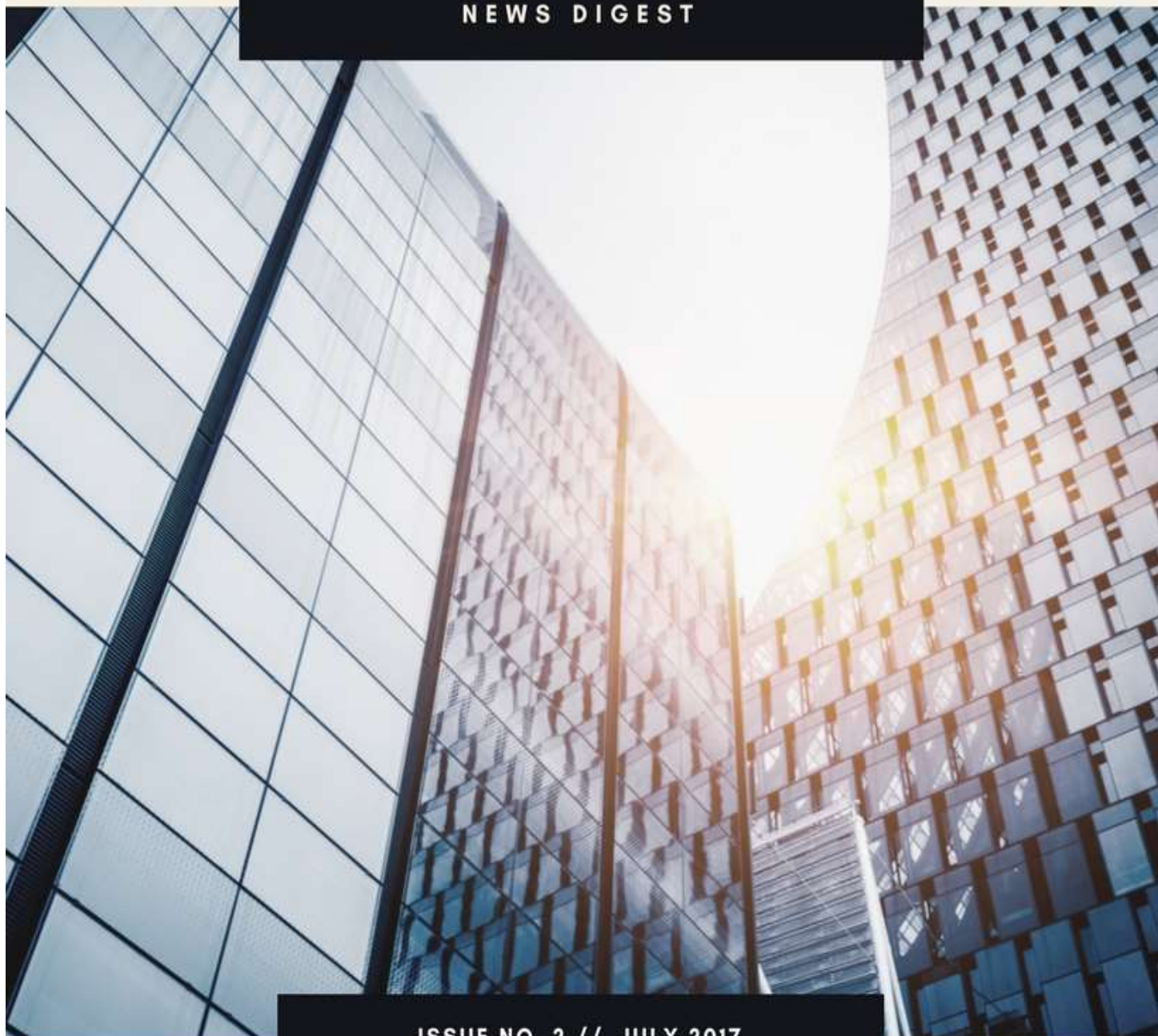


TERRITORIAL CLUSTERS

NEWS DIGEST

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ABOUT THE PROJECT

The “**Territorial Clusters in Kazakhstan**” is a part of the Project “Small and medium enterprises competitiveness in Kazakhstan”, implemented by the **Ministry of National Economy** of the Republic of Kazakhstan in the framework of the 2015 Loan Agreement no. 8477-KZ between the Republic of Kazakhstan and the World Bank.

The objective of the Project is to enhance SME linkages in key sectors of Kazakhstan at territorial level, and more concretely, to **support the collaborative actions within a cluster** structure in order to increase competitiveness levels.

The Project is aimed at achieving the following main results: the **launching and putting in operation of territorial clusters** in the short term; the initiation of a **cluster governance** process in Kazakhstan at a regional level; **improvement of the capacities** of cluster coordinators and cluster policymakers in the Country, the promotion of internationalization of Kazakh territorial clusters; and the **improvement of the state support** framework for cluster initiatives.

During a total period of **30 months**, the Project will begin with a process of **identification** of a number of territorial clusters, a process of identification of **competitive challenges** to be addressed by the new cluster policy, the development of a **Strategic Plan** for each cluster, and, finally, the identification and launching of **collaborative actions** among the stakeholders of the selected clusters.

The territorial clusters will be selected via a **public competition call** operated by the Ministry for Investments and Development of the Republic of Kazakhstan, that has already finished. The number of valid applications presented to the call was 18. According to the approved methodology, selection of territorial clusters is being carried out by group of international experts. Hereinafter the World Bank will give the conclusion on the selection results. Final decision will be made by the **Industrial Development Commission** chaired by the Prime-Minister of the RK.

For the effective implementation of the project, two international consultant teams were contracted by the Ministry of National Economy: **INFYDE S.L.** focused on the technical assistance to KIDI and territorial clusters throughout the whole period, and the **European Foundation for Cluster Excellence**, focused on support, training and capacitation sessions.



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CLUSTER DEVELOPMENT OF KAZAKHSTAN

Improving the competitiveness of business in Kazakhstan through cluster development

On **June 8, 2017 was the deadline** to receive applications from groups of enterprises from the regions of Kazakhstan for competitive selection of territorial clusters to participate in the World Bank project "Improving the competitiveness of SMEs in the Republic of Kazakhstan».

The competition was held from 10 April to June 8, 2017 within the component on cluster development of State Program of Industrial-Innovative Development (SPIID).

The organizer of the competition is the **Ministry of Investment and Development** of the Republic of Kazakhstan, through the Cluster Development Center of JSC "Kazakhstan Industry Development Institute (KIDI).

For the realization of the project of JSC "KIDI" specially brought foreign consulting companies for cluster development: **INFYDE** from Basque Country (Spain), one of the first regions of Europe in which the cluster approach was used, and the European Foundation of Cluster Excellence.

To ensure the involvement of enterprises of Kazakhstan in the contest for territorial clusters, JSC "KIDI" conducted an active information and consulting work with the regions of the Republic of Kazakhstan.

Thus, in the period from June 2016 to June 2017 **more than 300 enterprises were visited**, informed regional Akimats and National Chamber of Entrepreneurs (NCE), Special economic zones, work with business associations of the Republic of Kazakhstan.

In the period from April 10, "KIDI" together with the consultant from INFYDE Mr. Juan Manuel Esteban, repeatedly **visited all regions of Kazakhstan** and met with business representatives at NCE and administrations and associations.

The main purpose of trips was the explanation of the basic provisions of the rules of the contest territorial for clusters, evaluation techniques and advice on how to complete applications.

From the visit the regions of the Republic of Kazakhstan, there were received **21 applications**: Almaty (4), South-Kazakhstan region (1), Akmola region (2), East Kazakhstan region (3), Mangistau region (1), Kostanay region (2), Pavlodar region (3), Karaganda region (2), Almaty region (1), West-Kazakhstan region (1), Zhambyl region (1).

KIDI AND INFYDE JOINT EXPERTISE FOR CLUSTERS SELECTION

Within the competitive selection of the territorial clusters to participate in The World Bank project "Improving the competitiveness of SMEs in the Republic of Kazakhstan", JSC "KIDI" specially brought foreign consulting companies for cluster development. One such company is **INFYDE from the Basque Country (Spain)**, one of the first regions of Europe in which the cluster approach was used.

Currently, the company advises the command INFYDE - JSC "KIDI" on methodology for selection and territorial clustering mechanism of public support territorial clusters based on global experience.

From 19 to 30 June of the current year, the staff of **INFYDE** represented by INFYDE's CEO Ms Belen Barroeta, the Consultant Ms Oxana Soimu, and the Experts Mr Jonatan Paton and Ms Carmen Bedoya, conducted fruitful **work together** with experts of JSC "KIDI". They studied and **analyzed the applications** for participation in the contest for territorial clusters. Besides, it was analyzed the kind of mechanisms of State support that could be carried out for helping the selected Cluster Initiatives.

As a result of joint work, **they were collected the necessary data to evaluate the applications**, discussed basic approaches and principles for mechanisms of State support of cluster initiatives and discussed the work plan in the near future. The project is implemented within the component on the cluster development of State Program of industrial-innovative development (SPIID). The organizer of the competition is Ministry of Investment and Development of the Republic of Kazakhstan, and the responsible operator is KIDI.

After carrying out the selection procedure, the **Industrial Development Commission of the Republic of Kazakhstan with the Prime Minister of the Republic of Kazakhstan** will determine 6 pilot territorial clusters. Then the team of JSC "KIDI" together with INFYDE in 2017-2019 will proceed with the implementation of the activities planned for the project.



Meeting of JSC "KIDI" with INFYDE on territorial clusters selection methodology.

KIDI AND ATAMAKEN SIGN A MEMORANDUM ON COOPERATION



Memorandum of Understanding and Cooperation

On 26th June in NCE of Kazakhstan "Atameken" was signed a **Memorandum of Understanding and Cooperation** between **JSC "Kazakhstan Industry Development Institute" (KIDI) and National Chamber of Entrepreneurs "Atameken"**.

The signing of the memorandum was held to enhance **joint cooperation in the framework of improving cluster policy** of Kazakhstan. It is worth noting that the SPIID approved by presidential decree in 2014 for 2015-2019, provides the challenge of implementing the year 2017 at least 6 pilot clusters which will be selected on a competitive basis. Also, given the need for technical support for spatial development, on July 20th, 2015 a loan agreement for the project of improving the competitiveness of small and medium-sized enterprises was signed between the Republic of Kazakhstan and the International Bank for Reconstruction and Development.

One of the components of the agreement is the development of increased production of products with high value added and improving the competitiveness of SMEs in the non-oil sectors and around the priority geographical areas. JSC "Kazakhstan Industry Development Institute" KIDI is the body that will implement the cluster policy of the Republic of Kazakhstan with the institutional support of the World Bank.

The **main directions of cooperation** in the framework of signed memorandum include:

- discussion **material on the cluster development**, for consideration by the consultative-advisory bodies of the Government of the Republic of Kazakhstan;
- **cooperation within the filing by the business community** to participate in the contest territorial clusters;
- **discussion of the selection** of the territorial clusters;
- discussion of the **diagnosis of the current status** of selected territorial clusters;
- interaction in the **development of action plans** for the development of territorial clusters;
- interaction in the development of **Government support measures** aimed at the implementation of development plans of territorial clusters and cluster initiatives, including joint interaction with public authorities;
- cooperation in the **implementation of development plans** of territorial clusters;
- participation in the **training modules** planned within the project.

The signing ceremony was also attended by international consultants of INFYDE with experience providing consulting support for spatial development in the countries of the European Union and Latin America.



The document was signed by Deputy Chairman of the Board of NCE Ms Dana Zhunusova and by Deputy Chairman of the Board of KIDI Mr Marat Idrissov.

THE FIRST TRAINING MODULE HAS COMPLETED

From 5 to 9 June 2017 in Astana, Nazarbayev University, was held the first Training Module on cluster economy and selection initiatives within the framework of the project of the World Bank. Over the course of five days training module was held with the participation of well-known world experts on cluster development:

- **Dr. Jaime del Castillo**, President of INFYDE, Professor of Applied Economics, University of the Basque Country,
- **Dr. José Luis Curbelo**, senior researcher at the Institute of Public Policies (Spain), former President of the Institute for Competitiveness of the Basque Country ORKESTRA,
- **Juan Manuel Esteban**, Coordinator of the cluster policy in the Basque Government (1990-2000), former President of the TCI network,



Module Training on cluster economy and selection initiatives

- **Reza Zadeh**, President of the European Foundation for Cluster Excellence,
- **Dr. Christian Ketels**, Harvard University Professor, President of the TCI network, head of the research group of Professor Porter,



Representatives of KIDI, NFYDE, EFCE and COMPETITIVENESS

During the first Module were given lectures and further discussions on **Cluster Economics and Cluster Initiative Screenings**, on the basis of case studies. During the afternoon sessions, the lessons learned during the morning were concreted according the Kazakhstan specificities, needs and concerns. All the training was made combining the theoretical aspects with a very interactive approach to make the training experience as lively and fruitful as possible.



To participate in the Training Module learning module were invited the experts of the **Cluster Development Center of KIDI** "Kazakhstan Industry Development Institute", as well as **representatives of ministries, administrations, NCE Atameken**, Regional Chambers of Entrepreneurs, socio-entrepreneurial corporations and business associations.

Open Question to the speakers: What are your overall impressions about the training module provided in terms of participants' involvement, questions that have been raised, the level of participants' knowledge regarding cluster policy?

INFYDE

Jaime del Castillo, Professor of Applied Economics in the University of the Basque Country UPV-EHU



"Participants were very active and open at expressing opinions and concerns. The level of knowledge on competitiveness and clusters was high, and that created a very fruitful intellectual environment, with a great level of discussion and sharing of knowledge".

José Luis Curbelo, Senior Scientist at the Institute of Public Goods and Policies, Spain



"The audience was an interesting mix of public servants, academics, private-sector representatives, regional actors, very receptive and motivated by new ideas about the meaning of a competitiveness and cluster policy in an open economy".

Juanma Esteban, International Consultant of INFYDE



"Participants were very knowledgeable and active regarding the competitiveness and cluster topics. The different views expressed, according to the institutions that everyone represented, made very rich and stimulating the discussion. They were also very participative suggesting ways for improvements in the next Training Modules".

EFCE AND COMPETITIVENESS

Reza Zadeh, Executive Director, European Foundation for Cluster Excellence



"Participants were well informed and committed and they were experienced professionals and highly knowledgeable about many topics in strategic management and analysis. Participants grasped the principles of the case-based teaching very quickly from the start".

Andrés Guimón, Senior Consultant, Competitiveness



"Participants strongly engaged the case study method during their first week of training, constantly challenging professors and classmates with sharp questions and arguments. While most participants had their own initial views on cluster development and cluster policy, they were happy to break conventional wisdom and approach the case studies with an open mind".

INTERNATIONAL CONFERENCE ON CLUSTERS IN SAINT PETERSBURG: "CLUSTER OPEN BORDERS. THE GREEN CORRIDOR. MAY 2017"

The II Saint Petersburg International Cluster Conference (Russia) "Cluster Open Borders. The Green Corridor" took place on 11-12 May 2017. The event, organized by the Cluster Development Center of St. Petersburg, gathered over 500 participants. It has been the largest specialized event in Russia on cluster cooperation so far. The event was aimed at the consolidation of the best world practices in the area of cluster cooperation and at creating in Saint Petersburg the All-Russia Center of Competences in the sphere of Cluster Development. The Conference was intended to become an optimal site for intersectoral, transregional, and cross-border cooperation of clusters, as well as for sharing experience between representatives of the regional and federal authorities, cluster development centers of Russia, cluster managing companies, and support institutions.

The main objectives of the Conference were as follows:

- Consolidation of the Russian regions' experience and the best world practices in cluster cooperation.
- Obtaining expert opinion on the burning issues of cluster development in the region
- Preparation of the final draft of the Concept of Saint Petersburg Cluster Development in reliance on international experience
- Improving competitiveness of the clusters on the regional and international levels
- Creating favorable environment for cross-cluster cooperation
- Extending competences and building capacity of all entities of the cluster environment

The event showed that the interest on cluster policies and methodologies for cluster development in Russia is increasing. It was envisaged for the future more cooperation of Russian clusters with international counterparts as well as more visibility and diffusion of the work accomplished so far.

Russia has conceived its cluster policy starting from 2008 with different cluster programs at federal level: first in the Ministry of Economic Development (with a clear focus on innovation) and, more recently, with another program launched by the Ministry of Industry and Trade focusing on industrial clusters. Additionally other cluster development initiatives exists at local level.

A comprehensive database of cluster initiatives in Russia can be found at the Russian Cluster Observatory: <http://map.cluster.hse.ru/>.



TCI 20TH ANNIVERSARY GLOBAL CONFERENCE: "THE FUTURE OF CLUSTERS THROUGH CROSS-COUNTRY & CROSS-REGION COLLABORATION". NOVEMBER 2017

The 20th TCI Global Conference: "The Future of Cluster Through Cross-Country and Cross - region Collaboration" will take place in Bogotá (Colombia) from 7 to 9 November 2017, and will allow interactions between cluster and competitiveness professionals of multiple countries and regions, looking to exchange experiences and build synergies, to lead to better outcomes.

The three main tracks of the conference will be: Better policies, Better implementation (practice) of the agendas, Better business and joined activities between actors and clusters from different regions and countries.

Each of these tracks will feature a world class keynote speaker, starting on the second day of the conference with Ricardo Hausmann, Harvard University, who will set the scene to discuss better competitiveness and cluster policies; during the third day, Piero Ghezzi, former Minister of Production for Peru, will talk about the implementation of programs and concrete agendas regarding product diversification; followed by Mary Walshok, UC San Diego Extension, whose expertise will guide us on how to generate better interactions among actors and clusters that can result in a more competitive private sector.

From Kazakhstan, a group of representatives of KIDI "Kazakhstan Industry Development Institute" will attend the Conference, along with members of the 6 clusters selected in the framework of the project of development of territorial clusters in the country.

To learn more about the event you can visit www.tci2017.org where you will find the detailed 3 day program.



CASES OF CLUSTER POLICIES IN THE WORLD: JAPAN

The ultimate objective of the Japanese Cluster Policy is:

1. To provoke chain reactions of innovations inside the clusters
2. The optimization of industries and strengthening of their tolerance to changing environments
3. The acceleration of the formation of international clusters and the enhancing of their quality as a region's international brands increase their centripetal force, becoming able to attract more businesses, people, and investment from throughout the world

The "Industrial Cluster Project" is run by the Ministry of Economy, Trade and Industry (METI). This project aims to enhance the competitiveness of Japan through industrial clusters formed by local small- and medium-sized companies and venture businesses utilizing seeds from universities and other research institutions. METI has been promoting the Industrial Cluster Project since 2001. The project was originally intended to form industrial clusters to create a stream of innovation and venture companies in regions.

The Ministry of Education, Culture, Sport, Science and Technology (MEXT) has also launched projects supporting cluster development. In 2002, MEXT launched the "Knowledge Cluster Initiative" to establish networks of individuals in academia and the private and government sectors, through project planning, joint-research, and exchanges of ideas.

Some regional areas with a concentration of companies operating within a specific sector are considered an "Industrial Cluster", although they do not have any "de facto" cluster organization" to coordinate them. Eventually, they are supported by local development agencies.

Japan's Industrial Cluster Policy, since its inception, has undergone three main periods for the development of their industrial cluster policy. The periods are as follow:

- First Term - Industrial Cluster Launch Period (2001-2005): The national government played a central role in moving the Industrial Cluster Project forward, based on the state of existing clusters and policy needs.
- Second Term - Industrial Cluster Development Period (2006-2010): The plan calls for continuing to foster network formation while also developing specific businesses. At the same time, the plan promotes the reforms in corporate management and the creation of start-up companies.
- Third Term - Industrial Cluster Autonomous Growth Period (2011-2020): While further promoting the formation of networks and the development of specific businesses, the plan calls for industrial cluster activities to achieve financial independence and autonomous growth.

List of Japanese clusters

Economic sectors	No clusters
Electronics	19
Life Science	18
Automobile and transport Equipment	17
Environment and Energy	12
Food Manufacturing	9
Other	4
ICT	3
Aircraft	2
Service	1
Tourism	1

Source: Japan External Trade Organization (2015). Industrial Cluster Information

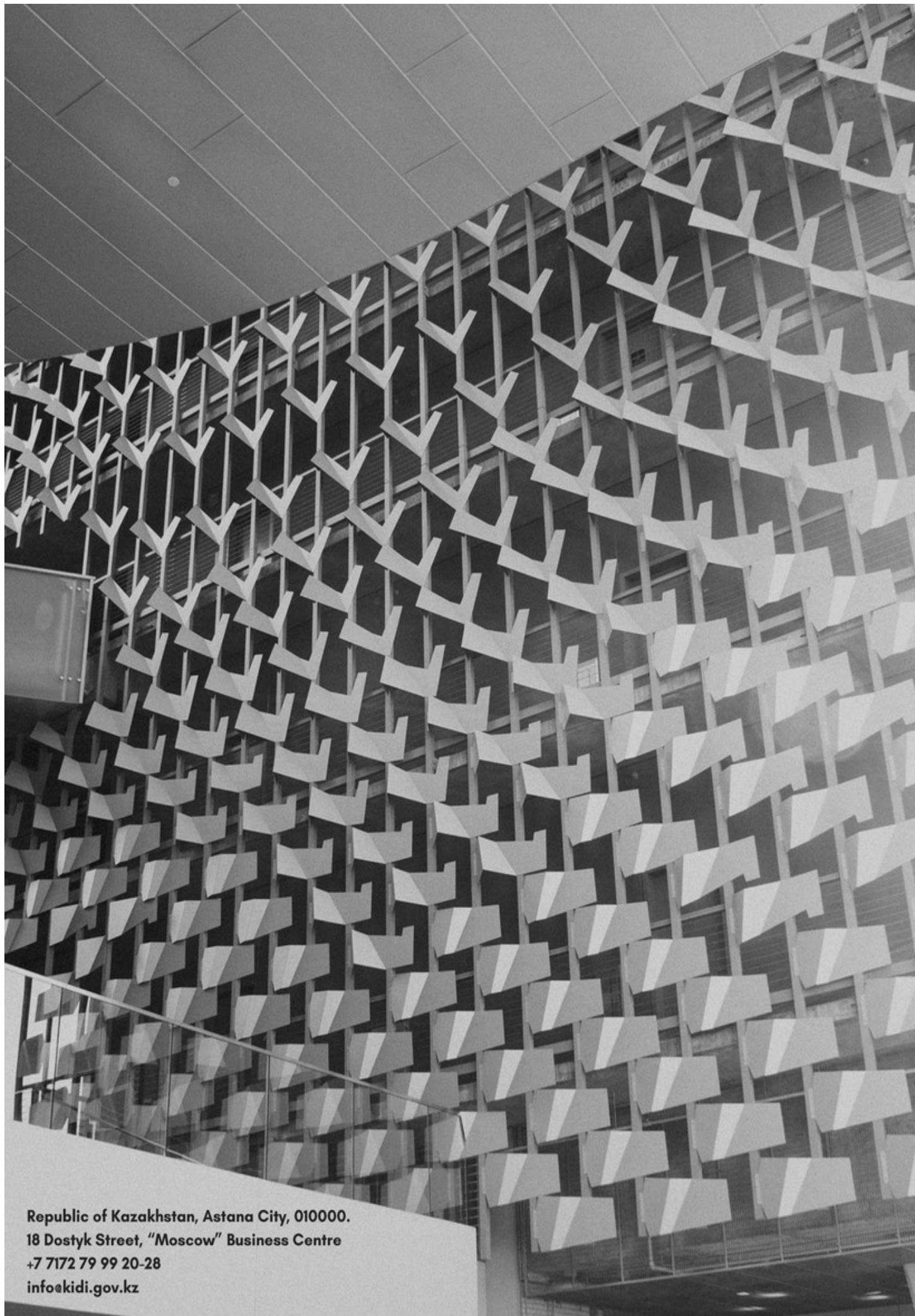
JAPAN: LESSONS LEARNED

1. Decentralization: Policies are implemented first and foremost by those actually working in the field, not implementing policies uniformly throughout Japan under centralized management.
2. Coordination and taking advantage of the whole competitiveness system: The policy secures the appropriate tools for constructing the networks that are the cores of clusters, and strategically applies the policies and programs of other ministries,
3. Internationalization: All cluster initiatives have dedicated tools or programs aiming at encouraging international cooperation. International cooperation in the field of cluster policy takes a strong importance in Japan.

The Japanese Cluster Policy at a glance

Title	Industrial Cluster Policy Knowledge Cluster Initiative	Country	Japan
Management Authorities	Ministry of Economy, Trade and Industry (METI) Ministry of Education, Culture, Sports, Science and Technology (MEXT)		
Beneficiaries	Regional SMEs, startup companies, universities, public research institutions		
Launching Date	2001		
Objectives	<ul style="list-style-type: none"> • Chain reactions of innovation • Optimization of industries and strengthening of their tolerance to changing environments • Accelerating the formation of international clusters and enhancing their quality 		
Action Lines	Preparing a business environment that promotes innovation Creating new industries in the fields defined as of strategic importance in the Economic Growth Initiative and other national programs Fostering the emergence of synergistic effects through tie-ups with the regional promotion policies that local governments and other bodies implement.		
Financing	16,6 Billion Japanese Yen		
Main Sectors Included	<ul style="list-style-type: none"> • Pharmaceutical, Biotechnology, Healthcare, and Welfare • Automobile Related Industries • Precision machinery (e.g. robotics, optics, nanotechnology, textile, fabric) • ICT 		
Some Results	<ul style="list-style-type: none"> • Close cooperative relations with about 10,200 regional SMEs taking on the challenge of new businesses and researchers, etc. • Involvement of more than 560 universities in total (including industrial colleges) • Potential interest from European clusters and SMEs • Dedication to the growth in industrial sectors and innovation • Encouragement of the internationalization of clusters 		

Source: Elaboration based on data METI and MEXT.



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