

Call for the expression of interest – Selection of six model demonstrator regions to receive advisory support from the European Cluster Observatory

1. Objective of the call

This call is addressed to regional organisations interested in tackling a specific regional challenge or opportunity through better capitalising on the cluster concept for the renewal of their industries and the promotion of entrepreneurship and SME growth. Through this call, six model demonstrator regions will be selected to receive advisory support services from the European Cluster Observatory. The aim is to demonstrate new or better ways of designing and implementing modern cluster policies taking maximum advantage of the transformative power of innovation towards shaping industrial value chains, sectors and emerging industries.

2. Background of the call

The second generation of the European Cluster Observatory was launched in January 2014 by the European Commission, through a service contract, to bring together a pool of experts in order to – amongst other tasks – support six model demonstrator regions. The purpose of the Observatory is to promote the development of more world-class clusters in Europe, notably with a view to fostering competitiveness and entrepreneurship in emerging industries, and facilitating SME's access to clusters and internationalisation activities through clusters. Its main task is to offer statistical analysis, mapping tools and policy advice towards the design of more evidence-based cluster policies in Europe.

The ultimate objective of the Observatory is to help Member States and regions in designing and implementing better smart specialisation and cluster strategies to assist their companies in developing new, globally competitive advantages in emerging industries through clusters. For that reason, it aims in its second generation to strengthen its role in demonstrating how clusters and clusters policy can facilitate the rejuvenation of Europe's industry as part of achieving the Europe 2020 strategy objective of smart, sustainable and inclusive growth.

The six model demonstrator regions, to be selected through this call, will receive customised information and advice from the Observatory. This advisory support will take the form of an assessment report, a regional survey and benchmarking, a peer review and, a final policy briefing. The support will be tailored to the needs of each region and its actors to address their specific challenge or opportunity through a modern cluster approach.

The Observatory will facilitate practical cluster policy-making that makes better use of the transformative power of innovation, in particular for strengthening existing and emerging industries by applying a so-called “demonstrator approach”¹. This approach follows a recommendation of the Expert Panel on Service Innovation in the EU², which implies to start with a specific challenge, problem or opportunity of an individual region, metropolitan area or Member State (as the owner of a societal challenge and key driver for stimulating entrepreneurial opportunities) and then to work back towards finding, testing and “demonstrating” potential solutions in practice.

¹ The recently published Smart Guide to Service Innovation describes the “demonstrator” approach in more detail and provides some guidance and twenty practical examples of tools and instruments. It is available at: http://ec.europa.eu/enterprise/policies/sme/regional-sme-policies/documents/no.4_service_innovation_en.pdf

² http://ec.europa.eu/enterprise/initiatives/esic/materials/expert_panel_report.pdf

In the context of strengthening existing and emerging industries, this needs-driven policy-making approach advocates a change of focus in industrial innovation support: moving away from supporting a project-orientated approach that demonstrates the technical feasibility of individual product and/or service innovations through pilot actions, towards the development and testing of a range of new business models and solutions under real life conditions. These may offer solutions to particular challenges and integrate innovations from different sectors into existing value chains or successfully shape new ones. The demonstrator approach is thus different from providing random business and innovation support at firm level or backing pre-identified innovation champions. Instead, it implies a strategic approach that considers complementary competences and cross-sectoral linkages within the regional context and gives a chance for new winners to emerge.

The aim is to develop a clear policy strategy for providing coherent support for making better use of the transformative power of innovation to strengthen existing and emerging industries and/or to improve the position of SMEs in global value chains through regional and industrial policies. This implies the need to look at systemic obstacles and barriers that may prevent regions from fully exploiting entrepreneurial opportunities that are driven by innovation. The aim is to encourage the development of a modern cluster approach that results in a large scale impact. Such an approach should strengthen the design and practical implementation of the industrial innovation policies and smart specialisation/cluster strategies of applicant regions.

This analysis shall include examining how to build bridges between different value chains and how to better exploit the “transformative power” of cross-cutting technologies, service innovation, creativity, and eco-innovative, resource efficient solutions as transversal drivers of emerging industries. For that purpose, the European Cluster Observatory will organise a structured policy dialogue and peer review in each of the model demonstrator regions, which involves assessing policy concepts, undertaking gap analyses, interviews with policy makers and surveys of cluster stakeholders. Each model demonstrator region will be provided with concrete policy recommendations on how to facilitate innovative entrepreneurship, value chain innovation and the development of emerging industries and thus, regional restructuring and growth. The Observatory’s advisory support services shall thus not only be geared towards encouraging regional structural change through clusters, but also towards systemic change that tackles obstacles in framework conditions to make efforts sustainable.

3. Type of support provided to model demonstrator regions

The selected model demonstrator regions will receive the following advisory support services from the European Cluster Observatory:

- A **summary assessment report** presenting an analysis of the relative importance and potential of clusters of related industries in the region and an assessment of existing or planned policy concepts and support measures following desk research and a study visit to the region including interviews with key stakeholders. This report will build upon the results of the European Cluster Observatory’s updated cluster mapping for the region and its analysis of cluster trends, notably with a cross-sectoral dimension. It will further make use of the Observatory’s “Regional Eco-system Scoreboard” that will be developed to identify strengths and weaknesses in the cluster-specific framework conditions of the regional eco-system, also in comparison to other peer regions. It will also be based on the Self-Assessment Tool of the “European Stress Test for Cluster Policy” that will be developed to facilitate identifying disparities between regional bottlenecks, priority settings and policy orientations.

- A **European Cluster Excellence Scorecard report** representing the results of a regional survey and benchmarking to identify the importance and availability of favourable conditions in the regional business environment, firm strength and business support services – all with a focus on a particular thematic area or emerging industry that corresponds to the regional challenge and focus of the model demonstrator region.
- Organisation of a two-day **peer review meeting** in the region to foster policy learning and injecting external expert input into the region’s cluster policy development, resulting in a proceedings report.
- Provision of a **final policy briefing** with concrete recommendations, a detailed action plan and roadmap to address the challenge of the model region. This briefing will identify bottlenecks and suitable priority policy areas with the highest potential to improve the overall performance of the regional eco-system. It will also offer practical guidance for policy design in terms of highlighting suitable cluster collaboration and business support tools and implementation steps to facilitate entrepreneurship, cross-sectoral collaboration and growth, such as through promoting SME internationalisation and the building of cross-border strategic partnerships.
- Promotion and **showcasing** of the region’s demonstrator approach via the European Cluster Observatory’s web pages at the European Commission’s Enterprise & Industry web portal, newsletter, promotional videos and at the European Cluster Conferences.

The selected model demonstrator regions shall receive the customised advisory support services free of charge from the European Cluster Observatory. The costs will be covered by a service contract with the European Commission. The recommendations provided shall include advice on how to better apply European Structural and Investment Funds to harness the potential of clusters towards fostering the development of new industrial value chains and emerging industries. No direct financial support will, however, be provided to the selected regions for the implementation of the recommendations and actions.

At the same time, policy-makers and practitioners from the model demonstrator regions will be asked to evaluate the support services they receive from the Observatory in order to provide feed-back and a reality check in terms of suitability and feasibility also to the experts.

4. Selection of model demonstrator regions

The Commission services will select six regions and/or metropolitan areas that are committed to become model demonstrator regions to demonstrate the design and implementation of a modern cluster policy towards the creation of new jobs and business opportunities in the region, by fostering entrepreneurship in emerging industries and facilitating SMEs’ access to clusters and their internationalisation activities. The aim is to demonstrate how modern cluster policy can provide adequate support to make better use of the transformative power of the following transversal drivers of emerging industries: cross-cutting key enabling technologies and new service offerings, creativity, and eco-innovative, resource efficient solutions. The model demonstrator regions may cover regions and/or metropolitan areas that *either* face the challenge of modernising their “traditional manufacturing industries”³ by adding value

³ “Traditional manufacturing industries” are sectors involved in the processing and production of goods and services that have existed for a long time without much disruption or change and without having faced a major transformation by merging with other sectors or being challenged by new business concepts and service innovation. They are usually referred to as the “secondary sector” of industry within industry classification systems. Classical examples of such traditional manufacturing industries are automotive, food and beverage, textile, consumer goods, chemicals, metal production and so on.

through these transversal drivers in order to maintain or gain a strong position in global value chains *or* regions and/or metropolitan areas striving for leadership in innovation and entrepreneurship by supporting the development of “emerging industries”⁴, driven by these transversal drivers. This raises the question which eco-systems are best suited to support the modernisation of industrial sectors and development of emerging industries and how policies could help unlock their potential.

The applicant region shall outline their vision for a modern cluster policy that goes beyond narrowly defined sectoral boundaries and follows a broader thematic and holistic approach to assist new champions to emerge across different but related value chains, sectors and markets. The envisaged specific challenge shall offer the regional industrial base the opportunity to create a larger variety of knowledge-intensive products and services by combining diverse knowledge and competences, which present possible solutions to the specific challenge.

To allow such cross-sectoral fertilisation, the model demonstrator region must be willing to transform their economies and patterns of interaction. This calls for an integrated approach towards creating entrepreneurial opportunities for groups of specialised SMEs, which goes beyond general innovation support or direct support for individual companies. The applicant region shall demonstrate a clear vision and willingness for change that is driven by the highlighted transversal innovation drivers.

The model demonstrator regions are expected to work in close partnership with their local or regional industries, cluster organisations and other SME intermediaries, service providers, research and knowledge institutes, and other relevant stakeholders in order to define and implement a consistent cluster strategy capitalising on the transformative role of innovation. Openness to peer review, finding partners from other regions and countries, and a strong interest in mutual policy learning during this process is considered to be a prerequisite.

Priority will be given to those regions with highest ambition and best ideas to capitalise on cross-sectoral collaboration and innovation for their future strategies – irrespective of their current development level. Applicants must be ready to remove existing barriers for the broader take-up of novel solutions in their regions and reallocate funds in support of them. Strong support from relevant stakeholders is a condition for turning such a strategy into reality and achieve real impact.

5. The application

Regions are requested to submit a short application with a concept note (maximum 5 pages) that should outline and describe the following **four aspects**:

1. the specific challenge or opportunity that the region would like to address through implementing a modern cluster policy to demonstrate the better use of the transformative power of cross-cutting key enabling technologies and new service offerings, creativity, and eco-innovative, resource efficient solutions, including the extent of the need for action;

⁴ “Emerging industries” are either new industrial sectors or existing industrial sectors that are evolving or merging into new industries. These transformations of industrial value chains follow disruptive ideas that are turned into new products and/or services with higher added value. They are most often driven by key enabling technologies, new business models such as innovative service concepts, and by societal challenges such as sustainability demand that industry must address. Many emerging industries have in common that they grow out of and cut across different existing traditionally defined sectors in building new industrial landscapes and value chains that integrate cross-sectoral competences and linkages. As they are often characterized by high-growth rates and market potential, they hold the key to future competitiveness and prosperity.

2. the vision and concept that the region has in mind for implementing this, including the concrete changes envisaged for which it would like to receive strategic advice;
3. the expected added value of the support services by the European Cluster Observatory, including the need for advice, input, ideas, missing links and research questions to be answered to implement the overall strategy; and
4. the regional commitment and ambition to implement the demonstrator approach and cluster policy recommendations of the European Cluster Observatory for the transformation of the economy and existing industrial structures, including current and future financial commitment, policies/programmes and cooperation partners foreseen.

The applicant must be a regional organisation that is either responsible for or involved in the funding and/or implementation of a policy or programme of a region through which a modern cluster policy could be supported. This refers to regional public authorities themselves as well as to cluster organisation, SME intermediaries and other organisations mandated by national and/or regional public authorities to implement innovation support programmes, such as innovation or regional development agencies.

The term “region” shall, in principle, refer to NUTS level 2 territorial units according to the current NUTS classification system. However, in duly substantiated and documented cases a differently defined region may be eligible. For instance, where the territory is a cross-border area or defined by a common historical or cultural identity rather than a political or administrative unit. The eligibility of such regions will be decided on a case-by-case basis and only take account of the arguments in, and any supporting documentation provided with, the “concept note”.

With regards to the geographical eligibility, applications from legal entities established in any EU Member State or non-EU-member countries that participate(d) in the Entrepreneurship and Innovation Programme of the Competitiveness and Innovation programme⁵ are eligible.

Each applicant’s concept note will be **assessed** in terms of clarity and quality of the description (1/3), relevance (1/3) and the expected impact (1/3). Please note that only the concept note will be evaluated. No application form template is provided, but applicants must address the four aspects outlined above in their 5-page concept note. No other annexes should be sent except the above mentioned supporting documents for eligibility checks, if needed.

The concept note should be sent by electronic mail to the SMEs: Clusters and Emerging Industries Unit D5 at the European Commission’s Enterprise and Industry Directorate-General at the following address: Carsten.Schierenbeck@ec.europa.eu

6. Time table

The deadline for submission of the concept note is: **12/05/2014.**

The intention is to inform applicants of the outcome of the selection of model demonstrator regions no later than the end of June 2014. Successful applicants should expect to have a first meeting with the European Cluster Observatory in the second half of 2014, and to receive the advisory support services during 2015.

⁵ The eligible non-EU member countries that participate(d) in CIP-EIP include Albania, Croatia [now a EU member country], the former Yugoslav Republic of Macedonia, Iceland, Israel, Liechtenstein, Montenegro, Norway, Serbia and Turkey.

Annex: Further background to the call's context and the European Cluster Observatory

This call for the expression of interest for model demonstrator regions is linked to a service contract concluded in December 2013 following a call for tender for the “European Cluster Observatory II” that was published on 21 June 2013 under the 2013 CIP-EIP Work Programme.⁶ The service contract for the second generation of the Observatory started in January 2014 with a three-year duration and is managed by the SMEs: Clusters and Emerging Industries Unit D5 at the European Commission’s Enterprise & Industry Directorate-General.

The **European Cluster Observatory** is a single access point for statistical information, analysis and mapping of clusters and cluster policy in Europe that is foremost aimed at European, national, regional and local policy makers as well as cluster managers and representatives of SME intermediaries. The results of the first generation are still available at www.clusterobservatory.eu, whilst the work of the second generation will be made available during 2014 at the dedicated webpages under the European Commission’s Enterprise and Industry Directorate-General web portal at http://ec.europa.eu/enterprise/index_en.htm.

In its first generation, the Observatory identified statistically 2017 regional clusters for 28 traded sectors across Europe (of which 155 had a critical mass in terms of size, specialisation and focus) and made available analyses of cluster policies across the EU. Further extension work identified seven emerging industries in its “Emerging industries report”; presented three case studies for cluster specific framework conditions; a pilot European Cluster Excellence Scoreboard and facilitated the work of the Expert Forum on Cluster in Emerging Industries that presented its recommendations in 2013 for stimulating emerging industries.⁷

In its second generation (2014-2016), the European Cluster Observatory will more strongly focus on cross-sectoral linkages and the competitiveness and entrepreneurship in emerging industries and is providing the following main services:

- a **bi-annual “European Cluster Panorama” (cluster mapping)**, which will provide an update and enrichment of the statistical mapping of clusters in Europe, including for ten industries of related sectors (i.e. cross-sectoral) and a correlation analysis with key competitiveness indicators;
- a **“European Cluster Trends” report**, which will analyse cross-sectoral clustering trends, cluster internationalisation and global mega trends of industrial transformations; common interaction spaces; and provide a foresight analysis of industrial and cluster opportunities;
- a **“Regional Eco-system Scoreboard”**, which will identify strengths and weaknesses of regional and national eco-systems for clusters and identify cluster-specific framework conditions for three cross-sectoral collaboration areas;
- a **“European Stress Test for Cluster Policy”**, which will include a self-assessment tool and policy guidance for developing cluster policies in support of emerging industries;
- **showcasing modern cluster policy practice through the provision of advisory support services to six selected model demonstrator regions**, which will be selected through this call for the expression of interests;
- **gathering Europe’s cluster policy-makers and stakeholders at the European Cluster Conferences 2014 and 2016** for a high-level cluster policy dialogue and policy learning, which are also regularly informed through the web pages, newsletter, videos, reports etc.

⁶ The reference of the call for tender was 287/PP/ENT/CIP/13/C/N04C01.

⁷ www.clusterobservatory.eu/index.html#!view=aboutobservatory;url=/about-observatory/emerging-industries/

The European Cluster Observatory cannot be seen as an isolated measure but must be viewed as an **integral part of the EU's Cluster Strategy** towards more world-class clusters in the EU. This comprises several mutually reinforcing measures intended to better support SMEs through clusters as well as promote better cluster policies, cluster management excellence, and trans-national and cross-sectoral cluster cooperation for the benefit of SMEs.

These complementary measures include the continued efforts that followed from the European Cluster Excellence Initiative⁸ such as the European Secretariat for Cluster Analysis⁹ (which promotes cluster management excellence through benchmarking and quality labelling of cluster management organisations¹⁰), the Foundation Clusters and Competitiveness (which offers training courses for cluster managers based on the methodology and curriculum developed), and the European Cluster Collaboration Platform¹¹ (which aims to facilitate transnational cluster cooperation and the forming of European Strategic Cluster Partnerships amongst the 920 registered cluster organisations). A Cluster Internationalisation Programme for SMEs and a Cluster Excellence Programme implemented under the COSME 2014 work programme¹² – the EU's Programme for the Competitiveness of Enterprises and small and medium-sized enterprises – will further advance these efforts.

The policy advice to be provided by the European Cluster Observatory and the peer review exchanges is expected to build also upon the policy lessons from previous related initiatives such as from the concrete actions on cross-sectoral cluster cooperation under the European Creative Industries Alliance¹³, the concrete actions implementing a demonstrator approach under the European Mobile and Mobility Industries Alliance¹⁴, the six model demonstrator regions of the European Service Innovation Centre¹⁵, and six "Cluster and Entrepreneurship in support of Emerging Industries" that started in 2014 with CIP funding.

The lessons learned and the showcasing of modern cluster policies by the six model demonstrator regions of the European Cluster Observatory, selected through this call, shall also serve as inspiration and input to the preparations of future innovation actions for "Cluster facilitated projects for new industrial value chains" that is foreseen to start in 2015 under the "innovation in SMEs" work programme of Horizon2020¹⁶ and that was announced in the recent Commission Communication that called "For an Industrial Renaissance".¹⁷ This new measure will facilitate cross-sectoral and cross-regional collaboration and innovation activities of SMEs through clusters. It aims at value-chain innovation and economic growth by building upon the transformative power of new technologies and service innovation, resource efficiency and creativity to promote the development of emerging industries and the European industrial renaissance. It also places a strong emphasis on an integrated approach by requesting applicants to demonstrate in their proposals how their actions are linked to and build upon smart specialisation strategies¹⁸ and European Structural Investment Funds.

⁸ <http://www.cluster-excellence.eu/>

⁹ <http://www.cluster-analysis.org>

¹⁰ A total of 525 Bronze and 36 Gold Labels have so far been awarded to cluster organisations across the EU.

¹¹ <http://www.clustercollaboration.eu>

¹² <http://ec.europa.eu/DocsRoom/documents/4131/attachments/1/translations/en/renditions/native>

¹³ <http://www.eciapplatform.eu/projectcategory/clusters/>

¹⁴ <http://www.mobilise-europe.mobi/large-scale-demonstrators-real-live-testing/>

¹⁵ http://ec.europa.eu/enterprise/initiatives/esic/large-scale-demonstrator/index_en.htm

¹⁶ More information on the "innovation in SMEs" part of the EU's new programme for research and innovation is available at <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/innovation-smes>

¹⁷ COM(2014)14 of 22.01.2014, available at

<http://ec.europa.eu/DocsRoom/documents/4108/attachments/1/translations/en/renditions/native>

¹⁸ The S3 Platform assists regional and national policy-makers to develop, implement and review their Research and Innovation Strategies for Smart Specialisation (RIS3). More information at <http://s3platform.jrc.ec.europa.eu>