

Summary of the Report

Directions and assumptions of Polish cluster policy until 2020 Recommendations of the Working Group for Cluster Policy

The prepared recommendations for the future cluster policy are based on the assumptions adopted in government documents such as *Poland 2030 Third wave of modernity*, *National Strategy of Regional Development and the National Reform Programme Europa 2020*. These documents point, inter alia, to the necessity to support the development poles in order to accelerate growth and increase competitiveness of the Polish economy as well as the need for economic development based on regional and local specializations, especially within cluster initiatives.

In the aforementioned documents it is stipulated that support for clusters should be provided in the following areas of activity: R&D, international expansion of enterprises, quality development of human capital, stimulating sector cooperation and creation of new enterprises. Support should be directed especially to clusters with the biggest competitive potential. Their selection should, therefore, result in the concentration of public resources (including structural funds from the European Union).

The proposed recommendations are consistent with the EU strategy Europa 2020 and the concept of *smart specialization* stipulated by the European Commission. It postulates that every country and region should concentrate efforts and resources on a specific small number of priorities or economic specializations with a significant innovative potential in which it has real competences, resources and can achieve prominence and competitiveness on a global scale. Preparation of smart specialization strategy on a national and regional level is supposed to be an ex ante condition of awarding EU funds for investments in the area of research, development and innovation.

For the purposes of formulating the recommendations, clusters are understood as agglomerations and networks of entities (enterprises, universities, research institutes, schools and other support institutions) that conduct specific and related business, science and technological activity. Formalized (e.g. through consortium agreement) partnerships or cooperation platforms for cluster development are defined as cluster initiatives. They are organized by cluster coordinators, i.e. specialized business support institutions the task of which is to develop cooperation, links and flow of knowledge and deliver specific services for cluster entities.

The proposed goals and directions of support

Prepared recommendations stipulate that the main aim of the future cluster policy should concentrate on supporting innovativeness and competitiveness of the Polish economy based on: i. the intensification of cooperation, interaction and flow of knowledge within the clusters and ii. supporting the development of strategic economic specializations (key clusters).

The formulated directions and assumptions of cluster policy predict two directions of activities impacting the implementation of this goal.



First of those stipulates a comprehensive support of existing and emerging clusters by subsidies to cluster coordinators and cluster initiatives (mainly from the regional level). This would ensure the functioning of institutions fulfilling a key role in the development of cooperation, interactions and flow of knowledge within the particular areas (agglomerations) of economic activity and, in doing so, increasing their competitiveness and innovativeness.

The second assumes the integration of the available public support around the selected clusters with key relevance and competitive potential for the national economy (central and regional support) or particular regions (regional support), that constitute national or regional smart specializations. It is proposed that part of the available support would be directed to the co-financing of the group of development projects agreed upon within the actors of key clusters. These projects would be implemented by the entities operating within those clusters, i.e. enterprises, education and research institutes, business support organizations and others (including cluster coordinators) or consortia created by them (preferred!). Those projects would include, inter alia, R&D activities, investment in common educational or research infrastructure, development of human capital, internationalization etc. The effect will be more integrated and coordinated utilisation of various instruments of different policies: innovation, research&technology, pro-export, human capital development etc.

The above mentioned policy directions are related since the strengthening of key clusters requires also support for their coordinators. Directing the support straight to the actors of key clusters will require, among other things, functioning of cluster initiatives and coordinators, i.e. institutions enabling the identification of a common strategy of development and an action plan. The entities from all clusters will be able to use public support on general principles, while the agreed projects from the key clusters - due to the relevant meaning of those clusters for the development of the national or regional economy - will benefit from the prioritised path of financing (thanks to additional points in the project assessment system). All projects from the key clusters will go through standard procedure of formal and content-wise assessment, pursuant to which they will compete with other projects.

Strengthening of cluster coordinators

It is recommended that the central administration in cooperation with the regional administration prepare a flexible program of support for cluster coordinators. It should be notified with the European Commission in order to obtain the possibility to allocate higher support than the *de minimis aid* with a varied level of financing and without formal requirement of transferring (or rewriting) the support to entities creating cluster initiative. Support for the implementation of basic coordination functions within clusters would be subsequently launched on the regional level, while on the national level the access would be granted to additional, dedicated co-financing for coordinators of key national clusters for internationalization – i.e. development of international cooperation and expansion.

Simultaneously, it is advised that the cluster coordinators would have the possibility to obtain financing for the implementation of the specific, additional functions and services, especially if there are no other institutions in the cluster which would provide them effectively. For example, the coordinator should have the possibility to seek grants for the activities regarding technology transfer, innovative consulting, specialized training or providing laboratory infrastructure, if the cluster does not feature specialized organizations to tackle these functions. Institutions creating different types of support instruments available for business support organizations should include cluster coordinators as potential projects' promoters.



It is suggested, however, that the coordinator should avoid taking additional functions, if they can be provided by other organizations within the cluster or in its surroundings – i.e. university centre of technology transfer, institution from the National Innovation Network, S&T park, special economic zone or specialized private companies (including consulting companies). Additionally, different types of already existing entities and institutions should be granted access to provide coordinating functions with reservations to the necessity of organizational separation of this activity and appointing a dedicated person with specific competences to the managerial position of a given cluster.

Selection and support of key cluster development

Within the policy direction of supporting the development of strategic economic specializations it is recommended that first a selection should be made – using a competitive tenders – of the clusters with the highest competitive potential and biggest relevance for the Polish economy. The number of national key clusters should be limited since it is difficult to really build the competitive position in too many specializations. The selection of those clusters should be stretched in time into subsequent competition rounds which would allow inclusion of other clusters into the support system – new ones, created in the cross-sectorial bases and those which in the meantime advanced the cooperation and strategic planning processes. The selection of clusters on the national level should be conducted in cooperation with ministries and agencies, which in the future would finance projects implemented by the cluster entities and their consortia. The commission making the selection of clusters should be composed also of independent experts.

The starting point for selecting national key clusters should be their relevant economic potential, which could be developed by technological and non-technological innovations as well as their scientific and technological potential offering a chance for technology and knowledge transfer. Selection criteria of those clusters should also be consistent with the criteria proposed for smart specializations. The development of national key clusters would be supported in a direct way from the public resources available at the national level (especially R&D funding) as well as regional (i.e. from the region or regions, on the territory of which a given cluster functions)¹.

It is proposed simultaneously that particular voivodeships also prioritize their development policy by selecting regional key clusters setting out or subscribing to smart specializations of those regions². Taking into account the autonomy of regions they can assume different methods of selecting those clusters – accreditation, competition or other methods based on analysis and consultations applied for preparing smart specialization strategies³. Regional development of key clusters should be supported in a direct way from public funding available on the regional level. At the same time, the entities operating within them would be able to seek support on general basis at the national level. National key clusters pursuant to the provisions of territorial contracts would obtain a status of key regional clusters – in a given region or in a few regions in which they appear. In the case of the remaining supra-regional

¹ It needs to be pointed out that independently from the status of the national key cluster the given agglomeration of activities could be predominantly regional. Sometimes it might be also trans regional.

² Along with the key national clusters which, as mentioned above, in most cases would have regional scope or character.

³ In practice the updating of regional innovation strategies and regional development strategies.

clusters (both key regional ones and local ones) it would be necessary to agree on a coordination of support available at the regional level between particular regional self-governments.

Concentration and coordination of support

Recommendations suggest the introduction of concentration, coordination and integration mechanisms of public development support. The selection of key national and regional clusters would be part of those mechanisms and will lead to the concentration of part of the available public support around them.

Coordination and integration of support would be ensured by a system of awarding additional points within the assessment system to projects submitted to operational programmes by entities from clusters selected earlier as the key clusters (with preference for consortia). These projects would be filed within different support programmes and operational programmes⁴. This would be coupled with the requirement of preparing integrated development strategies and action plans by clusters seeking the key cluster status. These strategies in the case of key national clusters would be assessed within a selection procedure.

The system of additional points for the projects coming from the key clusters would have to be implemented to the provisions regulating the allocation of financial means – both national as well as EU structural funds – and then should be observed by the holders of those resources. Ministries, agencies and regional authorities should communicate and coordinate their support programmes so as to enable their effective use by entities from the key clusters. Priority for national key clusters on the regional level could be formalized by the provisions in the territorial contracts, and then regional operational programmes.

The above mechanisms would lead to a better adjustment of the type and scope of public support to the targets and development directions of key cluster having a relevant meaning for the national and regional economies.

The specified part of the public development support would be directed to the implementation of the group of different projects and undertakings relevant for the key clusters. Particular public policies and intervention instruments would keep their independence (including ascribing to particular ministries and operational programmes), and, on the other hand, the selection of key clusters would to some extent direct the allocation of funds within those policies (under the condition that the key cluster entities would prepare good quality projects). In practice the funds for supporting R&D would be at the disposal of the National Centre for Research and Development but part of them would be allocated to the projects filed by entities and consortia (including companies and scientific entities) from key national clusters. These projects would have priority in accessing the funds (additional points in the assessment procedures), which will be the result of the key cluster status itself. Accordingly, the university operating within a given key cluster benefiting from additional points would have the chance to obtain co-financing from the resources at the disposal of the Minister of Science and Higher Education to implement new projects geared towards education or upgrading of particular research infrastructure. On similar principles, the business support organization from the cluster or its coordinator, will have the possibility to obtain grants for implementation of the training or consulting projects corresponding to the needs of the cluster and subscribing to its

⁴ This system could operate in relation to all lines of financing in the case of national key clusters while in the case of regional key clusters only with reference to the financing available on the level of particular voivodeships.

development strategy. Independent of their paramount relevance, all projects from key clusters will have to go through standard procedure of formal and content-wise assessment.

From the point of view of ensuring coordination and integration of public support, an important task for cluster initiatives and coordinators will be to develop and agree among the cluster actors the development strategy and action plan. This should lead to defining and financing the group of development projects and undertakings being then implemented by different entities of the cluster or their consortia, in different fields – from investment in infrastructure to R&D projects and investment in human capital.

Justification for the proposed recommendation

The above formulated recommendations would jointly set out a relevant change of the cluster policy conducted in Poland thus far, according to which support to cluster development (and entities functioning within clusters) would be provided indirectly by financing cluster coordinators and their activities within the cluster (including investment in the joint infrastructure). The formulated recommendations, while keeping support for cluster coordinators, create a more elaborate model of cluster-based development policy⁵, which stipulates the coordination and concentration of different public policy instruments (innovativeness, science and technology, human development), which are directed straight to the actors from key clusters as projects provided by them are granted additional points within the assessment procedures. Recommendations prepared in this way correspond to the imperfections related to *government failure and systemic failure* – i.e. disintegration and complication of the public support system.

The proposed directions and assumptions for the future cluster policy include mechanisms supporting the development of cooperation and coordination, including incentives for creation of new cluster initiatives within the agglomerations of activity with a significant economic and scientific-technological potential (including the areas of special economic zones). It also stimulates creation of new clusters and cluster initiatives on the cross-sectorial bases or in the area of solving relevant socio-economic problems. This constitutes an answer to the problem of *market failure* related to limitations existing in Poland with respect to initiating the cooperation between enterprises as well as between enterprises, the R&D sector and administration. This is also the answer to the current status of cluster development and cluster initiatives in Poland, which shows that cluster initiatives do not always appear where the statistical analyses⁶ reveal the existence of relevant agglomerations of economic activity (clusters).

No stipulations are made regarding a top down creation of cluster initiatives, rather, a bottom up system based on incentives is being created. What is more important, it makes relevant actors become engaged in the process of joint strategic planning and in defining common development undertakings. The main entities engaged in these processes will be enterprises and institutions functioning within their environment (incl. universities and R&D institutes). It is assumed that the main determining factor of cluster development should be the private

⁵ The phrase "cluster based development policy" will be used interchangeably with the phrase "cluster policy". The difference between them was presented in the chapter entitled *Basic notions and definitions*.

⁶ See for example cluster mapping within *European Cluster Observatory*.



investment implemented by cluster entities. Public support should have a time limited character and should be degressive (i.e. should be systematically phased-out).

The basis for such recommendations is, inter alia, a list of examples of cluster programmes implemented abroad, in particular in Sweden, Germany, France and Hungary. In all those countries a selection was made of key national clusters with a big competitive potential in the international setting. Their development was then supported not only by financing cluster coordinators but also by directing a significant portion of public funds for financing research and development projects proposed by actors of selected clusters. The promise of allocating these funds was an incentive to define new partnerships and development projects as well as joint strategic planning.

The proposed future assumptions of cluster policy in Poland go a step further and assume stimulating the development of key clusters by integrated and coordinated support implemented in many areas of activity (R&D but also different types of investments including infrastructure, human capital as well as promotion and internationalization). This is justified by both the needs of Polish clusters as well as the challenge related to a more effective use of public funds including EU structural funds in the next financial perspective.