

SOUTH EAST EUROPE TRANSNATIONAL
CO-OPERATION PROGRAMME

3rd Call for Proposals

Terms of reference
Policy Learning Mechanisms in Support of Cluster
Development

March 2011

1. Background

Networking activities are the basis of business transactions. They take a more or less organised form, they may have a formal or informal nature and they can take an ad hoc or longer term character. In the areas where a lot of interaction takes place and agglomeration economies are large there is increasing economic prosperity. Naturally born agglomerations, such as the Silicon Valley in ICT and biotechnology but also more traditional industries like textiles or ceramic tiles in Southern Europe, have attracted the attention of academics and policy makers alike.

Conceptualisations of the linkages and interactions appear in several forms in the literature. The notion of *clusters*, elaborated by Michael Porter in 1998¹, goes beyond sectoral divisions, encompassing the whole range of related activities within a geographical area where performance is enhanced by proximity to producers both in the same sector and those in other sectors using complementary inputs, with similar skill needs, etc. For some authors, the term cluster also includes the particular case of *industrial districts*, first used in the literature to emphasise the spatial dimension of intense interactions among firms in particular areas². In these districts, it has been observed that critical resources and capabilities are more often spatially determined than simply existing within any single firm. Activities are shared across firms and create interdependencies. These interdependencies create both “market” and “non market” factors of competitiveness, which highlight significant issues like the scope of the firm, levels of co-operation and competition, and external resources of firm advantage.

While naturally born clusters were the original inspiration for academics to study the creation and impacts of externalities, they were even more important for regional policy makers, realising that in the modern economy, where scale gives advantage to the more competitive firms and regions, they need to intervene more systematically and facilitate the creation of agglomeration economies, if they want local companies to compete internationally. Policy makers are then called on to facilitate spill-overs as much as they can. This is a particularly difficult task, because individual firms favours interventions for their own benefit but are, as a general rule, cautious and reluctant to share their knowledge and skills with neighbours, who are (or may become) competitors. The challenge for successful intervention is thus multifaceted: policies need to avoid the distortion of competition, support individual companies and most importantly do so keeping in mind that their role is to maximise externalities (social return on investment) and not individual profits (private returns on investment).

Following the pioneers of the '80s a proliferation of policy interventions followed in the '90s and even more then in the 21st century. International organisations like the World Bank, the OECD and the European Commission have adopted the notion and relevance

¹ Porter, Michael E, Clusters and the New Economics of Competition, Harvard Business Review, (December 1998) 77-99

² CHANDLER, Alfred (1990), *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, MIT Press

of clusters for regional policy and have supported both policy studies and individual cluster promotion in all countries³.

Cluster policy refers to the range of actions aimed at improving cluster performance. The SEC(2008)2637 Commission staff working document⁴ viewed these actions as governmental, and offered three broad categories; facilitating policies, traditional framework policies and developmental policies. Facilitating policies being directed towards creating a favourable microeconomic business environment for growth and innovation. Traditional framework policies such as industry and SME policies, research and innovation policies, and regional policy which often use the cluster approach to increase the efficiency of a specific instrument. Thirdly development policies aimed at creating, mobilising or strengthening business strategies and cooperation between organisations and people through knowledge sharing at a regional or cluster level.

Policy learning refers to a change in thinking; a structured, conscious change in thinking about a specific policy issue. The learning may consist of a rethink but more often will maintain the original policy frame but offer improvements due to a better understanding of the effects of certain policy instruments.

Inputs for policy learning can be addressed from a number of perspectives⁵. Firstly from consideration of past actions in the form of statistical trends, programme evaluations, policy evaluations and impact assessments but these are predicated on appropriate statistical data and information flows, systems for evaluation, transmission of results and evaluation capacity which are rarely fully developed.

Secondly, visions of the future can assist learning, through ex ante evaluations, statistical projections, foresight exercises, scenario building and technology assessment. Experimentation in future visions offers room for methodological improvement and experimentation.

Policy learning can of course take place in the current context through SWOT and political analyses, innovation policy reviews, stakeholder consultations inter-department communication and policy coherence and coordination. Present barriers in maximising learning here tends to result from institutional isolationism, weak communication mechanisms, limited stakeholder involvement and government failure.

Finally, and of particular interest for the SEE Programme is the learning development potential offered by understanding and working with parallel contexts involved in regional cluster policy. Working transnationally in considering methods, structures and processes as regards cluster policy intelligence, intelligent cluster benchmarking, policy networking, mutual learning, peer reviews and policy coherence and coordination, offers significant potential benefits for cluster development.

This strategic approach aligns closely with the European Commission aims as evidenced in the recent recommendations of the European Cluster Policy Group (ECPG)⁶, particularly around theme III recommendations 2 & 3 in terms improving comparable

³ The European Cluster Memorandum – Promoting European Innovation through Clusters, Prepared by The High Level Advisory Group on Clusters. Centre for Strategy and Competitiveness. Europe Innova

⁴ SEC(2008)2637 Commission staff working document

⁵ Six countries Programme, Innovation policy learning: change in thinking – change in doing (Stockholm 23-24) May 2006

⁶ European Cluster Policy Group: Final Recommendations – A Call for Policy Action, Pro Inno Europe 2010

data, methods of evaluation and promoting policies for improving cluster specific framework conditions. It is fundamental that any potential strategic project addressing this call maximises capitalisation possibilities on previous initiatives and fully considers synergy with relevant bodies and their initiatives. Particular attention should be offered to the work of the INNO Policy Trendchart for policy analysis; INNO-Learning Platform; PAXIS; Pro Inno Europe (policy analysis/policy learning/policy development); European Cluster Alliance; BSR InnoNet; CEE-Cluster Network; CLUNET; INNET; The European Cluster Observatory. Any initiative should take into account these bodies and actions and indeed work closely to ensure coherence. This consideration should also be applied to national and regional initiatives.

2. Objectives

2.1 Overall objective

The ultimate goal for a strategic project under this theme is the improved regional public administration ability and capacity to enhance, develop and implement effective regional cluster policy. This will be achieved through transnational development of policy learning understanding and mechanisms.

2.2 Specific objectives

- To develop mutual policy learning at a transnational level, consolidated with a SEE mutual cluster policy learning platform(s)
- To promote the development of evidence based regional cluster policies and initiatives
- To develop, test by pilot initiatives and as appropriate implement policy learning mechanisms to support regional administrations in specific areas of cluster development
- To develop cross department, multiple policy level understanding and coordination through policy learning
- To improve the understanding and usability of existing data and information related to clusters development
- To improve the framework conditions supporting cluster development
- To integrate with and contribute to the work of existing European cluster policy support bodies and initiatives

3. Activities

The project activities must build on a careful assessment of the previous achievements in the field, including SEE projects approved under the 1st and 2nd call for proposals and other actions implemented through different regional development programmes.

Capitalisation of previous results is of utmost importance in order not to duplicate activities and to bring added value to the project.

The activities listed under 3.1 “Compulsory activities” must be included into all proposed strategic projects for consideration.

The activities listed under 3.2 “Additional indicative activities” are optional (and intends to offer a non exhaustive list of possible complementary activities). Additional activities can be added to the minimum set of compulsory activities, however their presence does not automatically ensure higher scores in the quality check of the assessment. Additional activities to the minimum set of compulsory ones are assessed according to the contribution they bring in to the achievements of the objectives of the project, their concreteness, feasibility and adequacy, also in relation to the budget, the partnership and the timeframe foreseen

3.1 Compulsory activities

- Development and ongoing operation of a SEE mutual cluster policy learning platform(s);
- Intelligent benchmarking of regional cluster policies (must have a specific policy focus and take account of available methodologies and data);
- Minimum of 3 expert working groups considering new policy learning mechanisms. Each working group must include regional policy makers, complemented by relevant expertise. One learning mechanism should be focused on developing cross department, multiple policy level understanding and coordination;
- Coherence and synergy activities. To include ongoing consultation with specialist cluster EU development initiatives;
- Project evaluation (formative element to be included with evaluation during implementation)
- Pilot initiatives to test the mechanisms and operational activity of the SEE policy learning platform(s) in specific fields of common interest.

3.2 Additional indicative activities

- Developing & implementing Instruments and methods to practice mutual learning between regions (E.G. Peer review exercises in which policy makers from different countries visit a select number of other countries to exchange experiences);
- Activities to close information gaps to allow for the development of learning mechanisms
- Complementary activities e.g. knowledge management capacity building

4. Outputs

- Ongoing operation of a SEE mutual cluster policy learning platform(s)
- Intelligent benchmarking methodology for specific cluster policy- developed or adopted, and tested through pilot
- Three new policy learning mechanisms developed and piloted
- Synergy protocol developed
- Interim project evaluation summaries and final evaluation report
- Mutual learning outputs e.g. peer review recommendations
- Information gap data; analysis reports as necessary
- Staff training and development

5. Beneficiaries

5.1 Eligible Partnership

Maximum 3 (three) financing partners per country and per project concept can be involved (due to the high number of countries involved in the Programme, developing too large partnerships might hamper a smooth management, leading to strong deficiencies of the implementation).

At least 8 (eight) Partner States shall be included (in terms of location of Partners – both financing and ASP).

In addition, partnerships must meet the following criteria, specific to this theme:

- Given the nature of the topic the Lead Partner shall be from the Public Sector (public or public equivalent body)

5.2 Further Recommendations

A strong partnership consisting of a variety of stakeholders with different perspectives, capacities, and roles to play in the strategic project and includes partners with the specific competences to carry on the foreseen tasks per each region involved, towards the best transnational impact. A good partnership is balanced with regard to participation per country, distribution of the budget and responsibility. A good partnership includes only partners which ensure a clear benefit for the country/region they represent, not only a financial benefit for the partner itself. Each proposed partnership must contain a lead partner, who will manage and coordinate the activities. The lead partner must have some demonstrated capacity (previous projects, etc.) to lead and manage large, international projects of this character. Ideally, the lead partner should have contacts and experience working in multiple countries of the region.

Project partners should consist of the following types of institutions and authorities:

- As a priority Regional public institutions responsible for cluster policy development and implementation (associated policy too)
- National public institution responsible for cluster promotion and regional economic development
- Academic and research departments involved in cluster studies; R&D transfer and innovation promotion bodies and organisations
- Cluster associations, confederations of clusters and networks; special interest groups

In addition, proposed partnerships should meet the following criteria, specific to this theme:

- The ideal partnership will consist of between 10-20 partners
- Non EU member programme country partners are encouraged to engage with this initiative
- There must be a good, demonstrated balance between partners that have experience and expertise to share and partners that are primarily looking to gain capacity in this field.