Report on country intervention

Assessing opportunities for cluster development in Albania

INTERNATIONAL SERVICE FACILITY

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Executive Summary

Albania is in a unique position to develop a cluster policy to support business creation, improve domestic competition, entrepreneurial risk, and research & development in key sectors with high impact on its economy. As part of the EU accession negotiations, Albania is expected to generate a comprehensive and needs-based regional development policy that is handled and monitored by adequate institutional structures and financed through mechanisms dedicated to reducing regional disparities and encouraging local economic development. Albania should use the momentum sparked by the negotiations to continue its path towards reforms and establish important policies aimed at competitiveness and innovation in the country. This includes as an important aspect of development of smart specialisation strategies (S3) and specialised regional industry ecosystems i) the recognition of cluster policy and ii) connecting innovation stakeholders and supporting the uptake of small and medium sized enterprises.

Although Albania has developed some key steps in encouraging and supporting clusters, cluster concept and policy developments remain relatively unknown among both industry actors and policy makers. Cluster policy development in Albania began with the National Strategies on Innovation and Business Technology 2011-2016 (IBT) and the Business Investment Development Strategy (BIDS) 2014-2020 which both aimed at supporting clusters in key sectors to grow, find partners, expand dimensions of their value chain, and internationalise. Yet, to date the cluster support activities as foreseen in these strategies have not come into effect. Albania has witnessed a top-down cluster "creation" through external donor support, where cluster members receive a grant for participation. Since the early 2000s, these donor-based clusters were developed in the area of tourism, meat processing, medical herbs, industrial production of leather goods and software. However, once the project funding ended these clusters became inactive. Most recently, upon the request of the Ministry of Energy and Industry, the Wood Industry Cluster was launched and is also being supported and managed through donor funding. The current study found no evidence of cluster development being based on specific market needs or key economic areas, however various studies highlight the benefits of developing clusters in the food supply[1] or maritime sector[2]. Informal or network type collaboration for market creation are present, as for example in the ICT, tourism, and textiles, wearing apparel and leather products. However, these cannot be considered as clusters since they do not cover all parts of the value chain. With the right type of support these networks could be developed into clusters with high potential of generating economic impact.

Cluster development in Albania can be classified as "emerging". Until now, cluster organisation, cooperation and management structure have experienced an atypical path of development (Centre for Competitiveness Promotion, 2019), a path not based on regional needs or economic priority areas. This is because Albania faces shortcomings when it comes to both encouraging the development of key sectors that contribute to economic development, and launching business-oriented policies that help reduce costs and create the necessary environment for cluster advancement. The Research and Innovation Strategy for Smart Specialisation (RIS3) quantitative mapping of the country's scientific, innovative and economic potential called "RIS3 Mapping of Albania" has started and is expected to be finalised by the end of 2020 (indicative). Future cluster policy should be

[1] See for instance studies from the Tirana University of Agriculture.
[2] See Road Map on establishment of a Maritime Cluster in Albania: Potential and Conclusions for establishment of Maritime Cluster in Albania, Tasks and Achievements (2020), UNDP.

aligned as much as possible with the key sectors identified in this mapping which contribute to high employment and growth.

An umbrella policy framework that incorporates clusters as part of the smart specialisation process is yet to be developed whereas activities foreseen for cluster support should be enforced. In addition, the lack of a centralised actions as well as the relatively weak status of the industrial sector has led to a lack of trust among stakeholders regarding cluster development in the country. Most of the organisations interviewed outline a competitive business environment, where the added value of collaboration remains unrecognised. Collaboration between industry and research organisations needs to be strengthened.

The government's commitment towards S3 should be used as leverage for fostering cluster policy in the country. Albania is in a unique position to create a cluster policy that can be based on regional best practices as well as in very close coordination with regional specialisation and economic development. In order to do so, close collaboration among different ministries, National Agency of Scientific Research and Innovation (NASRI), Albanian Investment Development agency (AIDA), knowledge institutes and business representatives as well as regional agencies is key. The Entrepreneurial Discovery Process (EDP) could and should be used to align the work of different agencies such as NASRI, implementing research-oriented policies, and AIDA, implementing policies directed towards the private-sector innovation, in order to efficiently implement the Research and Innovation Strategy for Smart Specialisation (RIS3).

1. Introduction and Methodology

The overall objective of this study[3] is to assess the opportunities for cluster development in Albania, in the ambit of the work of the International Service Facility of the European Commission.

The International Service Facility team acts under the specific contract with the European Commission (EC) "Support for the Steering Platform on Research and Innovation for the Western Balkan Countries". This contract supports the strong engagement of the EC towards the EU enlargement and integration of the Western Balkan Six into the European Research Area (ERA) and builds the foundation for the support of the present service request.

The target group of this study are policy makers who are interested in fostering cluster development and smart specialisation in Albania. It runs in parallel to the development of the Smart Specialisation Strategy for Albania, which aims at identifying strategic areas for intervention based both on the analysis of the strengths and potential of the economy and on an Entrepreneurial Discovery Process (EDP).

The aim and methodology for this report has been developed in close collaboration with the Unit for Development Programs and Cooperation at the Prime Minister's Office in Albania, which is responsible for requesting this study and which played an active role in the collection of data and mapping of stakeholders.

This study is structured in the following three chapters: Chapter 1 "Cluster policy and Smart Specialisation" is an introductory chapter, which deals with basic knowledge on the importance of clusters, their typical composition and their evolution in the last decades, and links cluster policy to smart specialisation. Chapter 2 "Cluster policy development in Albania – opportunities and challenges" investigates Albania's path to smart specialisation as well as regional development and assesses cluster development in the country to date. In addition, this chapter analyses the country's main challenges regarding cluster development and proposes areas with high cluster potential. Finally, the Chapter 3 "Conclusions & Recommendations for further action" outlines concrete support measures and policy actions whose adoption could support the further enhancement of clusters and cluster policy in the country

Methodology

The study is based on the following methodology:

- **Literature review**: The literature review provides insights from existing literature about issues, challenges and characteristics of cluster development in Albania. At the same time, it, serves to identify relevant examples, which could be considered as reference practices in cluster development, as well as key actors and interesting contacts for interviews and the focus group. For the literature review, academic literature, other research studies and relevant policy documents have been consulted (see References in the Annex B).
- **Interviews with stakeholders**: Between June 10 and 30, 2020, 18 interviews were conducted with policy makers, organisations from existing or former clusters, academics and other sector leaders. The list of interviewees can be found in the Annex A.

[3] This report was prepared by Kleitia Zeqo with support from Jeroen van der Zalm and Veerle Bastiaanssen of Technopolis Group as part of the International Service Facility of the European Commission, DG Research and Innovation.

- **Online focus group**: To further reflect upon and validate the results of the analysis, as well as to discuss potential areas of action for policy makers, a focus group was organised involving a total of 16 experts on the 30th of June 2020. Participants represented organisations from academia, business, policy makers and from existing or former cluster organisations.

The focus group acted as a first working group for developing recommendations for cluster policy in Albania, raising trust among participants and awareness of potential actions and policies. A draft list of recommendations was shared with all participants for comments and suggestions, enriching the prioritisation of activities and policies to be undertaken (see Chapter 4).

2. Cluster policy and smart specialisation

Clusters are generally referred to as **geographical concentrations of economic activities in related fields that are connected through a dense network of companies and institutions, such as production companies, raw material suppliers, service providers, companies in related fields, and public institutions** (e.g., research, training and standardisation institutions). Clusters can contain connections between: (1) provider and manufacturer along the production line; (2) manufacturers of complementary products; (3) companies and public institutions (Reut Institute, 2020).

The role of regional specialisation patterns has been acknowledged since Alfred Marshall's seminal work "Principles of Economics" (Marshall, 1920) but has been increasingly recognised since Michael Porter's "The Competitive Advantage of Nations" (Porter, 1990), stating that the presence of these clusters seemed to contribute to the **companies' success and to the economic health of the regions** they are located in. Technological change and innovation can flourish within clusters but is determined by the involvement and (sort of) **interaction between private- and public-sector organisations, authorities, knowledge institutions and financial providers**. Such regional interactions on innovation needs are a characteristic of regional innovation ecosystems. These innovation ecosystems are usually created around a central node that put key agents together to interact (Gobble, 2014). Clusters can take the role of this central node, bringing these key agents (physically) together.

Several studies have stressed the immediate relation between geographical proximity and innovation (see Storper, 2013 for a comprehensive discussion). They point out the importance of collaborations between firms and research institutions and firms for developing new ideas and for commercialisation. At the same time, they stress the importance of proximity for lowering the costs of transmission of complex tacit knowledge between enterprises.

Ketels (2013) points out that systemic interaction between a broad range of stakeholders can lead to three possible scenarios linking patterns of economic specialisation to performance outcomes:

- Regions that have **no strong patterns of economic specialisation**, with some presence in many industries. Under the growing intensity of global competition this increasingly leads to low levels of economic performance.
- Regions that specialise in **narrow industries** but fail to generate broader positions in clusters of related industries. This allows companies to achieve economies of scale and successfully compete on efficiency and cost.

- Regions that **specialise in clusters of related industries**. This allows companies to enjoy economies of scale and scope, competing on value as much as on efficiency.

At this point we should emphasise the distinction between networks and clusters, for each promotes different types of synergies. In clusters, firms benefit from knowledge spill-overs or the attraction of labour and consumers to the cluster through market processes. In the case of networks, firms engage in cooperative activities, i.e. the synergies are realised through co-operation – not competition (Asheim, Smith & Oughton, 2011).

ICMA's IQ Report Cluster-Based Economic Development (2008) mentions **three fundamental reasons why economic development practitioners pay attention to clusters**: (1) clusters generate wealth in a region, (2) clusters give a region a competitive advantage, and (3) clusters can provide the basis for cost-effective economic development strategies.

In general, clusters may fall into any of the following categories:

- Emerging (low scale; high growth)
- Competitive (high scale; growing)
- Mature (high scale; stable or declining)
- Stabilising (diversifying)
- Strategic (based on the plans and/or needs of public sector actors rather than on current business performance)
- Potential (pinned on hopes and dreams).

With the right support and infrastructure clusters can flourish and have a high impact on the economy. However, it must be noted that clusters are not static; their structures are prone to evolution and are highly dependent on business environment, firm size and developments, competitive advantages, growth and investment opportunities, market dynamics and size, government policies etc. The figure below highlights how these dynamics can influence cluster evolution in any given setting.

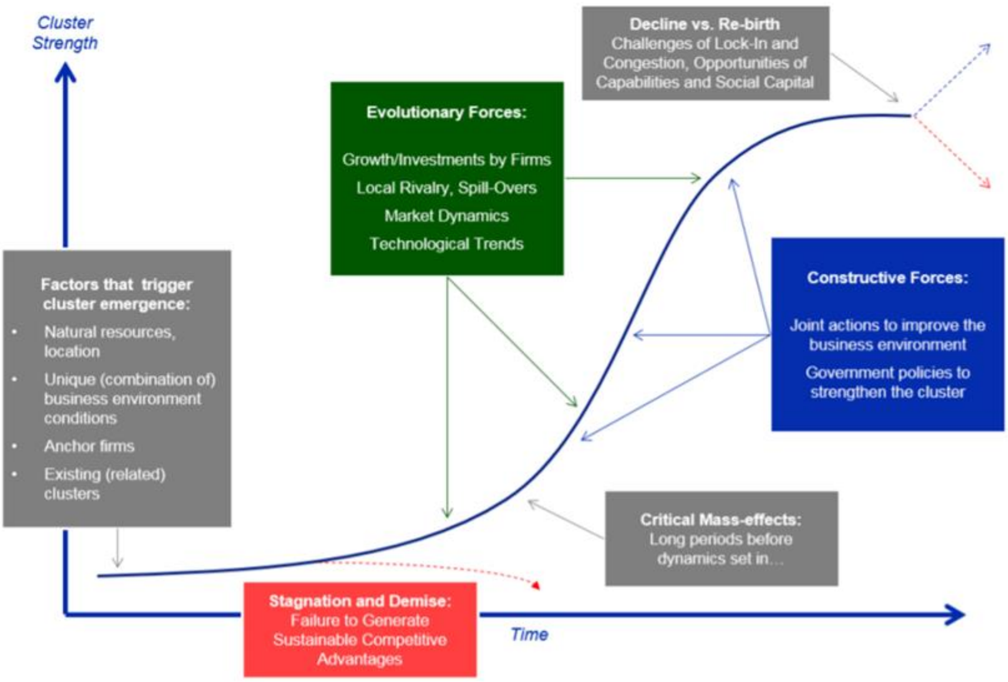

Figure 1: Evolution of clusters (Ketels, 2017)

Clusters are an important part of a broader set of drivers within the competitiveness framework that need to be seen in their interplay; they are not an isolated or only source of economic performance (Ketels, 2017). Cluster development does not occur on its own but is **interlinked with the overall status of the business environment in a country or region**, the type of relationships existing between and among industries, and the engagement of knowledge institutes, SME's and policy makers in a certain location. Clusters provide a framework for organising the implementation of many public policies and public investments directed at economic development (See Figure 1).

The most successful clusters are not only characterised by strong linkages between firms, but also between the private sector firms and the mainly public-sector providers of important local sources of competitive advantage – such as schools, universities, research centres, venture capitalists and regulators. Thus, regions that have mastered the art of public/private collaboration are more likely to be attracting, growing, dynamic and competitive clusters. Strong clusters appear on open markets where rivalry and intense cooperation within and between clusters coexist.

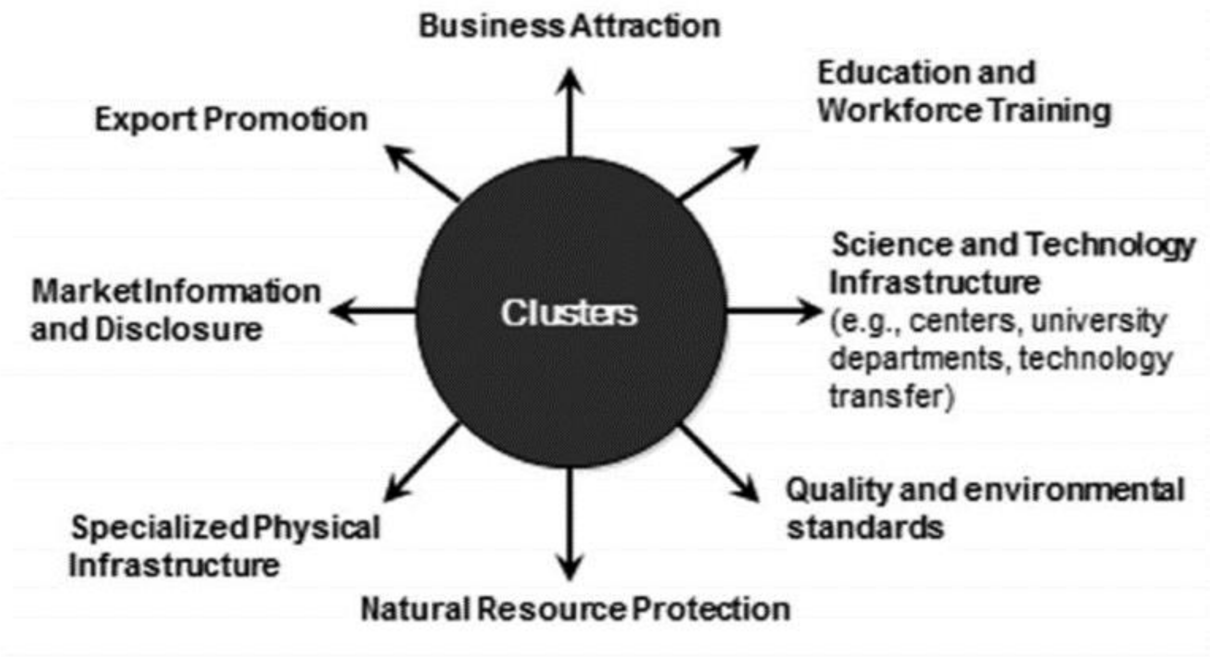

Figure 2: Organising public policy around clusters (Toussaint-Comeau, Newberger & Augustine, 2016)

2.1. Cluster policies and their relation to Smart Specialisation Strategies (S3)

The European Commission (EC) has embraced clusters in its Industrial Cluster Policy (European Commission, 2020) and has published a "Smart Guide to Cluster Policy" (DG GROW - EC, 2016). **Cluster policy is an industrial policy aimed at supporting existing or potential value-adding production chains and their environment**, rather than at companies. Local government managers and other local officials can enhance the success of clusters through interventions that cut across a number of domains, including economic development, education and training, workforce development, and infrastructure provision. Whereas, smart specialisation is the process, which a region undergoes to examine its own competitive advantages and related innovation opportunities[4].

Cluster policies and Smart Specialisation Strategies (S3) are two interlinked policy approaches aiming at exploiting advantages of location proximity to promote economic growth and competitiveness. Cluster policy development can provide concrete inputs into the development of S3 and vice versa. However, while S3 focuses on specific innovation-intensive sectors, the clusters could cover a broader set of sectors in the economy.

The definition of both the S3 and the cluster concept are provided in Table 1 to further clarify the similarities as well as the differences between the two concepts. These definitions are those used by the EC.

Table 1: Concept definition

S3 Definition	Cluster Definition
National/regional research and innovation strategies for smart specialisation (RIS3 strategies) are integrated, place-based economic transformation agendas that do five important things: • They focus policy support and investments on key national/regional priorities, challenges and needs for knowledge-based development; • They build on each country's/region's strengths, competitive advantages and potential for excellence; • They support technological as well as practice-based innovation and aim to stimulate private sector investment; • They get stakeholders fully involved and encourage innovation and experimentation; • They are evidence-based and include sound monitoring and evaluation systems.	Groups of specialised enterprises (often SMEs) and other related supporting actors that cooperate closely together in a particular location (European Commission, 2020). Clusters include companies of different types including suppliers, service providers, and producers of final products and services, as well as other innovation actors, such as research and educational institutions, specialised government agencies, financial actors and many other organisations that provide relevant services or in different ways connect the different elements of the clusters (Ketels & Protsiv, 2014).

Source: DG RTD – EC, 2013

S3 offers a useful gateway to outline the strategic cluster policy vision, develop a joint roadmap and align investment agendas (DG GROW – EC, 2015). For many regions **clusters and cluster policies are likely to be among the key building blocks in developing and implementing S3** (DG RTD – EC, 2013). This is because clusters and their roadmaps can be used as a starting point in identifying and selecting S3 intervention domains and to align regional to national policies.

Although interlinked, cluster policy and smart specialisation are two separate policy tools. Cluster policy is among the possible policy tools in a S3 policy mix, but S3 have a broader remit (DG RTD – EC, 2013). Probably the most important difference (as illustrated below) is that **S3 focusses on the transformation of regional economies around new knowledge-based activity domains (specific innovation-intensive sectors), whereas cluster policy is one of the tools that can be used for the S3 policy mix** (DG RTD – EC, 2013). However, the main goal of cluster policy is to enhance the performance of (existing) clusters and their members and engage with and develop key economic sectors in a specific location.

[4] Often at EU level this is done through an entrepreneurial search and discovery process

Smart Specialisation Strategy	Cluster Policy
• exploit emerging linkages between economic activities that can cut across traditional cluster boundaries • transform regional economies around new knowledge-based activity domains	• one of the tools for developing S3 policy mix • enhance the performance of existing clusters • engage with and develop economic sectors of significance for a region

For many regions, clusters and cluster policies are likely to be key components in developing and implementing S3. The full potential of clusters and cluster policies will be reached if (DG RTD – EC, 2013):

- The S3 **integrate cluster policies into a broader transformation agenda for the entire regional economy**, and complement cluster policies with other cross-cutting and technology/knowledge-domain-specific activities; and if
- The cluster-based analysis and the type of **cluster policies implemented in S3s move beyond the current cluster policy practice**, i.e., they are adapted to the regional environment, to the level of maturity of the cluster, and they comply with a list of good practice rules, including the capacity to address emerging new domains cutting across sectors.

Globalisation has increased the benefits of strong clusters but also **increased costs for regions that fail to develop a clear specialisation profile**. Albania can and should develop strong and functional clusters, if it wants to grow its economy and integrate into the region and the EU. The recent RCC's Common Regional Market (CRM) 2021-2024 Action Plan[5] and the WB Economic and Investment Plan[6] place an important role of S3 for the region. Putting S3 and cluster policy development in a regional context could provide a good opportunity to create regional value and boost international cooperation.

Chapter 3 below looks at regional policy developments in Albania as well as highlights opportunities and challenges the country faces regarding cluster policy developments.

3. Cluster policy development in Albania – opportunities and challenges

The Albanian economy has been growing steadily since the 1990s, with a peak of 6-8% growth level in the years prior to the 2008 global economic crisis, and a relatively slower growth since then (e.g. 2% in 2019; 4% 2018; 3.8% in 2017) (World Bank, 2020). Assessing the competitive performance of the Albanian economy is a challenging task, especially since there is a lack of indicators to measure the economic, scientific and innovative potential of its regions as well as a lack of available data. The Albanian economy remains fragile and is characterised by weak institutions. Its competitiveness is mainly based on cheap labour and low wages. To grow its economy, Albania should continue its efforts in establishing a competitive environment, conditions for businesses, and creating growth and employment.

[5] https://www.rcc.int/pages/143/common-regional-market
[6] https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1811

As can be seen in Figure 3, Albania is ranked 81st of 141 countries in the Global Competitiveness Index; five places lower as compared to 2018 (Schwab, 2019). In the Western Balkan region, Albania is surpassed by Serbia (72th) and Montenegro (73th), but is doing better than Northern Macedonia (82th) and Bosnia and Herzegovina (92th). Although Albania scores better when it comes to labour market (38th), skills (50th), and business dynamism (63rd), it is certainly lacking behind on indicators such as "State of cluster development" (133th place), "Entrepreneurial risk" (126th place), "Research & Development" (126th place), and "Domestic competition" (120th place). By improving one or more of the above-mentioned indicators, Albania could be in a more competitive position.

All these aspects are especially pressing in an economy that is severely hit by the economic consequences of the Covid-19 pandemic. Many businesses have closed, went bankrupt and many people lost their jobs. According to INSTAT, the national statistical institute, in the first quarter of 2020 only 61.4% of the population between 15 and 64 years of age was employed (Instat, 2020). Corruption and informality remain key obstacles for business development and foreign investment (European Bank for Reconstruction and Development, 2020).

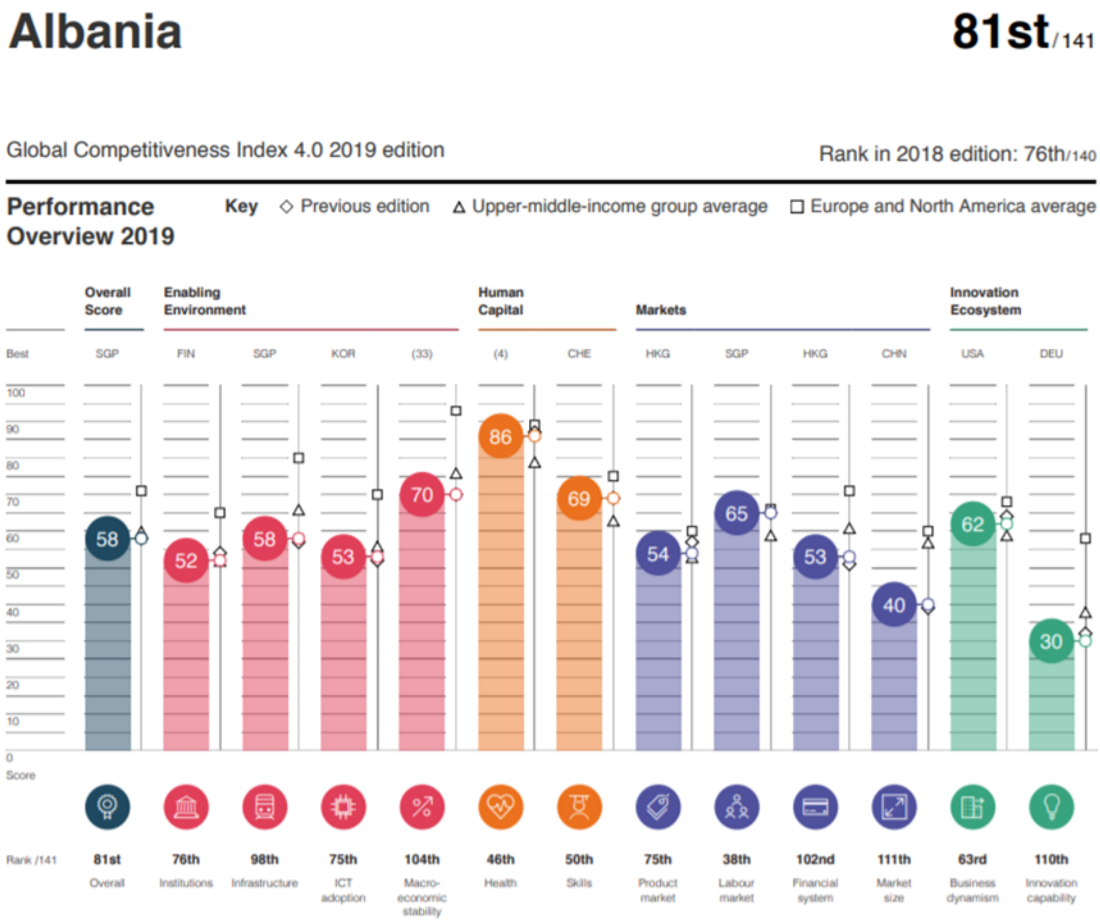

Figure 3: Global Competitiveness Index (Schwab, 2019)

On 25 March 2020, the Council of the European Union decided to open EU accession negotiations with Albania. Such momentum should be used in order to continue the path towards reforms and important policies aimed at competitiveness and innovation in the country.

A well-developed cluster policy could be a strategic step towards developing into a more competitive economy. Clusters offer a favourable environment for innovation and knowledge creation, and a well-developed cluster policy could be used as part of an umbrella strategy in order to improve domestic competition, entrepreneurial risk and research & development. As described in the previous chapter, clusters are an important aspect of smart specialisation as they lead to specialised regional policy based on promoting economic sectors/industries with high impact on the economy. However, cluster benefits go beyond regional development and include economic, political, and managerial advantages.

Some of the benefits for organisations collaborating through clusters include the following (Centre for Competitiveness Promotion, 2019):

- The companies/SMEs can have **better access to the supply market** to guarantee cheaper raw materials;
- The companies/SMEs, in specific industries can **share the cost of representation** on the export markets, especially for countries like Albania, with low production capacity;
- The companies/SMEs can **reduce the cost of participation in trade fairs**, by sharing costs participating as an entity, or using their cluster organisation instead of the individual participation of the company;
- The companies/SMEs can **share the cost of expertise or consultancy** at industry level;
- The companies/SMEs can benefit from **shared information** among the members regarding issues of selling products, market, production, supply, etc.;
- The companies/SMEs cooperating within the cluster can **increase the specialisation between companies and can create a cooperative relationship** rather than a competitive one between each-other.

Operating more efficiently through economies of scale, firms can better consolidate their market position and cut costs. This, in turn, leads to increased competitiveness, easier access to markets, customers and investors. Moreover, firms united under a cluster umbrella, can make their voices better heard regarding their strategies, needs and benefits towards policy makers.

Governments facing economic fatigue due to the Covid-19 pandemic are crucial in sustaining businesses and in creating the necessary incentives for their growth. Instead of merely allowing businesses and clusters to survive through cooperation and establishment of coherent, comprehensive, and cooperative policy, governments can establish a new level of trust with the private sector and facilitate their growth out of the crisis.

3.1. Albania's path to smart specialisation and regional development

According to the Commission's progress Report (2019), Albania remains **moderately prepared in the area of regional policy** and must take the following steps to implement a sound regional development (RD) reform:

- clarity in the way that national policies and objectives are set;
- establishment of a reliable institutional structure for RD implementation; and
- a clear operational programme for the financing of RD.

While financing is handled by the Regional Development Fund[7], the lack of clarity about national policies and objectives as well as a wavering institutional arrangement for implementation[8] make it challenging for the funding to address and support specific regional needs and programmes.

[7] The regional development fund was launched in 2006 and is managed by the Committee on Regional Development and coordinated by the general secretariat in a unit within the Prime Minister's Office

[8] In July 2018, the regulation establishing the various other institutions was repealed and the function of regional development was attributed to the national Albanian Development Fund. See Dhrami & Bejko (2018)

The S3 is an important aspect of the accession negotiations, especially regarding Chapters 24 (science & research) and 22 (regional policy & coordination of structural instruments). In that respect, Albania is expected to generate a **comprehensive and needs-based regional development policy** that is handled and monitored by adequate institutional structures and financed through mechanisms dedicated to reducing regional disparities and encouraging local economic development. The **National Strategy for Development and Integration (NSDI) 2015-2020,** launched in 2016, presents a concrete step towards regional development in the country and its alignment with regional policy of the European Union. Its objective is to "[…] *create competitive regions and aiming [at] a balanced and sustainable development of all regions through the reduction of development disparities between them." (Council of Ministers, 2013).* This was followed by the creation of new institutional structures: The National Agency for Regional Development (NARD), four Regional Development Agencies (RDAs), and a Regional Economic Development Agency (REDA).[9]

In November 2017, **Albania registered in the Smart Specialisation Platform** of the EC/JRC (S3P) and has started the collection of data and the Entrepreneurial Discovery Process (EDP). The mapping phase of the strategy has begun and is expected to be completed by 2020. This process is being supported by the Technical Assistance and Information Exchange instrument of the EC (TAIEX)[10]. A Triple Helix Forum on Innovation is expected to take place and thus act as a discussion platform between the government, academia and business communities.

The S3 has not yet been adopted but is expected to be finalised by 2021. A quantitative mapping of the country's scientific, innovative and economic potential called "RIS3 Mapping of Albania" has started and is expected to be finalised by September 2020 (indicative). The aim of this report is to steer the country's innovation policy towards supporting the overall development of key sectors with high employment and growth impact. The EDP work that is expected to be conducted in the third quarter of 2020 could be used to align the work of different agencies such as NASRI, implementing research-oriented policies, and AIDA, implementing policies directed towards the private-sector innovation, in order to efficiently implement the Research and Innovation Strategy for Smart Specialisation (RIS3).

Last but not least, a study is going to be prepared to accommodate the impact of the Covid-19 crisis in the existing draft mapping report and to prepare the ground for the next phase, the qualitative analysis[11].

3.2. Cluster development in Albania

The specific need to build clusters in Albania started a decade ago and can be traced back to the National Strategies on Innovation and Business Technology 2011-2016 (IBT) and the Business Investment Development Strategy (BIDS) 2014-2020. These strategies both aim at "[…] *supporting business cluster(s) in key sectors, providing support for collaborative platforms, which can enable and support strategic cooperation between enterprises and other organisations, to increase the dimension of value chains, favouring internationalisation, access to new markets and/or responding to a more sophisticated demand*". In addition, while the IBT foresees budget for a pilot programme and grants (see Figure 4 below), the BIDS identifies the need to support three

[9] While the four RDAs and REDA became operational by mid-2016, NARD has yet to become operational. In July 2018, the regulation establishing the various other institutions was repealed and the function of regional development attributed to the national Albanian Development Fund. See Dhrami & Bejko (2018).
[10] It is supported by JRC, which provides guidance for each phase, as well as the German GIZ (EU for Innovation), which supports with funding the expertise needed. See Joint Research Center – EC (2012).
[11] Interview with government representative.

new clusters. This programme was expected to be implemented by the Business Relay and Innovation Center" (BRIC), launched in 2011 by the "Albanian Investment Development Agency" (AIDA). However, to date the cluster support activities as foreseen in these strategies have not come into effect. Identifying the reasons behind this missed strategy uptake could help shed light on how to improve cluster policy and strategy in the future.

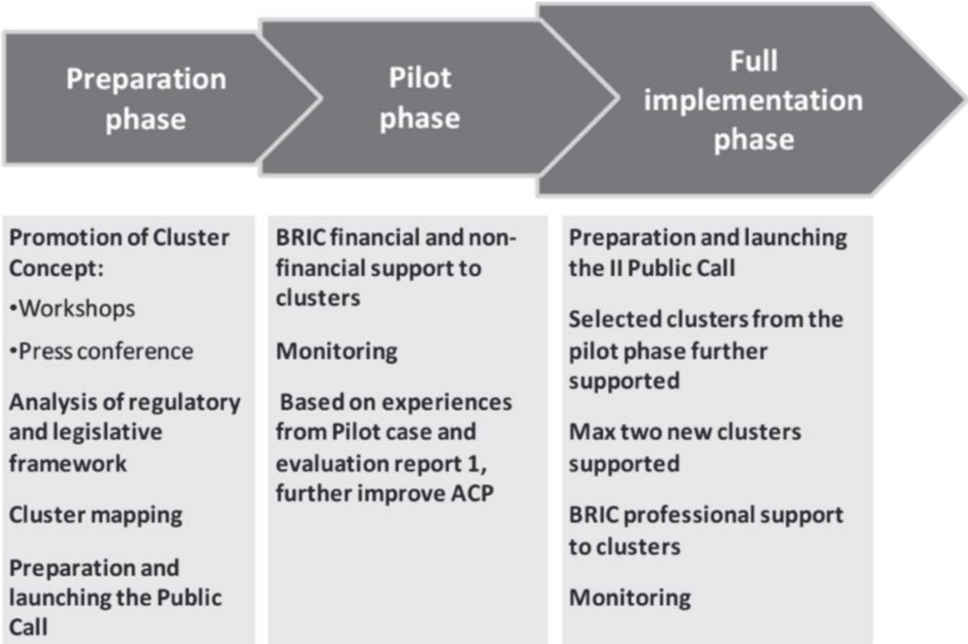

Figure 4: Cluster management organisation in the Business Innovation & Technology Action Plan 2011-2016. Albanian Investment Development Agency (AIDA)

Cluster (policy) development remains a novel concept for the Albanian industry and policy, however, cluster-type formations have not been fully absent. Cluster management organisations were established through donor organisations and international support through the Enterprise Development and Export Market Services (EDEM) and the United States Agency for International Development (USAID) (Clusterplattform Deutschland, 2020). As part of this programme, clusters in the areas of tourism, meat processing, medical herbs, and industrial production of leather goods have been established between 2004 and 2008. Via awareness raising activities such as workshops, seminars and specific grants for cluster management and coordination, the EDEM projects can be considered as the first introduction to cluster concepts among stakeholders in Albania. In addition, in 2010 the Albanian Software Cluster was launched through the support of the German Corporation for International Cooperation (GIZ) (Western Balkan Countries Research Technology Innovation, 2012). A new attempt towards cluster development has been supported by GIZ, as part of the project "More effective Industry Policy Measures according to Chapter 20"[12], which aim is to support the South East European countries including Albania, to have more effective industrial policy measures for improvement of competitiveness in accordance with the Chapter 20 of the EU-Acquis. This project resulted in the launch of the Wood Industry Cluster (Gazeta Telegraf, 2019) in summer 2019. The project included a one-year development strategy for this cluster and encouraged a membership-fee structure which is currently under operation.

[12] The project was part of the Strategic Policy Document of the non-Food Industry (2016-2025), which highlights the need to "obtaining foreign expertise and creating appropriate infrastructure for the possibility of creating a cluster in one of the branches of industry (e.g. wood etc.)". See Ministria E Energjisë Dhe Industrisë (2016)

According to the European Cluster Collaboration Platform, the Albanian ICT Association (AITA) is considered an active cluster in Albania (European Cluster Collaboration Platform, 2020). Launched in 2007, AITA represents the interest of the ICT ecosystem in Albania. However, AITA does not see itself as a cluster. AITA consists of 70 member associations, which includes SME's, knowledge institutes and non-governmental organisations, but does not represent the entire value chain of the industry (from supplier to end producer, including supporting services and specialised infrastructure). It is important to distinguish again between clusters and networks:

- in clusters, firms benefit from external economies such as knowledge spill-overs or the attraction of labour and consumers to the cluster through market processes;
- in networks, firms engage in cooperative activities, i.e. the external synergies are realised through co-operation – not competition (Asheim, Smith & Oughton, 2011).

Unable to cover the entire market value chain, **cluster-type formations in Albania are best categorised as networks**, whose members cooperate in terms of advocacy or access to funding but not in terms of market creation and consolidation.

The same can be said for **Pro-Export Albania**, a recently launched association (June 2020) that brings the National Chamber of Garment Producers and Industry under one umbrella.[13] The aim of this association is to gather several times a year to discuss common challenges, and not to consolidate or expand market opportunities.

To date **only the recently launched wood cluster is active**, although its longevity, beyond the donor support, remains to be seen. The dependency of external funding and top-down creation of these clusters deeply affects their sustainability in the long run.

In order to highlight the main steps that Albania could take towards cluster policy development (Chapter 3), we first need to look into and understand key obstacles that clusters have faced in the country.

2.2.1 Main challenges faced for cluster development

Albania faces shortcomings when it comes to both encouraging the development of key sectors that contribute to economic development and launching business-oriented policies that help reduce costs and create the necessary environment for cluster advancement. The Albanian market remains fragile, characterised by a high unemploment rate, informality and weak institutions. Most businesses (99.8%) are small to medium enterprises and are family-based. Clusters could offer an important policy-making tool and can be used as a valuable economic instrument for Albania. However, **weak coordination between various governmental bodies** has negatively impacted the launch of a comprehensive strategy for cluster policy development. In response, **no direct governmental support for cluster development has been provided**, despite cluster recognition in several national strategies.[14]

The cluster concept remains relatively unknown among businesses and stakeholders. Moreover, the missing policy framework coupled with the missing actualisation of the national strategies as well as a relatively weak industrial sector have led to a **lack of trust among stakeholders** regarding cluster development in the country. Most of the organisations interviewed outline a competitive business environment, where the **added value of collaboration is unrecognised** - be it between businesses/industries or among triple helix actors.

[13] Interview with representative from the association.
[14] It is referred to the Business Innovation and Technology Strategy 2011-2016 and the Business Development and Investment Strategy 2014-2020.

Cluster success requires direct investment in market needs and depends on creating specific qualities of a business environment that give a location a unique and lasting advantage (DG Grow – EC, 2016). In Albania, **cluster development has not been based on specific market needs**. As confirmed during the interviews, their top-down "creation" through donor support, where cluster members receive a grant for participation, instead of bottom-up emergence due to growth and success opportunities, has led to an **atypical cluster organisation, cooperation and management structure** (Centre for Competitiveness Promotion, 2019), which is not based on concrete business and market needs. In that respect, it is not surprising that the clusters became inactive once the funding expired.

Legally speaking, **cluster-type formations are registered as non-governmental organisations or cooperative**, however most of the organisations interviewed do not find this structure fitting for cluster activities and advocate for a specific cluster law and status. Informal or network type collaboration for market creation are also present but they do not cover all parts of the value chain and therefore cannot be considered as clusters.

In conclusion, cluster development in Albania can be classified as "emerging". However, the government's commitment towards S3 could be used as leverage for fostering cluster policy in the country. Albania is in a unique position to create a cluster policy that can be based on regional best practices as well as in very close coordination with regional specialisation and economic development. In order to do so, close collaboration among different ministries, NASRI, AIDA, knowledge institutes and business representatives as well as with the regional agencies is key.

2.2.2 Areas with high cluster potential

Based on literature, interviews and the focus group, the current study has identified the following areas where cluster policy could be used to lead to economic specialisation:

- **Food supply** (agriculture): Albania's arable land has been decreasing in the last decades. Farmers and different cooperatives could be brought together in order to identify ways to close the food gap and connect all stakeholders related to producers, consumers, sellers and exports. Here we could distinguish between a wine, apple, poultry and meat cluster. Important aspects to be taken into consideration here include the various research conducted on cluster potential by the Tirana University of Agriculture as well as the Memorandum of Understanding (Mou) between the Albanian Agribusiness Council (Keshilli I Agrobiznesit Shqipetar), Business Albania and the Albanian Manufacturing Union on Food Supply.
- **Maritime sector**: the UNDP is currently finalising a roadmap for establishing a Maritime cluster in Durres, Albania's biggest port.
- **ICT**: members of the Albanian ICT associations as well as the Albanian Software Cluster could be brought together to identify market needs and opportunities in order to expand their value-chain. Albania has a young workforce and appropriate academic infrastructure. Clustering around a school or university that has good ICT education could be useful if the sector needs specific skills that are provided by these educational programmes.
- **Health tourism**: Albania offers high quality dentist laboratories and professionals who could unite forces together with the tourism industry for health services. A study would be required to identify the main stakeholders, their location as well as determine the type of services to be offered.
- **(Agro)tourism**: national programmes and strategies already recognise (agro)tourism as an important aspect of economic development. Different regions could specialise in various aspects of tourism. Albanian Rafting Group for example is a useful network that combines tourism with sports in various regions in the country and whose members include transport, accommodation, tour operators, restaurants, equipment organisations, etc.

- **Textiles, wearing apparel and leather products:** the country is experiencing growth in exported goods related to the shoe and garment industry including leather footwear (14%), footwear parts (8%) and textiles of various kinds (22%) including suits, shirts, T- shirts, sweaters, socks and coats, etc.[15] Pro-export Albania offers a network of more than 500 organisations working in the sector who could be better supported in their economic impact in the country.
- **Services:** The Business Process Outsourcing (BPO) is a growing area of economic activity in the country (AVASANT, 2015), offering a broad variety of services from customer care, telemarketing (contact center) and management activities to back office and data processing services**.**

It must be noted that the appropriate policy steps to support one or more of the above-mentioned areas should be seen as a cycle (see Figure 5 below) moving from analysis to strategy and then back to analysis.[16] The analysis looks at the composition of the local economy and maps the concentration of economic actors. This is to be followed by a strategy that prioritises areas of economic activity in which a location has a specific strength and that is translated into concrete action steps.

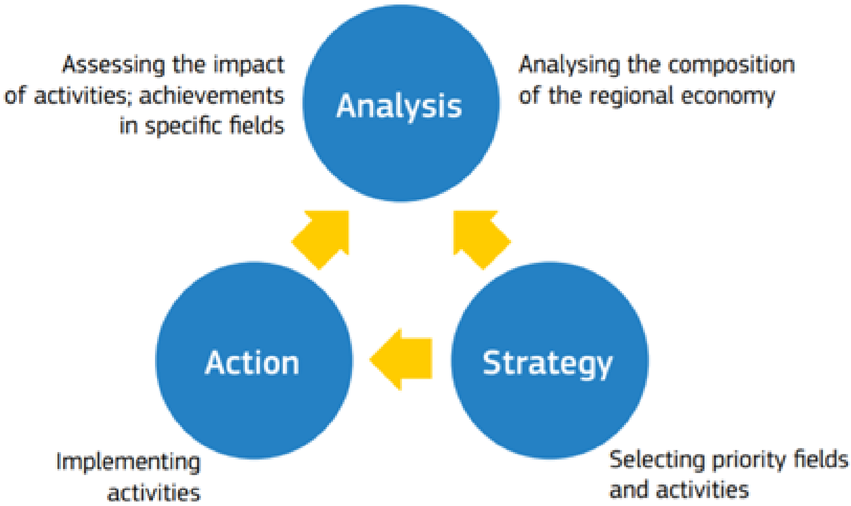

Figure 5: Cluster Policy cycle (DG GROW, 2015)

Clusters and cluster-type formations in Albania have been developed either through donor support and international projects or spontaneously in the form of networks or associations. Their development has not been associated with industrial growth or market acquisition and thus their economic impact has so far been limited.

Choosing the right cluster policy is not an easy task for policy makers and it comes with its own challenges. However, a well-designed policy, that is reflective of the economic situation and needs of the country, has the potential of creating growth and employment at regional and national level. See Figure 6 for an example of the importance of a cluster policy within a growth strategy. Within the framework of smart specialisation, cluster policy could be used as a tool to bring together national, sectoral, and territorial strategies, which to date have no objectives for cluster development.

[15] RIS3 Mapping Albania (2020)
[16] The RIS3 Guide on Smart Specialisation (available at: http://s3platform.jrc.ec.europa.eu/ris3-guide) uses a similar structure, adding some more granularity and, in particular, a section on governance.

As a first step, Albania has yet to **acquire a cluster policy** that is linked to regional and economic development of different sectors or value chains. This policy should be aligned to regional strengths as expressed in the RIS3 Mapping or other regional studies and should include a study of the location-specific cluster attributes to economic development. References and links to existing or upcoming strategies, such as the 2030 Strategy should be made.

When the city of Jerusalem was working on a new growth strategy, the cluster-based analysis provided important insights. It clearly showed that the weak economic performance of the city was strongly related to a very low share of employment in strong clusters of traded industries. A further analysis of the business environment revealed that these clusters were weak despite **strong assets in terms of human skills, top academic institutions, and other assets. What was lacking was a coherent strategy** to leverage the economic potential of these assets. The '**Jerusalem 2020'**, a five-year growth plan for Jerusalem's economic development, suggested specific investments that would be targeted at mobilising the portfolio of clusters in the city, with a view to generating shared benefits across the different parts of its population

Figure 1: Example of Jerusalem: Strong assets, weak clusters. (Porter & Ketels, 2015).

For cluster policy to effectively contribute to **S3 strategies, it should reflect the level of cluster development in the country** (emerging vs mature) and their needs. In addition, the extent to which cluster policies would benefit a specific region should be examined.

The Committee of the Regions' report on "Clusters and clustering policy: a guide for regional and local policy makers" (European Commission, 2010) offers some useful guidelines on steps policymakers should take. These include:

- **designing and planning a cluster policy** - assessing the existence of clusters, characterising a cluster, assessing a cluster's market position, assessing the need for a cluster policy, assessing the appropriate policy mix;
- **implementing a cluster policy** – engaging and coordinating private and public actors, establishing cluster organisations, delivering support;
- **monitoring and evaluating** cluster policies – including exit strategies.

Policy should be open to emerging clusters or cluster-type formations that have a scope of action in the specific territory. The launch of new cluster initiatives (focused on a specific technology, or advanced material) could also be supported; however, this should be based only on competitiveness or evidence of market success.

4. Conclusions and recommendations for further policy action

4.1. Conclusions

Cluster development in Albania is still at a very early stage, and clusters can be considered as "emerging". Through the stakeholder engagement conducted by this report, we find that clusters have been developed in Albania since the early 2000s. However, **cluster landscape in the country has relied solely on donor support**. All the identified clusters have been created in a top-down approach as part of internationally funded projects focused on cluster development. Such projects provided funding for activities, office space and/or granted a cluster manager fee for a specific period of time. Once the project came to an end, the cluster structure was no longer sustained, and **all previously funded clusters are currently inactive**. According to the interviews, this was because the cluster formation was not based on market needs of its members. At the same time, **we observe interesting, but often informal, bottom-up partnerships being set up in specific areas**, such as in the apple production in Korça, ICT, tourism, textiles, wearing apparel and leather products, etc… These partnerships cannot be considered as clusters since their structure does not cover all parts of the value chain, and its members do not benefit from knowledge spill-overs or attract labour and consumers through market processes - some key cluster characteristics. In addition, through the interviews, it became clear that the managers of such partnerships themselves do not see their network as clusters and often miss information on cluster definition and characteristics. Moreover, their focus on cooperative activities as well as advocacy show that these partnerships resemble more network characteristics. With the right type of support these networks can be developed into clusters which generate economic impact.

At the same time, there are also clear barriers that currently hinder the further development of clusters in the country:

- Stakeholders point to the **lack of understanding regarding cluster structures and benefits** among both industry actors and policy makers. An awareness raising campaign focused on economic benefits of clusters as well as a centralised information hub on clusters, their added value, developments and impacts on the economy, a list of clusters and their contact information could help bridge this information gap.
- Despite the presence of **cluster-related support activities in various national strategies**, their actual implementation has been limited. Ensuring the future implementation of cluster related strategies and actions that involved monitoring activities though specific indicators could fast forward cluster development in the country. This could be done by either strengthening the role of the Albanian Investment Development Agency (AIDA) for the development of clusters or creating a new agency responsible for such actions.
- **The relatively high level of informal economy coupled with limited sector and industry data** make it challenging for policy makers to identify front running sectors with high economic impact. The agency responsible for cluster development AIDA could foresee the mapping of clusters (or networks with cluster potential) and foster their development through a pilot phase - as identified in the Business Innovation and Technology Strategy 2011-2016 and the Business Development and Investment Strategy 2014-2020. A database with data on sectors, industries, etc., and their connection to national economic and social priorities could also facilitate the coordination of different economic-political strategies where clusters (could) play a role (e.g., strategies on innovation, technology, industry, research, energy, tourism, etc.).
- **Wavering institutional arrangement for implementation of regional policies** make the implementation of funding and policies to address and support specific regional needs and programmes challenging. The Albanian Development Fund, which has recently taken the function of regional development (and was previously attributed to the Regional Development Agencies, the National Agency for Regional Development and the Regional Economic Development Agency), should cooperate closely with the Regional Development Fund[17] coordinated by the general secretariat in a unit within the Prime Minister's Office.

[17] The Regional Development Fund was launched in 2006 and is managed by the Committee on Regional Development and coordinated by the general secretariat in a unit within the Prime Minister's Office.

This would help to identify, monitor and support the development of needs-based cluster policy at regional level. An alignment with the RIS3 Mapping could be useful.

- A **non-supportive legal structure** hampers cooperation among stakeholders. Cluster type formations in the country are either informal or operate under an NGO status. Stakeholders valued the legal recognition of a cluster structures and suggested the creation of cluster specific regulatory and legislative framework. A legislative draft co-designed together with businesses, academics and stakeholders could provide certainty regarding the governments ambition to support cluster development in the country.
- **Access to finance** is considered a big obstruction for stakeholders, who criticize the high interest rates of bank loans and demand either grant type funding, in kind support (such as provision of facilities), or lower interest rates for funding cluster activities. In addition, more funding is required to strengthen cooperation between industry, academia, investors which at the moment is minimal in Albania. A simplified procedure on taxes and duties for cluster organisations could also prove beneficial.

4.2. Recommendations for further action

In order to overcome the identified barriers, it is recommended to take further policy actions in the following areas as seen in table below. This list was developed with and validated by the stakeholders during the interview and focus group process. The government of Albania could use the list of recommendations as a starting point for their cluster strategy development.

Policy	Operational	Modelling stakeholder cooperation
Recommendation 1: Building a comprehensive umbrella strategy for the development of clusters	**Recommendation 4**: Launching support programmes for clusters	**Recommendation 7**: Building trust and develop cooperation culture among stakeholders
Recommendation 2: Ensuring the implementation of cluster related strategies and actions	**Recommendation 5**: Developing a legal structure that facilitates cluster development	**Recommendation 8**: Supporting the overall value chain development per cluster
Recommendation 3: Coordinating different economic-political strategies where clusters play a role (e.g., strategies on innovation, technology, industry, research, energy, tourism, etc.)	**Recommendation 6**: Improving access to finance for clusters	**Recommendation 9**: Encourage the development of cluster management and coordination expertise

In the following part, each recommendation is followed by a list of actions, a timeframe (short-term **(ST)** vs long-term **(LT)**) and steps needed to achieve the actions. Where possible, a division between responsible organisations (government bodies **(GB)** vs private business **(PB)**) for the implementation of measures is presented.

Policy recommendations

R1. Building a comprehensive umbrella strategy for the development of clusters

I. **Action: Create a specific strategy for the development of clusters that involves monitoring activities through certain indicators** *(GB in collaboration with PB)*:

- ⇒ Launch a study to assess the elaboration of the strategy based on key sectors, RIS3 mapping, and/or based on horizontal needs of business - digitalisation, industrialisation, formalisation, innovation, etc. (ST)
- ⇒ Create a database with data on sectors, industries, etc., and their connection with economic/social priorities (ST)
- ⇒ Articulate public support programmes together with cluster actors (LT)

II. **Action**: **Enhance the role of the Albanian Investment Development Agency (AIDA) for the development of clusters** *(GB):*

- ⇒ AIDA to create an office and a structure to (politically and financially) support cluster development (ST)
- ⇒ AIDA to manage funds to promote and manage the structure of clusters (ST)
- ⇒ AIDA to play a key role in encouraging developments in missing value chain parts (LT)

III. **Action: *(Should AIDA no longer be considered the appropriate agency)* Create a new agency that focuses on policies and programmes to support the development of clusters** *(GB), i.e.:*

- ⇒ Mapping of clusters (ST)
- ⇒ Development of a pilot phase for financing, monitoring and evaluation of the development of clusters and certain policies (ST)
- ⇒ Management of various funds and policies for support, e.g., trainings, grants, infrastructure access, interest protection, etc.) (ST)
- ⇒ Coordination with other agencies/departments related to clusters (ST)
- ⇒ Communication, cooperation, coordination (establishing and deepening cooperation, regular consultations with clusters through bilateral meetings, clusters clubs, webpage with information, etc.) (ST)
- ⇒ Monitoring and analysis of cluster developments and reports (LT)
- ⇒ External evaluation of cluster development office (LT)

R2. Ensuring the implementation of cluster related strategies[18] and actions

I. Action: Create a more functional public policy which translates its strategies into actions more frequently (GB):

- ⇒ Launch a study/internal analysis of obstacles faced and present new solutions to avoid future strategy malfunction **(ST)**
- ⇒ Create a strategy in cooperation/consultation with stakeholders (clusters, academics, politicians, business, industry, etc.) **(ST)**

[18] As presented in these strategies: 1. Business Innovation and Technology Strategy 2011-2016 and 2. Business Development and Investment Strategy 2014-2020.

II. Action: More efficient performance of the relevant agencies tasked with developing clusters (GB):

⇒ Identification of existing relevant agencies **(ST)**

⇒ Establishment of a new agency that focuses on policies and programmes to support the development of clusters (see Action III under Recommendation 1) **(ST)**

⇒ Legal request for accountability of institutions which do not function **(ST)**

III. Action: Translate business advocacy/policies in policy making actions (strategy, policy, initiative, etc.) (GB):

⇒ Improvement of the public consultation law by adding indicators to measure progress **(ST)**

⇒ Coordination between associations, clusters, business and economic policies by increasing the number of consultations with experts **(ST)**

R3: Coordinating different economic-political strategies where clusters play a role (e.g., strategies on innovation, technology, industry, research, energy, tourism, etc.)

I. Action: Launch an umbrella strategy that coordinates between different relevant strategies as part of S3 (GB in collaboration with PB):

⇒ Creation of a relevant and comprehensive strategy based on concrete business needs, key sectors and/or innovative desires **(ST)**

⇒ Coordination and co-operation through working groups by policy makers **(ST)**

⇒ Open consultation/validation of the umbrella strategy with stakeholders and relevant agencies (e.g., AIDA, NASRI, Chamber of Commerce, businesses, etc.) **(ST)**

⇒ Establish evaluation and monitoring tools to measure the strategy impact and progress **(ST)**

Operational Actions

R4: Launching support programmes for clusters

I. Action: Develop support programmes (GB in collaboration with PB):

⇒ Support of innovation projects in the initial phase **(ST)**

⇒ Distribution of technology related to R&D activities **(ST)**

⇒ Establishment of technical and intangible infrastructure **(LT)**

II. Action: Concrete support for cluster development (GB):

⇒ Facilitation of cooperation and information exchange **(ST)**

⇒ Facilitation of cooperation and information exchange **(ST)**

⇒ Launch of analytical processes to develop cluster activities **(ST)**

⇒ Promotion of clusters **(ST)**

⇒ Organisation of trainings, networks and meeting places **(ST)**

III. Action: Recognition of cluster organisations by the Ministry of Finance and Economy and/or other sectoral departments (GB)

⇒ Mapping of clusters in Albania **(ST)**

⇒ Creation of databases with data on clusters (focus, sector, type of organisations, participants, size, needs, developments, etc.) including development indicators **(ST)**

IV. Action: Support for the development and formalisation (in a broad sense, not just officially registered but also integrated into financial services) of local business/industry (GB in collaboration with PB):

⇒ Support to local business to enable them to compete more effectively with businesses in the region through cluster policies **(LT)**

⇒ Conversation and creation of opportunities for formalisation together with businesses/sectors/clusters **(LT)**

⇒ Creation of a business climate with equal competitiveness opportunities **(LT)**

R5: Developing a legal structure that facilitates cluster development (clusters in Albania have NGO status or are informal)

I. **Action: Analyse the regulatory and legislative framework (GB in collaboration with PB):**

⇒ Study on the regulatory and legislative framework **(ST)**

⇒ Legislative draft to be co-designed together with businesses, academics and stakeholders **(ST)**

II. **Action: Legal recognition of cluster structure (GB). See Figure 7 for examples of legal forms for cluster structures in other countries.**

⇒ Creation of cluster specific laws - one or several groups of laws **(ST)**

R6: Improving access to finance for clusters

I. Action: Launch a long-term fund in the form of grants for cluster coordination (GB):

⇒ Funds for the cluster coordinator **(ST)**

⇒ Funds for the organisation of events, studies, relevant publications **(ST)**

⇒ Funds for cooperation between industry and academia **(ST)**

⇒ Support for existing clusters **(ST)**

⇒ Support for the development of new clusters **(ST)**

II. Action: Legal support for funds (GB):

⇒ Legal obligation for cooperation between businesses of key sectors (e.g. olive, meat, etc.) **(LT)**

III. Action: Support in the form of infrastructure (GB):

⇒ Supportive/facilitation policies for investment opportunities, free construction areas, office space, product collection, silos, etc. **(LT)**

IV. Action: Creation of connections and networks of investors/incubators/ accelerators (GB in collaboration with PB):

⇒ Creation of a database for the listing of clusters / investors **(ST)**

⇒ Connection of events by clusters and investors/incubators/accelerators **(ST)**

V. Action: Inclusion of small enterprises in public tenders (GB):

⇒ Creation of certain funds for the inclusion of SMEs in public tenders **(ST)**

⇒ Establishment of a clause (e.g. in law 9643 on Public Procurement) where applications for public tenders must include the participation of small and medium enterprises (SMEs) **(ST)**

VI. Action: Facilitating access to finance for clusters (GB):

⇒ Launch a financial mechanism of the type "guarantee facility" that provides insurance for financial intermediaries (e.g., banks) that provide low interest loans for cluster related activities **(LT)**

⇒ Simplify procedures such as taxes and duties for cluster organisations **(LT)**

Legal forms for clusters in EU countries

In **Austria**, clusters are established as consortium or common interest entity. A consortium is not a legal entity and therefore, it is not able to receive EU or public funds. This form has been used in particular at the cluster start-up phase since it allows new members to join easily. A common interest entity is not feasible for profit-oriented companies and activities, even though it can perform commercial activities if profit is retained. The common interest entity is an appropriate legal form for clusters in a later development stage and does not need public financial support.

In **Croatia**, clusters can be established either as association, limited liability company (LLC), economic interest group (EIG), Cooperative or Hybrid model. An association can be established as a legal entity after registering at the local public administration office. The admission of new members is relatively easy, and the association can receive public and EU funds. An LLC can be established to foster the export activities of SMEs throughout the sector's value chain and to achieve self-financing. It might be administratively difficult to add new members and can be an expensive type of legal entity. The LLC cannot access or bid for EU grants. Clusters are solely liable for their debts, and members do not guarantee with their own assets. EIGs do not require funding capital for the establishment. The purpose is not to make profit but to provide "soft services". Members are liable for cluster obligations with their own assets. An EIG is an eligible legal entity to attract or bid for EU grants. It is questionable whether it has to pay VAT and corporate tax. A cooperative is being established in compliance with the Croatian Cooperative Act. It is subject to VAT on all services provided to cluster members. All subsidies are taxable, and like any other commercial profit-making legal identity, a cooperative is not eligible to bid for EU grants. Within the hybrid form, a cluster starts as an association in the first phase. However, in the cluster's growth phase, some or even all members can establish an LLC in order to engage in joint commercial activities. Activities of a cluster are split into two parts - association providing "soft" services and an LLC (formed by some or exceptionally all members) – for commercial/profitable activities (share profit and reclaim VAT).

Denmark has three main legal forms for cluster (1) association, (2) partnership of companies, universities and Regional Development Agencies (RDA) as well as (3) a hybrid form. The form of association as in other countries is being used during the early stages of cluster development providing "soft" services to cluster members and is eligible for national and EU grants. The partnership of companies, universities and RDAs may form a cluster. It can also be transformed into a LLC when the cluster starts to conduct joint commercial activities similar to other countries as well. It is liable for VAT and taxes but not eligible for EU grants. The hybrid form in Denmark enables an association to be a full or partial owner of a limited liability company established by a group of cluster companies to perform commercial (for profit) activities. Unlike an association, it is not eligible to receive public or EU grants.

In the **Czech Republic**, as specified in the national company/business law, clusters or cluster organisations can take different legal forms such as civil association, association, interest group of legal entities, LLC, public limited company and cooperative. The dominant legal form is either association or civil association. Both are eligible to receive national and EU grants.

The most common legal form in **Slovenia** is a partnership of companies. It has been mostly used within the first two years of operation. Once it is successfully established, it can transform to itself into the legal form of an European Interest Group (EIG). An EIG promotes activities that are of common interest to members, provides "soft services" and it is not profit oriented. It can access public and EU grants. The LLC and the hybrid form have not been used as a cluster's establishment form. However, there are some examples that a group of cluster members establishes (and jointly invests into) a common technology research centre.

In **Romania**, the legal form of an association or NGO is primarily used as a cluster establishment form, and the main focus of cluster organisation is to provide "soft services" to its members as in many other countries. Both legal forms are eligible for national and/or EU grants.

Figure 2: Examples of legal forms for cluster in some EU countries. (Centre for European Education and Studies from Podgorica, 2014).

Modelling Stakeholder Cooperation

R7: Building trust and develop cooperation culture among stakeholders

I. **Action 1: Build trust between stakeholders (b2b) (GB in collaboration with PB):**
⇒ Organise workshops between businesses in key sectors **(ST)**
⇒ Organise events on the importance of cluster cooperation **(ST)**
⇒ Engage in lobbying for a better functioning of the consultation process (*PB*) **(ST)**

II. **Action 2: Build trust between triple helix stakeholders (businesses/policy makers/knowledge institutes) (GB):**
⇒ Organise workshops/events that bring together triple helix actors, foster the exchange between the actors and distribute know-how **(ST)**
⇒ Launch a voucher system to encourage private sector or cluster contributions in increasing the quality of a product in collaboration with knowledge institutes **(LT)**

III. **Action 3: Cultivate a cooperation culture (GB):**
⇒ Exploration, creation and strengthening of links with R&D institutions **(ST)**
⇒ Strategic cooperation with knowledge institutes **(ST)**
⇒ Application and dissemination of new knowledge **(LT)**

IV. **Action 4: Encourage cooperation between different clusters (GB):**
⇒ Support networking activities and dialogue **(ST)**
⇒ Encourage/support strategic partnerships between clusters (e.g between ICT and tourism) **(ST)**
⇒ Support cooperation between clusters and SME groups **(ST)**
⇒ Annual organisation of a "Cluster Info Day" **(LT)**

V. **Action 5: Awareness raising on the importance of clusters for the economic development in Albania (both from the private and public sector) (GB in collaboration with PB):**
⇒ Continuous communication on the added value of clusters **(ST)**
⇒ Organising of events/workshops to bring stakeholders together **(ST)**
⇒ Launch of a website with information on clusters, their added value, developments and impacts on the economy, a list of clusters and their contact information, etc. **(LT)**
⇒ Acknowledgement of clusters through awards or other promotional activities **(LT)**

R8: Supporting the overall value chain development per cluster

I. **Action: Support to include missing links in the activity of clusters (GB in collaboration with PB):**
⇒ Specific study on individual weaknesses for each cluster (*PB*) **(ST)**
⇒ Identification of industries/businesses that completes the product chain for individual cluster **(ST)**
⇒ Encouragement of enterprises/industries/businesses to participate in cluster structures **(ST)**

R9: Encourage the development of cluster management and coordination expertise

I. **Action: Attract qualified personnel for cluster management and coordination (GB in collaboration with PB):**
⇒ Collection and distribution of good experiences in cluster development (ST)
⇒ Provide funds/grants for the salary of the cluster manager/coordinator (ST)
⇒ Provide professional training for managers/coordinators to benefit their specific cluster, organisation, etc. (LT)
⇒ Provide funds/grants to attract specific experts for different needs of the cluster (LT)

Additional Information

Case studies:

- A list of 10 cluster case studies addressing key issues present in cluster analysis, such as innovation capacity, impact of cluster specific policies, imminent cooperation benefits, positive and negative externalities, degree of sophistication, formal and informal linkages between the actors, business creation, etc. can be found in the **Cluster Mapping project**s of the European Commission, Directorate-General **Enterprise and Industry**, available at: https://irp-cd n.multiscreensite.com/bcb8bbe3/files/uploaded/doc_330.pdf and for the Cluster Observatory: http://publications.europa.eu/resource/cellar/6f14c45f-7d6a-49c7-9bbf-785b313657d4.0001.02/DOC_1
- Clustering for Internationalisation - A case study from Kujawsko-Pomorskie, Poland. Toruń Regional Development Agency ran a successful programme to set up and support the international development of clusters of Small & Medium Size Enterprises (SMEs). The programme has helped 10 sector-focused clusters in the Toruń area to bid for contracts in foreign markets. Normally, the individual companies making up the clusters would find it difficult to trade internationally, but working as part of a complementary group of businesses has enabled 80 SMEs to export their products and services. Access the Kujawsko-Pomorskie (Toruń) Case Study here:

  https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1541696713.pdf

Cluster Management:

- **A practical Guide for cluster management is published by the (then) Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) for Croatia.** The manual provides an encompassing and concise overview of methods and instruments of cluster management. It was developed in Croatia commissioned by the GTZ and financed by the German Ministry for Economic Cooperation and Development (BMZ). It is, however, not only applicable to Croatia and to other transformation countries, but by all means suitable for a worldwide use. In addition to being useful for cluster management as such, it can also be applied to other forms of enterprise cooperation which go beyond pure supplier-buyer relationships, such as: industry and technology parks, business incubators, and even certain forms of regional economic development activities. Available at: https://www.clusterportal-bw.de/downloads/publikation/Publikationen/download/dokument/cluster-management-a-practical-guide-part-a-overview/

Figure 3: Example of supporting materials for the functioning and management of clusters. Source: Technopolis based on research

Annex A: List of Interviewees

NAME	TITLE	ORGANISATION
AGIM RRAPAJ	Director	The Albanian Agribusiness Council: Keshilli i Agrobiznesit Shqiptar
MIRELA MUCA	General Director	NASRI
ARJAN LAME	Researcher	NCP for ERA secure societies / Tirana Business University
DRITAN MEZINI	Cluster Manager	Albanian ICT Association
BASHKIM SYKJA	Executive Director	Chamber of Commerce of Tirana
JORI KADARE	Project Manager	EU for innovation / Swedish agency for economic and regional growth
TOMI PIKULI	Executive Director	Agrinet
MIRA POGAÇI	Executive Director	Albanian Commercial Union
ALBAN ZUSI	Executive Director	Albanian Food industry
MIRDAIM AXHAMI	Associated Professor	Faculty of Economics at the University of Tirana
ARBEN SHKODRA	General Secretary	Albanian Manufacturers Union
BETIM CICO	Chairman of the Executive Council	Albanian Software Cluster (ASC)
BAHRI MUSABELLIU	Rector	Agricultural University of Tirana
ALMA SPATHARA	Project Manager	Albrafting
GJERGJI GJIKA	Chairman	National Chamber of Garment Producers
ADRIAN CIVICI	Professor	European University of Tirana
LINDA PUSTINA	Department of Development and Good Governance / Departamenti i Zhvillimit dhe Qeverisjes së Mirë	Prime Minister's Office: Kryeministria
FLORENSA HAXHI	Development Programs and Cooperation Unit / Njësia për Programe të Zhvillimit dhe Bashkëpunim	Prime Minister's Office: Kryeministria

Annex B: References

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