

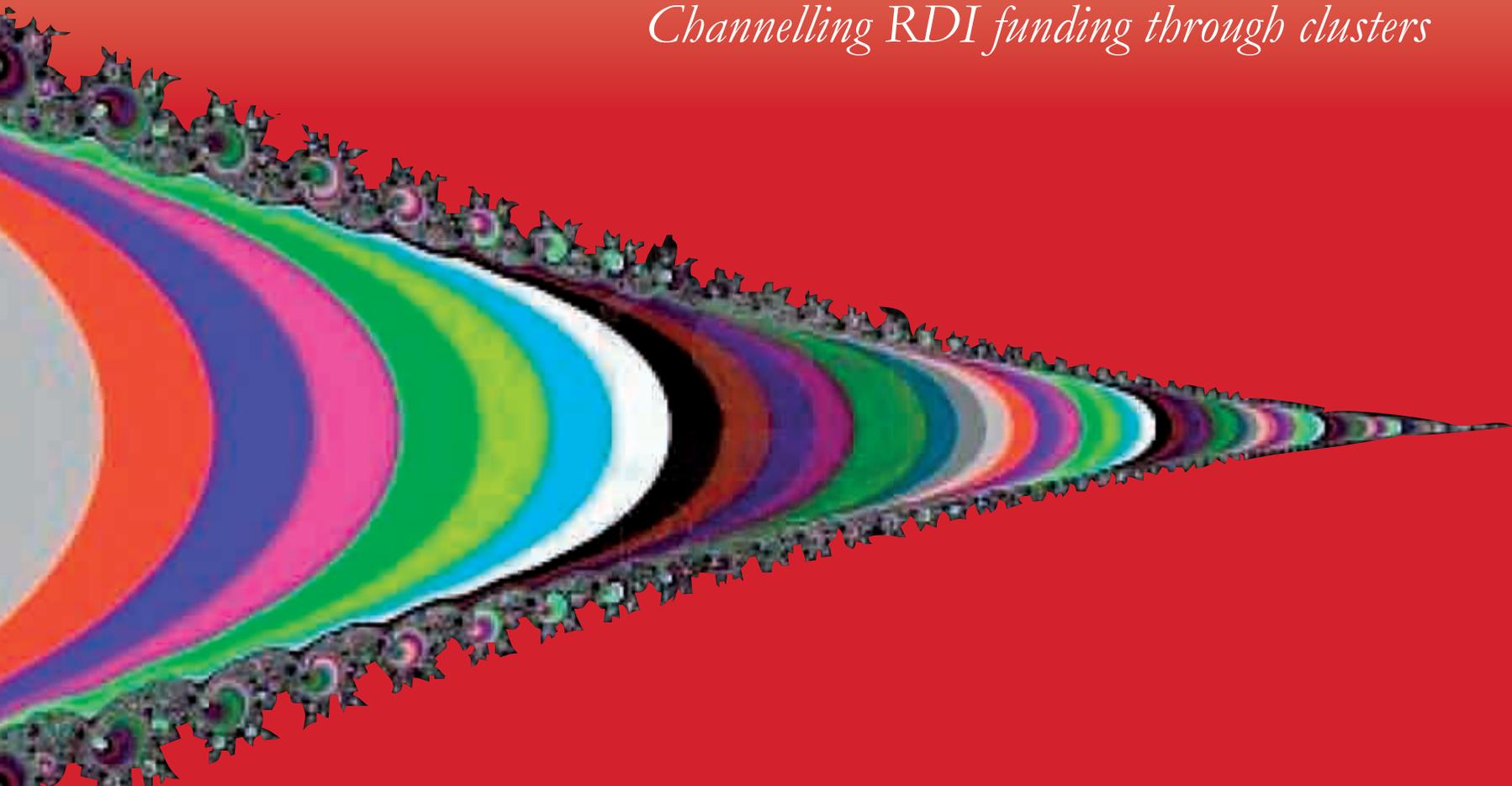
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Better cluster policies and tools for implementation

*Channelling RDI funding through clusters*



*For its covers, TACTICS series of publications gets inspiration from several works of art or uses digital pictures recalling the positivist and optimistic vision of pictorial movements flourished between the XIX and XX century. Each image can be given an interpretation according to the main message of the publication. The works were chosen because their subject and the use of the light and the colours can be easily associated with the idea of innovation, movement and progress embodied by the clusters.*

*Cover credits: StudioLanza.*

*The fractal is a combination of numeric elements that together produce a frame. The visualisation of the fractal easily conveys the idea of "channelling", which can be described as one of the core themes of the publication, as to say channelling funding for clusters and using them smartly.*

*This publication is released with no commercial purposes. The cover image, inspired by the above-mentioned work, has been freely reworked by the authors.*

# *Channelling RDI funding through excellent clusters*

**A report paper summarizing Tactics / ECA main views, examples, workshops, targeting policy makers and other cluster stakeholders**

## WHAT IS TACTICS?

**TACTICS** (*Transnational Alliance of Clusters Towards Improved Co-operation Support*) aims at supporting and further expanding the European Cluster Alliance, and contributes to the development of better cluster policies and practical tools for implementation in Europe. The project is one of the three INNO-Nets within the PRO INNO Europe initiative under the Commission's Competitiveness and Innovation Programme from DG Enterprise and Industry.

**TACTICS**, coordinated by **OSEO**, the French national organisation supporting SMEs and mid-caps development, brings together seven of Europe's leading national and regional innovation and cluster policy organizations – namely **VINNOVA** (SE), **TMG Upper Austria** (AT), **Manchester Metropolitan University** (UK), **IWT Flanders' Innovation Agency** (BE), **Veneto Innovazione** (IT), and **PARP** (PL). The partners, committed to improving policy cooperation and with a track record of experience with clusters, have been assisted by a Reflection Group of external cluster policy experts.

Six task forces discussed actual or proposed policy actions, coming up with concrete policy recommendations on the following topics relevant to cluster policy: fostering international cluster cooperation, channelling RDI funding through excellent clusters, fostering user-driven innovation through clusters, supporting cluster marketing and branding, evaluating impact of cluster-based policies, using excellent clusters to address emerging industries (including innovative services).

**TACTICS** claims that cluster initiatives can

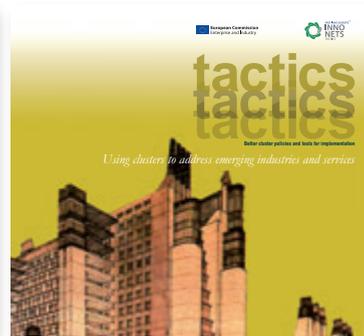
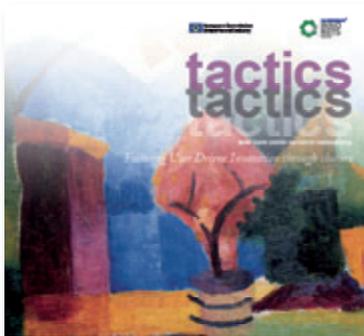
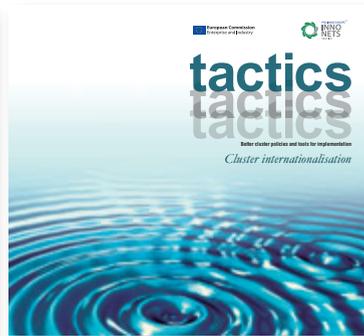
- improve the performance of the innovation support system
- leverage the renewal of European industry
- engage SMEs in research and innovation support programmes
- play an important role within smart specialization strategies
- gain competitive advantage by internationalising, boosting their visibility and attractiveness, and involving users in innovation processes.

## TACTICS RESULTS

TACTICS gives a fresh outlook on trends in cluster policy and provides a toolbox to policy makers and practitioners on how to better use clusters for economic development, through a set of documents:

- **Key messages and practical recommendations from the TACTICS project** highlights three key messages for policy makers with recommendations on concrete actions and implementation. The document is based on cluster trends in Europe and conclusions from TACTICS' six task forces.
- **Cluster internationalisation**  
The handbook provides a practical guide, illustrated with tools and case studies, for policy makers and cluster managers to address the "Why?" for internationalisation and to progress through the ten steps of the Internationalisation Journey.
- **Cluster marketing and branding**  
The handbook examines different cases of cluster branding strategies with a view to draw useful recommendations for policy makers, bringing about concrete suggestions for the improvement of cluster policies.
- **Impact evaluation of cluster-based policies**  
The guide suggests concrete steps for setting up an evaluation process of cluster-based policies. The document, targeting policy makers and other cluster stakeholders, is a practical guide supported and explained by several cases.
- **Fostering User-Driven Innovation through clusters**  
The guide provides practical advices for cluster organizations to support their member companies with the implementation of User-Driven Innovation and recommendations to policy makers to develop and implement appropriate policies.
- **Channelling RDI funding through clusters**  
The paper proposes a focus on the capacity of clusters/cluster organisations to attract and manage RDI funding, including new activities, actors and the role within smart specialisation strategies. It also provides TACTICS' contribution to the State Aid rules consultation for clusters.
- **Using clusters to address emerging industries and services**  
The paper tackles the issue of using clusters to catalyse emergence of new industries and renewal/upgrade of well-established ones. The document summarizes case examples and discussions held with participation of TACTICS partners and external experts.
- **Where the cluster winds are blowing in Europe**  
The paper includes contributions from about 30 European regional and national policy making organisations, and highlights the trends in the use of clusters as a tool for innovation and economic growth, today and in the future.

You can download TACTICS publications at: [www.ECA-TACTICS.eu](http://www.ECA-TACTICS.eu)



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This work has been coordinated by OSEO, with the contributions of TACTICS partners and Reflection Group members, with the support of Marc Pattinson, ECA secretariat.

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# Table of contents

<b>EXECUTIVE SUMMARY</b>	9
<b>1. INTRODUCTION</b>	11
TACTICS and the task forces	11
Rationale of the task force	11
Scope of the work	12
Summary of the key recommendations	12
Summary of the main Task Force achievements	13
<b>2. WHY AND HOW CHANNELLING RDI FUNDING THROUGH CLUSTERS CAN CREATE ADDED VALUE?</b>	15
<b>The benefits of channelling RDI funding through clusters</b>	15
The different ways of channelling RDI funding through clusters	16
Channelling levels	16
A summary of the advantages and disadvantages of the different levels	19
Main issues of cluster financial support schemes	22
At the Member State level	22
At the EU level	22
<b>3. DETAILED CASE STUDIES</b>	25
Rationale for the selection of the case studies	25
<b>Pôles de compétitivité: the French cluster policy dedicated to RDI funding</b>	27
General description	27
Funding mechanisms	27
Role of cluster organisations towards RDI project funding	27
Role of OSEO towards RDI project funding	28
Conclusions and lessons learnt	28
<b>Label "Entreprise innovante des Pôles": an instrument for selecting RDI champions</b>	29
General description	29
Role of cluster organisations towards private RDI funding	29
Lessons learnt and conclusions	29

<b>VINNVÄXT - the Swedish programme for developing strong regional innovation systems</b>	31
General Description	31
Funding mechanisms	31
Role of cluster organisations	31
Conclusions and lessons learnt	31
<b>Hungarian Multi-Stage Cluster Development Model and experience with 'Support for innovation to the member companies of Accredited Clusters'</b>	33
General Description	33
Funding mechanisms	33
Role of cluster organisations, Conclusions and lessons learnt	33
<b><i>Poli di Innovazione</i> in the Piedmont Region</b>	35
General Description	35
Funding mechanisms	35
Role of cluster organisations, Conclusions and lessons learnt	36
<b>Innovation Express Call for Proposals: funding RDI in SMEs through transnational cluster cooperation</b>	37
General Description	37
Funding mechanisms	37
Role of cluster organisations	37
Conclusions and lessons learnt	37
<b>4. KEY RECOMMENDATIONS</b>	39
1 - Make the EU framework conditions "cluster friendly"	39
2 - Clarify financial rules applicable to clusters	40
3 - Adjust programmes to enlarged/new activities of clusters	41
4 - Give cluster organisations access to EU financial instruments	43
5 - Incite cluster organisations to reach a good quality level	44
6 - Provide specific training to cluster organisation's staff and enhance mobility	45
7 - Give visibility to cluster initiatives and cluster organisations	46

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<b>5.</b>	<b>CONCLUSIONS</b>	47
<b>A.</b>	<b>REFERENCES</b>	48
<b>B.</b>	<b>LINKOLOGY</b>	49
	TACTICS members and related links	
	Austria	
	Belgium	
	France	
	Italy	
	Poland	
	Sweden	
	UK	
	ECA TACTICS website and uploaded documents	
	Case studies websites	
	European Commission relevant sites and documents	
	Other	
<b>C.</b>	<b>GLOSSARY OF KEY TERMS</b>	50
<b>D.</b>	<b>ANNEXES</b>	51
	Background	51
	Main conclusion from the survey to the ECA members	52
<b>E.</b>	<b>TACTICS CONSORTIUM</b>	57
<b>F.</b>	<b>REFLECTION GROUP MEMBERS</b>	58
<b>G.</b>	<b>EXTERNAL CONTRIBUTIONS</b>	59



# Executive Summary

Most clusters have succeeded in creating a favourable environment for facilitating cooperation between companies, research actors and public sector agencies. This typically leads to improved business competitiveness, greater take-up of innovative solutions and industry best practices and enhanced RDI activities. By channelling funding through clusters it is therefore possible to benefit from this environment and enhance the synergies and leverage factors, for example accessing a greater number of SMEs, helping RDI actors develop collaborative projects with companies and support broader societal challenges highlighted in Horizon 2020 such as enhancing technology commercialisation and entrepreneurship activities.



The framework conditions created by clusters/cluster organisations can therefore be considered as providing a more efficient channel for RDI funding (reaching groups of companies, research and other supporting institutions at the same time) whilst also offering a number of supporting services. These include: engaging SMEs, coordinating and administering projects, promoting research results, and developing collaborative projects that are relevant to the commercialization process – i.e. taking RDI results to the market and supporting the internationalisation of cluster members. The ability to channel and manage such funds also clearly depends on the quality and the excellence of the cluster themselves especially the management teams.

Channelling RDI funding through excellent clusters can take many forms, for example clusters can play a role in the direct management of the funds dedicated to RDI activities as well as the selection of the projects and therefore the beneficiaries. The important responsibility regarding RDI funding decisions can either be centralized, i.e. under the responsibility of national/regional ministries or funding agencies, or more or less delegated, i.e. under the responsibility of cluster organisations.

Both at Member States and EU levels, TACTICS partners and Reflection Group's members have identified key challenges and issues regarding cluster financial support schemes. The key messages delivered in this report highlight the interactions between different "channelling levels": the way in which EU programmes must articulate with Member States programmes and set flexible rules for cluster development, and at a Member States level, programmes must be adapted to the needs of clusters, and clusters to the needs of SMEs.

Based on the analysis of different case studies conducted during several workshops, TACTICS partners and Reflection Group members have drawn up a set of key recommendations dedicated to EU and national cluster policy makers concerning the benefits of channelling funding through clusters.

These recommendations are:

1. Make the EU framework conditions "cluster friendly";
2. Clarify financial rules applicable to clusters;
3. Adjust programmes to new activities of clusters;
4. Give cluster organisations access to EU financial instruments ;
5. Incite cluster organisations to reach a good quality level;
6. Provide specific training to cluster organisation's staff, and ensure mobility;
7. Give visibility to clusters' impact, to cluster initiatives successes.

# Introduction

## TACTICS AND THE TASK FORCES

The TACTICS project has the overall objective of supporting and contributing to the development of better cluster policies and practical tools in Europe. This has been achieved by developing and exploiting the European Cluster Alliance (ECA) membership, and through the TACTICS Reflection Group and the six task forces, focused on:

- fostering international cluster cooperation;
- **channelling RDI funding through excellent clusters;**
- user-driven excellent clusters;
- supporting cluster marketing and branding;
- evaluating cluster excellence; and
- using excellent clusters to address emerging industries (including innovative services).

**This document represents a summary of the work and activities carried out in the framework of the second task force on the theme of “channelling RDI funding through excellent clusters”, and their outputs: facts, case studies, lessons learnt and key recommendations.**

## RATIONALE OF THE TASK FORCE

Much of the last decade’s policy-related work on clusters (at both member state and EU levels) has focused on developing strong clusters which are viewed as instruments to strengthen regional innovation and competitiveness. As a result, there are a plethora of cluster initiatives (often facilitated by specific organisations, which act as institutions for collaboration) across Europe. In some cases, clusters are used as channels for research and innovation funding.

In member states such as France, Germany or Hungary, R&D funding in strategic areas is already channelled through clusters. However, several obstacles hinder the processes of channelling RDI funding through clusters, such as the state aid rules that are no longer fully adapted to the new way of funding RDI activities.

At the European Community level, cluster organisations are eligible partners in many R&D programme. However, no systematic approach has yet been developed to offer preferential treatment to clusters and/or cluster organisations. As highlighted in the discussion paper for the EU workshop on “*Promoting cluster excellence - measuring and benchmarking cluster performance and quality of cluster organisations*” held in December 2009 in Berlin, *the future still holds an untapped potential for research and innovation policies to become more efficient by using clusters to implement support programmes and to address societal challenges in a more strategic and focused manner. In view of the forthcoming Research and Innovation Plan and Horizon 2020 programme, it should be discussed to which extent clusters and cluster*

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**12** *organisations should be considered as privileged partners (i.e. channels) for research and innovation support policies”.*

The rationale of the task force was to highlight some of the situations where funding RDI via clusters may be of added value for their members especially SMEs, but also for enhanced regional economic development. Indeed many of the actors interviewed and contacted as part of this Task Force work suggested that cluster management organisations can provide specialist support to SMEs in helping them develop their innovation projects and identify the appropriate financial mechanisms and support necessary to take up these opportunities. If this type of service is to become prevalent then cluster management teams will require specialist training and mentoring support.

### **SCOPE OF THE WORK**

As a part of this broader discussion, the TACTICS task force has elaborated a number of questions related to this topic:

- What are the **benefits** of channelling RDI funding through clusters? And what type of actors will benefit from such an approach?
- What are the **different ways** of channelling RDI funding to clusters? And what type of funds should be channelled?
- What are the **pros and cons** related to the various “levels” of channelling RDI funding to clusters?
- What are the **most relevant financial support schemes** available to clusters and how appropriate are existing programmes (both at EU and Member State levels) for clusters’ participation?

During a series of workshops organized in the framework of this task force throughout the TACTICS project, the Reflection Group members have attempted to answer these questions, notably through the analysis of real **case studies**. This task force activity resulted in the formulation of a set of **recommendations** targeted and designed for cluster policy makers at regional, national and European levels.

### **SUMMARY OF THE KEY RECOMMENDATIONS**

These recommendations are summarized below and are developed in more detail in this document:

1. Make the EU framework conditions “clusters friendly”;
2. Clarify financial rules applicable to clusters;
3. Adjust programmes to new activities of clusters;
4. Give cluster organisations access to EU financial instruments ;
5. Incite cluster organisations to reach a good quality level;
6. Provide specific training to cluster organisation’s staff, and ensure mobility;
7. Give visibility to cluster initiatives and cluster organisations.

## SUMMARY OF THE MAIN TASK FORCE ACHIEVEMENTS

Throughout the duration of the TACTICS project the partners have taken an active role in debates regarding cluster policy development and have provided written comments on various EU consultation documents, supported by a Reflection Group of cluster experts. The ECA has also been used to test policy initiatives and to gather responses on the emerging ideas being developed by the Task Forces/Reflection groups.

The issues raised by the Task Force were regularly discussed with representatives from various Commission DGs both during at TACTICS' task force **workshops** (13-14 April 2010, and 2 February 2011), and other ad-hoc meetings. A number of detailed discussions were held regarding State aid rules especially taking into account the needs and reality of cluster actions.

After sending a **questionnaire** to the entire ECA membership and other interest groups, and having collected almost 50 responses, inviting the ECA members and particularly cluster policy makers to share positive and negative experiences on how clusters deal with the barrier of state aid rules to receive public funding. The results of this work allowed the TACTICS team to draft a **report** on State aid rules, with concrete proposals for adjustments of state aid rules for Research, Development and Innovation (see in Annex) and for supporting clusters. TACTICS partners also formally submitted an ECA/TACTICS **contribution** to the DG COMP **consultation on State Aid rules** in February 2012.

Moreover, the ECA has organised several workshops over the last three years with its 300+ members, including one on the 21 June 2012 focused on the role of clusters in the future **Smart specialisation strategies**.

On the specific issues concerning channelling RDI funding, the TACTICS project team has led the development and promotion of the **Innovation Express call for proposals** for the last two years under the TACTICS umbrella, to foster inter-cluster and internationalisation activities with the support of clusters organisations. A third call for proposals was launched in 2011, with around 45 proposals submitted by clusters aimed at promoting collaborative RDI projects for SMEs.

TACTICS has provided **inputs** to the **European Innovation Plan**, the public consultation on a possible successor to the CIP Framework programme, the consultation on the Common Strategic Framework and TACTICS partners have participated in a number of events and conferences regarding cluster policy development across Europe, for example the development of a position paper on clusters and contributions to the Vienna cluster Manifesto.

Finally, the recommendations of this Task Force need to be considered within the context of the three main messages developed by the TACTICS partners:

- **Cluster Initiatives are central to innovation and competitiveness;**
- **New Interactions between cluster initiatives drive growth**
- **Cluster initiatives that leverage and promote key assets gain a competitive advantage.**



# Why and how channelling RDI funding through clusters can create added value?

## THE BENEFITS OF CHANNELLING RDI FUNDING THROUGH CLUSTERS

Due to their inherent capability to support cooperation between different innovation actors in a region, clusters are powerful instruments to foster industrial competitiveness, innovation and regional growth. The proceedings from the EU workshop on “Promoting cluster excellence - measuring and benchmarking cluster performance and quality of cluster organisations” held in December 2009 in Berlin described a number of benefits resulting from the channelling of RDI funding through clusters.

*“As illustrated by the interesting outcomes of the national experiences presented in the framework of the workshop, it appears relevant to consider the idea of a stronger cluster targeted policy at the European level. It could indeed enable the European Commission to maximize the impact of public support for research and innovation while at the same time reducing the risk of market distortions. Through clusters, not only individual firms can be supported, but groups of firms that are well connected to research institutes and other institutions in a region and that are supported by a range of customised business support services.*

*Indeed, clusters present the advantage of more actively involving innovative SMEs in R&D and innovation projects and benefiting from large-scale actions. Cluster organisations could assume the role as lead coordinator for projects, thus dealing with all administrative aspects of project management. Clusters also offer the important opportunity to better promote research results and translate knowledge*

*into viable products. Cluster organisations facilitate this process through their customised support to enterprises as incubation services, spin-off formation and development of collaborative projects. It was also addressed that cluster partnerships across sectors could be entrusted to deliver solutions to complex, interdisciplinary problems. Participating experts suggested the formation of specific challenges at a European level and direct them to clusters of excellence to tackle.*

*The European Commission could benefit from these national experiences in terms of clusters’ assessment in order to design its own assessment procedure. It would therefore be important to design first a clear policy impact and identify in which research areas cooperation of enterprises might have a real impact and offer competitive advantages.”*

Clusters/cluster organisations seem to provide a more efficient channel for RDI funding (ability to reach out to groups of companies, research and other supporting institutions at the same time) while also offering a number of supporting services (e.g. engaging SMEs, coordinating and administering projects, promoting research results, and developing collaborative projects) that are relevant to the commercialization process – taking RDI results to the market. In terms of actors SMEs are regularly highlighted as being one of the main beneficiaries of using clusters to channel RDI funding although efforts can still be improved upon, for example ensuring greater flexibility regarding funding via State Aid rules for clusters/groupings of SMEs.

## 16 THE DIFFERENT WAYS OF CHANNELLING RDI FUNDING THROUGH CLUSTERS

### Channelling levels

The involvement of clusters in channelling RDI funding can be considered through five different “levels”. These different “levels” of involvement or responsibilities relevant to channelling RDI funding at the cluster level are described below. The approaches are clearly linked to broader policy choices and the objectives of policy makers, for example a desire to design funding schemes to target High Growth Innovative Enterprises via clusters, or to drive forward innovation through targeted public procurement actions also with the help of clusters. The choices made by policy makers need therefore to review both the funding mechanisms for delivering RDI funding to cluster members and the broader regional or national policy objectives.

#### *Meta-level*

The first “meta-level” is where the policymakers select clusters and use the selected clusters to channel/direct funding streams to a limited number of ‘topics’.

#### **Example: Flanders spearhead projects (Belgium)**

*In Flanders the Council for Science and Innovation has defined 6 areas where they think Flanders should invest in to become a leading region in Europe (logistics, e-health, etc.). Within these six (rather broad) areas, 10 spearhead projects were identified. Special attention (i.e. funding) will go to develop these 10 spearheads by e.g. supporting cluster formation.*

By choosing a limited number of topics, the fragmentation of RDI funding is reduced, and non prioritized areas/spearhead projects are likely to get less attention and funding. In this example the policymakers ‘channel’ the RDI-support towards selected areas/clusters at the regional and/or national level.

Once clusters initiatives have been established (in a bottom-up or top-down way) and have become operational, they can have a more or less strong involvement or responsibilities in channelling RDI funding.

#### *Level 1*

In this case the cluster organisation identifies opportunities for new government-funded RDI programmes, by developing roadmaps, through the identification of the member company needs, etc. Cluster organisations can identify themes (e.g. within the previously-defined spearheads in Flanders) that should receive funding. The funding agency (e.g. IWT) subsequently creates and manages the RDI-programmes. In this approach the cluster organisation acts like as a delivery agent or consultant to the government/funding agency.

#### **Example: Technology Strategy Board (North West UK)**

*Technology Strategy Board is a national initiative with a budget of £711 million (2008-2011), plus aligned funding from the Regional Development Agencies of £180 million (prior to their dissolution in 2012) and at least £120 million from the Research Councils. To focus funding, TSB have identified a number of priority application areas and key technology areas. Target beneficiaries are innovation and knowledge centres (collaborative efforts between academia and industry to promote early commercialization*

of world-class research), and innovation platforms (collaborative efforts between industry, academia and government focused on specific societal challenges).

Here, cluster organisations work in partnership with RDAs, HEIs and other partners to identify priorities and opportunities for the Northwest region. The cluster organisations do not receive or control any of the funding.

A specific national programme called Launchpad has subsequently been developed by TSB to identify and fund clusters.

#### Level 2

In this model the cluster organisation designs 'collaborative' projects for its cluster members and applies as a cluster for national or regional government funding. In Flanders, this process works on a competitive basis. Projects are selected and funded by the funding agency. At this level the cluster organisation acts like a consultant and service provider to the member companies of the cluster.

#### **Example: Cooperation projects within cluster initiatives (Upper Austria)**

This scheme aims at financing innovative cooperation projects within cluster initiatives. Targeted beneficiaries are at least three companies, of which at least two are SMEs. It covers personnel costs, external services, consulting and other costs and funds 30% of eligible costs, up to a max of €25.000 per project partner. Here the cluster organisation acts as the initiator of a project or as consultant for its cluster-members in initiating cooperation projects. It makes use of its know-how on companies and sectors

for initiating, assistance in submission and managing the implementation of the projects.

#### Level 3

The cluster organisation identifies RDI-projects developed by its members and provides a "cluster label" sometimes described as a kind of pre-screening prior to submission of the project to a funding agency. This label can have different values, impacts and influence in the final selection and funding decisions of the funding agency. The "values" attributed by the cluster can range from 'recommended for funding' to 'selected' for funding. At this level, the cluster organisation acts like a project assistant to the funding agency by undertaking a pre-selection of suitable projects. In this case the channelling process is less direct and is better regarded as a service function to help cluster members secure RDI funding.

#### **Example: ZIM (Zentrales Innovationsprogramm Mittelstand, Germany)**

This scheme aims at financing RDI cooperation and network projects. Targeted beneficiaries are new networks (NOT established ones) at the Länder level.

Within ZIM the management support of new SME-clusters is funded. The cluster organisation in charge of the management then acts as a service provider for the member companies to support them in the initiation of joint RDI projects. Within ZIM's second service pillar - ZIM KOOP - the cluster organisation can apply in a second step for RDI funding on behalf of the network.

*Level 4*

The cluster organisation obtains funds from a government body to manage its own cluster internal RDI projects. The cluster organisation – in close collaboration with its member companies – defines collaborative projects, executes the projects and delivers the results to member companies. All the IP developed within the project remains within the cluster organisation. At this level, the RDI funds are channelled directly through the cluster organisations which act like an autonomous knowledge and technology development centre.

**Example: Vinn Excellence Programme (Sweden)**

*Vinn Excellence Program is a VINNOVA programme aimed at strengthening the R&I environments (or centres) by providing a forum for collaboration between the private and public sectors, universities and colleges, research institutes, and other organisations that conduct research. The centres deal with both basic and applied research.*

*Some of the VINNVÄXT clusters have a Vinn Excellence Centre within their cluster. This is an advantage in order to highlight the cutting edge research and technology and help attract further members.*

**Example: MFG Creative Labs (Baden-Württemberg, Germany)**

*The Labs are small research projects, focusing on a special innovation topic. They are designed as virtual learning places and application-oriented test centres for science, economy and the public sector. Within these, MFG will act as an enabler to develop innovation activities as well as to support and fund research in in-*

*novative application-oriented areas with a small budget. Topics will be related to visual computing, social media and diverse ICT topics.*

*Level 5*

In this advanced model the cluster organisation obtains funds from government agencies to manage its own RDI calls. The cluster organisation defines specific themes for the call, launches the call, evaluates and selects on a competitive basis projects to fund, manages the process, etc. for selected member projects. Through this approach the cluster organisation replaces the role of funding agency and becomes the funding agency responsible for channelling the RDI funds.

**Example: Northern Wind Innovation Programme (UK)**

*Northern Wind Innovation Programme is a two-year project funded through the Northern Way Partnership and delivered by the New & Renewable Energy Centre (NaREC), which is based in North East England, and the cluster organisation Envirolink Northwest. The programme aims to drive innovation in the offshore wind sector through provision of a £2,6 million research fund; increase knowledge transfer between academia and industry; enable northern companies with capabilities or potential in the offshore wind sector to identify and realize these opportunities; and enhance the reputation of the North as an international centre for wind technology. Here, the cluster organisation (Envirolink) provides funding to SMEs and Academia for collaborative projects and also provides assistance in building consortia.*

The diagram below illustrates and summarises the different ways of channelling RDI funding through clusters at the different “levels” previously described. It shows that policy makers and clusters can benefit and develop a range of strategies for channelling RDI funding from the more centralised to a more delegated approach and that choices can be made based on the maturity of the cluster environment and the national/regional RDI funding priorities.



Figure 1: Levels of channelling (by IWT)

### A summary of the advantages and disadvantages of the different levels

#### *Meta-level*

There are many regions and countries that have developed strategies based on channelling RDI funding to clusters at the “meta-level” (i.e. by selecting a limited number of priority areas and then by selecting a limited number of beneficiary/spearhead projects within those areas that receive RDI funding). This “meta-level channelling” seems to have an impact on the “cluster-level channelling” activities – i.e. those countries who have worked with “meta-level channelling” use the existing clusters/cluster organisations for various purposes (e.g. to communicate to companies/research institutes about RDI funding possibilities, to guide funding decisions and to design new RDI funding schemes).

#### *Levels 1&2*

Based on inputs received, notably from the Task Force members, it appears that most regional and national agencies operate at levels 1&2. At these levels, cluster organisations are leveraged as consultants/advisors (either by the funding agencies or by cluster members) to guide agencies decisions regarding channelling RDI funding, but funding agencies remain in control and take the final decision regarding the distribution of funding.

PROS	CONS
<ul style="list-style-type: none"> <li>• For funding agencies: more control (more centralized programming, selection and financing processes);</li> <li>• More effective programme management (often working with an existing and homogeneous set of instruments and project processes);</li> <li>• Better assurance of quality and compliance with national/regional policy objectives;</li> <li>• For cluster organisations: ability to provide significant benefits to the companies within the cluster – identifying needs, developing projects and securing financial support from other public and private sector funding bodies;</li> <li>• For research institutions: enhance the linkages and synergies between research activities and market needs; ability to get companies' input on what problems need to be solved through research;</li> </ul>	<ul style="list-style-type: none"> <li>• For companies: RDI programmes targeted to their needs; and better scope to address and solve their problems through research.</li> <li>• More general (and possibly less effective) policy instruments;</li> <li>• Higher administrative burden (including longer time to start projects, lengthy reporting procedures, etc.);</li> <li>• Lower levels of engagement from the range of cluster members (i.e. tendency that projects involve only a few strong actors...and not many SMEs).</li> </ul>

### *Levels 3, 4 & 5*

There are fewer cases of channelling RDI funding at levels 3, 4 & 5 – where cluster organisations operate as partners to funding agencies, or as autonomous knowledge centres or funding agencies. Although the drive to diversify funding sources and increase cluster revenues is resulting in an increase in the range of services, especially linked to RDI, that are being developed by clusters.

Typically, these levels of “channelling through clusters” require that clusters/innovation hubs have reached a certain level of development/maturity and are able to fulfil a number of performance criteria (defined by the funding agencies).

PROS	CONS
<ul style="list-style-type: none"> <li>• More tailored instruments (addressing the specific needs of the actors within the cluster/innovation eco-system);</li> <li>• More effective engagement of SMEs in R&amp;I activities (facilitated by the cluster organisation); higher probability of market-driven research (as research institutions would cooperate more closely with companies);</li> <li>• Easier launch of new projects; and clearer/boosted perception of cluster organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Increased time needed early on to agree goals, activities and uses of R&amp;I funds;</li> <li>• Less control (by funding agencies) over how R&amp;I funds are used (i.e. once the strategic roadmaps are approved and financed, the cluster organisations take over management activities); need for new skills (e.g. public tender management, reporting, guarantees, etc.) for cluster managers;</li> </ul>

**PROS**

as contact points (for their members, for funding agencies, and for international parties).

- And increased possibilities for conflicts of interest for cluster organisations (if they have the role both as financier/selector and facilitator/service provider). At these levels, the cluster organisation is exposed to financial risks, and must acquire different staff skills to evaluate and manage projects.
- Need to ensure cluster excellence (labels, management benchmarking tools ...) measures are in place to guarantee quality control procedures are in place.

*Summary*

The inputs received from the Task Force members supported the view that levels 1&2 were the appropriate levels of intervention, but cautioned against higher levels of channelling RDI through clusters due to the risks policy makers might face related to losing control and detailed knowledge regarding the RDI project implementation. It was highlighted that if RDI funds should be channelled solely through clusters on these higher levels (i.e. distributed more responsibility to clusters), then funding agencies and cluster organisations (or other intermediaries) would have to agree on a certification procedure to allow cluster organisations to select projects for funding and to ensure the efficiency and quality of the selection process. This implies that funding agencies would need to have a more top-down approach to selecting clusters and would need to place a greater emphasis on results, than has been the case until now.

Furthermore, it might make it necessary to duplicate the finance and project management functions within clusters which would be counterproductive. It would seem to make most sense to develop a role for clusters based around a project information support and an animation role with a detailed knowledge regarding the functioning of the support mechanisms. The nature of the role of clusters in different countries/regions will also depend on their “maturity” and the expertise and resources they can mobilise. In some cases where financial support is of a relatively modest nature (say 10-15 000 € per company) then it might be possible for clusters to manage these types of small scale programmes.

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## 22 MAIN ISSUES OF CLUSTER FINANCIAL SUPPORT SCHEMES

### At the Member State level

In Member States, there are many examples of financial support schemes that target clusters (or innovation eco-systems, centres of expertise, etc.), or that channel RDI funding through clusters. Inputs about these different examples from the TACTICS partners have lead to the following findings:

- Overall, it appears that RDI programmes in the Member States are relatively open to clusters' participation – although they are not always targeted at cluster organisations, or at priority clusters within regions. Programmes seem to either target clusters/cluster organisations directly, or target groups of firms or universities/research institutes that are associated with clusters.
- As previously mentioned, “meta-level channelling” seems to have an impact on the “cluster-level channelling” – i.e. those countries who have worked with “meta-level channelling” use the existing clusters/cluster organisations for various purposes (e.g. to communicate to companies/research institutes about RDI funding possibilities, to guide funding decisions and even to design new RDI funding schemes).
- Funding bodies should develop innovation programmes in conjunction with cluster organisations – making sure that funding instruments fit the needs and ambitions of clusters and especially the company members. Indeed, the development of smart specialization strategies will require the involvement of cluster organisations in their development and their implementation.
- Other policy priorities such as fostering international coopera-

tion, (also a priority in S3) suggests that funding bodies should be open to funding cross-border (or international) projects and help SMEs access international markets.

- Cluster organisations should develop a strategic innovation agenda (or roadmap) in dialogue with key actors in the sector. Cluster organisations should also have clear tasks in mobilizing the sector – not only development the strategy, but also implementing it. In addition, cluster organisations need to have a good insight into possible international partnerships with other cluster organisations to lever R&D investments on bilateral, European and global levels to create a critical mass of actors, enhance synergies and avoid duplication.
- Finally, some support schemes do not recognize the role of cluster facilitator (or coordinator of collaborative projects) and do not finance this activity (i.e. cluster organisations are not eligible for funding).

### At the EU level

There are many programmes at EU level that are relevant for clusters. The programmes aim at promoting transnational linkages, developing transnational research and innovation strategies, supporting the internationalisation of SMEs and financing/implementing transnational research and innovation projects. An overview of some of the main EU-level programmes and financial support schemes relevant to clusters that have been implemented of the past five years is presented below. It should be noted that a number of these programmes and networks are currently either coming to an end or will be reviewed and relaunched in 2013.

Policy area/DG	Programme, initiatives and actions
DG Enterprise and Industry	Competitiveness and Innovation Framework Programme (CIP) <ul style="list-style-type: none"> <li>- Europe INNOVA (development and testing of new tools and instruments in support of innovation)               <ul style="list-style-type: none"> <li>• Cluster Mapping (including the European Cluster Observatory, mapping studies and other publications)</li> <li>• Cluster Partnerships on the European Innovation Platform for Clusters (including Annual Partnering Events and support to cluster networks);</li> <li>• Support to cluster excellence for management and training of cluster organisations;</li> </ul> </li> <li>- PRO INNO Europe (focal point of innovation policy analysis and development throughout Europe)               <ul style="list-style-type: none"> <li>• INNO-Net TACTICS “better policies and instruments in support of World Class Clusters” (including coordination of the European Cluster Alliance)</li> <li>• European Cluster Policy Group</li> <li>• INNO-Action “initiative for excellence of cluster organisations”</li> </ul> </li> <li>- Enterprise Europe Network : thematic groups</li> </ul>
DG Regional Policy	Cohesion Policy Structural Funds: ERDF and ESF actions <ul style="list-style-type: none"> <li>- INTERREG cross-border, transnational and interregional networks have supported many cluster initiatives;</li> <li>- Future regional Operational Programmes based on a Smart Specialisation Strategy (preparation underway and funding post 2014);</li> </ul>
DG Research	7th Framework Programme for Research and Technological Development (FP7) <ul style="list-style-type: none"> <li>- Regions of Knowledge (strengthening research capacity and contributing to regional economic development through regional research-driven clusters);</li> <li>- Marie Curie actions which could be opened to cluster managers.</li> </ul>
DG Education and Culture	Life Long Learning Programme <ul style="list-style-type: none"> <li>- Leonardo da Vinci</li> </ul> European Institute of Technology and Innovation <ul style="list-style-type: none"> <li>- Knowledge and Innovation Communities (three launched so far with a strong involvement of clusters)</li> </ul>
DG Connect	7th Framework Programme for Research and Technological Development (FP7) <ul style="list-style-type: none"> <li>- ICT Work Programme</li> </ul> Competitiveness and Innovation Framework Programme <ul style="list-style-type: none"> <li>- CIP ICT PSP Work Programme 2009               <ul style="list-style-type: none"> <li>• Open innovation, user experience and living labs (many of the latter have developed platforms in association with clusters)</li> </ul> </li> </ul>

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## 24 TACTICS Reflection Group discussions about these programmes have lead to the following findings and policy suggestions:

- Clusters (through designated organisational hubs) are targeted beneficiaries for only a limited number of these programmes. Generally, it was agreed that eligibility rules need to be adjusted to allow cluster organisations to apply to a greater number of funding schemes.
- Even though many of these programmes have similar aims (i.e. to strengthen transnational research and innovation activities), they have different eligibility criteria, application procedures, implementation and evaluation procedures, etc. – creating high administrative barriers and discouraging participation especially from SMEs. There is a need to simplify programmes and procedures and a need for more clear and consistent communication of the “programme content/offers” between different DGs.
- There are no apparent linkages between EU-level programmes and MS-level programmes having similar objectives and targets (i.e. clusters) – not in eligibility or selection procedures, nor in financing or implementation procedures. In addition, international cooperation is not evident in many regional/national funding schemes yet it is a priority in the H2020 strategy, for example

the Innovation Union. To simplify funding mechanisms and help facilitate more international cluster cooperation, there should be increased alignment of financing/top-up schemes between MS and EU levels.

- There are too few possibilities for easy-to-access, short-term, experimental or pilot project financing (primarily for SMEs). There is a need to offer new (micro financing) mechanisms.

Notwithstanding the finalisation of a number of important EU cluster policy and network initiatives that helped launch the cluster development process in Europe there are a number of positive signs and trends. These suggest that clusters will continue to develop and reinforce the policy tool armoury of regional and national policy makers interested in enhancing economic and business competitiveness, for example via Smart Specialisation Strategies. Indeed new initiatives are emerging, for example a greater focus on ensuring cluster excellence will help clusters position themselves as “channellers” of RDI funding, new schemes that will help SMEs via clusters to develop internationalisation strategies and innovation and technology partnerships. Member State cluster programme evaluations (recently in France) have also highlighted this need for greater support at an international level.

# Detailed case studies

## RATIONALE FOR THE SELECTION OF THE CASE STUDIES

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The following case studies have been selected to reflect the different kinds of **financial engineering** schemes **involving clusters** at the different “levels” previously identified:

- *Pôles de compétitivité*: the French cluster policy dedicated to RDI funding;
- Label "Entreprise innovante des Pôles": an instrument for selecting RDI champions;
- VINNVÄXT - the Swedish programme for developing strong regional innovation systems;
- Hungarian Four-Stage Cluster Development Model and experience with 'Support for innovation to the member companies of Accredited Clusters';
- *Poli di Innovazione* in the Piedmont Region;
- Innovation Express Call for Proposals: funding RDI in SMEs through transnational cluster cooperation's.



### General description

The *pôles de compétitivité* are clusters which have been given a label and dedicated funding in the framework of the French national cluster policy. This policy was officially launched in 2004 by an inter-ministerial working group gathering the French Ministries of Economy (DGCIS) and of Territorial Development (DATAR) in order to foster competitiveness and innovation at the national level.

A first national bid aiming at funding the cluster organisations was launched in 2005, leading to the selection of 66 *pôles de compétitivité* out of 105 proposals. Today, and following the second national bid, France has 71 *pôles de compétitivité*. They cover diverse economic sectors such as ICT, biotechnologies & health, aerospace, automotive, nanotechnologies, food and environment/water.

These clusters, gathering innovative companies with high growth potential, public research centres and educational institutions have as their main objective the initiation and coordination of collaborative RDI projects between their members, providing shared services through innovation platforms, animation to the cluster ecosystem, training, events, technology monitoring and developing interactions with other clusters and their members.

### Funding mechanisms

For the second phase (2009-2011), the total budget granted by the State amounts to 1.5 billion € including:

- 50 million € to fund the governance and management structures of the 71 clusters (staff, facilities, events, etc.), co-financed by



regional and local authorities and by the members themselves (through membership fees);

- 600 million € coming from the inter-ministerial fund (FUI) to fund collaborative RD projects between the members of the clusters and innovation platforms.
- 850 million € coming from ANR (national research agency), OSEO and CDC (Caisse des Dépôts et Consignations) respectively dedicated to basic research, SMEs support and cluster infrastructures (innovation platforms).

### Role of cluster organisations towards RDI project funding

On the basis of two calls for proposals per year<sup>1</sup>, the governance of each pôle de compétitivité composed of technical experts pre-select collaborative RDI projects developed by their members that are to be submitted to the inter-ministerial fund and provides them with a “cluster label”. The cluster organisation is not responsible for the management and implementation of the RDI projects but supports the project during its development phase, searching for partners, and ensuring – increasingly – the transnational activities between clusters. More recently, the French national authorities have asked the cluster or-

organisations to define more precisely their 3-5 year strategy through a *contrat de performance* (road map), indicating their objectives.

**Role of OSEO towards RDI project funding**

OSEO is involved in the implementation of this policy by supporting SME’s and other companies’ (up to 2000 people) RDI activities, in collaborative RDI projects “labellised” by the *pôles de compétitivité*. OSEO has been involved in the support of more than 500 RDI projects valued at around 186 million €, covering 60 of the 71 *pôles de compétitivité* in 2008. Since July 2009, OSEO is also responsible for managing the inter-ministerial fund on behalf of the French national authorities.

**Conclusions and lessons learnt**

The *pôles de compétitivité* cluster policy is an instrument composed of two complementary tools; the first one is dedicated to the funding of the cluster organisations and the second one to the funding of RDI projects between the members of the clusters. Through the selection and the “in kind” support of RDI projects, *pôles de compétitivité* channel RDI funding coming from specific funds (inter-ministerial fund and other innovation support actors) towards the most promising RDI projects.

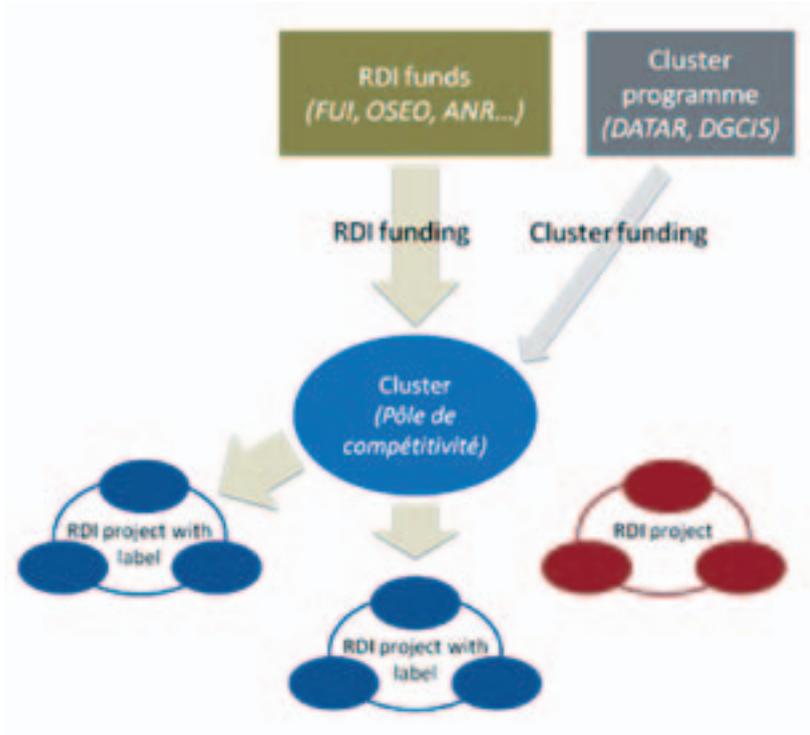


Figure 2 - Pôles de compétitivité channelling funding towards most promising RDI projects

<sup>1</sup> Around 200 proposals are submitted per call, and around 50% are selected for funding. Each project has 5 to 6 participants on average.

### General description

Initiated by the small group of world class *pôles de compétitivité*, the label "Entreprise innovante des Pôles" is the national trade mark that French clusters established to distinguish high growth potential SMEs among their members to facilitate their access to private funding, through preparation and increased visibility towards private investors. Today, nearly 25 clusters have already started this process by signing the national charter and more than 300 SMEs members of the *pôles de compétitivité* have applied for the label. So far 140 SMEs have obtained the label to be supported by the clusters in the leverage of private funding.

During the launch event, Laure Reinhart, Head of OSEO, stressed that *"this label will promote in a better way the most innovative companies of the cluster, enhancing the professionalism of their detection and their support"*.

### Mechanisms

Labelling is implemented by each *pôle de compétitivité* involving active investors from its territory and its relevant market segment. The labelling process is based on a set of criteria such as involvement in cluster activities, technology or skills, innovation / differentiation / barriers to entry, product positioning on the market, team and overall value added. These criteria are evaluated by a group of experts from different organisations including the AFIC (French Association of Capital Investors), the Caisse des Dépôts, France Angels (Federation of Business Angels networks) DGCIS (the Ministry of Economy), OSEO and Retis (innovation network). The label is valid for two years from the date of approval.



### Role of cluster organisations towards private RDI funding

29

The label itself is an initiative of the cluster organisations. They play a key role in the selection and the labelling of the SMEs applying for the label since the involvement of the company in the cluster's activities is an important criteria. Once the label is attributed, clusters facilitate the SMEs' access to private funding by creating and enhancing linkages between associations of private investors and the labelled SMEs.

### Lessons learnt and conclusions

The Label "Entreprise innovante des Pôles" is an instrument channelling private funding to RDI "champions" selected by the clusters.

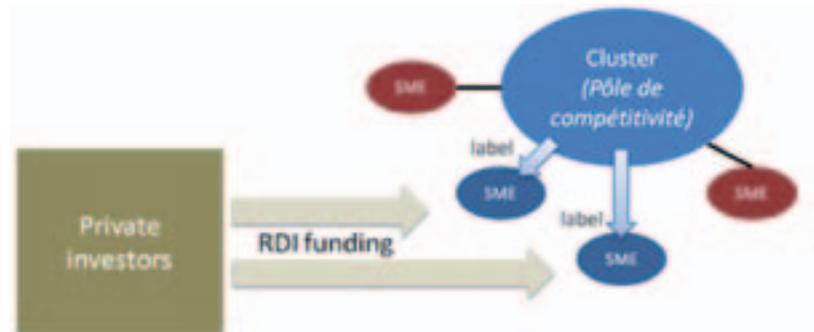


Figure 3 - Label "Entreprise innovante des Pôles" to channel private RDI funding



### General description

Similar to the *Pôles de compétitivité* programme, the Swedish VINNVÄXT programme takes the form of a competition for regions whose aim is to promote sustainable growth by developing internationally competitive research and innovation environments in specific growth fields. The programme promotes renewal and the strengthening of competitive advantages through Triple Helix actors working towards realizing a joint strategic idea. One of the aims of the VINNVÄXT programme is to create attractive environments. It is important to attract both internal actors in order to join the “strategic growth idea” and it is crucial to attract external actors in form of capital, resources and skills (companies, researchers, etc.).

This Swedish programme is administered by VINNOVA and has carried out three calls: in the first of these two calls were chosen rather mature initiatives and in the third call emerging clusters were targeted. The clusters are selected through a very well-developed selection process in which about 35 people have been involved in reading, interviewing and selecting winners from the more than 200 applications that have been submitted to the VINNVÄXT-programme.

### Funding mechanisms

The winning clusters receive funding of up to 1,2 million euro per year for a period of 10 years. The funding is oriented towards needs-driven R&D, networking activities and other activities to strengthen the regional environment. A prerequisite for the programme is the active participation of players from the private, public and research sectors and from the political sphere. VINNOVA’s support relates primarily to

the development of the identified innovation system, and to the funding of needs-driven research within the identified growth field. This takes place in collaboration between colleges/universities (possibly institutes) and companies.

### Role of cluster organisations

Cluster organisations fulfil a number of important roles such as the identification of key competencies and research needs, the communication with funding agencies, the facilitation of connections between R&D organisations and companies, the support in the translation of research results and the reassurance that cluster member interests are addressed.

### Conclusions and lessons learnt

The VINNVÄXT programme has been successful in supporting not only the “winning” clusters, but also supporting cluster development processes in other (non-winning) clusters/regions. In addition, VINNOVA’s VINNVÄXT programme has served as a sort of stamp of approval that has been used by clusters/regions to help secure additional financing, to attract resources or partners internationally, and to fund the most promising RDI activities.





## HUNGARIAN: MULTI-STAGE CLUSTER DEVELOPMENT MODEL AND EXPERIENCE WITH 'SUPPORT FOR INNOVATION TO THE MEMBER COMPANIES OF ACCREDITED CLUSTERS'

### General description

In Hungary, MAG – Hungarian Economic Development Centre - the implementing agency of the EU financed economic development programmes - has introduced a multi-stage model to support clusters that represents the different stages of development of clusters:

- 1) Stage 1 corresponds to starting initiatives with no track record;
- 2) Stage 2 corresponds to developing clusters that have a developed formal and meaningful operation for at least one year;
- 3) Stage 3 corresponds to Accredited Innovation Cluster.

In order to become potential beneficiaries, cluster organisations need an accreditation at Stage 3. However, having the accreditation does not mean any direct financial support. The accreditation call is open throughout the year and the final decision on the accreditation is taken by an Accreditation Committee. The accreditation certificate is valid for 2 years, after that it has to be renewed.

With the accreditation title, clusters get the right to apply for the calls for proposals which are open exclusively for accredited clusters or for their member companies. In the framework of these calls, the clusters/cluster members can get state aid for their joint RDI projects. In this system, the calls for proposals are open for all sectors among which some of them have a preferential treatment.

### Funding mechanisms

There is support available for start-up initiatives to start co-operation and to set up and operate a cluster management organization and at this stage the subsidy for the projects is relatively low (up to 150.000 €) but sufficient for a two-year-long project focusing on cluster management. At Stage 2 the focus is more on joint investments of cluster

members with support reaching 500.000 €. At Stage 3 the support goes to joint innovation investments of members of clusters (3.5 million €).

### Role of cluster organisations, conclusions and lessons learnt

This case reflects the importance of excellent clusters in channelling RDI funding. At their initial stage, clusters organisations play a relatively minor role in the channelling of RDI funding towards their members, ensuring basic animation activities and dissemination of the information towards the cluster members. They have to be fully informed about the programmes which are available from the Member States or EU level. However, as they develop, and especially get accredited, clusters organisations support their members in the selection and elaboration of the R&D projects.



Figure 4 - Hungarian Multi-Stage Cluster Development Model



### General description

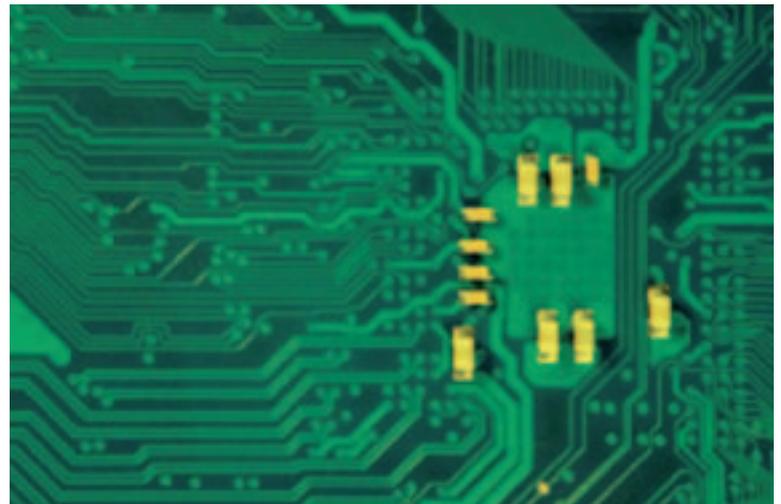
Under the 2007-2013 ERDF Operational Programme, Piedmont has put in place, starting from 2008, a cluster programme called *Poli di Innovazione*. The cluster programme budget amounts to 90 million €. These funds are dedicated to the establishment and animation structure of the clusters and (for the largest part) to fund research and innovation cooperation projects between the members of these clusters. In total, it has accredited 12 managing authorities of 12 innovation clusters through three calls for proposals asking for the presentation of the clusters as well as their annual programmes in terms of research and innovation projects. Factors that could assure the clusters success in the future are the following:

- all clusters are focused on specific industrial sectors and bring together important players in their field;
- the actors involved are highly specialised in specific industrial activities;
- many clusters can rely on scientific and technology parks (as managing authorities), research infrastructures and high level RDI service providers.

### Funding mechanisms

The policy measure that originated from the Regional Operational Plan included four distinct phases:

- 1) The regional government identified priority technological domains and local territories concerned;
- 2) The Poles managing authorities (PMA from now on, which will play the role of cluster organizations) were identified through a call
- 3) The 12 selected PMAs developed their annual programmes, and these were evaluated by a regional committee supported by technological and horizontal experts;
- 4) Following a comparative evaluation of the poles programmes, the budgets were allocated through a direct negotiation programme for each Pole.



Regional authorities have created an evaluation team that is in charge to assess both the cluster project (a strategic project focused on the development of the cluster) and each project presented by groups of companies and R&D institution inside a cluster. The capability to position the cluster at international level and the capability to activate other financing sources are evaluated as positive variables for the granting of funds.

Another important element is the competition between the different clusters for financing resources: only the cluster and the PMAs that will be able to present a coherent group of projects gathered around development axes will be financed both at cluster level and on each specific project.

#### **Role of cluster organisations, conclusions and lessons learnt**

The *Poli di Innovazione* is a good example of a regional cluster programme driven by the industrial priorities decided by the regional authorities that have developed a scheme to select the cluster organisations to be funded. This approach enabled the selection of the most suitable organisations to equally represent the collective interests of the business communities (SMEs, big companies and research institutions) and to channel the funds dedicated to RDI activities towards these communities.

**General description**

In the framework of the INNET project which was one of the first four INNO-Nets funded under the PRO INNO Europe initiative, 18 partners from 9 different countries worked together to prepare a common call for proposals named Innovation Express, in order to support and fund inter-cluster RDI cooperation activities at transnational level. The first call targeted 76 clusters in 18 countries and resulted in the submission of 42 proposals by 35 clusters, with each proposal including participation of approximately 10 SMEs. A second Innovation Express call for proposals was launched in the framework of the TACTICS project.

Innovation Express was designed to support a broad scope of innovation activities allowing SMEs/clusters to identify, prepare, and develop different stages of European cooperation (from the initial stage of contact and networking up to the development of a shared proposal) in the field of RDI. These activities include for example initiation, development of partnerships, benchmarking, technological transfer, preparation of common European projects, exchange/ share of competencies, common trainings, etc.

**Funding mechanisms**

Each funding agency that has agreed to participate in the call for proposals funds its own clusters, maintaining its own rules and procedures. Even though the synergies among partners are encouraged, bilateral funding is not mandatory. Clusters outside the INNET/TACTICS area could be involved (without financial support) in the networking activities as well as in the proposals. Depending of each partner rules, funding or support could be given directly either to

SMEs and/or to clusters (governances/legal entities). An average of 15 000 € of support per SME was recommended, with possibilities to fund several activities and for several SMEs per cluster.

**Role of cluster organisations**

Clusters organisations play the channelling role and are a key actor in the initiation of technology based partnerships between the SMEs involved in the project.

**Conclusions and lessons learnt**

Innovation Express constitutes a good example of an initiative developing common mechanisms to strengthen cooperation between national, regional and European innovation authorities, in order to develop SME-targeted activities within European clusters, but also dedicated to develop their internationalisation strength, and those of their members, in particular SMEs. It is based upon flexible mechanisms where funding agencies set their own rules to fund either clusters or directly SMEs to prepare them for RDI collaborative projects. It channels RDI funding in SMEs towards cooperation projects through clusters.

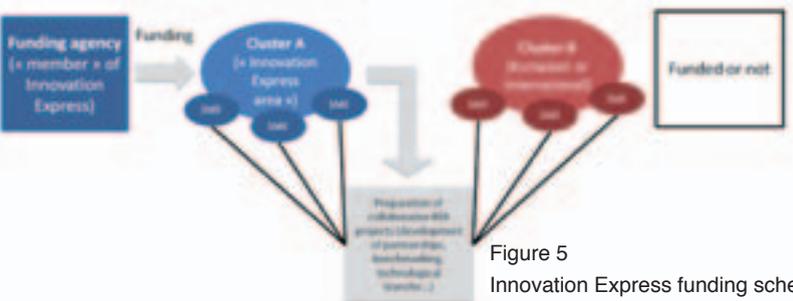


Figure 5 Innovation Express funding scheme



# Key Recommendations

One of the main outputs of the Task Force on the theme of “Channelling RDI funding through excellent clusters” was the drawing up of seven strategic recommendations. These recommendations target European as well as national policy makers in order to enable a **more effective use of clusters/cluster organisation in Community programmes and instruments:**

1. Make the EU framework conditions “cluster friendly”;
2. Clarify financial rules applicable to clusters;
3. Adjust programmes to new activities of clusters;
4. Give cluster organisations access to EU financial instruments;
5. Incite cluster organisations to reach a good quality level;
6. Provide specific training to cluster organisation’s staff, and enhance mobility;
7. Give visibility to cluster initiatives and cluster organisations.



## 1 - Make the EU framework conditions “cluster friendly”

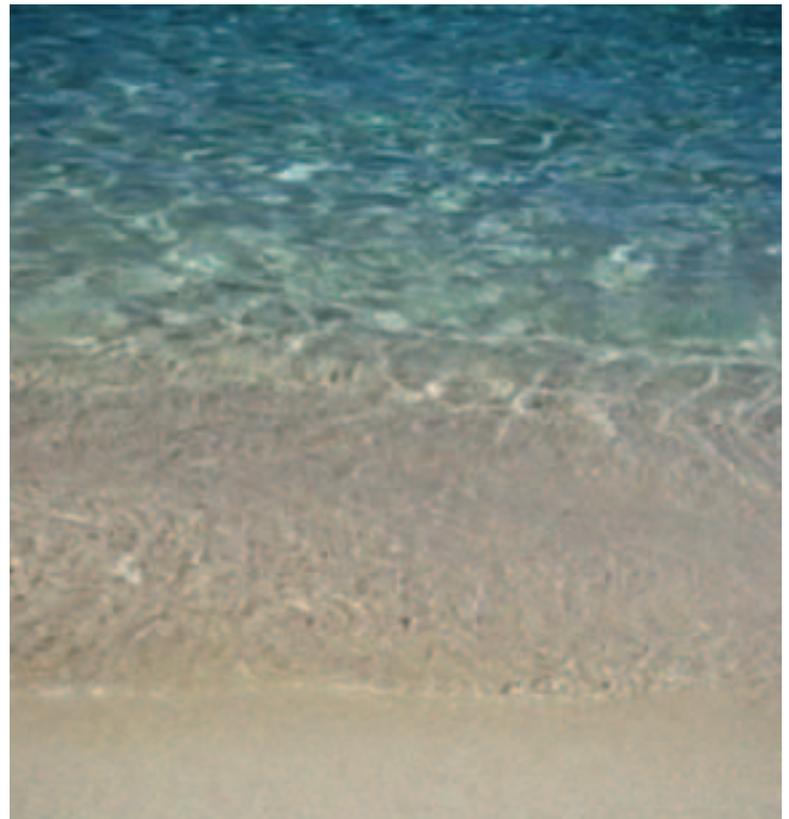
The development of suitable framework conditions to enhance innovation take-up and business competitiveness remains at the heart of the Horizon 2020 policy objectives. TACTICS partners believe that clusters can make an important contribution to meeting these objectives but for this to work the specific framework conditions allowing clusters greater access to funding mechanisms need to be enhanced. They came up with the following findings:

- To achieve this it will be necessary to broaden the eligibility criteria in new EU programmes to include cluster organisations so that they can apply to all funding schemes. Specific efforts should be made in programmes such as COSME that will target SMEs as well as cooperation initiatives such as INTERREG.
- To be easily accepted in more clusters-friendly programmes, clusters need to meet a set of **minimum requirements** as specified in labelling and excellence initiatives concerning their legal structure, the kind of activities they provide, the commitment of their members and their financial capacity.
- Once the clusters have been labelled and have achieved a certain European quality level the cluster should be deemed as fulfilling the programme eligibility criteria.
- Clusters could also be supported by specific **guarantee** schemes to help them go into European programmes to enhance their financial ratings to allow them to lead and project manage large consortia. Support on the administrative issues to help them obtain a regional letter of guarantee and/or clear explanations on how to manage these situations could also be developed.

## 2 - Clarify financial rules applicable to clusters

The revision of state aid rules (extension of funding period, clarification of definition/role of innovation intermediary and innovation clusters) is an important issue to foster the sustainability of cluster initiatives (c.f. TACTICS contribution on State Aid Rules to DG Comp consultation, and TACTICS /ECA report on State aid rules related to clusters in Annex). Clusters have developed different legal and organisational structures in line with Member State priorities but inter-cluster activities and the creation of meta-clusters is increasing the convergence of these aspects. Specific measures and actions relevant to the theme of channelling RDI include:

- Revision of financial rules to allow, in some cases, RDI activities to be financed through cluster organisations could be useful, not to replace funding agencies, but sometimes, as a way of harmonizing contributions coming from different sources, but aiming at the same mutualised target, in particular when it comes to supporting SMEs;
- Revision of co-financing levels and payment modalities for COs (to address liquidity and cash flow needs of cluster organisations);
- State Aid Rules application must be clear and not hinder new activities;
- Cluster actors and their funding partners should lobby for a simplification of the rules relating to the funding of SMEs either directly or via collaborative projects funded via clusters.



### 3 - Adjust programmes to enlarged/new activities of clusters

Clusters programmes can provide an important springboard for supporting and launching a range of national and regional initiatives and with the right policy framework, cluster organisations can transcend geographic and sectoral boundaries. By using clusters as channels for different policy initiatives they can play an important role in enhancing national and regional competitiveness. Indeed by providing dynamic framework conditions and channelling activities through clusters it is possible to encourage a range of interactions that can stimulate growth, for example, interclustering, SME internationalisation, emerging industries, open innovation, public procurement ...

A number of these topics have been dealt with in other task forces, for example, the TACTICS consortium has dealt with the issue of cluster **internationalisation** in detail in the “Cluster Internationalisation Handbook” and another task force dealt with the topic of emerging industries. Both these reports are available on the ECA-TACTICS web portal [www.eca-tactics.eu](http://www.eca-tactics.eu).

Specific measures and actions relevant to these themes are summarised below

- Dedicated programmes for cross-border interclustering and internationalisation of European clusters and their members, especially SMEs, may be more easily carried out at European level and be supported by dedicated funding mechanisms. The TACTICS consortium has developed the INNOVATION Express financial tool to support these types of activities.
- Interclustering may help European clusters to built added value chains among themselves, and accelerate the commercialization of products;
- Innovation “inter-clustered” platforms are another way to mutualise activities and tools and clusters have an active role to play at regional /cross border level;
- Meta-clusters also provide a favourable environment for cooperation, collaborative projects and supporting emerging industries. At present funding for the development of such networks and activities is limited. By channelling RDI through such networks it would be possible to enhance project outcomes.
- Existing inter-regional collaborations can be also adapted and enhanced through collaboration, for example the two regions of Provence Alpes Cote d’Azur and Bavarian have relaunched a pre-existing cooperation agreement through the promotion of links between their respective cluster organisations;



- Emerging industries either at an early stage of development or at the crossroads of several sectors/technologies may be a powerful tool to develop innovation activities and could be leveraged through interclustering activities in Europe;
- Internationalisation (outside Europe) activities are difficult topics for individual SMEs, whereas cluster organisation may help them to build networks, contacts, and a whole internationalisation strategy, and should be encouraged to do it. Funding events, B2B, sector meetings can be facilitated by channelling funding through clusters or networks of clusters. Interesting results are already emerging from new initiatives supported by DG Enterprise (World Class Clusters).
- Developing and extending networks can play an important role in stimulating new contacts and new ideas. For example a stronger commitment of EEN networks to work in connection with cluster organisations could be a good way of linking European clusters with each other and with their SMEs and other members.
- Dedicated programmes to close the gap between research and innovation within clusters may accelerate individual and collective SMEs growth. This can be linked also to pre-commercial public procurement aimed at capitalising on existing R&D investments and procurement funds;
- Cluster organisations are in contact with both the R&D actors and companies and have also strong links with regional authorities. Consequently, clusters can be key players in supporting **pre-procurement initiatives**.

Clusters are often at the heart of regional economies and can contribute to meeting some of the major societal challenges that lie at the heart of H2020. The mobilisation of clusters and the range of competences found within their members provide a unique collaborative environment especially linked to identifying the potential for demand driven innovation. The Flemish government encourages clusters to take an active role in Innovation Platforms where open innovation and user led interactions are proposed. The collaborative approaches can also support public procurement initiatives that can be used to explore and test responses to specific societal challenges.

The TACTICS consortium has dealt with the issue of open innovation in detail through the work of another dedicated Task Force. The report is available on the ECA-TACTICS web portal [www.eca-tactics.eu](http://www.eca-tactics.eu). The main conclusion is that **User-driven activities** within clusters open the innovation process, and have an obvious place at the heart of a cluster. The launch of pilot projects to implement user-driven activities through clusters could be supported at European level. The RIS3 Guide developed by DG Regio notes that “Clusters offer a huge potential to implement smart specialisation strategies by provid-

A number of European countries have developed Small Business Act type legislation and have developed a range of public procurement initiatives. Clusters can help support the implementation of such initiatives by supporting pre commercial procurement and technology development. Many cluster programmes are dedicated to supporting collaborative research projects but the overall progress and the outputs emerging from actions concerning project commercialisation, patent exploitation and developing value through IP have been rather limited. By tailoring public procurement programmes it is possible to enhance the performance and the outputs of cluster research actions. In this field, the main TACTICS recommendations are as follows:

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ing and mobilising the necessary resources for that purpose.” Indeed clusters can be used to help design the RIS3, by providing inputs to the demand analysis and supporting the entrepreneurial discovery process and the implementation phase. By channelling funding through clusters, they become platforms that can support cross-sectoral cooperation, thematic actions and supporting new cluster initiatives, supporting KETs etc. Clusters can also play an important part in driving forward internationalisation activities (using Innovation Express type funding) and in helping identify a region’s competitive advantages. Finally they can provide an important link to the regional business and SME community.

Clusters can play a significant role in support RIS3. The building of **smart specialisation** strategies is strongly linked to clusters, their RDI activities and in connection with the whole regional environment of the cluster. Clusters’ management should be involved in the **preparation and implementation** of smart specialization strategies. They can help build up a clear picture of the RDI resources and demand indicators in a particular region. They can also be used to develop connections and underpin inter-regional cooperation initiatives.

#### 4 - Give cluster organisations access to EU financial instruments



Cluster organisations, but especially their members, can already access a wide spectrum of funding mechanisms ranging from EU funds (such as FP7, regional development and cohesion funds, Interreg...) to national and regional funds. More specific financial instruments such as those developed by the European Investment Bank (Risk Sharing Initiative) could be further usefully developed to support pilot actions developed by SMEs or by groups of SMEs. Risk sharing tools can provide a useful means to help SMEs pursue RDI projects and could become part of the range of financial tools “delivered” by cluster organisations. These types of tools could for example be tailored to meet the specific needs of SMEs in emerging sectors and help create the conditions for wider scale applicability.

The favourable business ecosystem created by clusters, especially

large clusters, has attracted a range of venture capital investors keen to take up project opportunities resulting from the exploitation of collaborative research activities. Generally, these opportunities remain under-exploited and further efforts need to be made to improve the connections between investors and cluster projects. In some regions, regional venture capital funds, co-funded with ERDF monies have diversified the funding solutions for companies, for example in the PACA region the regional council has created PACA Investment with over 15M€ of funds and the monies will be dedicated to support early stage support especially for technology driven projects emerging from the cluster ecosystem. Funding for SMEs can be further enhanced by enabling clusters to provide connections between SMEs/high growth companies and funders/investors. In this case the role of clusters is one of a broker and should not replace the role of the risk taker i.e. the investor. The task force suggested that the following two actions are important priorities for clusters:

- Cluster organisations should be allowed to use the RSI/EIB/EC, known as the Risk Sharing Initiative and participate in the development of new potential financial instruments, to fund SMEs' research activities.
- Policy makers should help put in place tools to support cluster organisations identify SMEs having a strong growth potential. It is also necessary to organize training and networking activities with European venture capital organisations to improve access to finance.

### **5 – Incite cluster organisations to reach a good quality level**

The labelling of clusters by national (France, Sweden, Germany, Hungary ...), regional (Baden Wurttemberg, Rhone Alpes ...) and European organisations is a proven method to improve the quality and effectiveness of cluster initiatives. Labelling can help enhance visibility and ensure the excellence and the standardisation of services as well as helping international clusters identify suitable partners. This process can also increase visibility and attract new capital and other resources to clusters. The benchmarking exercises undertaken under the auspices of ESCA and the distribution of Gold and Bronze “labels” also acts in a positive way to secure higher impacts from the channelling of RDI through clusters. Specific measures and actions relevant to the theme of channelling RDI include:

- In general, cluster organisations should be strongly encouraged to assess their level of performance in reaching quality labels (ECEI or others identified at EU level).
- In order to apply for EU programmes and be eligible for finance, clusters should have secured certain cluster labels in order to be considered as good vehicles for delivering projects at a European level. Cluster organisations could be asked to meet a minimum set of requirements established by the ECEI -European clusters Excellence initiative- project equivalent to bronze level);
- For some RDI activities and cluster programmes, such as those delivered at “levels 3-5” concerning the direct delivery of innovation and technology collaborative projects, clusters organisations should try to obtain the highest grade;
- Membership of clusters and excellence labelling can also help the individual members secure RDI support directly from financ-

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ing agencies and facilitate partnerships between SMEs and larger companies.

## **6 - Provide specific training to cluster organisation's staff and enhance mobility**

The development of adequate skills sets such as financial tools, within cluster management teams lies at the heart of the success of many clusters. This has been recognised by the EU and supported by specific initiatives such as the Cluster Manager Awards and the development of dedicated training services through the European Cluster Excellence Initiative. The development of stronger and international linkages between clusters can be facilitated by cluster manager mobility, study trips etc. Specific measures and actions relevant to the theme of channelling RDI include the following points:

- In order to be able to manage such large and different subjects, cluster management teams must follow training at the MS and EU level, covering issues such as accessing framework programmes, innovation and financial engineering.
- It does not make sense nor is it practical to expect individual SMEs to master all aspects of the financial support mechanisms available from the EU or from national/regional venture capital for example, therefore improved training for cluster management teams could deliver this type of service.
- Cluster managers should also be supported by various schemes that encourage and facilitate staff mobility. For example, the Regions of Knowledge joint action plans support cluster manager mobility and mentoring activities and the Marie Curie "People" programmes have become popular in Europe with respect to the

improvement of researchers' mobility. This mobility should also be possible for clusters, and mobility schemes should be opened to a large extent to cluster organisation staff, in order to prepare and foster individual company mobility and their internationalisation skills.



## 7 - Give visibility to cluster initiatives and cluster organisations

This aspect is often neglected in cluster strategies and at the cluster team level where the resources available are insufficient. This is particularly important for clusters seeking to embark on projects at an international level, where a high standard of presentation skills and tools are necessary to compete with other “best in class” or to join in EU projects or interclustering initiatives. These efforts can also have a positive effect on cluster members by giving them the opportunity to produce a shared vision and message for use by third parties and help target “missing actors” that could be asked to complete the cluster value chain. Clusters can therefore help regions present their key RDI resources in support of regional and international cooperation projects, for example as part of the Smart Specialisation Strategy development process.

The TACTICS partners have given this theme a high level of importance and established another dedicated Task Force. The handbook produced by the TACTICS task force on Cluster Marketing and branding (available at [www.eca-tactics.eu](http://www.eca-tactics.eu)) provides a detailed analysis of the benefits of developing a clear marketing and branding strategy for a cluster. In the case of channelling RDI the consequences can be far reaching, for example they enable the cluster to attract high quality members and additional financial support from venture capitalists. Specific measures and issues to be considered include:

- At the EU level it would be helpful if policy documents, communications and similar materials clearly and consistently mention

cluster organisations to raise the awareness of their needs and the role they can play in delivering and meeting EU programme objectives. A good example is the S3 guide produced by the JRC Smart Specialisation Platform on behalf of DG Regio which includes thematic annexes including one on clusters.

- Help clusters to build a communication strategy, together with their regional environment, and with the cluster members. This is a most important link in terms of their European and internationalisation visibility and the common vision and skills that the cluster can offer;
- Use cluster organisations as an information channel to enhance take-up of innovation services and other competitiveness tools (to reach SMEs and encourage participation);
- Encourage cluster organisations to participate in activities to raise their profile, such as upcoming calls (Innovation Partnerships, JTIs, KICs), European competitions (best cluster managers etc.) and benchmarking activities.
- Enhancing the profile of cluster actions can also help clusters stay connected with policy makers (via the European Cluster Alliance and other platforms) and provide them with success stories.
- Identifying different cases and linking them with the Marketing and Branding of Clusters Handbook, disseminate clusters’ success stories in the field and use of RDI funding to enhance business competitiveness.

# Conclusions

This report provides an overview on how excellent clusters, thanks to dedicated measures such as cluster policies, accreditation systems, inter-clustering programmes, etc., can promote excellence and channel RDI funding towards the best innovation actors in a given country or region. The different case studies illustrate through pan-European examples, through national and regional cluster policies and other innovation support schemes the various ways used by policy makers across Europe to channel public but also private funds towards Research and Development activities.

The results and recommendations of the TACTICS Task Force “Channelling RDI Funding Through Excellent Clusters” have sought to further develop these issues and examine other factors and cluster related topics such as: State Aid rules burdens on cluster development, the role of clusters in Smart Specialisation Strategies, cluster internationalisation, the future of European cluster programmes in H2020 and the use of specific financial tools to channel RDI towards SMEs and other key cluster actors.

The TACTICS partners and the members of the Task Force believe that clusters are one of the rare policy instruments that have been widely implemented across Europe in many different economic and social situations. EU wide policies and programmes can therefore have a wide impact across Europe and generate synergies and complementarities between territories. Cluster organisations and their pursuit of excellence and quality labelling means that they are well placed to support RDI channelling initiatives especially those aimed at supporting technology driven and innovative SMEs. They can also

help create connections and bridge the gaps between research actors and companies whilst remaining connected to the national/regional policy makers or financial stakeholders.

The work of the Task Force and the TACTICS project has shown the benefits of policy level collaboration and the positive outcomes of policy learning and exchanging good practices. By supporting collaboration and policy dialogue success stories such as INNOVATION Express and the World Class Clusters initiative launched by DG Enterprise, the results of TACTICS and its Task Forces have had rapid and positive effects on clusters and their members (especially SMEs). The results have also contributed to a number of important policy debates concerning clusters, for example within the State Aids rules debate and the Smart Specialisation Strategy approach being developed by DG Regio.

A strong and robust cluster policy framework, supported by skilled policy makers at the European, national and regional level can therefore play an important role in driving forward the competitiveness of European economies. The policy actors need to continue to support cluster organisations, giving advice and guidance. They also have an important role in terms of contributing to the motivation and leadership of cluster organisations to ensure that they remain dynamic and flexible and that they respond efficiently to market forces and remain focused on the needs of their members. By channelling RDI through clusters and developing flexible financial instruments policy makers can make an important contribution to the future development and success of clusters across Europe.

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48

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([http://www.proinno-europe.eu/sites/default/files/page/11/06/TF2\\_Input%20Paper\\_100411\\_0.pdf](http://www.proinno-europe.eu/sites/default/files/page/11/06/TF2_Input%20Paper_100411_0.pdf))

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Research, Development and Innovation State aid Framework Consultation paper, TACTICS, February 2012  
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Fostering User-Driven Innovation through clusters, report lead by IWT in the framework of TACTICS, October 2012

Key messages and practical recommendations from the TACTICS project, report lead by IWT in the framework of TACTICS, October 2012

Research and Innovation Strategies for Smart Specialisation: Cohesion Policy 2014-2020 Fact Sheet

# Linkology

## **TACTICS members and related links**

### **Austria**

TMG, Upper Austria

[http://www.tmg.at/index\\_eng.php](http://www.tmg.at/index_eng.php)

### **Belgium**

IWT, Flanders, Belgium

<http://www.iwt.be/english/welcome>

### **France**

Oséo, France

<http://www.oseo.fr/international>

### **Italy**

Veneto Innovazione

<http://www.venetoinnovazione.it/?q=eng>

### **Poland**

Polish Agency for Enterprise Development (PARP)

<http://en.parp.gov.pl/>

### **Sweden**

VINNOVA, Sweden

<http://www.vinnova.se/en/>

### **UK**

Manchester Metropolitan University

<http://www2.mmu.ac.uk/>

<http://www.mmucofe.co.uk/>

## **ECA TACTICS website and uploaded documents**

<http://www.eca-tactics.eu/>

<http://www.eca-tactics.eu/page/tactics-final-reports>

## **Case studies websites**

Pôles de compétitivité

<http://competitivite.gouv.fr>

Label Entreprise Innovante des pôles

[www.entreprise-innovante-des-poles.fr](http://www.entreprise-innovante-des-poles.fr)

VINNVÄXT programme

<http://www.vinnova.se/en/About-VINNOVA/Strategiska-omraden/Strong-Research-and-Innovation-Milieus/VINNVAXT/>

Poli di Innovazione Regione Piemonte

<http://www.regione.piemonte.it/innovazione/poli-di-innovazione.html>

Innovation Express

<http://www.eca-tactics.eu/tactics/page/overview-call>

## **European Commission relevant sites and documents**

TACTICS answer to State Aid Rules public consultation

[http://ec.europa.eu/competition/consultations/2012\\_stateaid\\_rdi/tactics\\_consortium\\_en.pdf](http://ec.europa.eu/competition/consultations/2012_stateaid_rdi/tactics_consortium_en.pdf)

[http://ec.europa.eu/competition/consultations/2012\\_stateaid\\_rdi/index\\_en.html](http://ec.europa.eu/competition/consultations/2012_stateaid_rdi/index_en.html)

Horizon 2020 programme

[http://ec.europa.eu/research/horizon2020/index\\_en.cfm](http://ec.europa.eu/research/horizon2020/index_en.cfm)

Programme for the Competitiveness of enterprises and SMEs (COSME) 2014-2020

[http://ec.europa.eu/cip/cosme/index\\_en.htm](http://ec.europa.eu/cip/cosme/index_en.htm)

Smart Specialisation Platform

<http://s3platform.jrc.ec.europa.eu/home>

## **Other**

European Investment Bank

<http://www.eib.org/>

# Glossary of key terms

50

## **Cluster**

*“A cluster is a geographical proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and externalities”.* (Michael E. Porter, On Competition, Harvard Business Press, 1998, p.215)

### **Cluster members or constituents**

Cluster members or better “constituents” (since to be part you do not need to sign a membership) *“include end product or service companies; suppliers of specialized inputs, components, machinery, and services; financial institutions; and firms in related industries. Clusters also often include firms in downstream industries (that is, channels or customers); producers of complementary products; specialized infrastructure providers; government and other institutions providing specialized training, education, information, research and technical support (such as universities, think tanks, vocational training providers); and standard setting agencies. Government agencies that significantly influence a cluster can be considered part of it. Finally, many clusters include trade associations and other collective private sector bodies that support cluster members.”*

(Michael E. Porter, On Competition, Harvard Business Press, 1998, p.215-216)

### **Cluster Initiative**

*“Cluster initiative: an organised effort to increase the growth and competitiveness of a cluster within a region, involving cluster firms, government and/or the research community”.* (Örjan Sölvell, Göran Lindqvist and Christian Ketels, The Cluster Initiative Greenbook, Vinnova/TCI, 2003, p.

### **Cluster Initiative Participant**

*“Businesses and other innovation stakeholders involved in cluster initiatives”* (extracted from EC Communication: Towards world-class clusters in the European Union: Implementing the broad-based innovation strategy-SEC(2008) 2637, 17 October 2008, p.7)

### **Cluster Organisation**

*“Cluster initiatives are increasingly managed by specialised institutions, known as cluster organisations, which take various forms, ranging from non-profit associations, through public agencies to companies.”* (EC Communication: Towards world-class clusters in the European Union: Implementing

the broad-based innovation strategy-SEC(2008) 2637} 17 October 2008, p.8). A Cluster Organisation does not necessarily have members, but it provides services to the cluster initiative participants.

Note: Cluster organisations have different names in different countries, e.g. Pôles de compétitivité, centres of expertise, innovation networks and competence networks etc.

### **Cluster Association and Cluster Association Members**

A non-profit association legally formed by members *“businesses and other innovation stakeholders involved in cluster initiatives”* (concluded from definitions above).

### **Cluster Manager**

The Cluster Manager is the head of a Cluster Organisation. The term can also refer to all senior members of staff in a Cluster Organisation.

### **Cluster Members**

Cluster Members are the Businesses, universities, policy makers, other public sector organisations and other private sector organisations that actively participate in a Cluster Initiative. They

may pay a membership fee to the Cluster Organisation.

### **Actor**

An actor is a participant, either an organisation or an individual.

### **Innovation**

Innovation is what drives productivity/competitiveness and prosperity. “It is the creation, development and implementation of new products, processes or services, with the aim of improving efficiency, effectiveness or competitive advantage. Innovation may apply to products, services, manufacturing processes, managerial processes or the design of an organisation. It is most often viewed at a product or process level, where product innovation satisfies a customer’s needs and process innovation improves efficiency and effectiveness. Innovation is linked to creativity and the creation of new ideas, and involves taking those new ideas and turning them into reality through invention, research and new product development”. (Source: Economist.com). One output of innovation is the creation of new firms through spinouts or startups. Innovation can also change the structure of an industry.

# Annexes

## MAIN CONCLUSIONS OF THE SURVEY WITH THE ECA MEMBERS, TACTICS, TACTICS STATE AID RULES REVIEW WITH A BLANK BETWEEN TACTICS AND STATE AID RULES

### BACKGROUND

**The bibliographic review work has highlighted a number of useful documents. Some important extracts are included below.**

Europe 2020 Flagship Initiative Innovation Union, SEC (2010) 1161, page 15:

Innovation Union Commitment no. 13:

In 2011 the Commission will conduct a mid-term review of the State aid research and development and innovation framework clarifying which forms of innovation can be properly supported, including for key enabling technologies and innovations addressing major societal challenges, and their best use by Member States. The Commission will assess the effectiveness of the temporary State aid measures introduced in 2008, including the increased "safe harbour" for venture capital investments, and on this basis make the necessary proposals.

COMMISSION STAFF WORKING DOCUMENT A RATIONALE FOR ACTION Accompanying document to the Europe 2020 Flagship Initiative Innovation Union COM(2010) 546, page 50

Moreover, the use of a broader definition of innovation in the current State aid Framework for Research and Development and Innovation (i.e. a definition that takes into account new 'innovation categories' such as non-technological innovation, user driven innovation and social innovation, for example) could be introduced in the upcoming mid-term review (at the end of 2010) or incorporated in the new State aid Framework for Research and Development and Innovation (to be implemented in 2013). This would then expand the range of innovative activities eligible for financial support from the public sector.

**In June 2010 the** TACTICS consortium lead by OSEO (France) arranged a meeting with DG Competition and DG Enterprise and Industries. A number of important issues were raised in this meeting and the TACTICS partners brought up several questions of understanding.

Most important issues raised concerned:

- There is the need in the state aid framework for RDI for better explanations to reduce misinterpretation and notably how they can be applied for clusters.
- The TACTICS consortium already has a number of concrete examples where the state aid rules are potential barriers / problems for the cluster development / SMEs support.
- It should be highlighted that the framework for state aid rules has to be used as a toolbox with a large flexibility including the use of 'de minimis' approach for SMEs.

**In February 2011 the** TACTICS Task Force #2 organised a workshop/meeting with representatives of DG Enterprise & Industries, DG Regional Policy and DG Research and Innovation. The workshop raised a number of interesting ideas to pursue (such as utilizing clusters as an innovation support channel to reach companies), but additional concretisation and lobbying activities are needed (from EC and MS).

In terms of state aid rules for RDI:

- Revise state aid rules and establish detailed recommendations towards better understandable and easy applicable state aid rules on RDI for support of cluster activities.
- E.g. clarify the definition/role of innovation intermediary and innovation clusters. The only legal definition currently available at

a European level is the 'innovation clusters' in the state aid rules. 'Innovation cluster' corresponds most likely 'Cluster initiative'. But there is no precise reference to 'Cluster organisation' which corresponds most likely 'innovation intermediary'. Even if innovation intermediaries are mentioned in the state aid rules, there is no definition to find (section 2.2.). See the annex to this document for further details.

In the following month TAFTIE submitted proposals for the renewal of state aid rules for RDI regarding "Aid for innovation clusters". Their proposals included a recommendation that the regional constraint be skipped in order to enable the development and support non-geographical clusters (RDI state aid framework, section 2.2(m) and 5.8 next to last paragraph)

In addition, direct feedback from ECA members, met at the various cluster events and conferences held of the last 12 months highlighted the need to adjust the thinking regard state aid rules, cluster support and market distortion. Many regional development actors believe that cluster support is of public interest and should therefore not be considered as market distortion. Furthermore, if the organization responsible for cluster development and management acts on behalf of the regional/national ministries and within the framework of the regional/national strategy it is "obvious" that it is used as an instrument for the government. Cluster activities (no matter how they structured, and there are many different models in Europe) help to implement government and EU programmes, help to reach their goals and often assist in establishing new strategies and programmes. In this special role these legal entities are generally not carrying out an economic activity, they are mostly non-profit organisations and do not disturb the competition of the common market.

**MAIN CONCLUSION FROM THE SURVEY TO THE ECA MEMBERS**  
In September 2011, ECA members were invited to actively participate in this review:

- by sharing positive and negative experiences on how clusters deal with the issues and potential barriers relating to state aid rules;
- How to distribute and receive public funding ;
- and proposing ideas to develop and improve the current Community Framework for State Aid for RDI.

#### *First reactions*

#### **Market distortion? NO!**

- Financing of Cluster organisations/Cluster agencies is difficult to accomplish within the current framework for state aid rules;
- The services and related activities covered by the competitiveness Poles and Cluster organisations/initiatives are of COMMON PUBLIC INTEREST & DO NOT distort competition.

#### **Clarity & Definitions about "Innovation Clusters" ?**

- Lack of clarity is one important reason that prevents promoting this aid scheme;
- Definition of innovation clusters should not apply to structures but to the functions that they assume regardless the legal structure;
- Adjust legal definitions of state aid rules to commonly used definitions in the various EC communications and reports established in the frame of EU-projects (e.g. definition used in TACTICS Cluster International Handbook, in the 2008 communication on clusters);

- Clusters should be legal entities.

#### **Clarity & Definitions – “Innovation Intermediary “?**

- The term innovation intermediary needs to be defined properly at section 2.2. (Definitions);
- The term innovation intermediaries should also be mentioned explicit in the text of section 3.1., 3.1.1. and 3.1.2. to reduce uncertainties;
- Getting interpretation of state aid rules is difficult, it is not practical to refer all questions to Brussels.

#### **Clarity & Definitions – “Activities of non-economic nature “?**

- Confusion whether activities are of economic nature or not;
- ‘Innovation intermediaries’ including cluster organisations to be considered as providing activities mostly of a non-economic nature;
- Cluster management organisations are generally non-profit organisations which are not performing an economic activity and thus do not disturb the competition rules of the Single market.

First suggestions

#### **Duration of financial support**

- The supporting measures should be improved and not time limited;
- Distinction between competitive activities and activities of public policies with long-term scope: longer-term missions of public/common interest require sustained public support;
- State aid rules need to reflect current policy priorities and the reality of the ground;

- Experience shows that sustainability of clusters and cluster management organisations is very closely related to a long-term public support, leading clusters to maturity.

#### **Range of activities**

- Wider range of activities should be covered as eligible costs of the operating aid for cluster animation;
- Allow non-geographical clusters to be eligible for state aid;
- What about Meta clusters?
- The list of activities carried out by a cluster organisation/initiative or in the framework of a cluster should be enlarged, reflecting the global reality.

#### **Aid intensity, indirect aid and notification process**

- Maximum investment aid intensity of 15 % and maximum operating aid intensity of 50 % for a maximum period of 5 years;
- 5 years as basic duration is not enough for sustainability of clusters;
- Aid intensity to 85 % is not adapted for new clusters since they have limited budgets;
- The regulation should be easier to implement and the notification process should become simpler and faster;
- Payment of financial aids are too slow.

#### **Main criticisms/main suggestions**

- Vagueness of definitions in general that brings uncertainty to policy makers using clusters;
- Limited role of clusters;

- Too restricted period of operating aid for clusters;
- too low Aid intensity for investment aid;
- Asking for more private funding of cluster organisations will lead to the distortion of competition;
- Use definitions of the communication on clusters 2008;
- Increase investment aid to 25%;
- Lengthen the allowed state aids for animation to at least 10 years as a basis for operating aids;
- Define what could be considered as public support;
- Consider that public support type activities are not relevant to State aid rules;
- Consider that private collective, mutualised activities for the benefit of cluster members should be allowed.

## TACTICS - ECA POLICY WORKSHOPS SMART SPECIALISATION STRATEGIES

The TACTICS project with support from the ECA (European Cluster Alliance) has organised a number of cluster policy workshops over the last three years. The most relevant to the theme “Channelling RDI through Excellent Clusters” concerned Smart Specialisation Strategies. This was jointly organised with DG Regio and DG Enterprise and brought together some 80 European policy makers, all members of the ECA.

The diagram below, extracted from the RIS Guide Handbook illustrates clearly the range of delivery instruments that can be used to

prepare and deliver RIS3 approach. Clusters will play a prominent part in supporting the “entrepreneurial discovery process”, in defining demand factors and identifying the unique characteristics and competitive advantages of each region. They will also play a leading role in the implementation of projects and actions developed in the RIS3. The culture and experience of cluster organisations with the development of elaborate monitoring and evaluation systems and innovation indicators can also be of use to policy actors involved in the preparation of RIS3 to enable them to measure the performance of projects.

The importance to the theme of Channelling RDI is highly relevant to the debate on RIS3 as shown by the following statement extracted from the RIS3 fact sheet “Smart Specialisation is essential for truly effective research and innovation investments. In the European Commission’s proposal for cohesion policy in 2014-2020 it will be a pre-condition for using the European Regional Development Fund (ERDF) in 2014-20 to support these investments.”The funding of clusters and the projects developed by cluster members linked to RIS3, key enabling technologies and H2020 societal challenges will therefore be clearly linked to the RIS3 process.

In addition funding for cluster and SME inter regional and international collaboration is also likely to feature in the future territorial and cohesion policies. The funding and experiences of clusters in a number of Interreg programmes will also help shape future inter-regional collaboration again based on the channelling of RDI through clusters. Indeed clusters can play an important role in creating synergies between different funding mechanisms.



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# External contributions

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