
OPENING THE
WINDOW ON...


...CLUSTER DEVELOPME NT IN THE PACIFIC

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INTRODUCTION

The Pacific Islands Private Sector Organisation (PIPSO) has had an exciting year as we embarked on a journey with 'clustering.' The project *Regional Cluster Initiative in the Pacific*, supported by the ACP Business Climate Facility (BizClim) has been the first of its kind for our region… and a new undertaking for PIPSO.

The objective of the project was to develop pilot clusters and in support of this, to prepare a Cluster Development Manual, a detailed handbook that is available as a companion publication to this brochure.

Whilst the Pacific cluster pilot was short term, what emerges, as with all EU countries, is that clusters provide a natural focus for business growth and economic development. Clusters build from each country's economic strengths, with related diversification extending those strengths. The evidence is clear that clusters should be business led with government, donors and educational institutions providing support and environments conducive for business growth.

PIPSO wholeheartedly encourages and promotes clustering and will continue to partner with the national private sector organisations to facilitate cluster development.

I encourage the wider PIPSO membership, government, academia and private sector stakeholders to explore the relevance of a cluster-based approach to business growth and economic development.

I trust that this brochure serves to introduce this tested concept to a wide Pacific audience.



PIPSO

Mereia Volavola
Chief Executive
Pacific Islands Private Sector Organisation (PIPSO)

INTRODUCING CLUSTERS

Clusters are a natural occurrence. Samoa's coconut cluster and the IT cluster in Papua New Guinea were not invented by the pilot programme … they naturally developed over time. Similarly, each of the following clusters are natural specialisations:

Scone, Australia (population 5,000) is the world's number 2 thoroughbred horse cluster, accounting for 80% of Australia's thoroughbred exports;

The Caribbean island of Grenada, the Spice Island (population 110,000), has been the world's leading exporter of nutmegs;

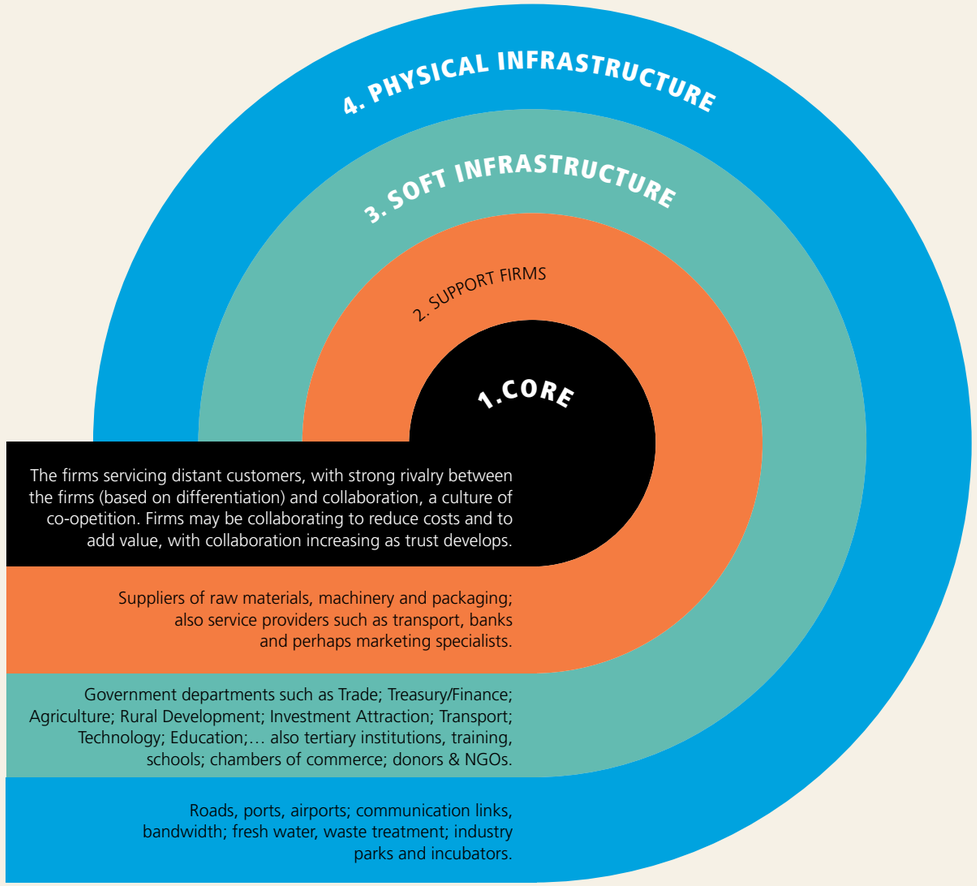
Costa Brava, Spain supplies 70% of the world's corks for sparkling wines;

Wenzhou, China manufacturers 95% of the world's disposable cigarette lighters;

Khorasan, Iran produces over 80% of the world's saffron.

While a cluster is a natural occurrence, the development of the cluster does not need to be left to chance. A clustering intervention, as with the Pacific pilots, is a deliberate approach to lift the competitiveness of a cluster's firms.

STRONG CLUSTERS: COMMON ELEMENTS



Within a strong cluster, these four elements are closely inter-linked into a local system where gaps are bridged. There is tight teamwork that is business led with public agencies and donors in support.

THE PACIFIC CLUSTER

PILOT PROGRAMME

BizClim supported a 2012 value chain study across the Pacific Islands with recommendations to pilot a cluster programme in support of economic development. With the collaboration of BizClim, PIPSO invited their members, the Chambers of Commerce, to participate in the pilot to explore the relevance and practicalities of cluster development within small, remote island economies. Three pilots were taken through the six-month process:





The framework for the Regional Cluster Initiative in the Pacific Project was the Twelve Steps (see page 10). Following the identification of the pilot clusters, the development process was abbreviated to three main activities:

WORKSHOP 1: CLUSTER MUSTER

WORKSHOP 2: STRATEGIC PRIORITIES

WORKSHOP 3: PROJECT ENGAGEMENT

Team leaders were selected from Europe to run the pilots with local support and the active engagement of each Chamber. PIPSO provided a coordinating role with the support of a New Zealand team leader who also prepared the Cluster Development and Management Manual. This Manual explores in more detail the Twelve Step process than was possible with the short-term pilots.

THE PACIFIC CLUSTER

PILOT FEEDBACK

PAPUA NEW GUINEA

"Pacific island economies are remote, small and vulnerable to external forces. In PNG, conditions are exacerbated by the challenging terrain.

The birth of the PNG ICT Cluster presents an opportunity to overcome these issues, through the development of the ICT infrastructure and through team work (bringing together entrepreneurs, private sector organisations, government and academia), collaborating to develop ICT solutions with applications well beyond PNG.

"A challenge is building cooperation, collaboration and 'co-opetition'. The energetic leadership from PNG's young entrepreneurs and positive responses from government provide a favourable outlook for the Cluster."

However, strong clusters cannot develop from short term Technical Assistance and volunteerism. With appropriate long-term support, PNG can become the "Silicon Valley of the Pacific".



Paula Norris
Cluster Team Leader

SAMOA

"Clustering is a crucial mechanism to ensure that business concepts and ideas materialise into reality.

All parties/stakeholders have input into the cluster building process and the implementation of forward work plans.

Clustering in the Pacific will not succeed without the backing of the National Private Sector Organisations. Their neutral and catalyst role ensures that cluster projects are implemented quickly and efficiently for the benefit of all stakeholders."



Hobart Va'ai
Samoa Chamber of Commerce and Industry

TONGA

"Clustering is a concept suited for our country, given that we are very small and isolated.

If we band together, we can achieve more, with greater effect.

However, clustering is still in its infant stage and it will need more coordination effort than was possible in the pilot.

We now have in Tonga a core group of people well able to deliver on the cluster concept and to turn the concept into a success story, providing that adequate funding is in place."



Minoru Nishi
Chairperson, Team Tonga Clustering Initiative

CLUSTER DEVELOPMENT

THE TWELVE STEPS

Drawing on hand's on experience with cluster development in over 50 countries, a 12 Step guiding process has been developed.

1 Introducing Relevance
- Positioning clusters as a core economic development strategy.
- Establishing long-term support for cluster development.

2 Identifying, Prioritising
- Shortlisting the clusters already bringing in wealth.
- Do emerging, adding value clusters merit particular attention?

3 Initial Analysis
- An internal focus, individual interviews across the cluster.
- Identifying the cluster's growth constraints & opportunities.

4 Cluster Governance
- Business led with Government/donors and academia (e.g. training institutions) in support.
- Starting with an informal task force.

5 Preferred Future
- How might the cluster be if all goes well?
- Is it possible to double activity?

6 Initial strategy
- Formulated in workshop, drawing on the 'Wisdom of the Crowd'.
- Identifying five, possibly more, early action items.



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7 Short term, Tactical agenda
- A portfolio of immediate projects that provide early benefits.
- Establishing Cluster Action Teams (CATs) around the priorities.

8 Formalising & Launching
- Ensure the initiative is firmly Business led with support from public agencies/donors.
- Launch to celebrate initial successes and promote the forward path.

9 In-depth analysis
- External focus, benchmarking against higher performing clusters.
- Developing a broad agenda that is owned by the cluster.

10 Longer term, strategic agenda
- Long term projects are likely to include export development & training.
- Influencing other agendas, including donors, NGOs, public agencies & high schools.

11 Linking the cluster
- Developing links with related clusters, onshore and off shore.
- Exploring marketing, R&D synergies with other South Pacific clusters

12 Measurement & evaluation
- Is there evidence that the cluster's firms are more competitive, e.g. serving new export markets?
- Evidence of improved coordination within the cluster?

Detailed information on the 12 Step cluster development process is provided in the accompanying Cluster Development Manual. Or email: E4@clusternavigators.com

CLUSTER DEVELOPMENT

KEY POINTS

NPSOs should consider having a cluster coordinator.

Facilitating cluster development (in its infancy) is an important role and one that fits perfectly with the National Private Sector Organisation (NPSO) in the country.

Clustering is certainly one of the most obvious approaches to enhancing business development here in the Pacific, with tremendous scope and opportunities to collaborate.



Alisi Tuqa, PIPSO Suva,Fiji

As the facilitator, the NPSO can make the connections, and have the conversations with government and partners for support, and with educational /training institutions for training and development.

Businesses participating in a cluster, and finding ways to work together – whether to share freight, materials sourcing, or training approaches – will have greater advantage, and able to garner more business, earn more money and increase their competitiveness .....giving them an edge!

A cluster needs to achieve some early wins; practical wins that benefit the cluster businesses.

FURTHER INFO

Online information on clusters and cluster development

1. Reports, Web sites

All reports are accessible through Google; many have comprehensive bibliographies.

- Brookings Institution, Washington: *Making Sense of Clusters: Regional Competitiveness and Economic Development,* Joseph Cortwright (2006)
- Cluster Initiative Greenbook: www.ivorytower.se
- Cluster Management Guide www.interreg4c.eu/uploads/media/pdf/2_Cluster_Management_Guide_CLOE.pdf
- European Cluster Memorandum: *An Agenda for Policy Action*
- European Cluster Observatory www.clusterobservatory.eu
- EU: *A guide to cluster strategies in less favoured regions,* Stuart A. Rosenfeld (2002)
- EU Cluster Portal: http://ec.europa.eu/enterprise/initiatives/cluster/index_en.htm
- GIZ, Berlin: *Cluster Management Guide* (2008)
- Global Cluster Observatory: www.clusterobservatory.org
- India: Foundation for MSME Clusters: *Fostering Business responsibility in MSME clusters* (2013)
- TCI, The global practitioners network for competitiveness, clusters and innovation. Monthly newsletter available from www.tci-network.org
- Uganda: www.clustersuganda.com
- UNIDO, Vienna: *Cluster development for pro-poor growth: the UNIDO approach*
- World Bank, Washington: *Clusters for Competitiveness, A Practical Guide & Policy Implications for Developing Cluster Initiatives,* (2009)

  See also: http://go.worldbank.org/S8CZ3T18S11

2. Video links

- European Cluster Observatory http://www.clusterobservatory.eu/index.html#!view=classroom;url=/classroom/
- Pacific clustering pilot www.youtube.com/watch?v=fGxW20g9YvU

3. Selected authors.

The following have shared their insights on clusters and cluster development through many papers, articles and conference presentations:

- Professor Philip Cooke, Cardiff University
- Dr. Joe Cortwright, Impresa Inc., Portland, Oregon
- Professor Michael Enright, University of Hong Kong
- Dr. Christian Ketels, Harvard Business School
- Professor Michael E. Porter, Harvard Business School
- Dr. Stuart Rosenfeld, Regional Technology Strategies Inc., North Carolina
- Professor Örjan Sölvell, Stockholm School of Economics









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