# CLUSTERS AS A TOOL FOR IMPROVEMENT OF THE INNOVATION ENVIRONMENT IN THE ECONOMY<sup>1</sup>

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The paper describes the problems and possibilities of forming clusters on the example of the world experience of the revitalization of innovative environment in the economy. The authors analyze the main advantages of clustering as a form of organization of production on the territory. The main factors, by means of which is achieved the strengthening of the competitiveness at the cluster, are describes. Characteristics of cluster policy in the Russian Federation are considered. The main directions of state support for the formation of clusters are considered. Differences between modern clusters and territorial-production complexes (TPC) that have received wide development in the Soviet economy are shown. The main directions of state support for the formation of clusters are considered. The essence of the regional policy in Bulgaria in the context of European policies to support the development of clusters is disclosed and forms of assistance to cluster development in the EU and Bulgaria are characterized. The experience of the implementation of the cluster approach in Bulgaria is shown (for example, the municipality of Sevlievo).

# **INTRODUCTION**

In recent years in the world of regional development much attention is paid to the functioning of the local production systems (LPS). This was particularly relevant in the context of the global economic crisis, when the survival of the regions at different levels of development and the extent depends on the capabilities of their self-development, good governance and providing a variety of public and private institutions.

Local production systems are widely understood – it can be regions of different types and rank, including municipalities, industrial centers and industrial nodes, territorialproduction clusters, free economic zones, a variety of innovative combinations, regions of new development, etc. [1]. In spite of this broad definition of LPS they should have a number of the following essential characteristics.

First, LPS's are territorial-industrial combinations, which are characterized, by the presence of its own economic capacity for self-development of the territory and ensuring its competitiveness. Only in this case, we have the necessary preconditions for the progressive modification of the production and spatial structure of the economy within the limits of the LPS's, for the growth of their level of economic development and creation of conditions for social prosperity.

Secondly, LPS's must have an efficient management system, in which as a control object are considered economic complex of the area, its social services and the natural

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environment. With this as the subject of management can act the public authorities, local governments, and special management bodies for the implementation within the LPS's of any long-term projects and programs. Management of local production systems should be understood as an activity to regulate the processes of socio-economic development of the area in accordance with a pre-designed program and aimed at achieving the goals of improved quality of life. Under conditions of economic crisis, an important task of management bodies is to create tools to encourage the output of the region's economy of the depression and the providing conditions for development. Obviously, the development of regions, surviving depression and their further prosperity should be stimulated by the authorities.

Third, the LPS's are characterized by the existence of various public (government) and private institutions that perform, in particular, the various functions for the provision of educational services and training, research and implementation of innovation, securing funding, and others.

Thus, the formation and functioning of LPS depends on many factors, including:

- economic (economic and geographical situation and the level of infrastructural development of the territory, transport, energy, innovation policy, the investment policy and territorial forms of social organization of production, etc.);
- social (including human capital, labor, employment, social protection of the population, the demographic balance, etc.);
- environmental (natural-resource potential, ecological potential, human impact on the environment, etc.);
- institutional (legal system and rule of law, judicial system, scientific and technical, financial and investment aspects, the system of governance, the system of market infrastructure, including credit and financial and other aspects, the system of education and science, cultural and religious values, etc.).

Among the variety of forms of LPS important place belongs to this, which allow to strengthen innovation and investment sector of the regional economy, providing greater competitiveness of its industries. Among these LPSs are primarily territorial clusters.

### MAIN ADVANTAGES OF CLUSTERS

World practice of regional studies has quite a wide range of different forms of economic organization on the territory. Among these, in recent years the great interest in Russia is shown to introduction in the practice of regional development of free economic zones, industrial parks and technopolises, as well as regional production clusters. All these forms are a special case of local production systems, the formation of which in the world regional development in recent years is received much attention. In this case, the production cluster are considered as one of the most important tools in the areas of resource mobilization for rapid economic growth, improve the competitiveness and diversification of the regional economy.

The cluster approach is one of the relatively new technology of regional development, creating opportunities for the region and the business to survive and grow in the transition to a post-industrial and innovative development model. Considerable importance is attached to the clusters and in conditions of the current economic crisis.

The founder of the cluster approach is a prominent American economists, M. Porter [2, 3, 4, 5], which defines a cluster as a group of localized geographically interconnected companies – suppliers of equipment, components, specialized services, infrastructure, and research and development institutes, universities and other organizations that complement each other and reinforce the competitive advantages of individual companies and the cluster as a whole. According to Michael Porter, in today's economy, especially in the context of globalization, the traditional division of the economy into sectors or industry loses operationality. Clusters come out on top as a system of interactions of firms and organizations, whose importance as a whole exceeds the sum of its parts. The competitiveness of the country should be viewed through the prism of international competitiveness are not separate her firm, and clusters – clusters of firms of various economic activities, and, of fundamental importance has the ability of these clusters to effectively use internal resources [6].

One of the main conclusions made by M. Porter, is that the more developed clusters in a given country, the higher in the corresponding country living standard of population and competitiveness of the companies. This conclusion has been very attractive to the governments around the world, choosing the cluster approach as an effective instrument of economic policy. Thus, the presence of strong clusters in the economy of the country is able to provide a high level of competitiveness of the national economy as a whole and its individual regions.

Although cluster policy in each country depends on the specifics of state economic policy, while at the same time, you can select a number of characteristic features of the clusters. First of all – this is the territorial localization of the majority of economic entities – members of a cluster system (suppliers, manufacturers, consumers, and the elements of production infrastructure, research institutes, etc.), related to the process of value creation. In this case, the relation of all cluster members should be based on long-term coordination of their interactions within the framework of the production programs, innovative processes, etc. Equally important is the presence of a large company – a leader determines the long-term economic, innovative and different strategy the emerging across its geographically-based production system in the region. It should be emphasized that an important feature of clusters is their innovative focus that defines the priorities for selecting areas and objects to form a cluster.

The contribution of clusters in the creation and strengthening of the competitive advantages of regions of their localization consists, above all, in the possibility to ensure effects caused by the territorial concentration, specialization and cooperation of production. In this case, the cluster approach assumes that the competitiveness of each individual member of the cluster is largely related to the competitiveness of the other participants, members of the same value chain, or providing a more favorable external environment of the process of creating value.

In general, an important feature of the cluster approach is the emphasis on the account of positive synergetic effects of territorial agglomeration, i.e. proximity of consumer and producer, network effects and diffusion of knowledge and skills through the migration of staff and allocation of business. In other words, a common territory and relationships through the production of the end products contribute to the accumulation of «critical mass» of the capital in the region, including the human, scientific, innovation and production capabilities. As a result of this process, the relationship between the cluster members has a stronger impact on the level of productivity than on the scale of each of the participants. Therefore, the organization of clusters usually do not require additional public investment, which in turn is a positive side to the state in the development of priority economic activities through the clustering, combining small, large and medium-sized companies in a single complex.

Strengthening the competitiveness of the cluster is primarily achieved through the ability of the principal objects of the cluster to innovation, which in turn is accompanied by an increase in productivity through increased specialization and outsourcing of non-core production and other functions, increasing employment by attracting new businesses to the region, expansion of the boundaries of the cluster through the involvement of new activities supporting innovation (with emphasis on the development of small and medium-sized businesses). All this, taken together, in a market conditions gives clusters as a form of organization of production flexibility and efficiency.

The growth of close relationships between economic entities – cluster members can more effectively solve various problems related in particular to the organization of joint research and development and facilitation of access to new technologies and other innovations, the distribution of possible financial and other risks in the various forms of joint economic activities, including joint access to world markets, lower transaction costs in various areas due to increased trust among the cluster sharing of assets and knowledge, training of qualified personnel due to increased contacts with specialists of world level and other.

In recent years, many countries have used cluster approach for the development and regulation of their national innovation development programs, using various forms of incentives, especially actual for small innovative companies: direct funding, provision of loans without interest payments, targeted subsidies for research and development; establishment of funds for innovation taking into account potential commercial risk free record keeping on applications of individual inventors, patent attorneys free services, reduced government fees for individual inventors, etc. [7].

## **CLUSTER POLICY IN RUSSIA**

Of great interest to the formation of clusters is manifested in Russia, where Concept Cluster Policy in the Russian Federation is developed and approved by the Government of the Russian Federation in 2008, as well as a number of other documents, considering clusters as a tool of regulation at the federal and regional levels, allowing to create the conditions for the modernization of production and strengthening of its competitiveness in global markets  $[8, 9, 10, 11, 12]^1$ . The number of publications are devoted to clustering problems of the Russian economy [7, 13, 15, 16, 17, 18, 19, 20, etc.]. Outline major position of the cluster approach in relation to the conditions of Russia.

Declared in Russian cluster policy has a clearly defined regional the binding and is regarded as one of the conditions for the development of globally competitive regions by creating in them the conditions for industrial upgrading and building an innovative economy. Important role in supporting the development of clusters given to municipal and state governments through the implementation of regulatory and legal support, the use of incentives in investment activity on the territory, the use of fiscal instruments, providing information assistance, etc. Ultimately, the creation of clusters is aimed at improving the competitiveness and innovative capacity of businesses, developing the small and medium-sized businesses and promoting the diversification of the national economy.

The cluster approach is able to provide to strengthen the competitiveness of the economy as a whole by strengthening the position of individual regions on the territory of which have been developing industrial clusters. Clusters, therefore, act as a sort of «points of growth». With the development of formed clusters can expand, become more complex, but they can also be narrowed, coagulate and disintegrate. Such dynamism and flexibility of clusters is another advantage as compared with other forms of organization of production on a territory.

But even more important is the impact of geographic concentration on the improvement of production processes and implementation of innovations within the cluster. All companies of the cluster of related industries make investments in specialized, but related technology, information, infrastructure, human resources, leading to a massive rise of new firms. This is explained by the fact that modern competitive advantage almost

<sup>&</sup>lt;sup>1</sup> One of the first attempts to summarize current practice and to identify priorities for the development of cluster policy in the North of Russia are the materials of the «round table» on «Issues of the cluster policy in the Northern regions of the Russian Federation», conducted by the Federation Council Committee on Northern Affairs and National Minorities December 12 2006 Materials published on the official website of the Federation Council Committee on Northern Affairs and National Minorities www.severcom.ru.

entirely provided for by the benefits of the technology of production, management, organization promoting products. Thus, further successful development of the competitiveness of the economic system is possible with the integrated use of cluster mechanism and theories of modern concepts of innovation development. In this case, the cluster form of organization innovation leads to the creation of a special form of innovation – the «gross product innovation». This innovation is a product of several companies or research institutions that can accelerate their spread network of relationships in general regional economic space [7].

Interaction of cluster members gives them certain advantages. So, the benefits gained by regional authorities in the implementation of the cluster approach consist in the fact that the cluster can focus on the problems and benefits of the economy. Management bodies of clusters which may include representatives of government agencies have access to diverse and concentrated information on the activities of enterprises, state of the economy and labor market, which significantly reduces the amount of analytical work carried out by the authorities, increasing the level of confidence. The advantages obtained by business structures associated with a significant decrease in barriers to enter the markets for products and supply of raw materials, labor, lower costs due to economies of scale, which is shown by the cooperation of producers and consumers. The cluster provides entrepreneurs with new opportunities to organize emerging problems, choice of ways to overcome them. Interaction with regional and municipal authorities can find new methods and means of resolving the part of them that are in the area of competence of the region. Using the influence and prestige the cluster, business and regional authorities can jointly seek the most effective ways to promote their initiatives by federal agencies, including the preparation of draft laws and lobbying at the federal level, the passage of the regional and sectoral initiatives [15].

The introduction of clustering technology into the structure of economic policy appears to be an important instrument of regional policy, which provides a range of regional opportunities for economic growth. In particular, they include the following:

- 1) the emergence of effective mechanisms of interaction between government and business;
- 2) intensifying of action of the multiplier effect in the region that consists of the positive impact of the cluster on the competitive environment of the region;
- 3) the emergence of the real possibility of the transition of science and education of subsidized social services in the highly profitable economic sector;
- 4) the gradual integration of the regions into the global economic system;
- 5) strengthening the independence of the region on the economic situation beyond its borders;
- 6) promotion of the development of small and medium-sized businesses in the region;
- 7) increase in the number of companies around the cluster as a result an increase in employment, wages, contributions to the budgets of different levels;
- 8) the emergence of the economic prerequisites for the transition from the equalization policy of socio-economic development of policies to support the regions – the «engines of growth»;
- 9) economies of scale and agglomeration effect, which create a «locomotives» of growth impulses for the development of other regions.

# STATE SUPPORT FOR THE FORMATION OF CLUSTERS

Concrete steps to implement the cluster approach in Russia were made following implementation in 2012 by the Ministry of Economic Development of competitive selection of programs for the development of innovative regional clusters. Applying for a competitive

selection involves the joint participation of the organization and the coordinator of the regional and municipal authorities. The criteria for selecting programs of the clusters were, firstly, scientific and technological potential as well as educational potential of the cluster; secondly, the production potential; thirdly, the quality of life and development of industrial and social infrastructure areas of localization of the cluster and; fourthly, the level of organizational development of the cluster.

For the contest were submitted 94 applications, of which 25 winners were recognized, which, in turn, were divided into two groups, which was supposed to use different mechanisms of state support, especially financial. The first group, comprising 13 clusters could rely on subsidies from the federal budget of the Russian Federation on the territory of which are corresponding clusters. The second group (12 clusters) includes clusters, programs of development which need further elaboration, and that the first phase of support through grants is not provided [13].

The distribution of regional clusters by federal districts, federal entities and cities are shown in Table 1, their specialization – in Table 2. It can be seen that the economic policy of the government is aimed at helping the most prosperous regions that belong to the so-called «points of growth». There is not one the territorial innovation cluster supported in the South and the North Caucasus Federal District, one at a time cluster supported by the Urals and the Far East. Leader in the number of clusters and supported by the percentage of the selected clusters was declared the Privolzhsky Federal District. Behind him is Central, in third position – Siberian Federal District.

Table 1

Federal district	Submitted requests	Clusters are supported by subsidies	Clusters are supported by other measures	
Central	26	<ol> <li>Obninsk in the Kaluga region</li> <li>Zelenograd in Moscow</li> <li>Dubna in the Moscow Region</li> <li>Pushchino of the Moscow Region</li> </ol>	<ol> <li>Troitsk in Moscow</li> <li>Dolgoprudnyi and Khimki in the Moscow region</li> </ol>	
North-West	11	1. Saint Petersburg	<ol> <li>Arkhangelsk Region</li> <li>Saint Petersburg</li> </ol>	
Privolzhsky	22	<ol> <li>Sarov in the Nizhny Novgorod region</li> <li>the Republic of Mordovia</li> <li>Nizhnekamsk in the Republic of Tatarstan</li> <li>Samara region</li> <li>Dimitrovgrad in the Ulyanovsk region</li> </ol>	<ol> <li>Nizhny Novgorod Oblast</li> <li>Perm Territory</li> <li>Republic of Bashkortostan</li> <li>Ulyanovsk Region</li> </ol>	
South	9	0	0	
North Caucasus	0	0	0	
Uralian	6	0	1. Sverdlovsk region	
Siberian	18	<ol> <li>Zheleznogorsk in the Krasnoyarsk territory</li> <li>Novosibirsk region</li> <li>Tomsk region</li> </ol>	1.Altai Territory 2. Kemerovo region	
Far Eastern	2	0	1. Khabarovsk Territory	
Of all	94	13 12		

#### The Distribution of Regional Innovation Clusters by Federal Districts of Russia

Source: Own composition with using of publications [13, 14].

Table 2

Clusters	Specialization
1) Obninsk (the Kaluga region)	Medicine, pharmaceuticals, biotechnology and radiation technology
2) Zelenograd (Moscow)	Information and communication technologies
3) Dubna (the Moscow Region)	Nuclear physics and nanotechnology, obtaining new materials
4) Pushchino (the Moscow Region)	Medicine, pharmaceuticals, biotechnology
5) Cluster in Saint Petersbug	It combines 2 cluster: • radiation technologies; • pharmaceutical and medical industry
6) Sarov in the Nizhny Novgorod region	Nuclear, supercomputing and laser technology
<ol> <li>Cluster in the Republic of Mordovia,</li> </ol>	Project «Energy efficient lighting and intelligent lighting control»
8) Nizhnekamsk in the Republic of Tatarstan	Oil and gas processing and oil and gas chemistry, and automobiles
9) Cluster in the Samara region	Aerospace cluster created for the production of aircraft and spacecraft
10) Dimitrovgrad in the Ulyanovsk region)	Nuclear technology, radiation technology, new materials
11) Zheleznogorsk in the Krasnoyarsk territory,	Nuclear technology, production of aircraft and spacecraft
12) Cluster in the Novosibirsk region	It combines two clusters: • information and telecommunication technologies «SiBAcademSoft»; • biopharmaceutical cluster (medicine and pharmacy) in naukograd Koltsovo
13) Cluster in the Tomsk region	It combines two clusters: • pharmaceuticals and medical equipment; • information technology and electronics (information communication technology)

# **Specialization of Regional Innovation Clusters**

Source: Own composition with using of publications [14].

In addition to these measures of state support for the development of clusters, it is expected to use other tools, such as the following [13]:

- Support the implementation of the programs for the development of pilot clusters in the framework of federal programs and state programs of the Russian Federation;
- involving the implementation of programs of clustering development institutions such as the State Corporation «Vnesheconombank», the Foundation for Assistance to Small Innovative Enterprises in Science and Technology, Open Joint Stock Company (OJSC) «RUSNANO», OJSC «Russian Venture Company» and some others;
- Encourage the participation of large state-owned companies (such as JSC «Russian Railways» JSC «IDGC Holding» («Russian network»)) implementing the program of innovation development in the activities of the pilot clusters;
- distribution in the placement of pilot clusters of tax benefits that are provided by law for the project «Skolkovo».

From the standpoint of resource support for the formation of clusters can be funded through the use of sources such as federal programs and targeted investment programs; R & D; Investment Fund of the Russian Federation and the Regional Development Fund; means the Bank of Development and Foreign Trade; the funds for the establishment of special economic zones and technology parks; venture capital funds; funds allocated for the implementation of national projects; funds programs for the development of small business.

According to opinion of researchers and experts [13, 15, 19], these are just suggestions, and how will be their implementation the future will show. In general, we can note a positive tendency in the economic policy of the country associated with the emergence of a new instrument of state innovative policy in the form of regional innovation clusters.

# **CLUSTERS AND TERRITORIAL-PRODUCTION COMPLEXES**

The developed by M. Porter cluster theory has much in common with the concept of the territorial-production complexes (TPC), the proposed N.N. Kolosovsky [21, 22] in the middle of the twentieth century and has received further development, particularly in the writings of M.K. Bandman and his School [23, 24, 25, 26, 27, etc.]. The concept of the TPC is based on the justification of the effectiveness of the rational territorial concentration of production and the integrated development of all elements of the economy, population and the natural environment within a limited area. The doctrine of the TPC is regarded as one of the components of the theory of location of the productive forces and the territorial organization of the economy. The essence of the latter is to find ways to ensure the greatest effect due to, first, the rational territorial division of labor, and second, the concentration of effort (investment, various resources, etc.) on the territory within a certain period of time and, thirdly, rational organization of the regional economy.

Widespread implementation in practice of economic development ideas of the TPC and implementation of specific projects of forming TPK as a form of spatial organization of the productive forces began in the USSR in the 50–70s and continued in the 80s to early 90s. During this period, a whole series of large scale TPK in different parts of the country was created. During the Soviet period, TPC were considered the most advanced form of territorial organization of the productive forces. Especially widespread they were in Siberia.

In Russian literature understanding the clusters and the TPC often equated. At the same time, in spite of a certain similarity between them, there are a number of significant differences. Let me show the main differences between these two forms of organization of production in the area (Table 3).

Table 3

Specification	Cluster	ТРС
1. Essence and genesis	Cluster – a product of market forces. The basis for the formation of clusters is a business initiative. Cluster – informal voluntary association of companies. A set of interrelated manufacturing and service firms (including the creation of technologies and know-how), market institutions, etc. The main thing – communication for improving the competitiveness and maximizing profits. Clusters – the socio-economic formations.	TPC – the product of a planned economy. A set of interrelated industries (industries of specialization and completing subbranches). The main thing – the production, the criterion - minimization of costs of social labor. TPC – technical and economic formation, a form of organization of the productive forces in solving major regional economic problems of the national level of significance.

#### **Distinctive features of clusters and TPC**

Specification	Cluster	ТРС
2. Territorial planning	The clusters do not form in advance, they are created by agreement of entrepreneurs when the main production already exists.	TPC planned from the beginning as a complex. They were built in such a way that all are calculated in advance.
3. Destination	Cluster – a method of improving the compe- tition of the regional economy in the market environment. A cluster can only occur where there is a certain business environ- ment. Hence the formation of clusters main- ly in long developed regions.	Complexes – is, as a rule, approach to the development of the territory, or method supplements the existing structure of the regional economy. Hence the formation of the TPC mainly in areas of new development.
4. Competitiveness	The presence of internal competitive envi- ronment, the significant presence of the cluster in the global economy, in the presence of his strong competitive position in the global market.	The administrative-command system of planning and management. Lack of competition.
5. Basis of the relationships and their character	Economic feasibility. Vertical and horizontal integration.	Technologically – production relationship between enterprises. Vertical and horizontal communications.
6. Scale of facilities and management	The cluster must include, along with large, small and medium-sized enterprises, venture firms, research institutes, universities, etc., as well as the supervisory authority for the development of the cluster as a whole.	At the core – large (often – a vertically integrated enterprise) production facilities, which are usually not susceptible to innovation, inflexible and slow to change. Industry specific management (State Planning Committee, ministries, central administrations).
7. Industry specialization and orientation	High-tech industries, focused the final consumer.	Branches of the mineral resources sector and heavy industry-oriented manufacturer in the framework of solution of major national economic problems at the national level.
8. How it all begins	Modernization of existing structures.	As a rule, with zero. In most cases, TPC advocated as a method of developing new areas.
9. The integrating factor	New knowledge, the various innovations that ensure competitiveness cluster, information and communication networks providing exchange of information, ideas and know-how.	Items of industrial and social infrastructure. The lack of information flows between enterprises.
10. Structure	Network, the horizontal structure of the «core – distribution». As a rule, brightly expressed a separate branch with adjacent services. In the structure of the cluster small and medium-sized high-tech facilities are dominated.	The hierarchical structure of the «indus- trial center – the complex – region». Large-scale inter-industry complex. that includes, as a rule, enterprises of heavy industry.
11. Competition between enterprises	High	Low (usually completely absent)
12. Factors and constraints limiting the growth of the main production	Skilled, creative thinking frames – carriers of knowledge and skills.	Deficient capital production assets. Manpower – one of the factors of productive forces.

Source: Own composition with using of publications [16, 17, 18, 19, 20, 21]

Territorial-production complex (TPC) is understood as a combination of plants located on a limited and compact territory, connected geographically and technologically comprehensive, using local labor and natural resources, created for joint solving problems of national importance [27].

More fully TPC can be defined as a combination of interrelated and steadily developing in proportion to the production of various sectors of the economy that:

- 1) are established for the joint solution of one or more of the major economic problems (and therefore stand out clearly the size of the production and specialization in a country and its economic region);
- 2) are concentrated in a limited, be sure to compact area with the necessary set of size and resources to participate in solving the problems involved;
- 3) effective use of local resources;
- 4) have a single production and social infrastructure;
- 5) ensure compliance with the requirements of environmental protection and restoration of natural resources;
- 6) ensure the establishment defined the human condition.

From the above interpretation of the TPC we can see that they are regarded as a form of spatial organization of the productive forces in solving impotent regional cross-cutting issues of national importance. Thus the basic object of study in TPC is the production, viewed within a certain limited area in close relationship with the rest of the economy, social issues and the environment.

In the process of the formation of TPC projects revealed a number of deficiencies caused mainly by the existence of the administrative-command system, in conditions of which was carried out in the practical implementation of the concept of TPK. Among these shortcomings can be identified as key as follows:

1) formation of the TPC in most cases carried out in the absence of a unified longterm program and went through individual ministries and agencies in the five-year plans;

2) used a sectoral approach to the creation and financing of complex objects;

3) was not a mechanism of interaction of components of the WPK, including, first, the relationship between companies from different sectors to each other and, secondly, the relationship between enterprises, on the one hand, and the area in the face of local government – on the other ;

4) limited use of the economic mechanism.

In the formation of the TPC was not to provide complexity of the territorial development (primarily through proportionality, infrastructure, environmental and social problems).

Derogation from the principle of territorial development complexity, prevalence of departmental approach led to the emergence of unsustainable forms of accommodation, disproportions in development between sectors of specialization, complex industries and service industries, reduce the efficiency of production in the TPC.

Thus, it can be argued that that the socio-economic system, in which was the development and implementation of projects of formation of the TPC was carried out, was able to create the necessary conditions for the production of large-scale long-term development objectives and the territorial organization of the productive forces, but it was not able to provide the necessary conditions for their effective practical solutions, as no market relations and competition has been kept to a minimum. However, despite the fundamental differences TPC and the clusters (Table 1) the experience of forming the TPC, in our opinion, may be useful in creating regional clusters reflecting economic realities, wider use of economic methods of regulation of regional development and the existing system of governance all levels (Table 1). Methodology of the concept of TPC can be used in market conditions, in particular for the development of new regions. Each cluster is characterized by its own features of occurrence and development. The logic of the implementation of cluster policy envisages first of all account of the prerequisites of each particular region, on the territory of which a cluster is formed. Among these assumptions we can mention the following ones:

- availability of fundamental for the development of a cluster of owners and companies which potentially are interested in cooperation in the framework of the cluster;
- high level of technological innovation of enterprises and organizations;
- high competitiveness of enterprises and organizations as potential participants in the cluster in the global market;
- the interest of the authorities in a clustered version of the regional economic development and the expansion of cooperation and collaboration;
- availability of a constantly ongoing work to develop and improve the existing business support infrastructure;
- availability of a highly skilled professional education system.

Any cluster in the process of its formation and development goes through a number of stages of the life cycle [16, 20]:

- 1) agglomeration (in the region there are a number of companies and other actors, the combined field of activity or process of technological chain);
- emerging cluster (number of participants, which are localized on a limited territory, start to cooperate around a core business and implementing common possibility through the establishment of partnerships through the establishment of partnership ties);
- developing a cluster (occurrence or involvement of new members of the same related activities in the region, the emergence of new connections between new members);
- 4) mature cluster (forming of a certain critical mass of actors, developed relationships both within and outside the cluster);
- 5) transformation (under the influence of changes in technology, markets, etc. are changing and clusters. Viability of the cluster depends on its ability to generate innovations and to adapt to changing conditions. Cluster can be transformed into one or more new clusters are concentrated around other activities).

In the world practice of state regulation of economic development the cluster strategy at the present time has become essentially one of the most fashion-instruments of state policy to improve competitiveness at the level of individual enterprises, regions and countries in general. At the same time the cluster policy is adopted by many developed and developing countries.

Widespread clustering economy got in the countries of the European Union, where the cluster policy is considered to be an effective tool, which allows not only facilitating the solution of problems of local and regional management of the economy, providing income and employment, but also improving cooperation with the business community using the principle of public-private partnership as well. Ultimately, the formation of regional industrial clusters is aimed at ensuring the sustainable competitive advantages of regions.

# **REGIONAL POLICY IN BULGARIA IN THE CONTEXT OF EUROPEAN POLICIES TO SUPPORT CLUSTER DEVELOPMENT**

With the accession of Bulgaria to the EU since the beginning of 2007, significant changes in the economic, political and international conditions for development of the regions in the country. Started the implementation of EU cohesion policy 2007–2013, which predetermine the framework of regional development in the Member States in the expiring program period. The main objective of the regional policy of the European Union is

to strengthen economic, social and territorial cohesion (cohesion) regions and Member States by reducing disparities between the levels of prosperity and achieve a harmonious, balanced and sustainable development. Cohesion policy of the EU reflects the agenda of Lisbon and Gothenburg and focuses on three priority objectives: convergence, regional competitiveness and employment and territorial cooperation.

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Territorial Agenda of the EU (2007) is an EU document which unites PfP countries about implementation of the policy of territorial cohesion and development. Territorial cohesion, the integration of global environmental objectives in the process of regional and urban planning and building the information society are contained in the Territorial Agenda (2009), including priorities, valid not only for the previous programming period, but also for the next (2014–2020) period, namely: strengthening polycentric development and innovation through a network of city-centers of regions and cities; development of new forms of partnership and territorial management based on integrated strategies for the development of urban and rural areas; promoting regional competitiveness clusters and innovation throughout; strengthening and expansion of trans-European networks (transport, information and communication, energy); trans-European risk management, including the impact of climate change; strengthening ecological structures and cultural resources as added value in development. [32]

Table 4

including bulgaria		
Cohesion policy for 2007–2013	<ul> <li>Priority objectives:</li> <li>Convergence – to support growth and job creation in the least developed Member States and regions;</li> <li>Regional competitiveness and employment – anticipating and promoting change;</li> <li>Territorial Cooperation – promoting the harmonious and balanced development across the EU.</li> </ul>	
Strategic objectives of the Community Cohesion Policy in 2007–2013	<ul> <li>Priorities influencing the formulation and implementation of regional policy:</li> <li>«Europe and its regions - a good place for investment and life» to expand and improve the transport infrastructure; balance between environmental protection and economic growth; increasing the share of renewable energy sources;</li> <li>Improving knowledge and innovation for growth: increasing investment in R&amp;D</li> <li>Facilitate innovation and promote taken-neurship; building an information society for all; improving access to finance for innovative solutions;</li> <li>More and better jobs, increase employment: modernize the system of social assistance; improving workforce adaptability and mobility in the labor market; increase investment in human capital, improved education and skills; strengthening of administrative capacity. Health;</li> <li>Territorial cohesion and cooperation: promoting the role of urban areas to in- crease growth and employment; support for diversification of economic activities in rural areas; territorial cooperation - cross-border, transnational and interregional.</li> </ul>	
Medium-term objectives of Bulgaria for the programming period 2007–2013 / strategic priorities	Medium-term objectives:         Strengthening the competitiveness of the economy to achieve high and sustainable growth;         Developing human capital to ensure higher employment, income and social integration.         Strategic priorities:         1. Improving basic infrastructure;         2. Improving the quality of human capital with focus on employment;         3. Fostering entrepreneurship, favorable business environment and good governance;         4. Supporting balanced territorial development.	

Characteristics of the framework for regional development in the EU, including Bulgaria

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Main purpose and strategic objectives of regional development in Bulgaria 2007–2015 / Basic indicators for achieving the objectives	Main target for the period 2015:	
	Sustainable and balanced development of regional development.	
	<i>Strategic objectives:</i> 1. Achieving a breakthrough in the development of Bulgarian regions through	
	investments in physical and human capital and approaching the average levels of development of the regions in the EU.	
	<ol> <li>Reduction of interregional, regional and the intra-regional disparities by developing the internal potential of the regional and local level.</li> <li>Development of Territorial-border cooperation for achieving the territorial cohe-</li> </ol>	
	sion of the EU enlargement and Neighbourhood and Partnership.	
Priorities of the strategy «Europe 2020»	<ul> <li>Smart growth – developing an economy based on knowledge and innovation;</li> <li>Sustainable growth – promote a greener and more competitive economy with more efficient use of resources;</li> <li>Inclusive growth – fostering a high-employment, which can lead to social and territorial cohesion.</li> </ul>	
Headline targets critical	<b>Employment</b> for 75% of the population aged 20-64;	
to the success of the EU by 2020	<b>Investments</b> in R&D of 3% of EU GDP; <b>Achieving the objectives 20/20/20</b> climate and sexual energy, including reducing emissions by an additional 30% when possible;	
	<b>The share of early school</b> leavers below 10% and the share of the younger generation should have a tertiary education (higher) by at least 40%; <b>Reduction of the risk</b> of poverty by 20 million People.	
Main objectives /	Objectives:	
priorities defined in the strategic part of the National	<b>Raising living standards through</b> competitive education and training, creation of conditions for quality employment and social inclusion and ensuring access and quality education;	
Programme for Development «Bulgaria 2020»	<b>Construction of infrastructure networks,</b> providing optimal conditions for economic development and quality and healthy environment for the population; <b>Enhancing the competitiveness of the economy</b> by creating a favorable business environment, investment promotion, implementing innovative solutions and increase resource efficiency.	
	Priorities:	
	<b>Improving access</b> and quality of education and training and the quality of the labor force;	
	<b>Reducing poverty</b> and promoting social inclusion; <b>Achieving sustainable</b> integrated regional development and utilization of local potential	
	Development of the agricultural sector to ensure food security and production	
	of products with high added value in the sustainable management of natural resources;	
	<b>Support innovation</b> and investmentional activities to enhance the competitiveness of the economy;	
	<b>Strengthening the institutional environment</b> for higher efficiency of public services for aitizens and businesses:	
	services for citizens and businesses; Energy security and increasing resource efficiency;	
	Improved transport connectivity and market access.	

As a result of lessons learned from the crisis, Member States are challenged to look beyond the short term. For the EU's exit from the economic and financial crisis in 2010 was adopted strategy «Europe 2020», which defines priorities, headline targets and initiatives to stimulate progress on priorities. The strategy «Europe 2020» strategy for smart, sustainable and inclusive growth are ambitious but achievable targets that turn and national targets. Strategy requires a new approach and method of planning and programming of regional development to achieve coordination and linking different policies and national strategies with particular emphasis on territorial cohesion. Bulgaria participates actively in the impleBURMATOVA O., TONKOVA S.

mentation of EU regional policy to achieve balanced and sustainable development of the regions in the country.

In Table 4, the main characteristics of the comparative framework for regional development in the EU are presented [33].

In world practice of state regulation of economic development the cluster strategy has now grown substantially in one of the hottest instruments of state policy to improve competitiveness at the level of individual enterprises, regions and countries as a whole. In this case, cluster policy has adopted many of both developed and developing countries. This also applies to EU member states. While the European Commission to examine clusters mainly as market phenomena, the EU Council in 2006 rose as a strategic priority clustering to increase the innovativeness of the European economy and regional innovation in particular. For the realization of this priority significant role for institutions that are not only responsible for the development and implementation of cluster policy, but also to create the best possible framework conditions to ensure a unified environment that stimulates innovation and cooperation within the EU [34].

The National Strategy for Regional Development of the Republic of Bulgaria for the period 2005–2015 in Priority 1 «Improving the competitiveness of the regional economy based on knowledge», specific objective 2 «Building business networks and regional and cross-border clusters» play the role of catalyst of the public sector for the development of clusters, of course within the regulations for state aid and assist not only start-up projects and the development of networks and exchange of information, research and education. The public sector should create special infrastructure and flexible instruments to meet the needs of clusters. However, it is highlighted and the very important role played by local authorities to the emergence and development of clusters, which, according to its powers may initiate programs for the development of clusters and participate in their implementation, as well as universities, colleges, research institutes, non-governmental organizations such as agencies and associations for regional and local economic development. In the regional context, an important role in achieving sustainable growth have clusters in tourism, agriculture, forestry [35].

Independently set high goals in both documents at national and regional level to enhance the competitiveness of the regions, based on the knowledge economy and the introduction of high-tech industries in the country during the previous programming period «the share of these sectors in total value added (25.5%) and employment (23.1%) are almost half lower than the EU average (respectively 46.2% and 40.7%). Bulgaria is defined in the study of the European Commission for innovation as one of the «catching-up countries» in innovation. The finding of delay in the economic development of the areas required to include more diverse and wide-ranging priority axes in more operational programs aimed at establishing and supporting the development of innovative clusters and structures in the regions» [35]. Because of this Strategic Objective 1 NSRF 2012-2022, the «Economic convergence in European, national and intra plan by developing their own potential and environmental protection» is placed in line with the new philosophy of regional policy: «accelerated development not only through the reallocation of resources to weaker, and by mobilizing the specificity and their potential» [36]. A Priority 1.1 «Activating the specific potential of regional and local economies through support for increasing the competitiveness of small and medium business». Specific objective 3 «Improving the competitiveness of the regions through the development of new business models for SMEs, introducing new technologies and innovations SMEs in backward, rural areas and areas for targeted support» is an important role for public intervention have proven sustainability and attracting desirable investments, leading to the creation of attractive jobs, retention of human capital and gene-rate regional growth [37].

# FORMS OF ASSISTANCE TO CLUSTER DEVELOPMENT IN THE EU AND BULGARIA

Over the programming period 2007–2014 at EU level are applied various forms of support for the construction, operation and perspective of cluster development. The authors of the publication in the Bulletin of the Ministry of Education and Science, working on the project «Science and Business», financed by the Operational Programme «Human Resources Development», financed by the European Social Fund stand these important forms of support for cluster development: through direct and indirect non-financial instruments [34].

Direct forms of support for cluster development: priority axis «Regions of Knowledge» in the part of subprogramme «Capacities» of the Seventh Framework Programme; Programme «Competitiveness and Innovation» subroutine «Entrepreneurship and Innovation». The main objective of direct forms of support for cluster development are reflected not only in the construction and development of clusters in the exchange of information. More importantly, through this way of financing made possible the integration of the research strategies of the partners in a cluster, the development of common action plans, transfer of knowledge and experience between regions with different levels of development, and the development of initiatives to deepen integration between science and bines.

Indirect non-financial instruments to support cluster development in EU countries apply mainly to improve cluster management practices. On the basis of the information contained in the National Bulletin  $N_{2}$  8 Ministry of Education RB information are summarized presented by the author of that in Table 5.

Table 5

№	Name of instrument	Services provided
1.	European Cluster Observatory (June 2007), including interactive Internet platform; virtual library functioning in the framework of the «Enterprise» (Europe INNOVA).	<ul> <li>Provide The Information services to users of the interactive web platform for the region 404 associated with:</li> <li>cluster policies and organizations in the EU;</li> <li>institutional, scientific and business partners in the EU;</li> <li>cluster mapping by sector, region, focus on the number of employed lysis wage growth rate of associated companies;</li> <li>analysis of the business environment of a region on the basis of the number and type of economic agents with respect to the formation, operation and perspective of clusters;</li> <li>Through virtual library provides centralized access to research related to specific cluster policies, initiatives and supporting business infrastructure in EU countries.</li> </ul>
2.	European Union Platform Cluster – Europeen cluster alliance (January 2008)	<ul> <li>A coordinating cooperation in the planning and development of new cluster initiatives and its members focus on the following activities:</li> <li>&gt; measuring the impact of cluster programs and policies on economic development;</li> <li>&gt; identification of financial resources to support cluster policies;</li> <li>&gt; improving infrastructure cluster by cluster policies;</li> <li>&gt; identification of the main activities in cluster programs with an emphasis on internationalization.</li> </ul>

#### Indirect, non-financial instruments to support cluster development in the EU

N⁰	Name of instrument	Services provided
3.	Transnational Alliance of Clusters Towards Improved Cooperation Support (TACTICS INNO-Net), growing as related and complementary initiative (network group)	<ul> <li>To expand the membership of the European Union by attracting cluster responsible for cluster policies governmental and administrative organizations;</li> <li>To develop a laboratory for developing and testing new cluster and innovative concepts and initiatives at EU level.</li> </ul>
4.	Group to develop cluster policies (European Cluster Policy Group), created by the European Commission in October 2008	<ul> <li>Formulation of practical oriented, concrete policy recommendations on the basis of analysis of European and world practice and specific visits to clusters in the final report of the group, which can be divided into the following groups:</li> <li>revising priorities in the EU budget to boost competitiveness, improve the related cluster framework and review the profile of the beneficiaries of funds;</li> <li>promoting better cluster programs at national level, unification of administrative procedures when applying for financial support in some European programs, improve coordination of cluster programs initiated by different DGs of the European Commission;</li> <li>institutionalized provision of data and best practices</li> </ul>
		associated with clusters, and strengthening the role of platforms for international cooperation on cluster level.
5.	European Initiative Excellence Clusters	• Development of documents supporting the systematic assessment of the quality of management of cluster based on reliable and efficient quality indicators and assessment procedures, incl.:
		<ul> <li>analysis of the current state of the used qualitative indicators, managerial needs and existing training programs;</li> <li>develop a set of skills much needed to achieve excellent</li> </ul>
		<ul> <li>quality of management;</li> <li>Establishment of a European club cluster managers to stimulate highest quality standards;</li> <li>promote the services offered by the club and their spread across Europe.</li> </ul>
6.	European Innovation Platform for Clusters (European Innovation Platform for Clusters / Cluster-IP) to strengthen the international focus	• Encouraging productive partnerships established between cluster organizations and innovative SMEs in specific industrial sectors – biotechnology, energy efficiency and eco-innovation by:
	and cooperation of various cluster initiatives	<ul> <li>tools supporting internationalization of innovative SMEs;</li> <li>services for innovative SMEs;</li> </ul>
		<ul> <li>services for innovative sinces,</li> <li>transnational partnership between cluster organizations and affiliated companies.</li> </ul>

*Note*: The table is compiled on the basis of information contained in [34]

Financial initiatives supporting the construction, operation and development of clusters in Bulgaria can be divided into two groups: the first – in the Phare program, the US Agency for International Development, and the German organization for technical assistance and the second group – the Operational Programme «development of the Competitiveness of the Bulgarian economy». The first group of financial initiatives aims to analyze the potential for cluster development in selected industrial sectors and sub-sectors, while the second phase – financial incentives for the development of clusters. It should be noted

initiative Phare implemented in two phases: the first phase related to the introduction of the cluster approach and the establishment of a pilot cluster model. Based system developed to assess the potential of the sub-sectors of the Bulgarian economy includes 15 most promising sub-sectors: Processing of fruits and vegetables, ICT, textiles, Wine, General Engineering, Energy, Dairy Products, Tourism, Woodworking and furniture items ferrous metal ores, Parts, High technology, Transport and Logistics, Perfumery and Cosmetics, Creative Industries. Identified 9 clusters with potential for development and supported two of them – the production of furniture in the Troyan region and tourism in the Rhodope region. The second initiative of the PHARE program are planned 2.4 million. Euro, including 0.6 mln Euros from the national budget and 1.8 million. EUR – from Phare. [33] The second group of financial initiatives under the Operational Programme «Development of the Competitiveness of the Bulgarian Economy» for 2011 agreed 400 thousand. Euros, and in 2013 more than 10 million. Euro grants, which cover about 70% of the total value of contracted projects.

# EXPERIENCE IN THE IMPLEMENTATION OF THE CLUSTER APPROACH IN BULGARIA (THE CASE OF COMMUNITY SEVLIEVO)

One of the significant and, in our opinion, effective examples of cluster formation is the experience of Bulgaria for creating two clusters in Sevlievo (community or municipality). This region is located in the central part of northern Bulgaria, near Gabrovo (Figures 1 and 2).

The population of the municipality has 41.5 thousand inhabitants, of which 26.8 thousand people live in Sevlievo and 14.7 thousand people – in rural areas. The structure of the economy is as follows: 76% – industry, 4% – agriculture and 20% – services.

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Fig. 1. Map of Bulgaria

*Fig. 2.* Arial of the community Sevlievo

There are about 1,200 companies in the municipality of Sevlievo, among them the share of small enterprises (up to 9 employees) have 1045 companies; micro-enterprises (10 to 49 employees) – 123; medium-sized enterprises (50 to 249 persons) – 32; large companies (over 250 employees) – 7 [28].

In the scope of activities of the municipality of Sevlievo are included the enterprises of power engineering, mechanical engineering, trade, hotels and restaurants, food and beverage, transport, construction, agriculture and forestry, manufacturing, metal, plastic and wood products, furniture, bakery, confectionery and other food products, as well as health care, education and services.

Due to substantial investments in the economy of Sevlievo in recent years the town has the working and developing economy. Among large enterprises operating in the town should be called «Ideal Standard – Bulgaria» and «Ideal Standard – Vidima», belonging to the group «American Standard»; the German factory «Hamburger Industry»; the Italian companies «Sibi» and «Mineral and Industrial»; machine-building plant «ABB Avangard», working with the investment of Swedish group «ABB».

Bulgarian companies in the industry of the region determine the place of small and medium businesses and provide jobs for approximately 5 thousand people. The main sphere of activity is timber and furniture production («Borela-C», «Abanos», «Izgrev-90», «Parallel», Krama and others); knitted and textile products («Iveta», «Kubok-5», «Briz AD», «Biptan ET» and others); transportation («Cometa Bus», «Sev. Bus», «Helios», «Dogtrans», «Wait» and others); the food, confectionery and catering (HVK «Nectar», «Milky eks», «AKHAT», «Detelina», «Peace-N», «Apsara», «the Christovi» and others); hotels and restaurants («Sevlievo Plaza», «Odessa», «Iveta», «Helios» and others); design and production («Intellect», «Nintek», «Siana», «Eltronic», «Energy Engineering», «NIKIPLAST-M», «M-Press», and others) [27].

Among companies in the region there are companies with 100% municipal participation (LLC «White», LLC «Municipal market», the newspaper «Iveta», Medical centre and hospital, «Dr. St. Hristov»), which employed about 400 residents of the municipality. Two more companies (in which the municipality owns more than 50% of the shares) are «Sevlievo gas» and OJSC «Regional landfill for municipal solid waste».

At the end of the twentieth century – the beginning of the twenty first century in Sevlievo takes place the development of industry based on the use of foreign investment and the creation of two large clusters. The first one includes plants for the production of sanitary ware and plumbing drain key. The second cluster includes companies in the field of electrical industry and production of wires and cables.

The basis of the first cluster consists of the company Ideal Standard International (a private company with headquarters in Brussels), which operates in Europe, the Middle East, Africa and Latin America. Bulgaria due to its favorable economic-geographical position and especially the availability of good transport infrastructure plays a strategic role in business development in Eastern Europe.

In 1992, the company «Ideal Standard International» jointly with the Bulgarian company «VIDIMA» formed a joint enterprise for the production of sanitary fittings world-class. According to the original plan most part of manufactured products was intended for the market in Western Europe (mainly France). But at the end of 90s the growing demand for quality plumbing in general, as well as from Eastern European consumers forced managers to rethink their approach. In 1998, in Sevlievo was built one of Europe's most modern plants for the production of sanitary ceramics using the latest technology, which was declared the most successful investment project in Bulgaria. Plants of Ideal Standard-VIDIMA AD in Sevlievo employ more than 3.3 thousand people. Production process is fully based on advanced strategies and organizational principles. The use of new technologies of the international level is a guarantee of fast and successful adaptation to rapidly changing market requirements [29]. A number of other enterprises established on the basis of foreign investment work in close cooperation with the industries of Ideal Standard International in Sevlievo. Among them are «Industrial Minerals Bulgaria» and «SIBI» with Italian capital (main activities are, respectively, processing of raw materials and manufacture of components for plumbing); plant of German company Hamberger – «Hamburger Industry – Bulgaria» (founded in 2003 and specializes in the production of plastic toilet seats); the Austrian Hermes factory (production of polishing belt); Spanish company MATEO (flexible hoses for plumbing), as well as machine-building plant «ABB Avangard» working with the investments of Swedish company «ABB» in partnership with Ideal Standard International work-melt Bulgarian enterprises POLIERTECHNIK (production of polishing paste), TECHNOCONSULT (electroplating production line brass for buildings) and others.

An important element of the cluster is established in 2005 by the company «Biomet» large logistics center, designed for the storage of finished products of Ideal Standard International and VIDIMA and efficient service of the goods flows of the companies in the cluster. The creation of such a centre has improved the customer service from Eastern and Western Europe, providing services for storage and distribution of products.

There are also research laboratories for the development of sanitary fittings in Sevlievo. In 2008 a training center was opened, which offers training and introduces with the products brands of VIDIMA and Ideal Standard International.

Coordination of the work of all enterprises that provide Ideal Standard International by their products and services, allows reducing production costs, management costs, purchase and development of innovations, providing positive synergetic effects of territorial agglomeration.

The second cluster in Sevlievo is currently in a stage of active formation and includes industrial plants for the production of electric equipment, cables and wires. Its base is the company «ABB Avangard AD», which is part of the Swedish concern «ABB», having its enterprises in more than 100 countries. ABB Avangard is a leading manufacturer and supplier of electrical equipment in Bulgaria. Major consumers of ABB Avangard products are energy, industry, railway transport and large-scale infrastructure projects.

Plant in Sevlievo became part of ABB Group in 1996. At the present time «ABB Avangard» is specialized in manufacturing of equipment for various energy sources, energy systems, low voltage equipment, automation and related services. The main kinds of products are batteries and accumulators; electric rotary machines, generators, AC and DC converters; electrical and electronic equipment for industrial use and others [30].

Another large cluster member is the company Emka AD-Sevlievo [31], which was constructed in 1936 and has more than 75 years of experience in the manufacture of cables and wires of different purposes. 85% of the company's products are sold abroad, the main foreign-markets – Germany, France and the neighboring country Bulgaria.

The effect of the characterized clusters on socio-economic development of Sevlievo has many aspects and is expressed, first, in the benefits received by companies within the cluster; second, the benefits for the population and territory of the town.

In the first case, it can be noted, in particular, such opportunity for the companies as the use of new technologies, management systems quality products, work safety and environmental protection; increase economic efficiency through integration companies for the implementation of joint projects, including co-financing; the use of potential of rural settlements of the municipality and other.

In the second case, the creation of clusters has led to:

• the improvement of transport infrastructure, ground and underground utilities; the construction of a pipeline to industrial and domestic supply Sevlievo and nearby communities;

- the increase employment by creating new jobs (for more than 4.5 thousand people in Sevlievo and 800 people in the region, including Gabrovo, Lovech, Veliko Tyrnovo);
- investments in education and training languages (the system of professional training of specialists for the enterprises of the cluster, professional development of graduates with specialist companies is created);
- provision by the modern equipment for medical institutions;
- support the sport and the improvement of conditions for the recreation of residents;
- to encourage the development of hotels and tourism development;
- support community-based initiatives to improve the town and the preservation of cultural heritage.

Due to the good relations between business and the municipality a number of joint initiatives and projects in the humanitarian, social and cultural spheres of activity in the field of education, health and social infrastructure are implemented.

As a result, the city received a diversified local economy, new technologies and European standards of quality management, the ability to use natural gas resources, the implementation of the principle of public-private partnerships and the creation of a favorable business environment, competitive high quality products, effective cooperation with nongovernmental organizations; improving agro-ecological conditions for agriculture development and preservation of the best traditions in the field of production and processing of agricultural products; the expansion of agricultural markets.

In general, the experience of Sevlievo suggests that the formation of clusters on its territory helped to ensure the region's economic development, enhance the competitiveness of local industry, to support small and medium businesses, to encourage the development of agricultural sector and rural tourism, and ultimately to improve the living conditions of people by creating and maintaining lines of social and technical infrastructure and protection of the environment.

# CONCLUSIONS

Summarizing the experience of the implementation of the cluster approach both abroad and in Russia, it can be noted that the success of the establishment and functioning of regional clusters and turning them into points of growth in the region depends, at least from the following conditions. First of all, it is possibility to produce products and services that are competitive on the regional, national and global markets. At the same time from members of the cluster requires not only innovative orientation of the new production technologies, but management decisions. Further, all the constituent elements of the cluster, including not only production, but also related and service facilities must be consistent and focused on achieving common goals.

In general, the level of development of the various clusters largely determines national competitiveness, and the formation and functioning of the clusters serves as a real means of self-development of the regions. The cluster model of the economy of the region and the state as a whole may be in Russia as an important tool of regional policy, allowing diversification of the economy, increase of the competitiveness, innovation orientation, and promotion of regional development. To do this, it's necessary first of all to create mechanisms of integration of science, technology and production allowing connecting innovation with the production, provide transformation of new knowledge into competitive products and services, as well as non-market public goods. Important problem is the formation of a system of management of innovation processes, ensuring effective linkages between all cluster members.

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