



Clusters and Business Linkages Programme



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Rationale of a Cluster Development Programme

- Clusters can be vehicles for economic growth and poverty reduction
 - Clusters exist aplenty in the world, some doing very well, most not competitive enough
 - Public policy can help under performing cluster improve their outcomes and dynamics
- UNIDO has developed a portfolio of services addressing major bottlenecks to cluster development



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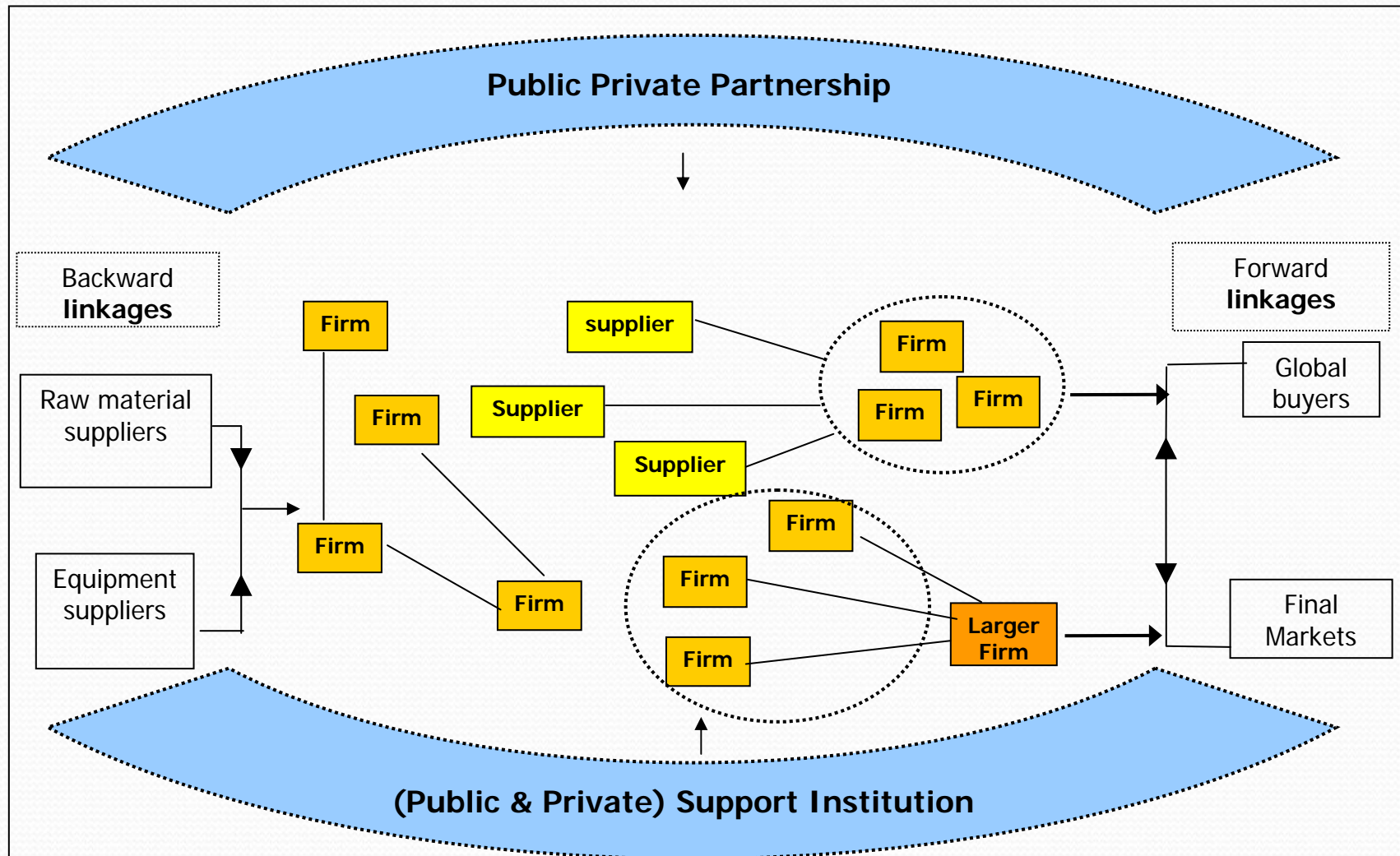
What makes a cluster successful?

- Geographic proximity and sectoral specialization account for external economies
- Enhanced impact of external economies through joint action, for instance:
 1. collaboration between firms and training system for the creation of a pool of specialized workers;
 2. collaboration firms – buyers for compliance with market standards;
 3. collaboration producers – suppliers for timely delivery of inputs etc.
- Benefits of joint action e.g.
 1. Lower costs by joint purchase and shared use of inputs/equipment;
 2. Increased productivity by vertical specialization;
 3. Greater market access by joint marketing
 4. Product and process innovation;
 5. Improved business environment etc.



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Cluster collective efficiency





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Why support is needed

- Joint actions are a prerequisite for collective efficiency

BUT

- Joint actions (strategic and systematic) do not emerge spontaneously
- They imply transaction costs and purposeful efforts
- Brokering function is needed but underprovided by the private sector (public good content)
 - Need addressed by UNIDO cluster development approach



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The UNIDO approach

UNIDO trains and coaches brokers or Cluster Development Agents (CDAs) who operate as the catalyzing spark of collective efficiency

The CDA is a neutral and external agent in charge of:

1. enhancing collaboration between cluster actors:
 - Inter-firm collaboration
 - Collaboration between firms and support institutions
 - Public-private collaboration
2. strengthening cluster governance



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Participating countries



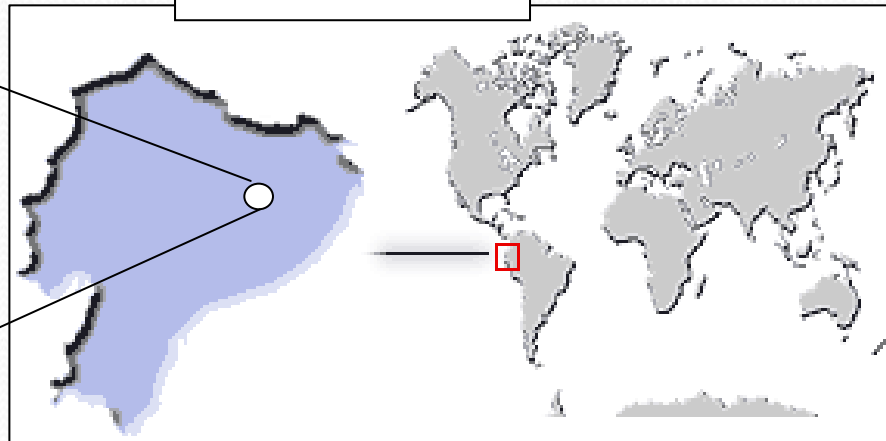


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The Atuntaqui garment cluster

Garment
sector

Atuntaqui
Ecuador



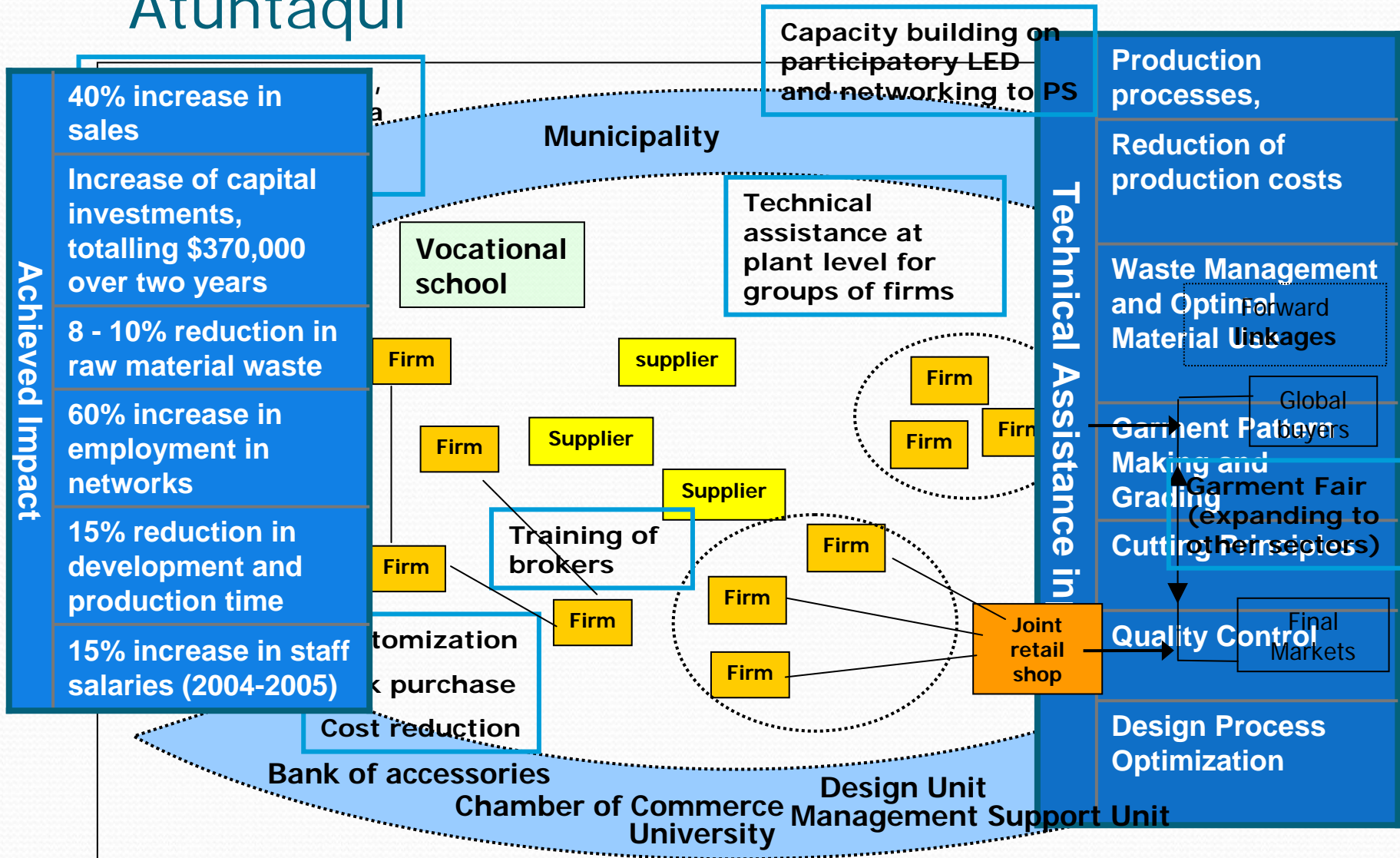
Cluster profile

- ⑩ 500 large scale companies
- ⑩ 2500 SMEs
- ⑩ 200 retail points
- ⑩ 25.000 jobs – 80% of population of the entire region earns a living in activities related to cluster production



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Atuntaqui





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Lessons learned:

- 1) The importance of brokers / cluster development agents / cluster managers / cluster governance
- 2) Upscaling: from pilot cases to policy level



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From pilot to policy

Objective: encourage replication and ensure the sustainability of the approach as part of a country industrial development strategy

Why is an explicit focus needed?

- Automatic dissemination or trickle down of pilot activities does not happen automatically
- Lack of skills: cluster brokers, policy makers, private sector leaders
- Needs new institutional structures (coordinating/integrating functions)



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The UNIDO approach to upscaling

1. Run **pilot projects** – to show viability and benefits
2. Assist **national institutions** to develop ownership of the approach
3. Create **skills and capacities** within local and national institutions

Pillars that go hand-in-hand



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The UNIDO approach to upscaling

Assistance to national institutions :

- Generate awareness and disseminate experiences from pilots
- Provide advice for policy formulation and harmonization (with investment policies, innovation and education ones, etc.)
- Strengthen institutional capacities and facilitate coordination / integration of functions
- Establish M&E mechanism – lessons learned in the field feed back into policy to make sure policy responds to objectives



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The UNIDO approach to upscaling

Development of skills and capacities

- **Training system**: transfer tools and methodologies via ToT, assist creation of curricula on cluster/LED, introduce mechanisms of collaboration within clusters (e.g. internships into factories or applied research...)
- **Implementing agencies** (NGOs, BMOs, LED agencies...): training of brokers, facilitating governance framework
- Assist the establishment of **Centres of Excellence** that provide expertise and train professionals for the replication of cluster initiatives



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**Integrating
the local system**

Policy and Diffusion

- Country wide coverage
- Policy makers and private sector leaders
- Broader skill development (universities)

Clusters

- Integrated Networks
- BDS and brokers
- Large/medium/small enterprise integration
- Technical skills
- Local government
- Governance systems and joint development vision

Increasing impact

- Horizontal networks (HN)
Institutions and brokers
- Vertical networks (VN)
- Local coordination

Start up phase

Horizontal networks

**20 HN
(150 SMEs approx.)**

**HN: 44 (480 SMEs approx.) / HN brokers trained: 32
VN: 13 SMEs & 4 LE
Clusters: 5**

**•Diffusion: 250 policy makers and private sector leaders
•Building capacity: 11 clusters, 22 cluster brokers & 7 universities**



PSD



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India

India – project beginning

- Cluster mapping and pilot interventions (3 cluster)
- Budget of approx. 2M USD
- Team of 4 brokers



India – now

- 1,000 Indian clusters
- Budget of approx. 120 m. USD
- 18 Indian public institutions actively engaged in cluster development
- “Empowered Group of Ministers” to lay down an all-India policy on cluster development
- Hundred of brokers trained on UNIDO methodology (not all directly by UNIDO)



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UNIDO Service portfolio

- Technical assistance projects

1. Technical guidance and advice on project formulation, management, evaluation

2. Capacity building and training activities (training of trainers and training of final beneficiaries: entrepreneurs, BDS, policy makers, academia)

3. Policy advice and institutional capacity building for dissemination of the approach

- Methodologies, Manuals, Training Kits

- Global training courses (with ILO Turin) and regional ones

- Action-oriented research

- On-line resources

- Competitiveness and Trade
- Private Sector Development
 - Private Sector Development Branch Overview
 - Business Environment & Policy Support Unit
- Clusters & Business Linkages Unit
 - Clusters and Networks Development Programme** »
 - Strategy and Services
 - Contacts
- ICT Programme
- CSR
- Business Partnerships
- Export Consortia
- Rural and Women Entrepreneurship Unit
- Events Calendar
- Newsletter
- Agro-Industries
- Environmental Management
- Montreal Protocol
- Energy and Climate Change
- Research and Statistics
- Integrated Programmes

Welcome to the Clusters & Networks Development Programme

Clusters and networks are different yet linked phenomena. **Clusters** are agglomerations of interconnected companies and associated institutions. Firms in a cluster produce similar or related goods or services and are supported by a range of dedicated institutions located in spatial proximity, such as business associations or training and technical assistance providers. Vibrant clusters are home of innovation oriented firms that reap the benefits of an integrated support system and dynamic business networks.

Networks are alliances of firms that work together towards an economic goal. They can be established between firms within clusters but also exist outside clusters. Networks can be horizontal and vertical.

- Horizontal networks are built between firms that compete for the same market, such as a group of producers establishing a joint retail shop
- Vertical networks, particularly supplier development schemes, are alliances between firms belonging to different levels of the same value chain, such as a buyer assisting its suppliers for upgrading.

Clusters and business networks have become keywords in the policy debate in industrialized and developing countries. They are regarded as tools to promote poverty reduction and the development of competitive industries. However, several bottlenecks may hamper their performance.

Focusing on the specific challenges faced by developing countries, UNIDO has formulated a six-step **»approach** for the promotion of clusters and business networks.

For more information on our strategy and services, **»click here.**

To return to the Clusters & Business Linkages Unit menu, **»click here.**



Related Documents

 **Brochure**
Development of Clusters and Networks of SMEs (PDF, 2.3 MB)

[»more](#)

 **Read more**
Industrial clusters and poverty reduction (PDF, 660KB) [»more](#)



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www.unido.org/clusters

www.unido.org/psd-toolbox

thank you!