoluble mechanical problems within regard to operational equipment and transport. This kind of social capital continues to this day, revealing itself in an array of informal services and firms (Wessels 2000).

The capabilities and expanding networks of so-called backyard mechanics and other auto-services in the South African townships has been a strategic factor in ensuring the sustainability of the national taxi industry in South Africa (Mail and Guardian, 14 April 2008). Likewise, the existence of a range of small craft industries sometimes operating on a voluntary basis also bears testimony to the spirit of ingenuity with the formal and informal economies. South African expertise in terms of high-end cottage products (such as valve stereo amplifiers and moving coils for hi-fidelity turntables), and modest but potentially international niche products and services, such as the restoration of classic and vintage cars, and the production of replica sports cars, are among the examples. Articulating these kinds of networks to ensure a greater diversity of players with improved access to funding could be one such outcome of looking to apply a cluster approach to the cottage industries. While enjoying more substantive networks the crafts industries are an area where smart intervention could exploit a range of under-utilised potential for local and international markets.

The export success of South African boat-building businesses, especially in the construction of ocean-going yachts, is a further indicator of the spirit of innovation, and to and creativity within the national economy (e.g. BrandSA, 7 March 2006). Interestingly, a number of these firms have managed gain market share by means of personal funding, such as leveraging home mortgaging, to maintain their businesses. A Cape Town firm specializing in bespoke boat design and building, generates the bulk of its business through international work and leveraging a variety of production processes on a global scale. While there has been some strategic innovation funding by the Department of Science and Technology to the Marine Industries Association of South Africa (MIASA) through the MIIF initiative, a longer-term challenge is to facilitate the entry of black South African entrepreneurs into these kinds of niche areas in the national economy. It is an undertaking that requires creative partnerships including inter-agency collaboration by government) and the provision of accessible development funding. What is impressive in a number of these undertakings is not only the engineering innovation displayed, but also the design vision and skills displayed.

The case of the post-apartheid defence industrial sector is also illustrative. With modest research and development (R&D) spending, both private and public enterprises have generated an impressive stockpile of technological expertise and products. The culture of innovation and creativity within this sector, notwithstanding declining investments in recent decades, has a broader significance for the industrial and economic sectors of the economy (Dunne and Haines 2006).

International companies have since the later 1990s recognised the value residing in local defence firms, products and services as is evidenced in the variety of buy-outs and technology transfers to OEMs. Local companies such as Paramount continue to win international contracts; and state-owned Denel's record in a number of niche product areas is a tale of significant achievement. The 2013 Defence Review (DoD 2013) urged the rebuilding of the defence industrial base (DIB). This is not only to match the drive for national sovereign DIBs, but also to help reinforce high-tech capacity within the national industrial economy given the substantial overlap between civilian and defence production in the 21st century. Interestingly there is a significant spill-over effect in regard to the defence-related production and the ICT sector, which has implications in turn for the reinforcement of the CCI and the creative class in South Africa.

Apart from the achievements of Denel, other SOEs (state-owned entities) have played a role in sustaining a culture of innovation within the formal industrial sector. For instance, as Neil Bruton points out, the contribution of Sasol should not be underestimated. Established in the inter-war years as the world's first – and largest – oil-from-coal refinery, the company has continued to develop world-class technology for the conversion of low-grade coal into synthetic fuels and chemicals (Bruton 2013) and is one of the few South African companies with an international presence/ operating as a global conglomeration.

South Africa has an impressive number of world-class innovations and inventions such as the CT scanner, online payment system, the eponymous Kreepy Krauly pool-cleaning device and day-to-day products such as Pratley Putty, the Please Call Me cell phone function (see Bruton 2013). The post-apartheid period has seen an expansion in the ranks of black South African innovators and creative entrepreneurs. The challenge though is to ensure that the nature and scope of this ingenuity and creativity are optimised and better funded in the future.

The proven ability of a range of South African companies such as Specsavers, Nandos, South African Breweries, Naspers and TenCent Holdings, as well as various financial and mining corporates, to carve out positions in overseas markets, is a further indicator of an innovative and entrepreneurial spirit within the country. Whether it makes long-term economic sense to allow the drift of such corporate capital offshore is an issue that should be debated elsewhere. The success of these firms raises the question of how their social capital can be better leveraged and retained within the South African national economy.

The South African social economy is also marked by a relatively high degree of voluntary agencies and activities. These activities and structures are substantively linked with social capital, particularly within regard to the emphasis on reciprocity, mutual co-operation, trust and networks. The dimensions of these activities and accompanying structures have yet to be mapped, but they appear extensive and include work carried out within the ACH sectors.

International research and practices suggest that voluntary work and organisations play a crucial role in building social capital in poorer communities and areas (Sixsmith and Boneham 2003). Voluntary work also has a role in strengthening social cohesion. In addition, volunteerism helps foster social capital. For instance, individual social capital can be gained in volunteer associations as these can attract people from different backgrounds who are then bound by the common purpose of the association. (Lindström 2016:9). Also, volunteer work can provide creativity and add a body of skills and expertise to public work.

What is evident is that there is growing policy interest in leveraging voluntary work and organisations, for economic development – such interventions would, in turn, have implications for the creative economy. In the South African case, there is scope for government to make more optimal use of volunteer activities and resources. This would include assisting in the formation of partnerships and umbrella structures to help strengthen and maintain networks of volunteer capital and associated

structures. Undertaking an audit of volunteer capital stocks would also be a key piece of policy research.

In addition to the improved use of volunteer agencies and actors, which would improve the stocks of resourcefulness and ingenuity within the national economy, there are further options for strengthening the economy of imagination in the country without providing a drain on the fiscus. Particularly promising is the international trend to 'frugal innovation'. Charles Leadbeater (2014) describes 'frugal innovation' as a model for creating solution at a time when there are increasing pressures on environmental and habitat resources, as well as increased demand for goods from consumers with modest income. These forms of innovation and creativity have their origins in developing economies, but have become more global in scope.

In their book, *Jugaad Innovation* (2012), Navi Radjou (a Silicon Valley consultant) and his co-authors, Jaideep Prabhu and Simone Ahuja, highlight the Hindi word for a smart and improvised solution. They argue that Western economies can learn from entrepreneurs in India, and other developing economies, who show an ability to be creative within the context of scarcity. The challenge in South Africa is to identify the products and potential consumers given a smaller domestic market than in countries such as India and Brazil. It would also involve assisting in the registration of patents and other Intellectual Property (IP) requirements. While measures have been put in place there would seem to be scope for a more extensive and supported drive to look to benefit products stemming from locally-based processes and production stemming from frugal innovation. South Africa has generated a number of products such as self-power portable radio and mobile stove technology, but inventors have found large non-South African companies as the major beneficiaries of the IP.

Summary :

- South Africa has a distinct scope for leveraging assets and resources within this broad space to promote creative economy and national economy more generally.
- The 'economy of the imagination' is a shorthand notion to describe forms, experiences and institutions and networks of creative and innovative work and economic activity which take place within and across national boundaries.
- The central touchstones of the economy of imagination is the importance of locale and place in shaping processes of creativity and innovation, and subsequent or accompanying production and consumption activities.
- Also of relevance is the role of social capital because it has a range of interconnected aspects.
- It encourages networks of solidarity, raised levels of trust and tolerance, as well as self-conscious and altruistic participation in various kinds of voluntary associations.
- In the process of constructing new creative economies, there is, ironically perhaps, distinct value in re-visiting the past.

6. Policy Implications

There are a series of critical policy considerations and implications that emerge from the argument for the development and support of creative clusters, explored above. At a high level, the South African context is ripe for creative clustering. To some extent it is already happening organically – both in urban nodes and in smaller creative towns. However, the policy environment has not given adequate consideration to creative clustering, focusing rather on industrial, manufacturing and to some extent innovation clusters.

There is significant scope to create jobs and economic growth leveraging off the formation of creative clusters and it is highly recommended that an inter-ministerial task team is established to investigate how these clusters could work. The recommended participants include the following departments of: Arts & Culture; Trade & Industry; Tourism; Small Business Development; Economic Development; Higher Education and Training; and Science & Technology. The following six key policy implications are worth considering and are expanded on below.

ESTABLISHING CREATIVE CLUSTERS IN SOUTH AFRICA: POLICY CONSIDERATIONS

1. South Africa has immense creative and cultural wealth and industries, but to boost these outputs, requires a combination of sound technical policy, such as a cluster strategy, and due consideration of the particularities of the South African experience.
2. South Africa's history of ingenuity is acknowledged but there is insufficient understanding of its depth and intersections. It is critical to both chart and map this to understand its particularities and nuances to develop adequate policy frameworks.
3. South Africa needs to consider the benchmarks in best practice for creative clustering. Mainly these emanate from the European Union, which has set national and regional benchmarks that are valuable as guiding frameworks for the establishment of South African creative clusters.
4. Place and institution matter – South Africa needs to understand what drives organic creative clustering; what institutional support mechanisms are needed; and how the creative network and social capital operates to amplify it. South Africa also needs to move to have a better understanding of the creative milieu and how it generates social capital and the social glue needed for enhanced social cohesion.
5. There is scope to link what is happening in creative clusters with the broader knowledge pool and establish linkages and networks with innovation centres, other clusters and higher education institutions.
6. Creative clusters make sense for South Africa – in a time of fiscal famine – as funding can be allocated specifically to clusters rather than broader industries and outcomes monitored and evaluated more easily.

6.1. Summation and Policy Considerations

The South African economy in recent years has experienced uneven and volatile growth. Although there are some successes in certain sectors and sub-sectors, overall there is a situation of jobless growth. Globally, there has been a shift to a cultural and post-knowledge economy with the CCIs contribution to GDP increasing in most developed, as well as a range of developing economies. In South Africa too, the cultural and creative economy has expanded in recent years with its GDP contribution at 2.9% constituting an important part of the overall performance of the national economy. The fact that the cultural and creative economy now employs more people than the mining industry is worth reflection. Nevertheless, if one considers the significantly higher contribution of the CCI sector to GDP in developed economies such as the US and UK, and new advanced economies such as South Korea, there is a wide gap between such countries and South Africa which could and should be narrowed. Overall, within the BRICS grouping there has been some progress in this regard, most notably by China.

South Africa has made some strides in recent decades in providing a more stable policy environment and some measure of funding support for the CCI sector. The recent establishment of a ministerial inter-departmental and inter-disciplinary task team to consider job creation within the sector is a further confirmation of government commitment in this regard. However, there are a series of

challenges facing both government and private and third sector partners in securing the future and providing the structural underpinnings for substantive and sustainable expansion, as well as diversification with the CCI sector. This paper has explored certain key themes with regard to the realisation of the underutilized potential of the CCIs in South Africa.

It has been argued that future policy and practice with regard to the CCI must take full cognizance of the social, economic and cultural milieu in which it is embedded. Central to this exercise must be a more informed understanding of the workings and nature of the 'economy of imagination' in South Africa. Current policy on the CCIs in South Africa still lacks integration and is too technical and top-down in its application. Due consideration should be taken of the significant rethinking in recent years of approaches to economic analysis and economic development advocacy. Furthermore, there is a range of best practice with regard to national and regional industrial and economic development that should inform more directly industrial and economic policy in South Africa, specifically with regard to the development of the CCIs. The OECD and EU experience, in this instance, can be applied meaningfully to the South African experience. This includes the shift in new development policy ventures to 'place-based approaches' and the deployment of 'smart specialization' strategies in regard to industrial modernisation and sub-national and regional economic development. A vital aspect of these perspectives and programmes is the enhancement of forms and practices of innovation. Importantly too, such approaches stress the importance of institutions and networks; the building of social and cultural capital; the economic significance of place and space; the need to grasp the development history of a country or region; and the centrality of partnerships and multi-agency and multi-stakeholder governance.

The partial re-discovery of industrial cluster approaches in the post-2008 era, and their increased and expanded invocation within policy discourses and practices is synchronous with the above developments. Strong clusters generate higher economic development and employment, enhance entrepreneurial activity, promote innovation, and enable more focussed and cost-effective forms of investment. Not only are they effective means of fostering regional and/or sub-national economic development, they appear to interact well with global value chains.

Despite certain differences between the CCI and traditional industries, CCI clusters generally demonstrate similar kinds of advantages. Further research on the employment aspects is required, but given their greater use of human capital and in a number of cases being more labour intensive because of the nature of creative work, they may with due support have a sustainable employment-creating function.

There is substantive international evidence from scholarly to policy writing which suggest South Africa should look to a more thoroughgoing industrial cluster policy with regard to industrial development. This process should not be viewed as merely complementary to industrial policy but, rather, as integral to a reworked national industrial policy and to related regional economic development. As part of this process a specific CCI cluster initiative spanning national and sub-national levels and applications should be established.

With regard to industrial clustering, but especially CCI clusters, there would seem to require formally instituted intergovernmental collaboration as well as significant partnering with the private sector, as well as with the third sector. As suggested by the OECD and EU regional development strategies and programmes, there is a likelihood that support for industrial clustering and smart specialization policies and their implementation would be forthcoming. Of relevance for the fostering of a CCI cluster

programme is the recommendation of a 13 EU-funded report that argued for a dti, DAC, EU and private sector partnership to facilitate export promotion by the CCI.

A specialised CCI cluster programme also works well with the long-standing PPP's (public-private partnership) conceptualisation by Treasury, and thus is in line with an emerging emphasis on frugality and fiscal responsibility by certain sections of government. Industrial cluster initiatives, including CCI clusters, are more generally effective than selected top-down targeting, as they allow a more effective spread of funding and support. In addition, industrial and CCI clusters help facilitate entry into global value chains.

The construction of a thoroughgoing CCI cluster strategy will assist in addressing a range of meso- and micro-level requirements and concerns of the CCIs in South Africa. What has emerged from certain of the SACO studies and the SACO domain workshops is the relative diversity of CCIs in South Africa. This needs to be appreciated and targeted with due specificity in terms of supportive interventions. Bespoke rather than uniform and largely undifferentiated interventions would seem to be the more efficacious set of policy options here (Snowball, Collins and Tarentaal 2016). At the same time some caution needs to be exercised in seeing the creation and stimulation of CCIs as the main thrust for development policy in urban and/or certain rural areas. Rather the development of CCIs should be part of a broader reflexive approach to economic and industrial development. This ties in well with the macro policy recommendations made above.

Among the points emphasized in the domain workshops was the need for CCIs and practitioners to have more networking and contact with each other. Facilitating the provision and/or functioning of networks provides state agencies such as the DAC with a cost-effective means of better identifying differing kinds of CCIs thereby assisting in building social capital. Establishing networks in the rural areas would be a particular boost to the smaller and more informal cultural institutions. In addition, improved CCI business intelligence provides for more informed and targeted support interventions. Such networks might also help improve information dissemination regarding available funding for the arts, culture and heritage sectors. An important consideration in this exercise would be the establishment of a substantive electronic platform. Another explicitly expressed need by officials and practitioners at the majority of the workshops was for improved interaction with state agencies at the local, provincial and national levels, and between such state agencies. Creating and/or strengthening linkages within and between interested ministries at national and sub-national levels would appear to be a central cornerstone in future strategies and policies with regard to CCI promotion and the expansion of the creative and innovative economy more generally. A recurrent theme at the workshops was the need for more information on CCIs and an accompanying access to such data. While this demand is a call for agencies such as SACO to continue with their expansion of research activities in this regard, there remains real scope for collaboration between interested state departments in data sharing and in undertaking new collaborative ventures.

At a macro level, this report has also highlighted the importance of a cluster's embeddedness within a particular locale and 'pool of knowledge'. Clusters can also enhance their situational aspects through developing and strengthening networks and social capital. The promotion of industrial and CCI clusters benefits from supportive networks and rich institutions. Space and place are important, as is demonstrated by Richard Florida's focus on TTT (Florida 2006, 2010).

The full-scale institutionalisation of cluster approach at national and especially sub-national levels, including a specialised CCI cluster programme, should be linked with smart specialization and place-based approaches. In turn, it is important to develop economic intelligence about the social, economic

and cultural milieu and associated sets of networks, social capital, and historic as well as present capabilities. The nature and aspects of the 'economy of the imagination' is an area requiring a substantive research programme. This report highlights certain key dynamics, and the importance of exploiting them more consciously for innovative economic and industrial development strategies, approaches and applications. This would include specialised CCI programme development.

What the earlier discussion (Section 5) on the 'economy of the imagination' has shown is the importance of looking to locate, inculcate and sustain the economy of the imagination within South Africa. This is a multi-institutional endeavour involving the state, private and third-sectors. While the creative economy and the arts, culture and heritage sectors contain many of the central agencies and actors, the play of creativity and ingenuity is more encompassing in its manifestations and functioning. There is a strong relationship between creativity and innovation. In addition, policy makers must grasp the social embeddedness (Granovetter 1986) of creative economic activity.

The Global Innovation Index suggests that South Africa has quite significant capacity for innovation and creatively-oriented economic and socio-economic activity. However, the 2014 report on the BRICS grouping's promotion of CCIs indicates that there is a good deal of unrealized potential. China appears of late to have made the most strides since 2014, but South Africa less so.

However, the capacity of South Africa to restructure its economy and to leverage off its 'economy of the imagination' is, in a number of respects, well beyond other comparable economies. We have argued that the country possesses a set of historically-layered terrains of creativity and ingenuity and a bedrock of creative talent – past, present and future. The expertise ranges from being able to retrofit old planes through to creating competitive companies; and significant technological innovation. At a number of levels in post-apartheid society these traditions are widening and becoming more incorporative. It is a real challenge to retain and sustain relevant achievements and long-term social and cultural capital while enhancing new aspects of the economy of imagination. The 'self-discovery' of relevant processes, practices and productions, both past and present, potential future trends, options and outcomes need careful consideration as well. Currently we do not understand the EOI sufficiently and so it needs to be mapped out as part of a substantive and long-term research endeavour. Such an exercise is a complex one given soft boundaries, hidden depths, and intersection networks. There is an historical dimension too, with social and cultural capital and capabilities to be discovered and/or re-deployed.

7. Conclusion

This report has considered select issues regarding the development and support of the CCI sector in South Africa. It has argued that South Africa has a quite significant creative economy that reflects in part international trends. However, like the BRICs economies, there is considerable unrealized potential. Indeed, in South Africa's case there are substantive fields and traditions of ingenuity, innovation and creativity, past and present, which need to be more formally conceptualized and scrutinized for future policy. This 'economy of the imagination' identifies a variety of social and cultural forms of capital, which should inform the rethinking and restructuring of the industrial economy in South Africa. In such an endeavour the CCI sector should be prominent given the centrality on the play of ideas globally in the expansion of the creative economy.

It is important therefore to develop more coordinated and integrated approach to the promotion of CCIs. There are a number of synergistic best practice approaches with regard to industrial modernisation, and national and regional economic development that should be taken into

consideration. These include smart specialisation strategies and place-based approaches. In both instances, the use of industrial cluster approaches comprises is central. This reflects in turn the renewed interest in the post-2008 industrial clusters and cluster approaches more generally. More specifically international best practice suggests that a formalized and thoroughgoing industrial cluster approach would work well with the CCI sector. This is borne out by the emergence in recent years of strategies and policies with regard to CCI clusters. From an international perspective, the EU and USA are already leveraging off strong industrial cluster models, strategies and applications to expand and develop their CCIs. This report recommends that South Africa should follow suit at a national and sub-national level. In addition, it would make sense to develop a specialized CCI cluster programme within a broader revised industrial cluster strategy. A CCI cluster programme should be multi-departmental in terms of state involvement with the DTI, DAC and the Department of Economic Development collaborating. In addition, international practice suggests that relevant private and third sector agencies should both be involved.

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APPROVALS FOR THE SOUTH AFRICAN CULTURAL OBSERVATORY RESEARCH REPORT – The Economy of Imagination

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