



RGD – Making a Difference

Production Clusters: Exploring New Opportunities for Regional Economic Development

It's over a year now since the Zaporizhzhia Oblast Regional Development Strategy to 2015 was approved by the Regional Council. The Canada-Ukraine Regional Governance and Development Project supported the development of this Strategic Plan from the design stage right through to implementation. Almost immediately after official approval of the Strategy, the Zaporizhzhia region took a severe blow from the world financial crisis and the economic recession which followed quickly afterwards. The speed with which the crisis hit the region could well have compromised some of our strategic development objectives, or even threatened further implementation of the Strategy as a whole. However, the RGD project team and partners managed to come up with some practical and innovative solutions that allowed us to make progress.

Three Clusters Already Up and Running

With advice and support from the RGD Project, three production clusters have already been established. Two are in the city of Melitopol: the Agricultural Machine Tool Cluster *AgroBOOM* and the Beekeeping Enterprise Cluster *Bees Without Borders*. The third is based in Zaporizhzhia city itself but aims to cover the whole region: *Buy Zaporizhzhia! Choose Local Products!* is a cluster formed by regional enterprises working in various spheres and its goal is to support local producers by encouraging consumers to favour products made in their own region.

Assistance from the RGD Project

Members of each production cluster participated in the 9-month project management training program organized by the RGD project. It was during these training sessions that they first developed the overall concept for their clusters through discussion and debate between themselves and with RGD experts. It was here that they were able to identify clearly the objectives of each cluster and to test the feasibility of their ideas by preparing outline business plans.

Managers of cluster projects developed during these

training sessions were also able to use the resources of the RGD project to research and learn from the experience of production clusters in other parts of Ukraine. A visit took place to a number of successful business and production clusters in the Crimea region for example, and all three projects were able to attend a conference entitled *Cluster-based Local Economic Development* hosted by the Tavria State Agro-Technological University in July 2009.

The conference's main themes were the value of the cluster approach to economic development of Ukraine in general, and the role of local and regional government in creating a favourable environment for their development. Representatives of regional and local government, business, local and national NGOs, academia, state innovation authorities, managers of cluster projects, international experts and foreign investors were among the participants, and so it was also a good opportunity to make contacts and exchange ideas. All three Zaporizhzhia production clusters made successful presentations to an interested audience during round-table discussions at the conference.

The Production Clusters Model

Clusters are known internationally as instruments for regional development. There are several possible definitions of a cluster, but in the context of our region's Development Strategy a cluster can be defined as an association of enterprises and other economic entities located in the same region, technologically related or interdependent in a given market, whose goal is to collaborate in the production and marketing of innovative products. We have chosen production clusters as a major focus for the Strategy's priority directions and operational goals and as an example of what can be achieved by co-operation between business, scientific institutions, local authorities and the wider community. We believe that clusters offer a good model for providing new and innovative economic development opportunities for the Zaporizhzhia region.

About the Clusters

The aim of the **AgroBOOM** production cluster is to bring together innovation-oriented SMEs in the area of agricultural machine tool building, to help identify potential investors and to explore other business opportunities for cluster members. Importantly, membership of the cluster also includes the Melitopol City's Agricultural University, which has pioneered a number of innovative and successful agricultural products. A cluster association with NGO status has already been set up to progress these purposes actively. Individually, these machine-tool SMEs have problems competing with larger, international companies with aggressive marketing techniques in the region. The cluster brings them the advantages of scale and specialization and the strong connection with the university gives them the possibility to win contracts through innovation and superior product quality.

Bees Without Borders is a cluster which aims to create new partnerships not only with honey producers and other primary beekeeping product manufacturers (there are 500 beekeepers in Melitopol alone), but also scientific and research institutions, trading companies, cosmetics producers, Apiculture therapeutics Specialists, pharmaceutical companies and other business entities which use the



Bees Without Borders (left); Andrew Farncombe, VP International Partnerships with cluster representatives (right)



raw materials of honey production. The development program for this cluster includes joint venture initiatives with Ukrainian and foreign companies, and developing a framework for financial and credit facilities for beekeepers. Deputy Governor of Zaporizhzhia region Mr. Alexander Sin noted at the July conference that *Bees Without Borders* had the potential to promote honey as one of the region's new branded products on a national scale. He also reminded conference participants that *Melitopolis* in Greek means the City of Honey!

The goals of the cluster **Buy Zaporizhzhia! Choose Local Products!** complement the aims of the two clusters just described. All three clusters aim to promote the Zaporizhzhia brand and through this the development of local production. *Buy Zaporizhzhia! Choose Local Products! Brand* hopes eventually to attract every local producer or service provider that feels proud to work for the people of their region, city or village. The idea has already received a lot of coverage in the regional press and on local television, and also the formal endorsement of the Oblast Administration. Its attractive logo is displayed in many of Zaporizhzhia city's main streets shops, with shop owners seeing it as an opportunity for a new marketing idea at a time of economic belt-tightening.

Key Impacts

As we have seen, economic recession need not be an insurmountable obstacle to new economic initiatives and up-to-date cooperative partnerships that boost entrepreneurship and encourage interaction between business, regional authorities, scientific institutions and the local community. Although the Project Management Training program concluded in June this year, RGD project experts will continue to provide advice and support to the development of these clusters and to encourage the dissemination of their experience to others in the Zaporizhzhia region and beyond.

Project Information

The Regional Governance and Development (RGD) Project is a five-year (2005-2010) cooperation project of the Canadian Urban Institute, supported by the Canadian International Development Agency. The Project promotes civic engagement in regional governance, providing opportunities for Ukrainian citizens and communities to shape their common future and to put their region on the path towards sustainable development.

CANADA

555 Richmond Street West, Suite 402
P.O. Box 612, Toronto, Ontario, M4V 3B1
email: cui@canurb.com
phone: 416.365.0817
fax : 416.365.0650
www.canurb.org

UKRAINE

Triohsvyatyetska 3, office 60, 01001 Kyiv
email: info@rdg.org.ua
phone: + 38 044 390 70 87
fax: +38 044 278 07 14
www.rgd.org.ua



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