



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



# INDUSTRIAL MODERNIZATION AND SME CLUSTERING

# INDUSTRIAL MODERNIZATION AND SME CLUSTERING

To keep up with the rapidly evolving global manufacturing landscape, small and medium-sized enterprises (SMEs) in developing countries and economies in transition need to embrace a focused approach to improving and sustaining competitive manufacturing capabilities, proving conformity with market requirements and connecting to external markets. Furthermore, the increased consumer attention on social and environmental dimensions of production processes and Corporate Social Responsibility (CSR) requires adjustments in global value chains and business models across all sectors.

Economic growth can be stimulated through industrial modernization and cluster development. Important factors include keeping production costs low, enhancing productivity and developing linkages to sustainable supplier networks. In this respect, UNIDO provides services which aim to improve the competitiveness of enterprises through clustering and networking, cost reduction and increased productivity, while developing sustainable supplier networks and seeking new markets.

**In this respect, UNIDO's Department of Trade, Investment and Innovation (TII) offers services which aim to:**

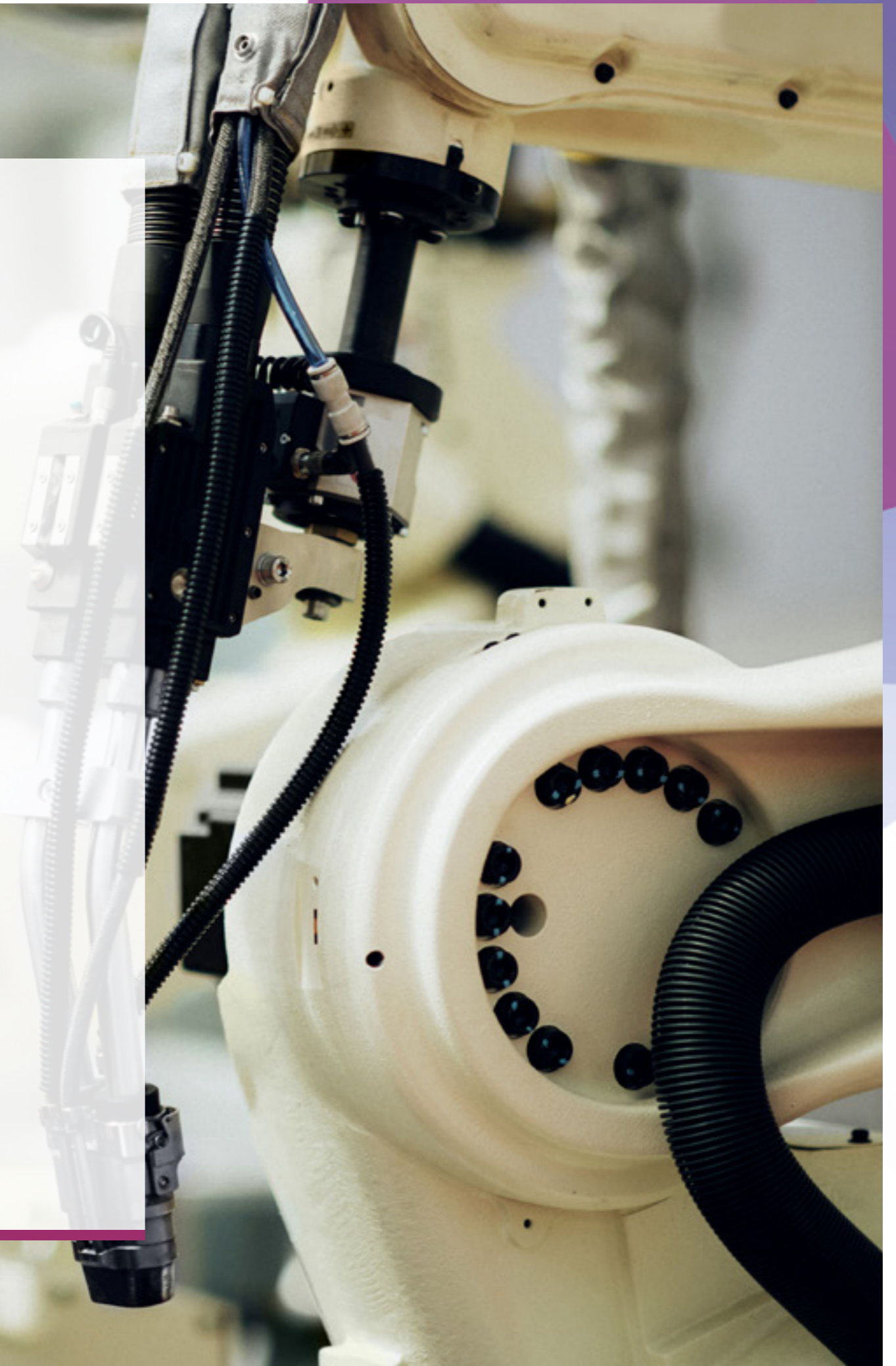
- » Define sustainable industrial modernization strategies
- » Analyze and establish the most effective industry cluster opportunities and policies

- » Facilitate business linkages through cluster development including consortia, networks and supply chains
- » Build institutional- and enterprise-level capacity around stakeholder management, production technologies, marketing practices, human resources and financial management
- » Modernize SME business operations to reduce operating and marketing costs and access new markets through collective actions with cluster members

**Flagship activities and tools include:**

- » Industrial Upgrading and Modernization Programme (IUMP)
- » Sustainable Supplier Development (SSD) Programme
- » Cluster Development (CD) Programme
- » Export and Origin Consortia Programme
- » Subcontracting and Partnership Exchange (SPX) Programme

By modernizing operations to enhance quality and deploying sustainable technologies across a range of sectors, from agri-business to automotive, UNIDO works to increase SME productivity with public and private business development services (e.g. TCI-Network), financial and research institutions (e.g. the University of Florence), chambers of commerce and industry, and other development partners (e.g. the Food and Agriculture Organization of the United Nations (FAO), Swiss Import Promotion Programme (SIPPO), International Training Centre at the International Labour Organization (ILO) and the UN Global Compact). UNIDO and its partners carry out comprehensive research, provide methodologies and toolkits on cluster development, export consortia and industrial upgrading, and identify and leverage new trends, such as e-commerce and digitalization.





# ENHANCING THE COMPETITIVENESS OF ENTERPRISES IN THE CENTRAL AFRICAN REGION

Funded by the European Union (EU), the Industrial Restructuring and Upgrading Programme (IUMP) for Central Africa aims at strengthening productive capacities in the region and enhancing the competitiveness of local enterprises. As a regional programme, it covers seven countries: The Central African Republic, Cameroon, Chad, Gabon, The Democratic Republic of Congo, The Republic of Congo and Sao Tome and Principe.

## MAIN APPROACH

UNIDO's technical assistance seeks to stimulate competitiveness and regional integration, enhance industries and promote accessibility of goods manufactured from Central African countries to regional and international markets. In particular, the objective is to upgrade and modernize enterprises, improve access to finance, support the industry, enhance institutions and strengthen entrepreneurial culture and entrepreneurship.

## IMPACT AND RESULTS

The IUMP for the Central African Region contributed to improving the business environment and strengthening regional and national institutions working in the area of enterprise modernization and promotion of entrepreneurship in beneficiary countries. In addition, the programme actively contributed to building technical capacities of national experts and local institutions. Access to finance was facilitated and direct support to enterprises was provided to ensure enhanced competitiveness and performance. In addition, specialized coaching is being provided for new potential entrepreneurs in order to facilitate the creation of new enterprises.

## FACTS AND FIGURES

- » One regional and **6** national steering committees as well as **6** upgrading offices established and reinforced
- » More than **300** national consultants trained on UNIDO's methodology to perform enterprise diagnosis
- » More than **130** national trainers coached to support young entrepreneurs
- » Online database for regional experts created, with more than **700** contacts registered
- » Around **50** enterprises supported to modernize their technology and management systems and improve their products
- » **6** national strategies formulated to develop sustainable upgrading programmes
- » Several studies and activities performed to enhance and harmonize the regional regulatory and business frameworks and support industry support institutions

For more information: [www.prmn-ac.org](http://www.prmn-ac.org)





In 2010, the Government of Cote d'Ivoire and the EU have signed an agreement on the implementation of the "Programme d'Appui au Commerce et à l'Intégration Régionale" (PACIR) in the framework of the the Economic Partnership Agreement (EPA). UNIDO has been selected for the implementation of PACIR's component related to "improving the competitiveness of Ivorian enterprises in non-traditional export sectors".

#### MAIN APPROACH

Three sectors have been selected in view of their market potential: cashew, cereals-cassava and textiles-garment. UNIDO has addressed the needs of the beneficiaries through an integrated approach combining enterprise upgrading, quality infrastructure and export consortia. UNIDO was also requested to formulate and implement a pilot National Upgrading and Restructuring Programme covering all industrial sectors.

#### IMPACT AND RESULT

54 training activities have been carried out strengthening the skills of 1,764 participants (representing manufacturing enterprises, laboratories, institutions and technical experts). Moreover, 7 export consortia have been formally established in three priority sectors, from which 30 export consortia member firms (Micro-Small and Medium Enterprises) have improved their productivity and competitiveness. Some of these have already exported to international markets.

With respect to quality infrastructure, 246 standards, covering the three priority sectors, have been approved and published in the official journal. Furthermore, 4 laboratories were supported in the implementation of their quality management systems and 2 of them were assisted for the accreditation of their tests. In addition, 2 laboratories were strengthened through the provision of equipment.

A National Restructuring and Upgrading Programme covering all industrial sectors was approved and a new national agency established to manage the programme. As a result, a pilot upgrading scheme covering 25 industrial enterprises has been implemented.



**IMPROVING THE  
COMPETITIVENESS AND  
MARKET ACCESS OF  
IVORIAN ENTERPRISES  
IN NON-TRADITIONAL  
EXPORT SECTORS**



# PROJECT PROMOTING MARKET ACCESS OF ORIGIN-LINKED TUNISIAN AGRO-FOOD PRODUCTS THROUGH QUALITY LABELS



Traditional products, deeply rooted in local rural communities, offer promising prospects in terms of improving livelihoods, creating jobs and promoting sustainable and inclusive local economic development. Therefore, Tunisia is setting up a legislative framework for the valorization of traditional products of regional origin. Through its project, “*Projet d’accès aux marchés des produits agroalimentaires et de terroir*” (PAMPAT), UNIDO is assisting with the practical implementation of labels and certification systems for “terroir” products.

## MAIN APPROACH

Through a value chain approach, UNIDO is strengthening the organization and governance of three value chains, namely harissa (chili paste), the fig of Djebba and the prickly pears from Kasserine. Furthermore, UNIDO focuses on improving productivity, quality and product diversification to better position traditional products in both domestic and export markets. UNIDO is also ensuring that origin-based products comply with the requirements of recently introduced quality labels (Geographical Indications, Food Quality Label Tunisia, Organic Certification).

## IMPACT AND RESULTS

**Harissa value chain:** A certification system for the “Food Quality Label Tunisia” was set-up and product labelling, promotion and export by leading companies representing 60% of national exports of the sector started. Furthermore, the first women cooperative in Tunisia was created to sell traditional harissa in local and export markets.

**Fig of Djebba value chain:** A farmers’ cooperative including a packing station was created to comply with the requirements of the Protected Geographical Indication (GI). Certification and sales of GI figs on niche markets with premium prices have been initiated as well as local production of processed fig products by women and sales on the international and local market.

**Cactus/Prickly Pear value chain:** Cooperatives and women farmers’ associations were set-up and improved agricultural production practices, such as organic farming, were introduced. Local production of processed

prickly pear products and sales on the local market was started and market access for leading cactus processing companies was improved. Eight start-up firms were launched in the sector.

**Capacity-building:** a national inventory of origin-based products was prepared and the first Tunisian contest of traditional products has been organized.

## FACTS AND FIGURES

- » Identification of **220** Tunisian “terroir” products
- » Development of national quality and geographic indication labels
- » Organization of the first nation-wide Tunisian contest for “terroir” products
- » Establishment of cooperatives and networks (479 farmers) selling quality-labeled products
- » Increased prices at farm level thanks to quality labels: **25%** increase for Harissa , **80%** for Fig, **140%** for Cactus/Pear
- » Up to **100%** increase in sales of assisted firms and cooperatives
- » Start of exports in all three value chains
- » **8** start-ups in Cactus/Prickly Pear and creation of **250** jobs
- » **4** PPP established to ensure suitability of international market access





This UNIDO project aims at enhancing economic competitiveness and access to local and regional markets of selected SME clusters in Montenegro. In particular, the project supports the implementation of the National Strategy for Sustainable Economic Growth through the development and implementation of a cluster strategy in cooperation with the Ministry of Economy of Montenegro.

#### MAIN APPROACH

Based on the UNIDO cluster development methodology, this project assisted SMEs in the wine, olive oil, trout and metal processing clusters. In order to promote the three food clusters more effectively, foster inter-cluster cooperation and pave the way for enhanced linkages with the tourism sector, agro-based clusters were promoted under the umbrella brand of “Delicious Montenegro”. The joint branding raises awareness of taste, origin and quality of local products amongst the local population as well as tourists.

#### IMPACT AND RESULTS

With the support of UNIDO, the olive oil cluster now disposes of a new joint product line “42°N 19°E” based on olive oil from trees older than 1,000 years. Two olive

trails for tourists were created and have already raised the interest of tour operators. Producers are now jointly organizing olive oil sales events in the largest malls in Podgorica to increase their sales in cooperation with local wine producers.

The assistance provided to the wine cluster resulted in a cross-border initiative with Macedonia to develop a regional “Vranac Route” (i.e. a red-wine grape type, which is autochthonous in both countries) for its promotion in the world market. The cluster website is raising awareness on local wines amongst Montenegrins as well as tourists and has already attracted new buyers.

Freshwater fish producers enhanced their operating practices, invested in new equipment and increased their productivity. They jointly formed the National Association of Freshwater Fish Producers in order to better articulate their needs vis a vis the government. To date, the project has assisted 54 companies in 4 clusters (wine, olive oil, trout and metal processing).

*For more information:*

[www.deliciousmontenegro.me](http://www.deliciousmontenegro.me)

[www.oliveoilmontenegro.me](http://www.oliveoilmontenegro.me)

[www.winesofmontenegro.me](http://www.winesofmontenegro.me)



**INTEGRATED  
CLUSTER APPROACH  
LINKING AGRO-FOOD  
AND TOURISM IN  
MONTENEGRO**



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