
Towards world-class clusters in the European Union:

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Towards world-class clusters in the European Union:

Implementing the broad-based innovation strategy

INTRODUCTION

Sustainable growth and job creation in the EU increasingly depends on excellence and innovation as the main drivers of European competitiveness. Recognising this fact, the EU adopted in 2006 a broad-based innovation strategy¹ and identified strengthening clusters in Europe as one of the nine strategic priorities for successfully promoting innovation².

Building on the experience gained from regional, national and EU cluster policy efforts, the launch of the European Cluster Memorandum³ in January 2008 marked an important step towards further encouraging cluster development. More recently, the EU Heads of State or Government underlined the need to better coordinate the framework conditions for innovation “including through improved science-industry linkages and world-class innovation clusters and the development of regional clusters and networks”⁴.

A cluster can be broadly defined as a group of firms, related economic actors, and institutions that are located near each other and have reached a sufficient scale to develop specialised expertise, services, resources, suppliers and skills⁵. Cluster policies are designed and implemented at local, regional and national level, depending on their scope and ambition. It is the role of the Community to facilitate and add to such efforts, notably by improving the framework conditions, promoting research and education excellence and entrepreneurship, fostering better linkages between industry (especially SMEs) and research, and encouraging mutual policy learning and cluster cooperation across the EU. In this respect, the further completion of the internal market and the development of a competitive European Research Area is crucial.

This Communication outlines a policy framework for better complementarities and synergies between the different policy levels with a view to supporting the development of more world-class clusters in the EU.

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⁵ See the accompanying Staff Working Document on “the concept of clusters and cluster policies and their role for competitiveness and innovation: Main statistical results and lessons learned”, SEC(2008)2637.
1. **PROMOTING CLUSTERS IN THE EU — POLICY ACHIEVEMENTS**

Clusters are predominantly a market-driven phenomenon. Most successful clusters are created spontaneously as a result of natural competitive advantages, market forces or simply by chance. However, owing to dedicated cluster policies in Member States, notably since the end of the 1990s, there are an increasing number of cases where forward-looking public policies, business initiatives or top-class universities and research institutes have been instrumental in the emergence of strong clusters by acting as a catalyst and helping to unleash the economic and scientific potential of particular regions.

Although overall cluster policy development remains at an early stage in the EU, it is gaining momentum. Cluster policy approaches differ across the EU. One size does not seem to fit all. While different instruments and mechanisms in support of clusters are being applied in different places, they are increasingly being used to foster structural change, to revitalise certain industrial sectors such as maritime industries, and to provide a framework for other policies such as research, innovation and regional policy. As a result, clusters are today an important part of Europe’s economic reality. For example, the European Cluster Observatory has identified around 2,000 statistically significant clusters defined as regional agglomerations of co-located industries and services, suggesting that 38% of the European workforce is employed by companies in such clusters, i.e. highly agglomerated sectors.

While fully accepting the market-driven nature of clusters, the Community has been instrumental in promoting the emergence and excellence of clusters. Since the early 1980s, public authorities responsible for economic development have used cohesion policy instruments to develop innovation strategies including the nurturing of clusters. This is now also part of the European reform agenda for growth and jobs and approximately €86 billion, representing 25% of the total Cohesion Policy Fund, has been allocated in the current programming period (2007-2013) to research and innovation.

The Community Strategic Guidelines on Cohesion (CSGs) adopted by the Council on 6 October 2006 for the period 2007-2013 explicitly encourage Member States and regions to promote strong clusters as part of their economic reform strategies. The revised EU State aid framework also recognises the potential usefulness of public support by allowing certain targeted support measures for cluster development.

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7 See http://www.clusterobservatory.eu or the accompanying Staff Working Document.
8 See the Integrated Guidelines for Growth and Jobs, which can be found at: http://ec.europa.eu/growthandjobs/guidelines/index_en.htm.
With the Regions for Economic Change initiative\textsuperscript{12}, the Commission assists trans-national networks of regions in their efforts to improve their regional innovation systems, in which cluster policies may play a prominent role. The Regions of Knowledge initiative\textsuperscript{13} implemented under FP7 as part of the European Research Area (ERA) policy\textsuperscript{14} aims to strengthen the research potential of European regions through the establishment of research-based strategies by encouraging the development of research-driven clusters associating universities, research centres, enterprises and regional authorities and supporting their cooperation. In addition, the Research infrastructures strand of the FP7 Capacities programme aims to optimise the use and development of existing and new excellent research infrastructures of pan-European interest\textsuperscript{15}. Member States can therefore rely on substantial support for research and innovation, including cluster development, from different EU instruments.

Overall good progress has been made in promoting closer cooperation between cluster programmes from different Member States and regions, as documented by Memoranda of Understanding and joint pilot projects in support of cluster activities. The European Cluster Alliance\textsuperscript{16} has been particularly instrumental in bringing together a large number of ministries and public administrations responsible for designing and implementing cluster policies. Different public administrations are now working more closely together. As a result, first steps towards practical cluster policy cooperation across the EU have been undertaken.

Further downstream and in a complementary way, the EU is also lending concrete support to trans-national cooperation at operational level. The Europe INNOVA \textsuperscript{TM} initiative\textsuperscript{17} under the Competitiveness and Innovation Programme (CIP) focuses primarily on the joint development of new or better tools for use by cluster organisations in support of innovative SMEs, thus enhancing business support services for clusters in Europe. This initiative has helped to increase business linkages between clusters in the EU by organising cluster visiting schemes and matchmaking events and preparing partnership agreements for the creation of open sectoral business platforms for clusters\textsuperscript{18}.

Given the crucial role of SMEs for the EU’s future development, the European Council has also highlighted the importance of facilitating the integration of innovative SMEs in clusters, in particular with a view to promoting their internationalisation strategies in line with the recently launched Small Business Act\textsuperscript{19}.

\textsuperscript{12} More information about this initiative can be found at: http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/index_en.cfm.

\textsuperscript{13} Further information about this initiative can be found at: http://cordis.europa.eu/fp7/capacities_regions-knowledge_en.html.

\textsuperscript{14} The Commission's Green Paper on “The European Research Area: New Perspectives”, COM(2007) 161, 4.4.2007, clearly states that the ERA “should … progressively structure itself along the lines of a powerful web of research and innovation clusters”.

\textsuperscript{15} More information about European activities on research infrastructures is available at: http://cordis.europa.eu/fp7/capacities/research-infrastructure_en.html.

\textsuperscript{16} More information about the European Cluster Alliance and how to join it can be found at: http://www.proinno-europe.eu/index.cfm?fuseaction=page.display&topicID=223&parentID=0.

\textsuperscript{17} More information about the Europe INNOVA initiative at: http://www.europe-innova.org.

\textsuperscript{18} More information is presented in the report “Europe INNOVA Innovation and Clusters: The experience of 11 Networks", available at: www.europe-innova.org/index.jsp?type=page&cid=10337&lg=en.

2. THE CHALLENGES AHEAD — THE NEED FOR NEW POLICY ACTION

Europe does not lack clusters, but persistent market fragmentation, weak industry-research linkages and insufficient cooperation within the EU mean that clusters in the EU do not always have the necessary critical mass and innovation capacity to sustainably face global competition and to be world-class.

As international competition builds up so does the pressure to attain excellence. Strong clusters offer a fertile combination of entrepreneurial dynamism, intensive linkages with top-level knowledge institutions and increased synergies among innovation actors. They contribute to the building of a knowledge-based economy and therefore to achieving the objectives of the Lisbon Partnership for Growth and Jobs. Striving for excellence should thus be a high priority.

As part of the renewal of the economy, new clusters are emerging over time as others lose their competitive edge. This is a healthy market-driven process and clusters which are not working should not be artificially kept alive. Such clusters should not become a channel for subsidies which would undermine competition and even the emergence of new competitive clusters. New cluster initiatives should be carefully designed and underpinned by a very clear rationale based on precisely identified business interests, regional strengths, specific competences, knowledge hubs of international excellence and market foresight. If such conditions are not fulfilled, it is unlikely that a cluster initiative will be successful. The challenge then is to avoid a proliferation of cluster initiatives with little chance of long-term success.

Policy makers at all levels should concentrate on providing the best framework conditions nurturing innovation, excellence and cooperation across the EU. To support this approach, common efforts are needed to achieve more synergies and complementarities between different policies, programmes and initiatives.

3. TOWARDS MORE WORLD-CLASS CLUSTERS IN THE EU

The key to further strengthening competitiveness in Europe lies in striving for excellence at all levels and making best use of the potential that clusters offer.

An essential role of the Commission in supporting cluster excellence is to complement regional and national cluster policies by further removing barriers to trade and mobility within the EU. A well functioning internal market offers the best conditions for more trans-national cooperation and mobility of investment, researchers and highly skilled people, all necessary for the development of stronger clusters in the EU. For instance, the European partnership for researchers recently launched by the Commission should help to remove remaining barriers to the mobility of researchers across the EU\(^\text{20}\).

The Commission has already announced\(^{21}\) that it will step up its efforts to ensure that the different Community financial instruments function in a more strategic and consistent manner, enabling Member States to tailor their use of the instruments according to their own strategic goals and conditions. In order to maximise their impact, the relevant Community instruments need to be implemented in line with regional and national efforts in support of clusters, as suggested by the Committee of the Regions\(^{22}\).

### 3.1. Improving cluster policies

Member States are invited to continue integrating cluster policies into their national reform programmes within the Partnership for Growth and Jobs and to report annually on their achievements. This helps policy makers to further shape successful cluster policies at national and regional level and to encourage the sharing of knowledge and good practices across the EU. In this context, it is worth stressing that the new generation of cohesion programmes is closely aligned with the National Reform Programmes and provides a significant contribution to their implementation.

In addition, the European Cluster Observatory provides policy makers with neutral and comparable information on cluster policies and relative cluster strengths in the EU. This cluster mapping service to Member States, promoting evidence-based policy making and mutual learning, will now be further refined and improved\(^{23}\).

Striving for excellence also requires national and regional support programmes to better take into account the trans-national dimension of clusters, within the EU and beyond. To support better upstream coordination between Member States at regional and national level in the planning of new cluster initiatives or the further development of existing ones, the Commission therefore encourages Member States and regions to work more closely together at policy level. In this context, the Commission will further support the activities of the European Cluster Alliance for supporting mutual policy learning, sharing best practices and experiences, and jointly developing common practical tools, which will contribute to the development of better and more efficient cluster policies within the EU\(^ {24}\).

In order to address practical constraints to closer cluster policy cooperation, the European Grouping on Territorial Cooperation\(^ {25}\), a legal instrument created under the cohesion policy and primarily developed for managing cohesion policy programmes, may also be used. At the same time, the Commission invites Member States and regions to make better use of

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22 See the Opinion of the Committee of the Regions on clusters and cluster policy adopted at its 75th Plenary Session on 19 June 2008, Cdr 70/2008 rev.1 EN/o (ECOS-IV-024).
opportunities provided by the single market when designing cluster programmes, for example through wider use of innovation vouchers for the purchase of support services across borders.

To further help Member States develop a more strategic vision to reach critical mass and world-class excellence, the Commission will establish a European Cluster Policy Group under the CIP to share intelligence about cluster policies with a view to further exploring how to better assist Member States in supporting the emergence of more world-class clusters.

3.2. Fostering trans-national cluster cooperation

Despite efforts to strengthen the single market, clusters in the EU cannot rely merely on the natural forces of agglomeration to attract talent and other assets in the same way, for instance, as US clusters can. Clusters in the EU can compensate for some of these disadvantages by creating stronger linkages with other clusters offering complementary strengths. Changes in the global economic environment are also making cluster linkages more important. As firms internationalise their activities, it is important that cluster initiatives and organisations, which support them, internationalise too.

Although cluster firms and cluster organisations compete against each other — in particular those which belong to the same sector of activities — there are many reasons justifying competition and cooperation at the same time. There is scope for further strengthening cluster excellence through trans-national cluster cooperation at business level. This can include exchanging knowledge, market intelligence and qualified staff, sharing access to research and testing facilities, and developing new and better services to clustered firms, which will contribute to the creation of a common European research and innovation space. The openness of European businesses to cooperation with first-class knowledge hubs — both within and outside Europe — is a prerequisite for the emergence and growth of world-class clusters. Such openness is also necessary for staying competitive in the increasingly global business environment. Cluster cooperation can further contribute to the successful implementation of the shared visions of the Strategic Research Agendas developed by the European Technology Platforms.

The next generation of Community cluster initiatives, namely under Europe INNOVA, Regions of Knowledge and the present cohesion policy objective European Territorial Cooperation, will boost cluster cooperation in the EU in a mutually reinforcing way and contribute to the creation of more world-class clusters in Europe, especially in areas with high innovation potential such as those supported by the Lead Markets Initiative and other areas such as the maritime sector. Successful and appropriate tools and instruments developed and

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28 The “European Territorial Cooperation” Objective reinforces and replaces the former Community Initiative Interreg. It is aimed at integrated territorial development, interregional cooperation and exchange of good practice, and has streamlined its focus on innovation. €2 billion has been allocated to innovation for the period 2007-2013 in the EU-27 and trans-cluster activities bringing together several regions are part of this.
tested by these new cluster partnerships will be integrated and leveraged, as widely as possible, into the new Enterprise Europe Network\textsuperscript{31}.

The European Year of Creativity and Innovation 2009 provides a good opportunity to promote the openness of clusters towards research institutes and international partners beyond borders. The Commission will support, together with national or regional partners in the Member States, the organisation of European Innovation Weeks to promote the benefits of industry-science linkages across borders in the context of clusters.

3.3. Promoting excellence of cluster organisations

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. Businesses and other innovation stakeholders involved in clusters need efficient, professional and appropriate support services to derive maximum benefits from their cluster organisation. Yet, up to now, the skills and professionalism of cluster managers have not been properly recognised. Efficient, professional cluster organisations are critical for raising the quality of business support services and driving cluster initiatives towards self-sustainability.

Cluster management should therefore be recognised as a new professional qualification that requires high quality standards and professionalism in order to provide efficiently the services needed by enterprises and institutions working together in clusters and to fully exploit the benefits from university-industry-government relations. The Commission encourages such efforts, which have already started in some EU regions.

In this context, the Commission will launch under the CIP a European Pilot Initiative for Excellence of Cluster Organisations offering specific training programmes and enhanced cooperation to cluster managers. If successful, this initiative could ultimately lead to the creation of a self-sustainable non-profit European Cluster Manager Association developing and further maintaining a European quality label for excellent cluster organisations based on the European Foundation for Quality Management (EFQM) Excellence Model\textsuperscript{32}. Such a European cluster label could help cluster organisations to raise further private and public funding and improve their visibility and recognition worldwide.

3.4. Improving the integration of innovative SMEs into clusters

Clusters offer a fertile environment for SMEs to innovate and develop linkages with large companies and international partners. At the same time, although clusters benefit from the presence of large multinational companies, the integration of dynamic and innovative SMEs into clusters is particularly important for helping clusters achieve high levels of excellence and innovation. Policy makers should therefore consider the high potential of SMEs when designing cluster policies.

\textsuperscript{31} More information about the Enterprise Europe Network can be found at: http://www.enterprise-europe-network.ec.europa.eu/index_en.htm.

\textsuperscript{32} Detailed information about the EFQM model is available at: http://www.efqm.org/.
Cluster organisations offer a wide range of customised business support services — in particular for SMEs — which supplement existing forms of SME support in a very effective manner. Such services include facilitating cooperation between SMEs and with larger companies and research institutes; promoting IPR and technology transfer\textsuperscript{33}, and supporting internationalisation activities.

To assist SME integration into clusters, the European Cluster Observatory will provide additional information about services offered by cluster initiatives, which will be useful for enterprises and investors in search of investment locations and strategic partners in the EU.

Better, customised support services for SMEs offered by or channelled through cluster organisations will also be developed as pilot projects and tested under the Europe INNOVA\textsuperscript{TM} initiative and, if successful, then broadly leveraged at EU level through the European Cluster Alliance and the Enterprise Europe Network. This should help boost the efficiency and impact of innovation support schemes in Member States while reducing the burden on SMEs.

The Enterprise Europe Network will also be invited to organise in 2009, in close cooperation with cluster organisations, an Innovation Awareness Campaign that will inform the business community, especially innovative SMEs, about existing support mechanisms, in particular for knowledge transfer and internationalisation.

**CONCLUSIONS**

Clusters play an important role in driving competitiveness, innovation and job creation in the EU. However, to fully reap the benefits of clusters, the EU should now step up its assistance to Member States and regions to promote excellence at all levels, and encourage cooperation across the EU in order to strive for more world-class clusters.

Clusters should be open, flexible and attractive to the best talent and expertise available worldwide. Efforts at regional, national and EU level should facilitate the establishment of closer and more efficient linkages between clusters as well as with leading research institutes within Europe and abroad. At the same time, cluster organisations are invited to improve their support services and better integrate innovative SMEs into clusters.

This Communication aims to contribute to creating a more efficient framework for cluster support in the EU.

\textsuperscript{33} Such services should consider the recently adopted Commission Recommendation on the management of intellectual property in knowledge transfer activities and Code of Practice for universities and other public research organisations, C(2008) 1329, 10.4.2008.
Annex: The policy agenda in support of world-class clusters in the EU

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<th>The Commission will:</th>
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<td>• support Member States and regions in their efforts to improve their cluster policies, notably by providing</td>
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<td>objective information on clusters and cluster policies, as well as by facilitating policy learning across the EU;</td>
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<td>• ensure better consistency and complementarities between different Community instruments in support of clusters,</td>
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<td>in full compliance with the subsidiarity principle;</td>
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<td>• establish a European Cluster Policy Group to advise the Commission and Member States on possible strategic</td>
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<td>orientations for the emergence and growth of world-class clusters in Europe;</td>
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<td>• encourage the development of a common European research and innovation space by facilitating practical</td>
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<td>trans-national cooperation between clusters;</td>
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<td>• launch a European Pilot Initiative for Excellence of Cluster Organisations;</td>
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<td>• improve the information on innovation support services available for SMEs offered by cluster organisations</td>
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<td>in Europe, in particular through the European Cluster Observatory and the Enterprise Europe Network;</td>
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<tr>
<td>• support, under the Competitiveness and Innovation Programme, the development of new or better tools to</td>
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<td>facilitate the participation of SMEs in innovative clusters;</td>
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and invites the Member States to:

| • fully integrate their cluster policies into the competitiveness pillar of the National Reform Programmes,    |
|   taking into account the EU dimension, and report on them;                                                 |
| • provide better support for SME participation in clusters, by further implementing the recommendations made |
|   in the Small Business Act;                                                                                |
| • step up efforts to achieve more synergies and complementarities between different policies, programmes and   |
|   initiatives in the area of cluster policy.                                                               |