



# **BUSINESS CLUSTERS**

Key principles of the cluster development

Identified emerging and potential manufacturing  
and agribusiness clusters in Georgia

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# WHAT ARE CLUSTERS?

Cluster is defined as a sectoral and geographical concentration of enterprises and/or individual producers that produce a similar range of goods or services and face similar threats and opportunities. A cluster encompasses enterprises (MSMEs, but also larger firms) as well as their supporting institutions from the public and private sectors as well as civil society.

***CLUSTER = FIRMS (PRODUCT + PLACE) + SUPPORT INSTITUTIONS***



# WHY CLUSTERS?

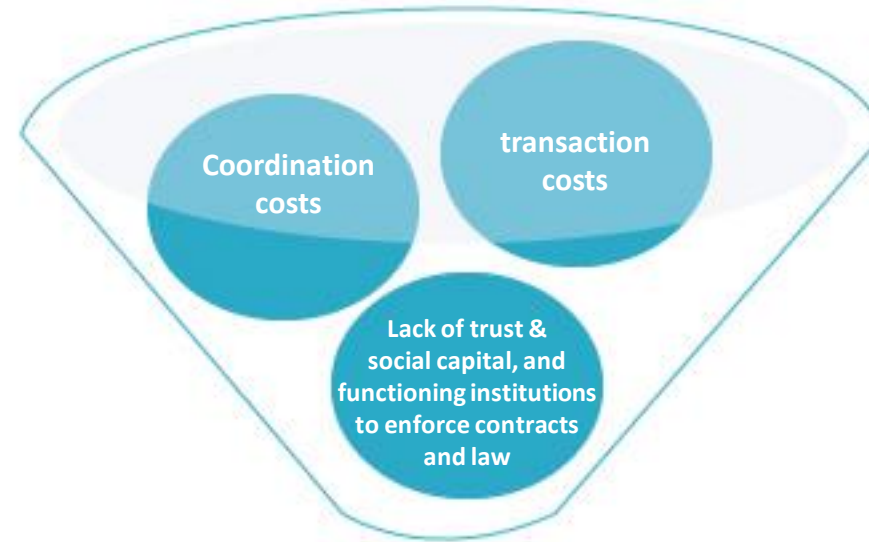
Clusters have gained increasing prominence in debates on economic development in recent years. Governments worldwide regard clusters as potential drivers of enterprise development and innovation.





# WHY

# CLUSTERS?



ISOLATION OF SMES AS MAIN BARRIER FOR GROWTH

Foster linkages



CLUSTER INITIATIVE



Build trust & social capital

Facilitate consensus building



Strengthen government mechanisms

Joint actions

External Economies

COLLECTIVE EFFICIENCY

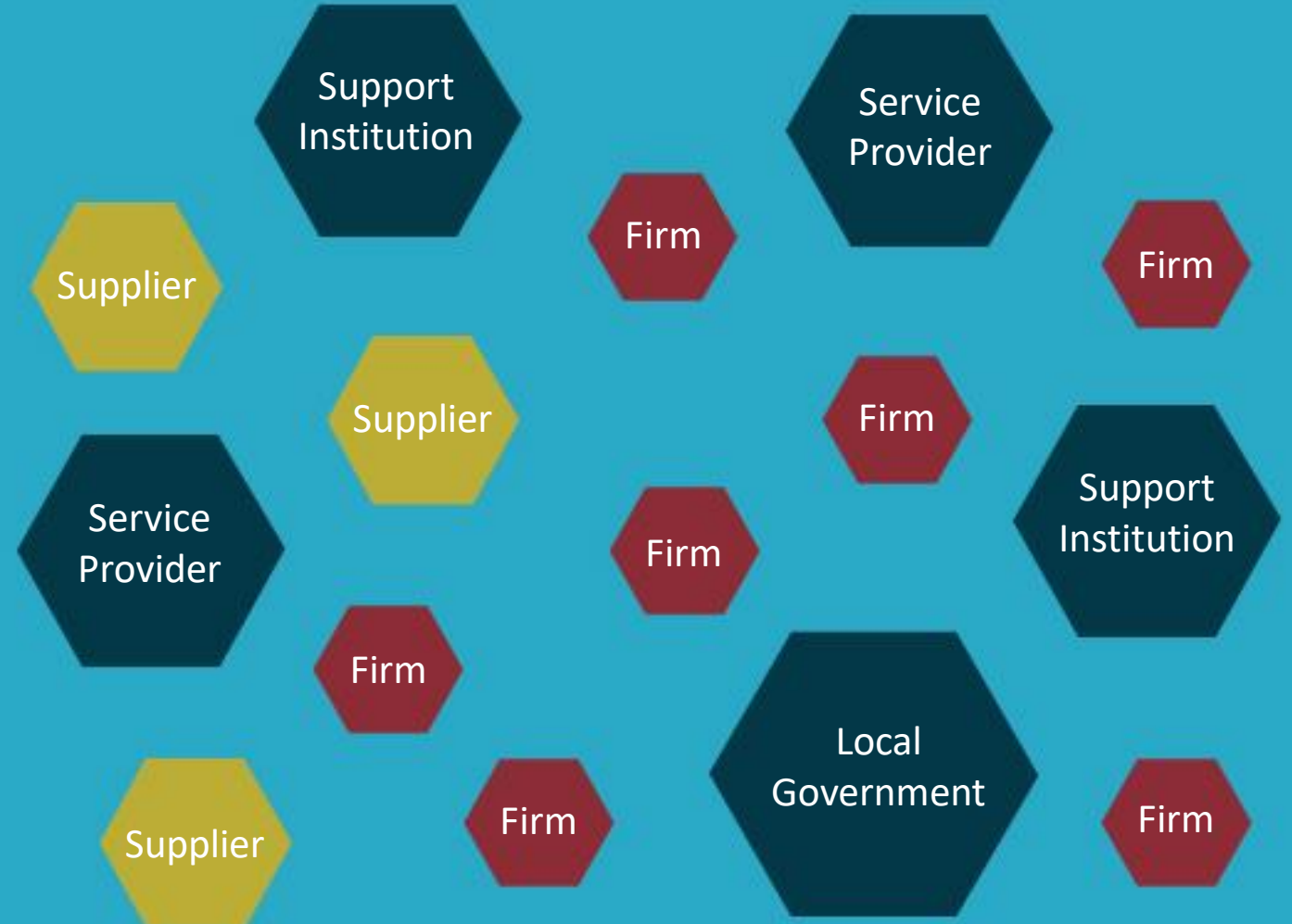
Improved Cluster  
Performance

Pro – Poor  
Growth



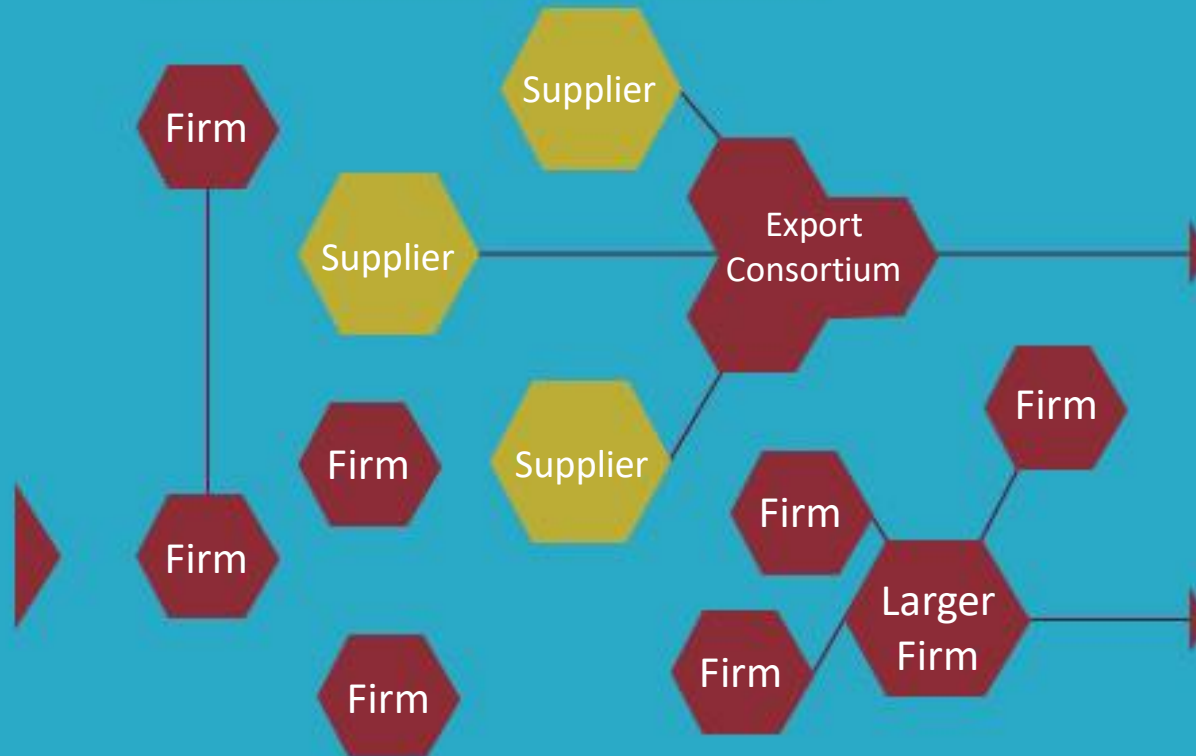
# FROM UNDER-PERFORMING CLUSTERS...

An underperforming cluster consists of many firms and support institutions, but it does not display clear linkages among the different entities. They also tend to have limited bargaining power in inputs purchase, do not command the resources required to buy specialized support services, and have little influence in the definition of support policies and services.



# ...TO PERFORMING CLUSTERS

PUBLIC PRIVATE PARTNERSHIP



PUBLIC & PRIVATE SUPPORT INSTITUTIONS

Performing clusters are the ones with strong linkages, high level of trust and social capital, and strengthened governance mechanism (e.g. establishing a Cluster Management Organization (CMO) and appointing Cluster Manager/Cluster Development Agent), with a clear vision and an action plan, which ultimately helps the cluster to implement and successfully achieve its strategic objectives.

# CLUSTER MANAGEMENT ORGANIZATION

As cluster is the sectoral and geographical concentrations, enterprises and associated institutions are naturally part of the cluster. However, performing clusters usually have a governance structure in the form of Cluster Management Organization (CMO), which establishes specific procedures for joining CMO.

Cluster Management Organization (CMO) defines the obligations and responsibilities for the services it typically provides to their members, including facilitating networking between members, supporting with market access, linking with business development service providers, transferring technology, and many others.







# EMERGING AND POTENTIAL CLUSTERS IN GEORGIA

Under EU Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC), UNIDO mapped 57 emerging and potential clusters with a focus on manufacturing and agribusiness in Georgia.

UNIDO prepared the report according to the UNIDO cluster development approach, which argues that a well-designed and executed cluster selection process is a precondition for a successful initiative. The report uses two layers of analysis with both qualitative and quantitative information that has been investigated and well-elaborated.

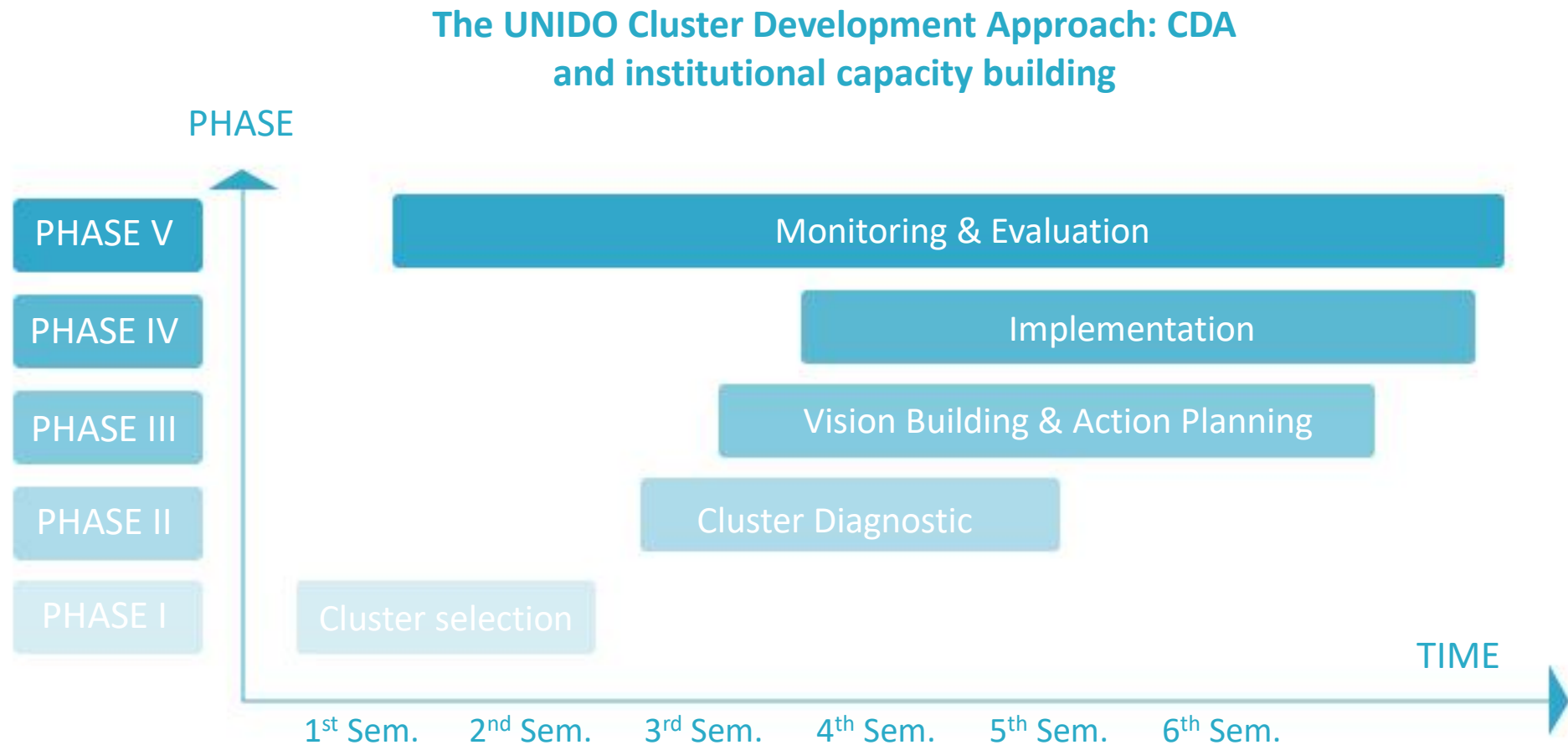
The top 10 clusters:

- |   |   |  |    |   |  |
|---|---|--|----|---|--|
| 1 |    | Wine (Kakheti)                           | 6  |    | Wine (Kvemo Kartli)  |
| 2 |    | Pharmaceutical (Tbilisi)                 | 7  |    | Furniture (Tbilisi)  |
| 3 |  | Poultry (Kvemo Kartli)                   | 8  |  | Jewelry (Tbilisi)  |
| 4 |  | Marine fishing (Samegrelo-Zemo Svaneti)  | 9  |  | Apparel (Tbilisi)  |
| 5 |  | Wine (Racha-Lechkhumi and Kvemo Svaneti) | 10 |  | Processing and preserving of fruit and vegetables (Samegrelo-Zemo Svaneti) |



# UNIDO CLUSTER DEVELOPMENT APPROACH

The UNIDO approach focuses on providing incentives for public and private sector bodies to more effectively promote cluster development and to build their capacity to do so.



# EU INNOVATIVE ACTION FOR PRIVATE SECTOR COMPETITIVENESS IN GEORGIA

EU Innovative Action for Private Sector Competitiveness in Georgia is a joint initiative of the EU and four UN Agencies – UNDP, FAO, UNIDO and IOM.

Under the Joint Programme, technical support to specific clusters, among other issues to be addressed, will be provided, including:

- ➔ UNIDO plans to support 2-3 clusters identified through the diagnostic studies to support with identification of collective activities that clusters can put in place and implement those cluster collective activities with involvement of the existing cluster governance structure.
- ➔ UNDP and FAO plan to support pilot clusters in packaging and seeds/seedlings sectors, respectively, to enhance their value chains through establishment of the Cluster Management Organization (CMO), capacity building, collective activities and/or strategic investment.
- ➔ IOM plans to engage diaspora in the selected clusters.



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# THANK YOU VERY MUCH!

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