ORGANIZATION OF THE BLACK SEA ECONOMIC COOPERATION (BSEC)	KONRAD ADENAUER STIFTUNG (KAS)

WORKSHOP ON
"SME CLUSTERING: HOW TO FIND THE RIGHT BUSINESS PARTNERS/ IMPROVING THE BUSINESS ENVIRONMENT FOR SMEs"

Crete, 8-9 October 2015

Summary Proceedings

1. The Workshop on "SME Clustering: How to Find the Right Business Partners/Improving the Business Environment for SMEs" was held in Crete, the Hellenic Republic, on 8-9 October 2015. It was jointly organized by the Organization of the Black Sea Economic Cooperation Permanent International Secretariat (BSEC PERMIS) and the Konrad-Adenauer-Stiftung (KAS) in Turkey.

2. On the first day of the Workshop, welcoming statements were delivered by Ambassador Traian CHEBELEU, Deputy Secretary General of the BSEC PERMIS; Dr. Colin DÜRKOP, Head of the Konrad-Adenauer-Stiftung (KAS) for Turkey; Dr. Antal SZABÓ, Scientific Director of ERENET, UNECE ret. Regional Adviser on Entrepreneurship and SMEs; Prof. Filippos VERVERIDIS, Director of the Centre for Technological Research of Crete (CTR) and Dean of Faculty of Agriculture, Food and Nutrition of the Technological and Educational Institute of Crete; and Dr. Angeliki-Eleni VROCHIDOU, PRAXI Network/FORTH.

2.1. Ambassador Traian CHEBELEU welcomed the participants of the Workshop on behalf of the BSEC PERMIS.

He pointed out that the Workshop focuses on a specific topic - SME Clustering - with the purpose of highlighting some guidelines on how SMEs can find right business partners. He emphasized that clusters are important economic policy tools, which can help enterprises, particularly SMEs, to stay competitive in an increasing global competition. The clusters have a significant potential for technology transfer, dissemination of innovations, resource sharing and market expansion, which makes them a useful instrument for raising the entrepreneurship in the BSEC Member States.

The support for the sustainable development of the SME sector in the BSEC Member States is one of the goals set by the strategic document - the BSEC Economic Agenda 2012.

In concluding his opening remarks, Ambassador CHEBELEU expressed high appreciation to KAS for its long-standing support and traditional cooperation with BSEC which has resulted in the organization of a series of workshops and seminars aimed at promoting SMEs in the BSEC Region. He also expressed gratitude to Dr. Antal SZABÓ, Scientific Director of ERENET, UNECE ret. Regional Adviser on Entrepreneurship and SMEs, for his valuable contributions to preparing the programmes of BSEC-KAS Joint Workshops. The text of the opening statement of Ambassador CHEBELEU is attached as Annex I.

2.2. Dr. Colin DÜRKOP welcomed the participants of the Workshop on behalf of KAS. He expressed his appreciation to the BSEC PERMIS and the ERENET Network.

Over the past two decades, more than 45 workshops were organized with the aim to provide a platform for discussion between representatives, stake holders and decision-makers for SMEs policies in the BSEC Member States.

He pointed out that as usual, at the end of the Workshop, conclusions and recommendations will be generated, which is the most important tangible output. These conclusions and recommendations will be submitted to the BSEC Working Group on SMEs and following the discussions, they will be submitted to the BSEC Committee of Senior Officials and the BSEC Council of Ministers of Foreign Affairs.

Dr. DÜRKOP expressed thanks to the two prominent Greek institutions: PRAXI Network/FORTH and Centre for Technological Research of Crete (CTR).

2.3. Dr. Antal SZABÓ, in his opening address, presented information regarding the world renowned cluster established in the U.S.A, namely Silicon Valley. In the mid-1990s several successful computer technology companies emerged in Silicon Valley in California. This led anyone who wished to create a start-up company to do so there. The increasing number of Silicon Valley start-ups stimulated a number of venture capital firms to relocate their offices there. This, in turn, encouraged more entrepreneurs to locate their start-ups in Silicon Valley.

Dr. SZABÓ stated that governments often try to use the cluster effect to promote a particular place for a certain type of business. Las Vegas benefited through cluster effect for the gambling industry. A good example is the Corallia Cluster Initiative in Greece, which was shortlisted in the "EU RegioStars 2009 Awareness" in the "Research, Technology, Development and Innovation" category.

Dr. SZABÓ emphasized the importance of the bottom-up approach for a successful and sustainable cluster.

Finally, Dr. SZABÓ expressed his thanks to his colleagues, ERENET members, who have prepared their papers for the Workshop in a very limited time.

2.4. Prof. Filippos VERVERIDIS welcomed the participants of the Workshop and presented information on the Centre for Technological Research of Crete (CTR) created by the Presidential Decree 143 No: 123/20-06-2001. CTR is organized in 8 technology transfer and research sectors, namely, agriculture and food technology, health nutrition and dietetics, operational research and strategy, natural and urban environment, social care and management, system design and constructions, natural resources and disasters and applied acoustics and music technology. CTR promotes technology research, develops technology products and application, and applies technological and scientific findings. Its main target is establishing links with academia, research institutions, industry and governmental agencies in Greece and abroad.

2.5. Dr. Angeliki-Eleni VROCHIDOU, the Greek National Contact Point for H2020/SC5, presented information on the PRAXI Network/FORTH, which is a unit of the Foundation of Research and Technology Hellas, established in 1991. The mission of PRAXI is to support competitive Greek enterprises and laboratories by promoting linkages between research and industry, innovation and entrepreneurship as well as facilitation of transnational cooperation. It is a powerful network of strategic collaborations with stakeholders both at the national level (industrial associations, Invest in Greece, Ministry of Development) as well as in Europe (EU, European and National Networks, technology transfer and business support entities). It is also the Coordinator of Enterprise Europe Network (EEN) Hellas.

3. The Workshop was co-chaired by Ambassador Traian CHEBELEU, Deputy Secretary General of the BSEC PERMIS; Dr. Colin DÜRKOP, Head of the KAS for Turkey; Ms. Meltem GÜNEY, Executive Manager of the BSEC PERMIS; Ms. Olga GENERALOVA-KUTUZOVA, Director of the International Investment Center, Moscow; and Dr. Antal SZABÓ, Scientific Director of ERENET, UNECE ret. Regional Adviser.

4. The Workshop was attended by the representatives of the following BSEC Member States:

Republic of Albania
Republic of Armenia
Republic of Azerbaijan
Republic of Bulgaria
Georgia
Hellenic Republic
Republic of Moldova
Romania
Russian Federation
Republic of Serbia
Republic of Turkey
Ukraine

The list of participants is attached as Annex II and the Program of the Workshop is attached as Annex III.

5. Mr. Konstantinos APERGIS, Head of Directorate for Support Research and Innovation Action, General Secretariat for Research and Technology, Ministry of Education, Research and Religious Affairs of the Hellenic Republic; Prof.Dr. Eden MAHMUT, Secretary General of the Black Sea Universities Network (BSUN); and Dr. Antal SZABÓ, Scientific Director of ERENET, UNECE ret. Regional Adviser addressed the Workshop as lead speakers and delivered keynote presentations on the "Strategic Direction of Clustering Initiatives for Improving the Competitiveness of SMEs".

5.1. Mr. Konstantinos APERGIS started his presentation with mentioning "The Community Framework for State Aid for Research and Development and Innovation", which defines innovation clusters as "groupings of independent undertakings, operating in a particular sector and region and designed to stimulate innovative activity by promoting intensive interactions, sharing of facilities and exchange of knowledge and expertise and by contributing effectively to technology transfer, networking and information dissemination among the undertakings in the cluster".

The mi-Cluster is the first innovation cluster in Greece since 2006. It has geographical concentration and shares common premises at the Microelectronic Innovation Centre in Athens. It implements the Corallia business model. The Corallia Clusters Initiative is a well-organized, systematic, strategic (with long-term scope) national cluster initiative in Greece. In Greece, in the General Secretariat for Research and Technology (GSRT) in the framework of National Strategic Reference Frame 2007-2014, the cluster development program was designed. In 2009, GSRT had already more than 100 members.

For the 2nd phase, Greece has identified the following four cluster proposals:

- Civil enterprise for B/T, Biosciences and Culture, BIONIAN;
- Corallia Cluster Initiative/R.C. Athena, si-cluster;
- Corallia Cluster Initiative/RC Athena, gi-cluster;
- CERTH/CPERI/APTL, Chorus cluster.

In addition to the GSRT program in Greece, the following clusters are currently active:

- BIONIAN Life Science Cluster with 13 firms;
- SI Cluster – Hellenic Space Technology and Application Clusters with 16 firms;
- Innovative Gaining Technologies and Creative Content Cluster with 13 firms;
- CERTH/CPERI/APTL – CHORUS Cluster for Green Energy with 10 companies.

5.2. Prof. Dr. Eden MAMUT presented that the Black Sea Universities Network (BSUN) was founded for the purpose of developing scientific, cultural and educational cooperation and exchanges among the universities of the BSEC Member States and other institutions with similar concern for the sustainable development of the Black Sea region. One of the areas

that BSUN focuses on is eco-innovation, which is "the creation of novel and competitively priced goods, processes, systems, services, and procedures designed to satisfy human needs and provide a better quality of life for everyone with a life-cycle of minimal use of natural resources (materials including energy and surface area) per unit output, and a minimal release of toxic substances. Prof. MAMUT presented several examples, including Cluster MEDgreen, waste water treatment plant, ETERSIS Platform, Constanta South and ecoHORNET, among others.

Prof. MAMUT underlined that the competiveness of the Black Sea region depends fundamentally on understanding, learning and implementing eco-innovation as a fundamental principle of corporate culture, in a way which enables to cope with the complexity of the factors connected to sustainable development and green economy.

5.3. Dr. Antal SZABÓ explained the concept of competitiveness. The definition of competitiveness varies from ability of nations to provide favourable environment to firms to prosper and develop. The author defines competitiveness as the ability of a company or institution to deliver better value to customers than the competitors. Based on the World Economic Forum Global Competitiveness Index (GCI) analysis, he presented the GCI for the 12 BSEC Member States led by Azerbaijan, following Turkey, while Serbia and Albania are the last in the evaluation.

Clusters are systems of interconnection between private and public sector entities (firms, institutions). A cluster usually comprises a group of companies, suppliers, service providers, associated institutions like testing and quality standard institutions, education institutions, vocational training schools, trade companies/distributors/associations in a particular field, linked by externalities and complementarities. In our economy competitiveness depends on productivity. Productivity means how the firms compete in a particular field. Companies can be highly productive in their industrial branch if they use sophisticated technology, production methods, and offer unique products and services. As Porter presented, clusters affect competition in three ways:

- by increasing competitiveness of companies acting in their area;
- by driving the direction and pace of innovation, which underpins future productivity growth;
- by stimulating the formation of new businesses, which expand and strengthen the cluster itself.

Finally Dr. SZABÓ presented the European Union Cluster Policy, which includes elaboration of the Cluster Policy Guide, design and planning of cluster policy support initiatives, establishment of a European Cluster Observatory, design model demonstrator regions pilot projects, and elaboration of a cluster stress test tool. [*]

[*] The summary of the presentation was drafted by Dr. Antal Szabo.

6. An exchange of country experiences concerning clustering and improving competitiveness of SMEs took place. The representatives of the BSEC Member States made presentations which addressed:

(i) The innovation scoreboards in their countries;
(ii) Characteristics of innovative and technology oriented SMEs;
(iii) Cluster policies in their countries' economic development policies;
(iv) Incentives for supporting the creation of clusters;
(v) Issues of competitiveness and internationalization of SMEs.

Question and answer sessions were held after the presentations.

7. On the second day of the Workshop, following the continuation of the exchange of country experiences concerning clustering and improving competitiveness of SMEs, presentations were made by Assist. Prof. Alexia Mary TZORTZAKI, Centre for Technological Research (CTR) of Crete; Dr. Angeliki-Eleni VROCHIDOU, PRAXI Network/FORTH; and Dr. Maria MAKRIDAKI, PRAXI Network/FORTH.

Final Discussions and Conclusions

8. The following points were made in conclusion:

8.1. The concept of competitiveness has numerous interpretations. Competitiveness is the ability of a nation or a firm to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them in respect of sustainability.

8.2. The Global Competitiveness Report of the World Economic Forum defines competitiveness as "the set of institutions, policies, and factors that determine the level of productivity of a country".

8.3. The concept of competitiveness includes static and dynamic components. Many factors influence and drive productivity and competitiveness. Investment in physical capital and infrastructure alone is not sufficient today. In recent years, good governance, macroeconomic stability, education and training, R&D and technology transfer have become as important as capital and infrastructure investment for competitiveness.

8.4. Innovation, talent development and institutional strength continue to play a defining role in determining world's most competitive economies. The Global Competitiveness Index (GCI) calculated by the World Economic Forum (WEF) presents the current achievements of the BSEC Member States during the last few years. According the WEF, Azerbaijan has the highest rank in the GCI, followed by Turkey, Russia, Bulgaria, Romania, Georgia, Ukraine, Greece, Moldova, Armenia, Serbia and Albania.

8.5. The cluster-based approach is a new way of organizing and structuring the economy. There is no common universal definition on what a cluster is. A cluster is a system of interconnection between private and public sector entities (firms, institutions). It usually comprises a group of companies, suppliers, service providers, associated institutions like testing and quality standard institutions, education institutions, vocational training schools, trade companies/distributors/associations in a particular field, linked by externalities and complementarities. They often include financial institutions and various government entities.

8.6. Successful clusters are characterized by the following three main pillars:

(i) Geographical concentration of interconnected firms;
(ii) The number of participating partners reaches a critical mass both in resources as well in competencies;
(iii) The need and capability exists to have interaction and cooperation among the firms.

8.7. Entrepreneurship activities, SMEs and cluster development are three important "ingredients" of the economic development.

8.8. Clusters play an important role in regional development, as they contribute to the improvement of the competitiveness of participating firms, create jobs and promote marketing of local products and services.

8.9. Key elements necessary to foster the development of dynamic and fast growing SMEs and clusters should be based on:

- A favorable tax environment;
- A sound and stable macroeconomic environment;
- A favorable legal environment based on a strict application of the rule of law and right of contracts;
- Sufficient and easy access to financing;
- Limited bureaucratic interference allowing easy entry and exit in the market;
- A secure framework for investments.

8.10. At the EU level, innovative clusters are considered as the "engines" of economic development and innovation. They represent a framework for business development and collaboration among companies, universities, research institutions, suppliers, customers and competitors located in the same geographical area.

8.11. The key area of the EU cluster policy is the development of the 10 branches of emerging industries. Emerging industries can be understood as the establishment of an entirely new industrial value chain, or the radical reconfiguration of an existing one, driven by a disruptive idea (or convergence of ideas), leading to turning these ideas/opportunities into new products/services with higher added value.

8.12. In Albania, cluster development was based on the support of donor initiatives (tourism, meat processing, medical herbs, leather good and software industry). With the decrease of foreign donor resources, none of these clusters are currently active. Within the framework of the new Business Innovation and Technology Strategy, a cluster policy is in the process of development.

8.13. In Armenia, a methodology called PACA – Participatory Appraisal of Competitive Advantages – is used to facilitate the development of local economic development using community as a cluster. It is an initiative of the GIZ ProSME project. Since 2005, 40 PACA initiatives have been created and implemented.

8.14. The "State Program on the Development of Industry in the Republic of Azerbaijan in 2015-2020" earmarks the creation and development of regional industry clusters. An Action Plan for the preparation of relevant proposals has been elaborated by the Ministry of Economy and Industry of the Republic of Azerbaijan.

8.15. In Ukraine, no specific legislation was adopted for clustering. Instead, local practices in the spheres of IT and business services (in Lviv area), lifting equipment, construction, organic farming and eco-tourism sectors, as well as a project of German technical assistance have been developed.

Recommendations

9. The following recommendations were made:

9.1. The Governments of BSEC Member States are encouraged to develop national cluster promotion programmes.

9.2. National policies must follow priorities, such as creating a favorable business environment for growth and innovation, diffusion of knowledge, enlargement of innovation support, mission-oriented strategies, upgrading human resources, access to skills and competencies, promotion of organizational and technological change, productivity and competitiveness.

9.3. To increase economic competitiveness, the development of innovation infrastructure and dissemination methods of research results and knowledge transfer for industrial and commercial applications should be encouraged.

9.4. Cluster initiatives should be part of national economic development programmes. BSEC Member States need short and long term strategies. National policies must encourage the main drivers of innovation.

9.5. Suitable local, regional and national strategies are needed in correlation with local particularities and needs.

9.6. Awareness should be raised about the benefits of clustering. The concept of clustering should be promoted by organizing workshops, round table discussions and through the support of media.

9.7. Improvement of cluster development policies should be carried out by:

- Cluster mapping;
- Identifying the specialization of regions and the creation of regional cluster maps;
- Promoting cluster development policies;
- Monitoring and evaluation of clusters;
- Cooperation with the UN and the EU in the field of implementation of cluster policies.

9.8. Technology transfer, commercialization of academic research and entrepreneurial culture should be promoted and supported in all BSEC Member States.

9.9. BSEC Member States should transpose EU regulations and best practices in pre-commercial procurement.

9.10. The Investment Agencies of BSEC Member States should promote outward FDIs as a sustainable growth channel for innovation.

9.11. SMEs should be supported through government schemes to participate in international fairs, as many successful firms find new partners and joint venture opportunities during such events.

9.12. Regulations and the legal basis for academic entrepreneurship and university-industry research schemes should be improved in order to promote innovation.

10. The participants expressed their deep gratitude to KAS for its support and financial contribution for the realization of the Workshop, and to the BSEC PERMIS as well as the competent authorities of the Hellenic Republic for the warm hospitality extended to them during the Workshop in Crete.