Programme description

Version 1

10 June 2013

Programme for cluster development
1. **Short description of the programme**

Through this new, coherent cluster programme, the three programme owners – Innovation Norway, the Industrial Development Corporation of Norway (SIVA) and the Research Council of Norway – aim to contribute to strengthening the innovativeness and capacity for renewal in regional innovation milieus. Increased interaction and collaboration in business and industry, as well as between the business community, knowledge communities and public development agencies, will increase the flow of ideas for innovation and restructuring, trigger and strengthen innovation processes and create a more attractive environment for enterprises, knowledge providers, talents and investors. This will give the cluster participants a better basis for increasing value creation and strengthen their position in relation to national and global value chains. The programme is intended to be a catalyst for uniting participants in a shared effort and for increasing the dynamics of this collaboration.

Experience shows that geographical concentrations of enterprises and knowledge communities in regional clusters can increase their innovativeness and competitiveness. The programme's target group is precisely such regional clusters, including clusters in an early phase of collaboration, clusters that have developed a more mature and well-functioning collaboration, clusters whose primary potential lies in a strengthened regional position, and clusters that have enough weight and capacity for growth to act as hubs in national and global innovation networks. The common denominator for all these clusters is that they have prerequisites for collaboration-based growth and the willingness and ability to participate in a joint strategic development process. The programme will focus in particular on ensuring that the clusters renew their established competitive advantages through exploring new possibilities and finding new partners, across technologies and value chains and in new areas of application. Key elements in this respect will be to create an awareness of the globalisation of markets and knowledge production and a strong focus on international partners.

The cluster programme is the three owners' most important joint investment in increased innovation and capacity for growth in Norwegian business and industry. The owners' networks, expertise and policy instruments will be linked to ensure a more comprehensive and strong effort. The collaboration should leave room for new strategic initiatives based on a close dialogue with demanding customers in the regional communities. The programme owners expect the programme to become an important tool in the authorities' policy for promoting innovative and competitive Norwegian businesses.

2. **Background**

The three programme owners Innovation Norway, SIVA and the Research Council of Norway have extensive experience of joint initiatives intended to stimulate regional business cluster. The Arena Programme was introduced in 2002 and has since supported more than 60 cluster initiatives. The Norwegian Centres of Expertise (NCE) programme was introduced in 2006 and is involved in 12 clusters. The programmes' services are in great demand in the regional business clusters, and evaluations, analyses and feedback indicate good effects and results.

In 2011, based on this positive starting point, the owners took the initiative for work to further develop and improve the programme services. Based on dialogue with users and stakeholders, as well as expert input, the following ambitions have been defined and will be incorporated in the new programme:

- The programme will offer more differentiated services to different types of clusters.
- The programme will develop better services for purposes of strategic importance and for specific target groups, including a new service for mature clusters with a global position.
- Stronger collaboration will be established between the different levels of the programme.
The services offered under the programme are intended to strengthen the clusters' international focus.

Collaboration with related research and innovation programmes will be improved, and the funding agencies' ability to address the clusters' development dynamics will be strengthened.

The programme's educational and development processes will be further developed.

At the same time, key elements from the established NCE and Arena programmes will be continued:

- The three owners will continue and strengthen their joint ownership of the programme.
- The programmes will select which cluster initiatives to support based on open, national calls for applications, clear selection criteria and professional and neutral project assessments.
- The Arena and NCE programmes' services will be continued in the new programme, and the brands will be maintained. In addition, a new level is established: Global Centres of Expertise (GCE).

3. **Target group**

The programme targets organised groups of enterprises, knowledge-based institutions and other development agencies that represent clusters with prerequisites for growth. The programme offers support to targeted and time-limited development projects in the clusters.

1. A **cluster** is a geographical concentration of enterprises and related knowledge communities, linked by complementary or similar interests and needs. The enterprises can gain easier access to important production factors and ideas for and impulses to innovation through interaction and collaboration. A cluster emerges over time, on the basis of location advantages and natural development dynamics.

2. A **cluster organisation** is a formal institution that is established to facilitate increased interaction and collaboration between the participants in the cluster. A cluster organisation is based on an organised partnership between the participants in the cluster, often with public development agencies as important contributors.

3. A **cluster development project** is a targeted effort over a limited period to strengthen and accelerate the development of the cluster. This is generally achieved by means of a wide range of strategic activities aimed at strengthening the cluster’s and cluster participants’ competitive position.

The programme supports development projects in clusters with different foundations for collaboration and different prerequisites for growth:

a) Clusters that comprise newly-established and/or immature collaboration initiatives, but that have an organisation, strategic platform and resource base that mean that they have a good potential for further collaboration-based development. The cluster itself can be relatively small and primarily have a regional position, or it can be bigger and have a national position.

b) Clusters that have an established organisation with well-developed services, partners with experience and results from collaboration projects, a well-established national position and further growth potential.

c) Clusters with a well-functioning cluster organisation, a critical mass of partners with a high level of interaction in a broad strategic action area, based on a well-functioning innovation system, and with a well-established position in global value chains.

These are not static categories. All clusters will develop and go through different phases, as will the collaboration itself and the organisation of the collaboration. The clusters will thereby be able to move between these categories.
Regardless of what category the cluster is placed in, the programme will target clusters with the following characteristics:

- A collaboration basis comprising business and industry, knowledge communities and public development agencies, headed by the business enterprises.
- A potential for further growth and development in the cluster based on collaboration between the participants.
- Broad involvement and active leadership on the part of the biggest participants in the cluster.
- A strategically well-founded development project that can be triggered and strengthened through support from the programme.

The programme’s ambition shall be to get involved in cluster development projects of an *experimental nature*. This will particularly concern cluster development based on connections between different value chains or different areas of expertise that normally do not cooperate, in order to explore possible new business areas based on presumed synergies between the disciplines. It will be natural to include this more experimental role in the early-phase initiatives (group a) above.

### 4. The programme's goals

#### 4.1 The programme's objective

*The cluster programme’s objective is to trigger and strengthen collaboration-based development activities in the clusters, with a view to increasing the dynamic nature and attractiveness of the clusters and individual enterprises’ innovativeness and competitiveness.*

The programme shall contribute to a documented positive development in the individual cluster, on the basis of the cluster’s established position and preconditions for development. The specific goals for this development are stipulated in more detail at each level, but shall be materialised in the following *common* goals for all the clusters:

- Increased interaction and collaboration between the cluster enterprises, knowledge communities and development agencies.
- Increased innovativeness in the cluster enterprises through collaboration with other R&D institutions or other knowledge-based institutions.
- Improved access to relevant expertise for the cluster enterprises.
- Increased international focus in the cluster enterprises and knowledge-based institutions.
- The cluster shall have established an environment that promotes the development and application of knowledge as a basis for entrepreneurship, investments, innovation and restructuring.
- The cluster shall have demonstrated its resources and potential.

#### 4.2 Goals for cluster projects at the individual level

**Effect goals**

**Arena:** Increased innovativeness and capacity for renewal, based on strengthened collaboration between enterprises, knowledge communities and public development agencies.

**NCE:** Increased value creation in the cluster, based on collaboration-based innovation and internationalisation processes.

**GCE:** Increased value creation and strengthened attractiveness and position in global value chains, through strategic collaboration projects between the cluster partners and with external partners.
Performance goals

With reference to the common goals set out above, more specific definitions are given here (in the form of keywords) of the goals at each level:

<table>
<thead>
<tr>
<th></th>
<th>Arena</th>
<th>NCE</th>
<th>GCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interaction and</td>
<td>Increased dialogue and collaboration internally and externally</td>
<td>Increased targeted collaboration internally and externally</td>
<td>Increased strategic collaboration internally and externally</td>
</tr>
<tr>
<td>collaboration</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Innovativeness</td>
<td>Increased innovation collaboration and increased innovation activity level</td>
<td>Increased innovation activity level based on collaboration between enterprises and R&amp;D institutions</td>
<td>Increased innovation activity level and renewal of business models and value chains</td>
</tr>
<tr>
<td>Competence base</td>
<td>Better access to relevant expertise</td>
<td>Increased collaboration with educational institutions</td>
<td>Increased strategic collaboration with national and international educational institutions</td>
</tr>
<tr>
<td>International focus</td>
<td>Strengthened relationships to international market players and knowledge-based institutions</td>
<td>Increased collaboration with international partners</td>
<td>Increased strategic collaboration with international partners</td>
</tr>
<tr>
<td>Knowledge dynamics and</td>
<td>Increased application of the cluster’s resources and networks in renewal processes</td>
<td>Increased innovation and external investments based on the cluster’s knowledge base and strategic processes</td>
<td>Increased host attractiveness based on a strong knowledge base and dynamic interaction between the participants</td>
</tr>
<tr>
<td>renewal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visibility</td>
<td>Increased regional recognition as an innovative cluster with capacity for growth.</td>
<td>Increased recognition as an important national environment for innovation and growth</td>
<td>Increased recognition as a hub or node in a global innovation system</td>
</tr>
</tbody>
</table>

The effect and performance goals will be used as a basis for the projects' annual reports, and indicators will be established that correspond to the indicators set out in Innovation Norway's performance management system. Furthermore, the goals will be used as a basis for the periodic evaluations required by the programme; see section 8 below.

5. Socio-economic justification

The rationale for the public involvement in the development of clusters is a market failure that limits enterprises' ability and willingness to invest in collaboration:

- The participants may have limited information about the potential benefits of collaboration with other enterprises or knowledge-based institutions.
- Common goods are produced that do not directly or exclusively benefit individual enterprises.
- This could be knowledge externalities, i.e. that knowledge is spread and used by others than those who develop the knowledge, which leads to an underinvestment in knowledge.
- The risk that partners will reap benefits without actually contributing anything to the common good (the free rider problem).

The role of the innovation agencies will be to contribute to collaboration on research and innovation that is more extensive, of a higher quality and has a higher potential effect than would be the case without public involvement. What is offered to the clusters is expert and financial support to initiate, strengthen and accelerate different collaboration processes. The support acts as a catalyst for the development of new collaborative relations and for the development of concrete collaboration measures to strengthen joint knowledge development, innovation processes, internationalisation measures etc. Public involvement also
serves as a neutral and 'safe' framework for the collaboration, in that it reduces the risk of a party reaping unreasonable benefits.


6. The programme's services

The cluster programme will provide a combination of financial and expert services to the participants:

6.1 Funding services

Principles for the programme's funding services

The programme will offer part-funding for activities to be defined in more detail under the auspices of the cluster organisation. The funding will comply with the principles that are applicable at all times to:

a. The innovation schemes the programme obtains its budget funding from.
   This will include provisions on the geographical extent of the use of the schemes in question. Specific guidelines may also be stipulated in the annual letters of assignment.

b. The EEA provisions concerning state aid
   The regulations contain specific provisions on grants to 'innovation clusters'. They allow for investment aid and operating aid for specific activities. Important limitations concerning the use of operating aid are:
   • Maximum duration of five years with the option of support for up to ten years pursuant to more detailed conditions.
   • Accumulated support of more than EUR 5 million is subject to special approval.

The programme will also be able to support cluster activities on the basis of other objectives specified in the regulations. This applies in particular to:

• Grants for R&D
• Grants for advisory and innovation support services
• SME aid

The programme will also operate on the basis of principles that the programme owners believe are important in relation to ensuring targeted and effective use of funding schemes:

(c. The grants will not fund projects that are covered by established funding schemes
This means that the programme cannot fund projects that, in principle, can be funded through related programme services. This applies as long as the clusters can apply for these services and the projects are within the services' stated objective. The reason for this principle is to avoid the risk of the cluster programme funding projects of lower quality than other projects that compete for support under the established programmes.

d. The grants will target strategic cluster development activities
This means that the financial support will be channelled to activities that are deemed to be strategically important to realising the objectives of the cluster collaboration. The activities must be based on the cluster's strategic plan and on collaboration between several partners/participants, and their results must be open and available. Activities that have utility value for only one enterprise cannot be funded.

e. Co-funding
The programme funding will trigger funding from the cluster participants pursuant to the rules concerning enterprises' contribution to funding for the respective funding objectives. This contribution to funding can consist of both cash payments from the participants and own effort in the form of hours worked on specific cluster activities.

**Budget funding**

The programme can fund approved cluster activities through annual grants. The size of the annual grants is determined on the basis of the cluster project's format and activity level. It will also differ between the programme's three levels:

- **Arena**: NOK 1.5–3 million per year
- **NCE**: NOK 4–6 million per year
- **GCE**: NOK 8–10 million per year

**6.2 Expert services**

This includes services that aim to develop a well-functioning cluster organisation with a good management team, a good network of relevant contacts and partners, and a visible profile.

The programme's expert services will be based on a systematic *knowledge base*, which consists of the programme's own experience and relevant experience from related activities: theoretical perspectives, policy perspectives etc. The programme will upgrade the current knowledge base and make it more easily accessible to the programme's target groups and other stakeholders.

The expert services comprise:

**a. Competence services**

These are services that aim to upgrade the cluster organisations' insight and skills in relation to developing, managing and implementing the cluster's activities. The services are channelled to the clusters in the form of:

- Presentations and experience transfer at programme meetings and seminars.
- Board seminars on the organisation and management of cluster projects.
- Guides and booklets.
- Offers to participate in external courses and conferences.

**b. Advisory services**

These are services that aim to develop the cluster collaboration's strategic focus. They include:

- Expert advice to clusters through the programme's offer of assistance from an external adviser.
- The programme management's strategic dialogues.

**c. Networking services**

The networking services will contribute to developing and strengthening the clusters' contact and collaboration with external players that can help to develop the clusters. The services are channelled through:

- The programme owners' ongoing dialogue with the clusters
- The programme owners' special services relating to network building.
- The programme's organised arenas and study trips
- The programme's utilisation of international programmes and forums for cluster collaborations

**d. Promotional services**

These services shall contribute to promoting the clusters as important innovation and value creation communities. The services are channelled to the clusters in the form of:

- The joint brand strategy and communication activities
- Special reputation projects
All these expert services will be relevant to all target groups, but they will be tailored to suit the participants and individual clusters at each level.

6.3 Support for the development of cluster and network initiatives in an early phase

The innovation agencies have several policy instruments and services targeting collaboration-based development projects in an early phase. Most services are organised at the regional level, and there are also geographical variations in the services available.

Chief responsibility for the early phase must still rest with the regions, where there is close contact with enterprises and business communities. The national cluster programme has developed extensive expertise and experience that should be made more accessible at the regional level. The role of the programme will be two-fold:

- The programme offers a regional competence-raising scheme in relation to work on early-phase collaboration projects. A flexible module-based programme is under development that can be offered as required in close dialogue with local Innovation Norway offices and regional partners.
- The programme offers a structured methodology for the development of cluster initiatives for the purpose of qualifying projects to apply for acceptance to the cluster programmes. This will be offered at the regional level once the cluster development potential has been identified. The methodology will be based on experience obtained through the cluster programmes and will be applied in workshops to which the programme will contribute implementation and competence resources.

6.4 The programme’s service structure

The cluster programme’s services are structured through four modules that represent important strategic focus areas for the clusters. Every year, the cluster projects decide how to divide their efforts between the areas, as a basis for the programme’s funding to the cluster project.

**Module A:** General cluster development and is offered to Arena and NCE. Clusters supported through GCE are expected to fund this function from their own resources.

**Modules B, C and D** are utilised for a prioritised, strategic effort in the respective areas. **Modules B and C** are mandatory for GCE and are also offered to NCE and Arena in phase 2. **Module D** is offered to GCE, NCE and Arena in phase 2.

The modules are described in more detail in the appendix to the programme description. The main content is summarised here:

**Module A: General cluster development**

**Objective:** To support the management of the development processes, the day-to-day operation of the cluster and various activities facilitating projects and the development of the cluster.

**Strategic instruments:**
- a) Process management
- b) Network building and arenas
- c) Analysis and strategy processes
- d) Communication
- e) Facilitating learning activities
- f) Early-phase idea and project development

**Module B: Knowledge collaboration**
Objective: The objective of the module in relation to Arena and NCE is to establish and create links and collaborations between the cluster and the best R&D and innovation communities, as well as education communities both in Norway and abroad, in order to secure the cluster members access to world-leading technology and R&D. For the GCE level, the objective is to strengthen already established collaborations and further develop them.

The module’s strategic instruments:

The module’s focus comprises three main groups of strategic activities that target:

- Research and development institutions
- Universities and university colleges
- Other innovation bodies, including global enterprises with a high R&D activity level

The module will support activities in three phases:

a) Analysis and strategic work to link the cluster with the right and most relevant communities at the national and international level.

b) Establishing and strengthening links between the cluster participants and external R&D institutions, universities and university colleges and innovation bodies with a view to establishing relevant contacts and subsequent projects.

c) Applying and disseminating new or existing knowledge and competence among the cluster participants.

MODULE C: INNOVATION COLLABORATION

Objective: The objective of this module is to contribute to more R&D&I-based collaboration projects in the clusters. With the high cost level in Norway, enterprises competing at the global level must be at the forefront of R&D&I in order to be competitive. The module shall contribute to increased flexibility and dynamics in the cluster and among its enterprises, and to more R&D&I projects being realised.

The module's strategic instruments:

a) The module shall contribute to mobilising collaboration projects and conceptualising R&D&I projects. Possibility of Early-phase funding of R&D&I projects.

b) The module can help to support the technical infrastructure.

c) Spin-off projects from the cluster partners

d) Highlighting of a joint technology base and technology dissemination among the cluster participants.

MODULE D: CLUSTER-TO-CLUSTER COLLABORATION

Objective: The module shall facilitate the initiation and strengthening of strategic alliances between clusters with a view to strengthening collaboration so as to stimulate innovation, create new market opportunities and increase access to technology and expertise.

The module’s activities shall promote links between national clusters and/or between national and international clusters. Links can be established between clusters in the same value chain / thematic area or clusters with complementary expertise.

The module’s strategic instruments:

a) Initiating, strengthening and further developing collaborative relationships and network building between the cluster/cluster participants and Norwegian/international clusters / innovation milieus

b) Analysing market opportunities and searching for new partners

c) Joint strategy development and setting up joint projects

d) Secondment schemes
6.5 The duration of the services offered under the programme

The programme is based on the view that development processes in clusters should have a long-term perspective, and that it is desirable that the support provided by the programme should also have a long-term perspective. The provisions in the EEA regulations concerning state aid to clusters, see section 4.2 above, stipulate a maximum time frame for operating aid and represent an external limit on the programme’s involvement.

**Arena:** The programme will offer three-year contracts to Arena projects (phase 1). In addition, it will be possible to apply for a two-year extension of the development project (phase 2).

**NCE:** The programme will offer five-year contracts to NCE projects. If the cluster development project is recruited directly to NCE, an application will be submitted for a second contract period that will also have a time frame of five years. If the cluster development project initially received support through Arena, the number of years under Arena will be deducted so that the project will receive funding for up to ten years in total.

**GCE:** Financial support will not be offered for cluster development, and the provisions on maximum time frames for operating aid thereby do not set any formal limits on the programme’s time frame. The programme will offer contracts to GCE projects with a duration of up to ten years.

A cluster development project with an Arena or NCE contract can apply for participation at the next programme level during its agreed contract period. Approval at a new level means that the current contract will be terminated and replaced by a new contract.

7. Deliveries and contracts under the programme

7.1 Roles and responsibilities

**Innovation Norway, the Research Council of Norway and SIVA** have joint ownership of the cluster programme. This means that:

- All strategic decisions about the programme’s development, involvement in cluster initiatives and their follow-up will be made jointly by the three owners.
- A programme management group comprising representatives from all three owners is responsible for the programme’s operational activities.
- The owners’ respective roles, competence resources, services offered under the programme and networks will form the basis for a good, coordinated range of services for the clusters.

The institutions have more specific roles within the framework of this joint ownership:

- **Innovation Norway** has chief responsibility for the administration of grants to and contracts with the customers (the cluster organisations). This means that formal decisions concerning financing and contractual terms and conditions are made by Innovation Norway, which also reports on the programme’s activities to its owners and investors.
- **Innovation Norway’s district offices** have chief responsibility at the regional level for following up the cluster projects based in the county in question. Each project in the programme will have a designated staff member with customer responsibility at the office. Employees with customer responsibility will also contribute to bringing in and coordinating the involvement of the other regional funding agencies.
- **The Research Council of Norway** helps to develop the cluster projects’ collaboration with R&D resources, among other things through its regional representatives.
- **SIVA** contributes to increased innovation from the projects through its regional physical and organisational infrastructure, including incubators.
To ensure strong support among the users for the programme's development, a programme board has been established.

- The programme board includes representatives of business and industry, knowledge-based institutions and regional development agencies, as well as the three owner institutions. The programme board provides advice about the programme's strategic development and dispositions, including which projects will be included in the programme and offered extended contracts.

The programme is carried out as a national programme. This means that all new cluster projects, at all programme levels, will be assessed and qualified pursuant to national criteria and procedures. This ensures that the cluster initiatives supported by the programme are of a high quality, and that the clusters that qualify through the programme's competitions will gain in status.

The national initiative must cooperate closely with the regional participants on the identification, development and follow-up of regional cluster initiatives. This includes the owners' own regional organisations, the county authorities and other regional innovation bodies. This will ensure good customer dialogue and high relevance of the programme's involvement.

### 7.2 Selection procedure

The programme selects the cluster development projects that are to receive support under the programme on the basis of:

- Open calls for applications with pertaining competitions to be accepted as a participant in the programme.
- Clear selection criteria.
- Independent and professional project evaluations.

#### Requirements for applicants

The requirements will be stated in the call for applications. Applicants to all levels must meet the organisation requirements. The cluster project must be carried out by a cluster organisation with:

- A legal entity that functions as an anchoring point
- A defined partnership between the participants in the cluster
- A board that represents the partnership
- Operational management

Applicants to NCE and GCE will not be required to have participated in the programme at the lower level.

#### Criteria for the selection of projects

Three different sets of criteria will be established for the three levels. The criteria will have a common structure, however, focusing on the following main dimensions:

1. **The cluster's point of departure**
   1. The cluster's resources, in the form of enterprises, knowledge-based institutions and development agencies included in the defined cluster
   2. Established relationships between the cluster participants and with external partners
   3. Growth potential in the cluster's market or technology area, and the cluster's established position in its field.

2. **The cluster project's quality and relevance**
   4. Ownership and management of the project
   5. The project's effect and performance potential, expressed in the goals and strategies
   6. The quality of and resource base for implementing the project
   7. The project's importance to the cluster's development in the form of triggering and strengthening development processes, and in relation to what is required to ensure that these processes will continue.
More specific selection criteria will be prepared in connection with the calls for applications.

**Selection procedure**

The project proposals will be assessed and decided in accordance with the following procedure:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Carried out by</th>
<th>Date/time</th>
</tr>
</thead>
<tbody>
<tr>
<td>The programme’s call for applications</td>
<td>The programme management</td>
<td>T1</td>
</tr>
<tr>
<td>• Information meeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The originator of the idea (inventor) submits the project drafts.</td>
<td>Inventor</td>
<td>T1 + 1 month</td>
</tr>
<tr>
<td>• The drafts are mandatory for all levels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Assessment of drafts – feedback to the inventor about the project’s relevance in relation to the programme’s objectives and criteria.</td>
<td>The programme management</td>
<td>T1 + 2 months</td>
</tr>
<tr>
<td>2 Assessment of complete applications with a view to formally accepting the application</td>
<td>The programme management</td>
<td>T2 + 1 week</td>
</tr>
<tr>
<td>3 Assessment of the quality and relevance of the projects</td>
<td>External panel of experts (see description below)</td>
<td>T2 + 1 month</td>
</tr>
<tr>
<td>4 Recommendation on ranking</td>
<td>The programme management</td>
<td>T2 + 2 months</td>
</tr>
<tr>
<td>5 Approval decision</td>
<td>The board of owners</td>
<td>T2 + 2.5 months</td>
</tr>
<tr>
<td>6 Negotiation of contractual terms and conditions</td>
<td>The programme management</td>
<td>T2 + 4 months</td>
</tr>
<tr>
<td>7 Formal funding /contract decision</td>
<td>The authorised person in Innovation Norway</td>
<td>T2 + 5 months</td>
</tr>
</tbody>
</table>

### 7.3 Performance follow-up

**Baseline analyses**

During the first year, all projects must carry out an analysis of the cluster’s point of departure upon start-up of the cluster project. This baseline analysis is carried out using the methodology developed by the programme, or, if relevant, using an expanded methodology. The analyses shall form the basis for assessing the projects’ performance development; see the section below.

**Benchmarking for certification**

An EU-supported methodology has been developed for evaluating the quality of cluster organisations. The methodology is based on benchmarking carried out by certified personnel and includes more than 30 indicators. The benchmarking provides a basis for certification at two levels: *Bronze Label* and *Gold Label*.

- It is a condition that all new projects at Arena and NCE level carry out benchmarking pursuant to the *Bronze Label* criteria during the first two years.
- It is a condition that all projects that receive funding at GCE level are certified pursuant to the *Gold Label* criteria during the first two years. Projects must have qualified for a *Gold Certificate* in order to receive funding after two years.

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1 European Secretariat for Cluster Analysis: [www.cluster-analysis.org](http://www.cluster-analysis.org)
Reporting

All cluster projects that have contracts with the programme must submit:

- An annual report containing a summary and assessment of the project's activities and results for the individual project year. The annual report will be included in the overall reporting from the project to Innovation Norway's management and funding departments.

- A final report that provides a summary and assessment of the project's activities and overall result on conclusion of the project.

Evaluations that provide a basis for extending contracts

Evaluations will be carried out of the cluster projects at all three levels as a basis for making decisions concerning contract extensions. The evaluations are ordered by the programme management. They are carried out pursuant to two different models:

- The project status assessment involves an external panel that assesses the project's own documentation of activities, results and preliminary effects, supplemented by interviews with the cluster project's management. The baseline analyses shall serve as a reference for the assessments. On this basis, the panel provides feedback to the programme management in the form of a summary of its impressions and assessments. The panel's assessments are also discussed with the cluster project's management.

- The external evaluation involves the programme hiring an external professional evaluation team to obtain their own data (survey, register and interview-based data) as a basis for assessing the project's activities, results and effects. The results and recommendations are presented to the programme management in an evaluation report.

Evaluation procedures for each programme level:

**Arena:** Contract for three years, with an option to extend for a further two years

- Project status assessment after three years to consider the basis for extension.

**NCE:** Contract for five years, with an option to extend for a further five years.

- Project status assessment after two years to consider whether the project is on schedule in relation to progress and performance development.
- External evaluation after five years to consider the basis for extension.
- Project status assessment after seven years to consider whether the project (phase 2) is on schedule.

**GCE:** Contract for five years, with an option to extend for a further five years.

- Project status assessment after two years to consider whether the project is on schedule in relation to progress and performance development.
- External evaluation after five years to consider the basis for extension.
- Project status assessment after seven years to consider whether the project (phase 2) is on schedule.

**Final evaluations**

External final evaluations will be carried out of all cluster projects. The evaluations will be carried out in accordance with a standardised plan. They will be funded through earmarked funds from the programme’s allocation to the projects in the final contract year.

8. **Knowledge development and communication**

The cluster programme will implement development and learning activities as a joint initiative across programme levels. The activities will be strengthened, particularly in two areas.
- The programme's own experience, as well as relevant input from other countries' cluster initiatives, research and analysis, shall be made more systematic and more easily accessible
- The programme shall further develop its involvement in international forums for dialogue and project collaboration on cluster development

The ambition is to take advantage of this knowledge base and expert network in order to:
- deliver better, more knowledge-based services to the clusters the programmes are involved in
- be a centre of expertise for cluster and network initiatives outside the programmes as well
- continuously improve the programmes' role and approach
- submit relevant policy input to owners and the authorities

9. **Resource base and allocations**

The programme will be allocated an annual budget, based on funding from two ministries:
- Ministry of Trade, Industry and Fisheries
- Ministry of Local Government and Modernisation

The budget will cover:

a) Allocations to the cluster projects (the customers) and customer-oriented learning and development activities. Innovation Norway will decide the size of this budget and manage it.

b) The *implementation* of the programme's activities, mainly the tree owners' hourly costs and travel expenses. The Research Council of Norway, SIVA and Innovation Norway are each allocated a budget for covering the implementation costs.

In addition to this fixed budget limit, the owner institutions can decide to allocate extraordinary funds to strengthen specific parts of the programme over a period, e.g. extra efforts in relation to the three thematic modules or for piloting new strategic focus areas. Such allocations must take place in accordance with the programme's goals and strategies and must be approved by the programme board.

The break-down of the customer-oriented allocations between the three levels will be based on the programme's ambitions for the number of projects at each level:

- **Arena:** Approx. 20 projects
- **NCE:** 8–10 projects
- **GCE:** 4–5 projects

10. **Interaction with other funding schemes**

The programme shall contribute to efficient interaction with related programmes and services. This ambition will be realised through the following measures implemented under the programme:

**Dialogue with the clusters about the focus of external services**

The current programmes have good experience of engaging in active dialogue with cluster managers about how the related funding schemes are designed and how they work in practice in relation to realising *project proposals that stem from* the cluster collaboration. Through the project 'Forsknings- og innovasjonsøftet (2011–2012)' ("Upgrading R&D&I"), this dialogue has identified concrete barriers in this area. This has formed the basis for work on adapting established funding schemes to better meet the clusters' specific needs and focus. The programme owners will continue this dialogue with cluster managers to improve the relevance and availability of related funding schemes.
Organised collaboration between the cluster programme and complementary programmes

The cluster programme should establish a more systematic collaboration with complementary programmes, i.e. programmes that offer services that more directly support development processes in the clusters, but that have a different approach to that of the cluster programme. In particular, this will apply to:

- The Research Council of Norway’s Programme for Regional R&D and Innovation (VRI), User-driven Research-based Innovation (BIA), and Centres for Research-based Innovation (SFI) / Centres for Environment-friendly Energy Research (FME)
- Innovation Norway’s networking services
- SIVA’s incubator programme

In relation to these (and others programmes identified as complementary and relevant), the cluster programme will establish a more systematic dialogue with a view to assessing and, if relevant, adjusting the programmes' strategic focus in relation to each other and helping to ensure that clusters can realise synergies between the programmes.

Active communication with the clusters about relevant services

Clusters that actively focus on relevant external services, such as BIA, Industrial Research and Development Contracts (IFU) and regional research funds, also generally have a higher number of projects that have been realised through these services. It is possible to realise more R&D&I projects than at present by motivating the clusters and informing them about the opportunities these services offer, and by actively following up project proposals initiated in the clusters.

The cluster programme will make active use of the entities and personnel in funding agencies that have an ongoing dialogue with the clusters and that are familiar with or more directly represent the relevant funding schemes. This applies to personnel in Innovation Norway with customer or sector responsibility, the Research Council of Norway’s regional representatives etc.
Appendix:

Assessment of the programme based on:
Fundamental requirements of business and industry policy instruments

All of Innovation Norway's policy instruments are evaluated in relation to the eight requirements referred to in Report No 22 to the Storting (2011–2012): 'Tools for growth'

Here, a summary assessment is provided of the programme on the basis of these requirements:

1. Market failure must exist:
The programme shall stimulate increased interaction and collaboration between enterprises and knowledge communities relating to innovation, renewal and other development processes. There may be several reasons why such collaboration cannot be realised to the desired extent:
   - The participants may have limited information about the potential benefits of collaboration with other enterprises or knowledge-based institutions.
   - There may be inadequate trust in potential partners and a risk of freeloading.
   - Common goods are produced that do not directly or exclusively benefit individual enterprises.
   - This could be knowledge externalities, i.e. that knowledge is spread and used by others than those who develop the knowledge, which leads to an underinvestment in knowledge.

Through interaction and collaboration, values are created that individual enterprises would be incapable of generating. From a socio-economic perspective, incentives should be provided in order to realise these values.

2. The impacts of market failure must be extensive:
Previous evaluations of the current cluster programmes indicate that the programmes contribute extensively to increased interaction and collaboration between the participants and have triggered or accelerated a considerable number of innovation and development projects. It is also assumed that the new programme will be capable of triggering significantly more activity.

3. The policy instrument must be capable of correcting the market failure
The evaluation of the current cluster programmes concludes that the programmes provide relevant and effective incentives to strengthen collaboration in the clusters. Emphasis is placed on the support giving individual cluster projects great freedom to define their own strategic activities on the basis of specific preconditions and potential. The new cluster programme will facilitate even more tailored support.

4. Clearly defined goals:
The programme has relatively complex goals. There are specific main goals for each level. In addition, there is a set of sub-goals that reflect the broad strategic approach of the cluster programme and the individual cluster project. Within this complex goal structure, considerable emphasis is placed on establishing clear activity, performance and effect indicators.

5. No alternative instruments must exist:
The funding agencies' joint cluster programme is the only organised policy instrument that supports cluster development processes.

6. Clearly defined selection criteria:
The programme has established an extensive set of selection criteria, divided into seven main categories, that is differentiated for each level.

7. Implementation costs in relation to utility value:
Relatively speaking, the way the programme is organised, with three owners and implementation at both the regional and national level, leads to somewhat higher implementation costs than ‘simpler’ programmes.

Previous evaluations (of NCE) have concluded that it is assumed to be socio-economically profitable.

8. Response time:
The programme will be based on annual calls for applications with specifications of when the decision will be made.