Implementation of cluster model in Ukraine: challenges and opportunities

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DANUBE-INCO.NET EVENTS FOR THE DEVELOPMENT OF BIO-BASED ECONOMY IN THE DANUBE REGION

20 July 2016, Budapest, Hungary
**GROWTH DRIVERS**

- **Ukraine GDP (US$):** $131.8 billion in 2014 by World Bank estimation
- **Low salaries make Ukraine the most cost-competitive manufacturing platform in Europe**
- **99.7% literacy,** 4th most educated nation in the world

**KEY FACTS ABOUT UKRAINE:**

**AREA:**
- 603,5 square kilometres
- Largest country within Europe

**POPULATION:**
- 45 millions 70% urban-based

**LOCATION:**
- In Europe, Ukraine’s location provides ideal trade hub to EU, Middle East and Asia

**POLITICAL SYSTEM:**
- Parliamentary-Presidential Republic

**FREE TRADE:**
- EU, CIS, EFTA, FYROM, Georgia, Montenegro
- On-going negotiations with Canada, Israel and Turkey

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**EUROPEAN INTEGRATION**

- **Free trade zone with EU from 1 January 2016 stimulates trade flows**
- **Ukrainian markets open for European goods and services**
Ukraine can be Your reliable partner

Positive changes

Ukrainian economy has started its recovery from GDP decline of 10.4% in 2015 to GDP Growth of 1% in 2016 and forecast – 3% of growth in 2017

We can serve as Low-Cost Production Platform on the EU Border with low wages and improvement in payroll tax 22% (instead of 45%) for foreign investors

Transparency/Reforms/Deregulation

Ukraine has introduced the electronic public procurement system Prozoro that allow all kinds of enterprises to participate in public procurement

Developed Infrastructure - 4 of 10 European transport corridors run through Ukraine, #5 worldwide in rail cargo traffic

The new PPP law and amendments to law on Industrial parks that was adopted this year will attract investments and foreign companies and can be foundation for cluster development
Implementation of cluster model in Ukraine

- is promising way of enhancement the innovation activity and exploring potential in Ukraine
- tool for improvement of competitiveness and regional development, stimulating investment and job creation

Establishment of national clusters (with focus on SMEs support)

- Huge potential in agricultural production for foods and renewable bio energy
- Healthcare and Pharmacy
- IT
- Aerospace
- Tourism
Implementation of cluster policy in Ukraine

Status: no legal background, no concept

Steps:

✓ Provide legal (on government/local level), financial and information support

✓ Strengthen R&D in Universities and facilitate interactions between industry and universities

✓ Strengthen innovations and research in companies (through participation in Programs and by promotion of knowledge-based growth in business and industry)

Implementation of cluster policy on government/local level by:

• enhancing public-private interaction and knowledge sharing

• facilitating the collaboration processes by intensifying alliances between business environment, universities and public sector

• promoting sustainable growth in regions by developing competitive research and innovation environments within the eco-system
IT hub clusters

• #1 IT engineering force in Central and Eastern Europe (CEE)
• 100+ global companies operate software R&D labs in Ukraine

Rapid growth: IT industry has grown by nearly 20 times over the last decade

Ukrainian tech: from local startups to global leaders
Selected companies

Online services
- depositphotos
- Grammarly
- Paymentwall
- Jooble

Mobile
- Readdle
- Augmented Pixels
- VOX
- Petcube

Enterprise
- Terrasoft
- StarWind Software
- Jelastic

Ukraine emerges as a global IT R&D hub
Selected companies with Ukrainian IT outsourcing or R&D labs

- Autodesk
- IBM
- Johnson Johnson
- Kimberly-Clark
- LinkedIn
- Autodesk
- HP
- Siemens
- Samsung
- Tripadvisor
- Oracle
- Adobe
- Microsoft
- Monster
Agriclusters

- #1 black soil concentration globally (25% of world’s black-earth soil (“chernozem”) is in Ukraine)
- Over 70% of Ukraine is agricultural land, valued at > $100 billion
- Ukraine holds #1 place in the world for sunflower oil export and #2 place for grain export and #3 in corn exports globally

A new climate Paris agreement will promote the development of energy efficiency and renewable energy in Ukraine

Ukraine is promising market segments for use of bioenergy

Biomass is of high potential - Clusters for pellet producers

Organic food

Agribusiness

Often referred to as the “bread basket of Europe”, Ukraine is focused on becoming the “food basket” of the world. With 33% of the world’s black-earth soil concentrated in Ukraine, a favorable climate and proximity to key markets, Ukraine is positioned to become an agricultural export powerhouse.

Ukraine is already a leading global agro-exports player:

- #1 in sunflower oil
- #2 in grains
- #3 in corn
- #4 in barley
- #6 in wheat
- #7 in soybean
- #8 in poultry

Source: Global Agro-exports report 2016

Agro and food exports growing at 18%+ for over 10 years

USD billion

Source: Global Agro-exports report 2016

Pellet production in Ukraine

The total production reached about 1,500 kilotons (kt) in 2014 and is expected to rise 5 times to 7,500 kt by 2020*

* The Ukrainian Pellet Union.

80-90% of Ukrainian pellets were exported to EU countries till 2012.*

In 2014-2015 the share of pellets used in Ukraine was increasing. It is expected to reach 70% in 2015.

Aerospace clusters

World’s largest cargo aircraft, Antonov-225 Mriya, designed and manufactured in Ukraine

Ukraine is also an important supplier of turbine engines for aircraft and helicopters, used extensively in aerospace industries worldwide.

Eight universities offer aerospace engineering degrees, annually graduating 5,000 students.

Ukraine is one of the few nations with a developed aerospace industry, building civil, military and cargo aircraft as well as supplying space technology.

Ukraine’s cargo aircraft AN Mriya-225, built by Antonov at its Kyiv and Kharkiv facilities, is the largest cargo airplane ever built, transports up to 250 tons of load, powered by the widest wingspan of any aircraft in operational service. Thus, Kyiv and Kharkiv are two key hubs for the aerospace clusters.

Ukraine also has a rich legacy of space exploration research and development. The Ukrainian space cluster consists of 40 enterprises. These enterprises commercially produce space launch vehicles, spacecraft, space management, orientation and trajectory measurement systems.

Ukraine was one of the four nations participating in the Sea Launch program, alongside the United States, Russia and Norway. Ukraine constructed the expandable carrier rocket Zenit-2, used extensively...
Biochemical clusters

Local pharmaceutical companies are making healthy profit (Darnytsa and Farmak doubled their profits in 2015)

Demonopolization and deregulation

Strong presence of research universities
GOAL:
World-class clusters and cross-border cooperation

Development of a competitive research and technology network with partners for international cooperation and implementation of mutual projects aiming to stimulate the development of world-class clusters and cross-border cooperation
Thank you for your attention!

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Advancing Research and Innovation in the Danube Region