



BalkanMed E-Business Pages

Cluster Development Guide – Bulgaria

Human Resources Development
Agency – Russe, Bulgaria



***Guide to creating a cluster in the Republic
of Bulgaria***

***Guide to creating a cluster in the
Republic of Bulgaria***

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Scope of the deliverable

This document was prepared in the framework of the project "BALKAN MED E- business pages"

The main purpose of the document is to transform the performed studies of the policies, the regulatory framework, the national priorities, the strategies, the guidelines for cluster establishment in the industries sector into concrete measures and actions constituting the necessary steps to follow at practical level in order to implement a viable clusters formation system.

Contents of the deliverable

This deliverable follows RIS approach and describes briefly the necessity for action, the challenges addressed, what the implementation of the action plan will achieve, the key factors for success, the key opportunities and key actions and sustainability

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List of abbreviation

CSO	Civil Society Organization
EDP	Entrepreneurial Discovery Process
EUSDR	EU Strategy for the Danube Region
FG	Focus Group
ICT	Information and Communication Technologies
NGO	Non-governmental organization
RIS 3	Research and Innovation Strategies for Smart Specialisation
RTD + I	Research, Technology, Development and Innovation
PR	Public Relations

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A.INTRODUCTION

This document, entitled “Guide on How to Create a Cluster in the Republic of Bulgaria”, targets the partners of the BALKAN MED e-business pages project as well as all SMEs that would like to create a cluster group. The document provides information on the process of cluster creation divided **into several parts**, starting from the creation of the cluster, its structure and provision of services, and finally its assessment and sustainability.

This Guide mainly aims to provide companies with comprehensive information on the scale of activities and order of action to facilitate the practical implementation of the idea of creating and successfully operating a cluster on the basis of:

- Basic information defining the cluster scenario, including relevant key actors;
- Identification of the basis and scope for local implementation of activities in a manner consistent with the partners and in line with the challenges the cluster aims to meet;
- Practically-oriented guide on what needs to be done to create a cluster, build a base and provide services at national / regional and / or international level.

Research includes:

Economic prerequisites for creating a cluster and long-term challenges in the relevant sector.

An analysis of the situation is made given the analysis of the economic situation, the expected added value of the cluster, the expected role of the partners and the key actors to be involved.

Recommended approach - guides and suggestions on what needs to be done and considered are provided: What approach should be used when implementing the idea of creating a cluster; how the cluster management scheme should look like; determining the legal form of the

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cluster; defining the internal communication and information concept; determining its strategic location and the expected results, thus defining the basis for the local activities by the HUB.

Steps to create a cluster - provides guidance on what needs to be done in practice, providing comprehensive information about institutions, documents and respective commitments related to the specific legislation.

The process of cluster development and sustainability - in view of the above, this document provides and presents a common cluster development process that outlines the phases and specific steps to be taken at a "Cluster" level after its creation.

B. GENERAL INFORMATION ABOUT CLUSTERS - Concepts

1. What does a cluster mean and what are its advantages:

Various definitions:

- "The cluster is a group of companies, service providers and subcontractors, companies operating in similar industries and the related institutions (such as government, business organizations, academic communities, financial institutions, etc.). Depending on the type of relationships between the companies in the cluster we can distinguish between vertical, horizontal and sector clusters."

The horizontal cluster includes companies that are at the same level of production and marketing. The vertical cluster includes companies that are at successive levels of production and marketing. In these types of clusters the companies are active in different sectors. The sector cluster brings together companies from one and the same sector.

- Another definition for cluster is the following - "Geographically related concentration of similar, interrelated or complementary companies with active channels for business relationships, communication and dialogue,

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using a common specialized infrastructure, labor and service markets, and facing common development opportunities and threats.

- Another concept suggests that clusters are based on systematic relations between companies and are related to the main or accompanying production, technologies, natural resources, staff qualification and distribution channels.

- Clusters can be categorized as a community that works to achieve a common goal.

The competitiveness of a cluster is not the mechanical sum of the competitiveness of its members. The comparative advantages of the cluster are based on the opportunity to cooperate and partner in the network and the synergy that can be gained in it.

- Clusters include companies/manufacturers, customers, suppliers, as well as companies from other industrial sectors/organizations that have maintenance function/training and qualification, services related to the introduction of industry innovations, advertising and promotion organizations, research institutes, administration, etc.

- Cluster relationships are based on collaboration, cooperation and interdependence in a market economy.

- The regional concentration of cluster participants and the relative proximity of other economic subjects suggests the occurrence of additional effects such as more effective use of skilled labor force in a certain region, a multiplication of already acquired market positions in a particular industrial field, etc.

The cluster is a kind of self-organized production system, where companies cooperate in vertical or horizontal “chains” to gain added value and boost competitiveness.

The cluster consists of a group of companies that usually have certain experience in cooperating with each other. Individual measures aimed at interacting and supporting companies in terms of innovation, design, quality, product development and marketing are of utmost importance. However, the most important advantage a cluster can achieve is the practical step towards business cooperation and an incentive to develop assets, technologies, infrastructure and joint investments, effects that

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could not be achieved by a single company. Forming a cluster results in substantial reduction of costs for the members of the network.

Clusters characterized by greater flexibility in interrelationships between participants, are more open to learning, new ideas and attracting new partners for their implementation. They provide their members with wider opportunities to enter the global world, while offering them the additional energy of local relationships.

Clusters provide opportunities for

- information and communication - creation and operation of databases with detailed information about the companies and service profiles of all network participants; ongoing business visits; Internet pages of the clusters; monthly news releases for industry and network news, etc.
 - Qualification - analysis of the needs for education for the specific sector; organizing and conducting activities to improve the education and qualification of the workforce in the network, organizing specialized events and workshops as a place for contacts and exchange of know-how between the companies of the cluster.
 - Cooperation and innovation - initiation of cooperation projects between companies and research and development units, educational institutions; supporting innovative projects for cooperation in the network.

- Marketing and PR - finding the identity and unique advantages of the region; improving the national and international image of the participants in the cluster; conducting initiatives to stabilize the industry image; organization of fairs;
 - International activities - depending on the needs of the cluster, activities can include specialized initiatives for the implementation of international projects and meetings, organizing business trips to exchange experience and information, conducting seminars and conferences, etc.

- Easier access to raw materials;
 - Opportunities to boost the volume of production;
 - Offering of new products and services;
 - Presence of intermediate goods and products which production will be stimulated by the creation of the cluster;
 - Geographically focused multiplier effect;
 - Effective organization in development, introduction and distribution of innovative products;

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- Internal network collaboration with trainers and scientific-production organizations;
- Improved infrastructure and communication.

The beginning:

Clusters the way we know them became popular in the 90s of the last century. The interest in this topic was deepened by the work of the American scientist Michael Porter. He created a model explaining the positive effect of simultaneous action of national and regional factors that lead to higher competitiveness of companies. Porter used this starting point to prove that companies in a certain region or country interact with each other, which results in improved competitiveness compared to other regions or countries where there is no simultaneity of influence of external factors on the companies themselves and the resulting mutual impact.

2. Cluster participants may include:

Legal entities, sole traders, non-governmental organizations, training organizations, scientific units, public administrations and individuals, organized around one product or service that brings them together and creating a network that is attractive to local and foreign investors.

3 Key factors for cluster participants:

- The cluster should have a certain location/seat.

The proximity of the participants appears to be crucial for the success of the cluster initiatives.

- Clear vision for the development of the cluster
- One company or organization should take the lead

3. The need to create clusters:

Independent entrance of new markets is not possible for small Bulgarian companies due to many reasons, such as lack of knowledge, incompetence in foreign languages of the owners and their incapacity to meet the required quantities, etc. That is why producers from all sectors are more and more interested in creating clusters as a way to cope with competition and survive.

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The cluster issue is becoming more and more topical with the opening to the European markets, as small companies do not have the capacity to meet the European requirements and survive, if not united. Clusters guarantee markets and upgrading of machinery. Furthermore, team work and partnership inevitably result in improved production quality, because if one fails, the entire cluster fails.

4.Types

4.1.In terms of legal status:

- Unformalized. This is a naturally created cluster, with many SMEs working long-term with a big company, as suppliers at the entrance and as traders at the exit.

- Formalized. A product of deliberately created cluster of different actors, developing in a particular industry or sector, and co-stimulating the process of its implementation. This process is more rarely spontaneous, more often driven by experts indirectly involved in direct production, and in some cases by local/regional authorities.

4.2. Division by way of creation - specifics:

4.2.1.Spontaneously from bottom to top:

- Around one center.

- Joint awareness of challenges.

- Creating a head of the cluster - HUB, by an individual economic actor that creates services for SMEs in a particular sector.

4.2.2.Deliberately created

- Through driving force - experts, local authorities, etc.

- Through funding programs.

Other-Division by way of creation - specifics and sustainability.

Spontaneously from bottom to top:

- Around one center.

- Joint awareness of challenges.

- Through driving force - consultants, etc.

- Through funding programs.

- Creating a head of the cluster - HUB: by the group or an external economic entity - entrepreneur, an association for public benefit, etc.

4.3. Specific position of the actors:

- horizontal - usually a regionally limited form of economic activity in the respective sectors.

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- vertical - usually with vertical production links in narrow business fields formed around the main companies, covering the production and marketing processes. The vertical are also created after deliberate instilling of these processes, involving various economic and process supporting actors, related in a particular way to a particular sector.
- Sector clusters in different types of production with high degree of aggregation.

5. Marking of economic prerequisites for creating a cluster:

- critical mass of enterprises - SMEs for the main production, but also auxiliary companies/suppliers/.
- long-term option to obtain raw materials.
- potential for attracting labor force for an expanding production as a result of the created cluster.
- opportunity for a synergy effect in cluster group of SMEs, driven by local economic development in every sense of the word.
- presence of training structures to prepare qualified staff, if necessary.
- a process facilitating factor is the presence of traditions in the particular production;
- presence of the necessary infrastructure.

In case all prerequisites and conditions for development of the sector/industry are present, the process of creating a cluster is ready to be launched.

6. Research and analysis of the economic situation

- Research of attitudes of SMEs should be included
- A critical mass to create a cluster
- Required export quantities for new markets

7. Recommended approach

We would like to point out that clusters created from top to bottom, without the active participation of the main actors - small and medium-sized enterprises, without their proactive and conscious position, have a

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short life and are, to a large extent, a product of advisory groups that inspire them, in a move to absorb certain funding. After completion of the funding, these artificially created clusters, without a solid foundation and without offering substantial services to their members, cease their work. The disadvantage of such approach is the creation of a negative experience for SMEs, which results in a negative attitude towards the process and outcome as a whole. This finding is based on already observed consequences that do not deny the experience and benefit of NGOs and consultancy services; they are necessary information to avoid mistakes when starting a cluster. It is necessary to clarify the motivation and the real reasons for instilling a cluster process. The recommended model to create a cluster is from bottom to top, involving all key actors in the process. It is important to have real conditions for creating such type of grouping, especially in terms of SMEs, to be aware of the benefits of such consistent actions in overcoming the internal competition between them in a smaller scale market.

**C. CREATING A CLUSTER- PRINCIPAL DESIGNS.
STEPS TO CREATE A CLUSTER**

1. Challenges:

The potential for the cluster creation and the clusters to grow cannot be taken for granted. There are challenges that need to be understood and addressed. The clusters is diverse. Paradoxically, while the defining characteristics make the clusters or spontaneously developed cluster-like processes in separate sectors resilient, there has been a lack of focus and collective purpose in formulating integrated policies to support and nurture its growth.

Key challenges faced by businesses are complex. The challenges include, among others:

- Lack of planning – only the largest producers have some kind of planning in the sector, while the smaller producers do not plan properly or make market analysis.

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- Lacks of young specialists – professions.
- Lack of proper awareness and strategic thinking in smaller producers about the opportunities and advantages associated ;
- Multiple regulations and policies that detract from the ability to do business efficiently;
- Necessity for a better, more solid and updated Laws ;
- Rising costs of energy and uncertainty over the impact of global climate change;

By addressing and managing these challenges, government, business and other stakeholders will help the clustering flourish.

This document provides a blueprint for supporting and growing a thriving, integrated and innovative sectors.

It responds to the common challenges and opportunities and focuses on enhancing competitiveness, promoting sustainability and removing barriers that stand in the way of achieving these goals.

2. Critical Factors for Successful Clusters

The Clusters Design and Operation Methodology has set up and described in detail the following critical success factors for clusters:

- SMEs;
- Positive environment for all players;
- Co-opetition or win-win attitude: The geographic and social proximity facilitates collaboration alongside competition a culture of co-opetition;
- Innovation;
- Internationalization;
- Cross-sectoral cooperation;
- Results and impact and continuous evaluation processes;

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- Added-value;
- Sector-specific methodology or No one-size fits all. Design according to sector and region specific needs;
- Emphasis on all the Different Phases: Covering Establishment, Building the Base, Service delivery, Evaluation and Sustainability;
- The Human factor.

Success depends on strong leadership and a commitment from the diverse partners identified, to work together towards common goals. If each partner does their part, with the assistance of strong and focused leaders, the result will be the emergence of a stronger, more secure clustering. The cluster will be an engine for economic growth that will sustain production and contribute to healthy living for future generations.

One of the fundamental guiding principles has to be to avoid duplication of effort and build on existing work that addresses industries issues. The Action Plan has to build on past results and should incorporate plans that are ongoing. Where one partner is advanced in the management of a particular issue, their lead role will continue and the positive experiences and lessons learned about the issue will be applied to the entire cluster.

The plan must be implemented as a complete package. Working only on isolated selected individual parts will not achieve the goals. The actions and tasks must work together as a co-ordinated plan.

3. Key Opportunities

The key opportunities for successful development of clustering in Bulgaria include:

- The opportunities offered by the Single Market of the EU and the EU membership;
- Emerging and development of market niches related to healthy living, sustainable environment protection;
- Developed retail and wholesale networks;

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- Dealing with the raw material problem;
- Use of European SME support networks for internationalization and innovation such as the Enterprise Europe Network.

Actions need to focus on specific goals:

- Increase connections and communication among all key players, gradually creating a culture of sharing, exchange and win-win attitude over rivalry;
- Boost use of innovation and IT solutions for integration of the whole supply and value chains;
- Create a positive environment for investors;
- Seed new enterprises through innovation, commercialization and incubation;
- Attract global enterprises as their preferred investment destination;
- Promoting a consumer culture of quality over price and celebrating regional product;
- Use the experience and connections of the clusters key actors to open markets for products in third countries with rapid economic and population growth, taking advantage of the EU trade policy;
- Build first class innovation infrastructure to service the industries cluster.

4.Choosing the Actions

The action plan of an cluster should focus specifically on actions that support businesses. To assess which actions should be included in the plan, the key players should use three fundamental tests:

- Is the action addressing a specific issue of the region and the sector?
- Will the action make a real difference to the future of the sector and the operations of the SMEs and the customers?

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- Is the action realistic and therefore achievable?

Identified by experts the following key actors in clustering: public institutions at national level, different types of private businesses, branch associations and existing networks, business support organizations and partnerships, scientific institutes and universities, others. The action plan of a successful cluster ideally should include representatives of all key stakeholders and together they could endorse a vision for the cluster,

5.To create a vision for the particular cluster

The Cluster Plan focuses on opportunities to achieve the vision.

For example:

The Cluster Plan focuses on five opportunities to achieve the vision.

1.GROW THE CLUSTER /if created/ Grow the cluster so it becomes renowned for quality and safe products.

2.FOSTER INNOVATION Encourage and support innovation to enhance the competitiveness and sustainability of the cluster.

3. ENABLE THE CLUSTER Align policy tools and their application to enable businesses to be increasingly competitive and profitable.

4. CULTIVATE NEW APPROACHES Pilot new approaches to support processing in Bulgaria.

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D. CLUSTER CREATION- PRACTICAL ADVICE

1. Focus Groups Overview

For the activation of the entrepreneurial discovery process, 4 focus groups shall be organized in order to provide the opportunity to the cluster actors to share their knowledge, their needs and generate cross-cutting project ideas. The focus groups will be organized in the cross-sectoral themes of Market Intelligence, Business models that work in Circular Economy, Healthy products and Open Innovation.

The focus groups, each of them with 30 participants

The composition of the participants shall reflect the Quadruple Helix

The preparation and delivery of all focus groups are based on the Guide to Research and Innovation Strategies for Smart Specializations (RIS 3).

The preparation and delivery will be accomplished in a similar way in order to give opportunity for a comparative analysis and to prepare the ground for the next activity-development the Action Plan- Priority setting.

In this regard this document has been created to serve as a Common Methodology to prepare and cluster creation.

The main goals of all focus groups, regardless their specific thematic topic, are

- Share knowledge and needs of players
- Identify what players should do in the field of R&D&I and non-technological innovation to build unique competitive advantage
- Analyse data regarding markets, technologies, skills, knowledge transfer, capabilities, institutional agility, business models
- Validate findings of the transnational analysis
- Generate cross-cutting project ideas

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From the whole process we expect the following main outcomes:

- comprehensive list of the regional (local) resources on hand, however limited they are,- understood as specific strengths and competitive advantages regarding markets, technologies, skills, knowledge transfer, capabilities, institutional agility, business models;- list of the obstacles, bottle-necks or threats and a list of some ways to overcome (mitigate) their influence;
- comments on the lists above, where applicable;
- definition of the regional vision – specific, unique, at the same time bold and realistic
- definition of the distinctive and original area(s) of specialization of the regions
- definitions the different actors' roles – what the key players in industry sector should do in the field of R&D+I and non-technological innovation
- lists of needs of each of the key groups according to the Quadruple Helix as well as suggested solution or tools to address them
- list of cross-cutting project ideas deriving from the definition of the regional smart specialization, resources on hand and the characteristics of the key players.

2. Recruitment of participants

The purpose of this section is to help initiating process experts identify and mobilize representatives of each stakeholder group.

The Quadruple Helix approach will be applied during the recruitment of participants process.

The Quadruple Helix Model has been chosen for tackling the complex challenges of the regional development and, more precisely, enabling innovations. It breaks down the traditional walls between public authorities, business (companies and business support entities), academia (universities, research and development institutions), and civil society

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(NGOs and other citizens' bodies). The Quadruple Helix Model accepts and applies that multidisciplinary viewpoint that brings together all key players and creates an environment that promotes team working, collaboration and ideas sharing. By working together, the parts of the quadruple helix approach can create new shared value that benefits all participants not only a separate segment of a region.

Ideal participant is influential, informed, accessible and able to act as agents of change - see rationale below:

Influential

Represents his/her institution ex officio in terms of their official position

Well-known in his/her stakeholders' group

Experienced in practice

Informed

Possesses sound knowledge not only in his/her specific area but also in the regional development as well

Aware of the grand societal challenges and of ways to address them

Accessible and able to act as agents of change

It is unlikely that all these features can be found in a single person, but the closer the invited persons are, the more effective role they will play during and after the FG.

As a whole the group of EDP FG participants should be balanced by following criteria:

- age and experience balance - even number of young and aged persons invited

- geographical variety - people from outside the regional center invited to attend the FG

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- balance mix of all segments of the Quadruple Helix (no one part prevails) – this criterium is crucial.

Again, the above-mentioned features describe an ideally balanced group that is unlikely to be reached in reality. However, the clusters initiator has to keep in mind these criteria and try to stay closer to them.

Pay special attention to the last criterium which guarantees reaching the goals. It could be met by pre-defined quotas for each of the target groups – 7-8 persons per group. The non-ability of meeting these criteria, with the focus on the last one, can compromise the Entrepreneurial Discovery Process.

3. Stakeholders mapping

3.1. Clusters active in industries and business support organizations

This group is the difficult one – from the point of view of how to reach it, how to invite it and above everything, how to persuade it into active participation.

First of all, it is not homogenous, it comprises a lot of different organizations. Each of them is independent, not subordinated, and you have to approach each of them separately. Next, many of them usually are reluctant when it comes to participation in public forums – and it is especially valid for companies, whereas business support organizations are more or less keen on sharing their experience and participating in consultations events. However, their opinions are very important, they are the voices of the practice.

Constraints:

- business people consider a consultation as a waste of time
- business people are more sceptic than the others that the right solutions will be found

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- businessmen fear of competitors, that is why they are not eager to share their ideas publicly
- in smaller economies the companies are also small, it means usually their horizon of planning and business thinking is low and does not go beyond national, even regional, limits.

How to contact them:

Use data from economic catalogues, investment profiles, yellow pages

Ask a public authority to serve as your agent and to help you to contact the right people

Relay mostly on phone conversations and personal meetings rather than on written invitation – it's better if you send an invitation letter after meeting respective people in charge

3.2. Higher education and research institutions, knowledge generator in industries.

Universities and research institutions is the group with a big potential to influence the process of Entrepreneurial Discovery. In fact, everywhere in Europe, we see an increasing involvement of the researchers and university professors into decision-making; they often serve as transmitters between the regional actors and young people who still need a kind of “translation” of the development ideas.

Constraints:

on an individual level, researchers may have the feeling they cannot change anything, or so little, on their own – it can abstain them from participating in a FG

in some educational/research institutions the bureaucracy is time-consuming – the bigger the university, the longer it takes to contact the right participants

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researchers are not used to participate in consultations, for some of them the process is too abstract and irrelevant to their own interests

usually, they are busy people and the idea to commit their attention to the FG for the whole 4 hours could sound strange and not acceptable.

How to contact them:

Usually, there is no problem to find the Heads names and right contacts, the problem will be to contact directly with them.

During the preparation stage you can follow several steps:

- send the invitation letters to the President of the University or research institution
- call and ask for a personal meeting with him/her or a person in the middle position
- during the personal meeting you will explain the concept, as well as the role of the higher education/research in the Qvadruple Helix Model

3.3. National, Regional and Local Public Authorities responsible for cluster policies and innovation support.

The engagement of the Public Authority group is very important for the success of the Entrepreneurial Discovery Process because the participation of authorities can be an attractive for the other groups and vice versa - the absence of the public servants from the FGs could push back the others. Moreover, no one analysis, conclusions or project ideas concerning regional/local development could be considered validated if the Authorities are not involved in the process.

Policymakers (especially elected politicians but it is also true for all public servants in high positions) fear the gap between public and politics. In addressing this gap, they are keen to talk about issues that people can relate to. It is particular valid when the issue is the regional development and transnational cooperation.

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This requires showing policymakers that EDP is not just talking about abstract topics, but that it also relates to things that people care about. Representatives of the public authorities are the most likely people to understand that innovations and transnational networks work better for society, giving more power to citizens and offering a chance for politicians to be on the side of the public.

Constraints:

- the invitation process takes longer than for the other groups because of the bureaucratic reasons – first, the Head of the particular institution has to be invited and he/she will decide who will participate in the FG, usually it needs time
- representatives on high positions are very busy, it is not easy to meet them or to speak them on the phone
- public authorities receive a lot of invitations per day, ours could be just buried under a pile of letters
- public servants of high positions are not able to commit 4 hours of their time for a FG, whereas people who can come and stay at our event usually have lower positions, i.e. they are not as influential as you need.

How to contact them:

Usually, there are no significant problems to find the right contacts and the names of the Heads of public authorities – all of them have sites.

During the preparation stage you can follow several steps:

- first, send an invitation letter addressed to the Head of the institution
- call him/her or their secretary in several days to remind them about the invitation and to ask for the name(s) of people appointed for participation
- if the participants are not appointed yet, try to obtain the attendance of at least middle position servants – such as Head of Unit
- call the concrete participants (at least one per institution) and ask them for a meeting in advance in order to explain the details of the FGs –

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usually, all of them will be grateful to see you and understand what are your expectations of their attendance

- in case of elected politicians (members of Parliament, for instance) a preliminary meeting is highly advisable. Have in mind that their participation in the FG, besides other benefits, attract media attention.

3.4 Civil society organizations, responsible for regional development

Civil Society Organizations is a stakeholder group used to attend seminars, workshops, consultations. They are usually eager to share their opinions and practical experience on societal problems. They are experienced in working with various stakeholders. Most probably, they have more available time than other groups. Their representatives possess high knowledge of development policies and practices, as well as EU, national and regional documents, strategies, plans. This group is the most likely to be easily found. This group is also the most likely to understand and accept the ideas of the Entrepreneurial Discovery Process due to their previous experience.

Constraints:

- many NGOs (or other CSOs) are tired of public events, incl. consultations, where they have been invited to in order to “fill in the gaps and participants lists”
- due to their previous experience many NGOs are persuaded that most of the public consultation do not lead to solutions
- many experienced NGOs have been discussed the problems in their area of activity so many times that they are already discouraged
- strong dependence of NGOs on project grants can disinterested them from participation in other activities outside their own project actions
- the other sectors tend to under-estimate the NGOs role and don't accept them as equal partners and providers of knowledge and expertise to solve societal problems.

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How to contact them:

Usually, the NGOs in a region know each other and keep in touch, that is why the snowball recruitment is applicable. It is enough to contact one of them and you'll be advised how to contact the other relevant NGOs. However, lists of NGOs and their contacts could be found in many publicly accessible sites and platforms.

4. Cluster registration

REGISTRATION IF THE FORM IS A NGO:

- What is the current procedure to register a NGO?

Non-governmental organizations shall now be entered in the Commercial Register, which is named Commercial Register and Register of Non-Profit Legal Entities (NPLE). To this end, the applicant or an authorized person, such as an attorney, submits an application form. There are two different types of application for NGO registration - for a foundation and for an association.

The application shall be submitted online or on-site at the Registry Agency. As with all other registration services, the fee for online submission is twice as low.

Certain documents shall be attached to the application for NGO registration, depending on the particular organization. They can be summarized as follows:

Articles of association or Memorandum of association of the organization;

Minutes of incorporation meeting;

Notary certified specimens of the signatures of the representatives of the association or foundation;

A bank document for donation if the registration concerns a foundation with a donation;

Declaration of authenticity of the declared circumstances;

Power of attorney if the documents are submitted by an attorney;

Document for paid state fee, if it is not paid electronically at the time of submission.

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What is the procedure for registration in court, the BULSTAT register and the Ministry of Justice?

These registrations are no longer required. The BULSTAT Register still exists, as well as the Register of non-profit legal entities in public benefit, entered in the Register of the Ministry. Regional courts also continue keeping their registers. None of the institutions, however, will make independent entries.

Are there any changes for NGOs registered before 01.01.2018?

In addition to the changes in the registration procedure of NGOs, there are amendments that also concern the already existing organizations. They are subject to re-registration in the Commercial Register. The procedure is not complex and is exempt from state fees. We have examined it in details in our blog specifically dedicated to this topic.

- It is possible to use an existing NGO - re-registration for the purposes of the cluster that will be created

In State Gazette, copy 77 dated 26.09.2017, the Ordinance amending and supplementing Ordinance No. 1 of 2007 on keeping, storing and access to the Commercial Register, was promulgated. The amendments to the Ordinance are related to the transfer of the registration of non-profit legal entities from the regional courts of the seats of the non-profit organizations to the territorial division of the Registry Agency.

Under the transitional and final provisions of the Ordinance, the re-registration shall be conducted in the following order:

- Until December 31, 2020, non-profit legal entities and branches of non-profit foreign legal entities entered in the Register of Non-Profit Legal Entities in the area of the regional court of the seat of the organization, will submit application for re-registration in the Register of Non-Profit Legal Entities of the Registry Agency.
- The application for re-registration will be submitted by the persons legally representing the non-profit legal entity or by an attorney at law with an explicit power of attorney for representation before the Agency.
- Sample forms of applications are:
 - for associations - A15;
 - for foundations - A16;
 - for branches of foreign non-profit legal entities - A17;
 - for community centers - A18.

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Articles of association or Memorandum of association, entered and certified by the Court of registration or the legal representative of the non-profit legal entity, shall be attached to the application of re-registration.

Articles of association certified by the legal representative of the non-profit legal entity.

- When submitting the application for re-registration, in the data on “Identification”, field № 1 “UIC / PIN” the BULSTAT code of the non-profit legal entity shall be filled in and in the additional field “Company case” the company case number, the year and the code of the registration court shall be filled in.
- To the application for re-registration of a non-profit legal entity with branches an additional application for each branch under sample form B2 shall be attached.
- In addition to the application for re-registration, an application for registration of a new circumstance, deletion and announcement may also be filed, except in the cases of transformation under Art. 12 of the Non-Profit Legal Entities Act. For the entry of a circumstance or the announcement of an act the respective state fee shall be paid.
- On the basis of the re-registration application, the Agency shall request from the court of registration of the non-profit legal entity a certificate of good standing, including the details of the latest entered circumstances as well as copies of the Articles of association or Memorandum of Association as of December 31, 2017.
- The court of registration of the non-profit legal entity issues a certificate of good standing within three days after request, containing full details of the current entered circumstances. In the case of unfinished proceedings on entries, the certificate shall be issued after entry by the court. The certificate of good standing as well as a copy of the Articles of association or Memorandum of association shall be sent to the Agency ex officio electronically and access to the electronic image of the whole company’s pre-registered case is immediately granted.
- After re-registration of a non-profit legal entity with branches, the Agency immediately requires the courts of the seat of each branch to issue a certificate of good standing of the branch and to provide the company case in order to scan the documents related to entering the circumstances of the relevant branch.

The Ordinance enters into force on January 1, 2018. The application sample forms are available as attachments to State Gazette, copy 77, which is available for download here.

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The Bulgarian Center for Not-For-Profit Law will publish additional information and guidelines that will help all non-profit legal entities in the re-registration process. Follow our website as well as the NGO Information portal.

DOCUMENTS

Declaration

BALKANMED E-BP

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PRACTICAL TIPS AFTER CREATING THE CLUSTER

1. Make an Action plan- practical advice

GROW THE CLUSTER

Grow the cluster by coordinating economic development, finding the voids, filling the gaps, and building on strengths

1.1. Implement the Action Plan:

- Create a cluster structure to oversee the implementation of the Action Plan;
- Develop communications plan and materials;
- Deliver a call to action to engage partners and key stakeholders;
- Confirm committed, capable partners who can deliver results;
- Proactively facilitate and monitor implementation of Action Plan;
- Report on outcomes to partners and stakeholders and celebrate wins regularly.

1.2. Align and strengthen economic development and planning resources to support the cluster:

- Ensure that the local authorities have a committed representative in the cluster;
- Align economic development and planning roles to enable sector growth;
- Support establishment of a forum where economic development officers and planners work together.

1.3. Develop solutions to improve infrastructure required to support the industry:

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-Identify the production, processing, distribution and marketing infrastructure required to achieve integration between different parts of the cluster;

-Complete and maintain an inventory of existing production, processing, distribution and marketing infrastructure that supports activities;

-Identify gaps in infrastructure that are inhibiting growth;

-Attract investment to create or renew infrastructure to address identified needs.

1.4. Expand existing and cultivate new markets;

-Review existing documentation and research on specific demand and identify research gaps;

-Make a realistic survey of possible new markets;

-Undertake demand analysis ;

-Identify and target to test the products for domestic and foreign markets;

-Communicate the findings of domestic demand analysis and international opportunities to key businesses in the value chain.

2. Foster Innovation

Work in collaboration to achieve better resource efficiency, develop competitive advantages and quality products

2.1. Development of a critical mass for innovation processes:

-Building more effective measures between SMEs and research institutions – research upon request from business to resolve technological problems, centres of excellence;

-Work closely with the the sector to ensure that the schools and universities are providing knowledge and skills that meet the needs of the sector;

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-Use of IT – e-education and training, e-counselling, peer-to-peer learning, e-marketplaces, blockchain technologies;

-Development of competences for the future of the sector – eco-solutions, emerging technologies for the sector;

-Use of EU and national funds to improve existing and develop new research infrastructure – laboratories and testing facilities, technology transfer.

2.2. Foster creative thinking and entrepreneurship:

-Develop cooperative, internships, apprenticeships, scholarship and mentoring programs that introduce students to careers in cluster sector;

-Develop “smart communities” within the cluster – living labs and crowdfunding for new products and start-ups;

-Foster open innovation processes in the sector and the development of new business models;

-Use of cross-fertilisation (work across different sectors) to develop new niches - for example in creative industries, IT;

-Explore opportunities to use better non-technological consumer-driven innovation – for example products design.

2.3. Identify and develop avenues that provide access to business planning, capital, opportunities for market development and enable commercialization of new product:

-Identify existing EU funding opportunities targeting the sector and provide expert support for development of projects and applying;

-Identify and use other funding opportunities such as private equity, acceleration programmes for start-ups;

-Work with retailers to develop an innovation marketplace where new products can be introduced to consumers rapidly and cost effectively for evaluation and testing

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3.Enable the Cluster

Establish a working structure of the cluster provide one-stop shop service to cluster members and create an open for business environment;

3.1.Establish a working structure of the cluster:

-Decide on the cluster form and complete all the legal work for its establishment;

-Establish a champion to drive a one-window approach in the relevant regions to enable businesses to succeed;

-Appoint a senior official in each municipality to assist entrepreneurs to navigate through approval and administrative processes;

-Build a network of partners at regional, national and international level and participate in transnational projects, b2b events and initiatives.

3.2. Build effective representation and administration for its members:

-Participate in regional economic and innovation councils as representative of the cluster members;

-Review regulations and policies to identify issues and conflicts, and work to resolve them;

-Use various planning tools (e.g. RIS3, community-driven regional development approach of local initiative groups) to foster supports to sector;

-Enhance coordination of various events to promote the activities of the cluster.

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4.Cultivate new approaches - possible practices:

4.1.Become a generator of good practices in promoting sector:

- Design, pilot and implement a system to acknowledge and reward businesses within the sector for providing ecological goods and services;
- Research, design, pilot and implement different approaches to acknowledge and reward outstandingly performing businesses for the provision of quality goods and services;
- Design and implement a program to educate the public about environmental best practices;
- Establish initiatives, at regional level, to acknowledge and promote environmentally progressive practices in the sector;

4.2.Conduct research and pilot projects specifically designed to promote good practices in the sector:

- Track the trends (ex. shifting demographics and preferences, changing climate, international trade and economic conditions and development pressures) and assess impacts on products;
- Promote research into growing practices, products handling, alternative energy and processing practices etcetera;
- Transform trends into projects and cluster initiatives.

5.Coordination and Cooperation

While there are various stakeholders that are already addressing many of the issues that have been identified in the plan, their actions should be taken into account and collaboration sought. Coordination, cooperation and maximizing use of resources are key requirements in implementing the action plan. Building on and not duplicating existing efforts, the plan will achieve success through cooperation among partners. The plan should be aligned with complementary initiatives such as national and

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regional strategies, community-based regional development approach and ongoing EU projects. Not static, the plan is dynamic and living like the cluster it promotes. Therefore, the Action Plan must be reviewed and updated on an ongoing basis.

6. List of Indicators to Measure Success

To measure the implementation of actions and tasks, the cluster members should agree on a set of qualitative and quantitative indicators.

6.1. The quantitative indicators could include (not exhaustive list):

- Number of cluster members supported
- Number of events organised
- Number of pilot initiatives developed
- Number of trained people
- % of increase in sales of cluster members
- Number of new businesses started in the sector
- Number of new jobs created
- Number of jobs maintained
- Number of training/education programmes developed
- Number of people trained
- Number of technology transfers applied
- Number of partnership deals with foreign counterparts concluded
- % of increase in export of production
- Number of brands developed
- Number of projects implemented

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- Amount of public funding attracted
- Amount of funding leveraged by private sources
- Number of joint opinions on matters of common interest
- Number of suggestions to public authorities taken into account to achieve positive change
- Etc.

6.2. The qualitative indicators could include (not exhaustive list):

- Increased knowledge of cluster members in issues of interest
- Increased knowledge and public awareness about the sector
- Changed behaviour patterns of consumers showing through choices of purchase
- Increased collaboration among members
- Increased level of satisfaction of consumers for the products offered by the members of the cluster
- Increased capacity to manage innovation
- Etc.

IMPORTANT:

Leadership

Because the implementation of the Action Plan involves a series of actions that will occur under the leadership of different stakeholders, there will be a vital role for an overarching body committed to monitoring the process, working with the partners on their different tracks, measuring success and making adjustments when required. In order to implement the Action Plan, a new governance model could be created

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and cluster's identified members would agree on its functions and competences.

The body should include representatives of SMEs, industry representatives, economic development officers, and local authorities' representatives, all with a common interest: fostering the cluster. To oversee the implementation of this Action Plan, support from the committed partners at all levels will be essential.

7.Cluster evaluation

Defining Cluster Evaluation is the systematic measurement, collection and analysis of information about a Cluster, its purpose and delivery; it derives knowledge on its impact as a basis for judgments. Cluster evaluations are used to improve effectiveness and efficiency and inform decisions about the current situation of the Cluster and its sustainability.

Cluster performance measurement needs to be tailored to the interest of the different stakeholders of a Cluster, the characteristics of a Cluster and the Cluster's life cycle stage (emerging or growing Cluster).The measurement process needs to consider the needs and objectives of all the different actors - members, the key characteristics of the Cluster and the growing rate of the products emerging sector the Cluster focuses on.

7.1.General framework for Cluster performance measurement

PROCESSES Meetings, workshops, website, trade fairs etc.

OUTPUTS ▶ Number of new products; number of trained specialists; website contacts; improved communications with cluster stakeholders; media coverage etc.

RESULTS Recognised globally as a 'Centre-of-Excellence'; attractive environment for new business start-ups etc.

IMPACTS Higher productivity; Increased competitiveness; Business growth; Employment growth etc.

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In order to carry out the evaluation of the Cluster, measurable key performance indicators (both qualitative and quantitative) should be determined in advance. These indicators secure the evaluation quality.

Based on the records, the indicators should be monitored regularly. At least once a year and preferably by the end of each year according to the workplan, the Cluster as a whole, should be monitored.

The companies members (SMEs, spinoffs, startups): it will be necessary to implement targeted data collection (questionnaire surveys) among the participating companies of the HUBCluster in order to collect detailed data on the impact of activities.

The data collection process should be done on companies level by the Coordinators following the guidelines of CRES (cluster research evaluation sistem), the Cluster Coordinator and responsible task leader under the framework of the action plan.

After the finalization of the data collection process, the Cluster Coordinator will be the responsible for the collection of all the data Coordinators in order to conduct the evaluation of the Cluster analyzing the data collected. The Cluster evaluation process should be documented and forwarded to the Coordinators.

7.2. The Cluster evaluation aims to answer to the following questions

What progress has been made in terms of anticipated activities?

- At what rate are resources being used and how does usage compare with progress [efficiency]?
- Does the Cluster coordinator have enough information and data to measure and evaluate the cluster's performance?
- Has the Cluster reached its goals in terms of desired results and deadlines? [effectiveness] What has gone well and what not well?
- To what extent members of the Cluster are satisfied with Cluster's results?

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- Do the original assumptions hold true?
- Have response activities been sufficiently refined and adapted?
[responsiveness]
- How has the Cluster itself functioned? What has been the quality of the internal relationships?
- How effective has been the work and co-operation among the HUBs?
- How effective has been the co-operation among the HUB Coordinators under the framework of international Cluster level activities?

F.Sustainability answers to the following questions:

Are the positive effects of the Cluster sustainable?

How is the sustainability or the continuity of Cluster's effects assessed?

What risks and potentials are visible regarding the sustainability of the Cluster and how likely is their occurrence?

To what extent are the members capable and prepared to receive the positive effects of the Cluster without Cluster support in the long term?

To what extent are the members of the Cluster Management Team capable and prepared to maintain the positive effects of the Cluster without external support in the long term?

To what extent does the Cluster reflect on and take into account factors of the local economy that have a major influence on sustainability like e.g. economic, ecological, social and cultural aspects?

How self-supporting is the Cluster?

Even if sustainability is the long term goal of a Cluster, there are five major key factors that are crucial to be considered during the sustainability plan of the cluster:

- Long-term involvement and commitment of participants
- Cluster services

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- Financing
- Innovation dynamics and innovation management
- Prioritisation and expansion of sectors
- Regional development.

F.SUSTAINABILITY

1.Long-term involvement and commitment of Participants

The positive effects of a Cluster is mainly based on its composition, the type of Cluster members and their involvement. This requires a mobilisation of potential stakeholders from the whole value chain by continuously enlisting new stakeholders in the Cluster as well as identifying and integrating in the Cluster additional competences and added value. To ensure that more players of the value chain will become members of the Cluster, the most relevant key actors in the region should show some interest in the participation in Cluster activities and should become actively involved and engaged. Moreover, involving new stakeholders in Cluster on a long-term basis should be ensured.

2.Cluster Services

Cluster services are of decisive importance for the sustainability of a Cluster. A Cluster can only attract new members and retain its members in the long term if succeeds in offering services which address their needs and bottlenecks. The earlier and more concrete the benefits to members are from using Cluster services, the greater their engagement in the Cluster. As already mentioned, businesses are the focus of the Cluster. So, particular attention should be given to businesses during the redesign

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and offering services in the long-term considering their changing business environment and needs. By this way, businesses feel that they are at the focus, and can achieve concrete competitive advantages and additional benefits from Cluster services, e.g. increased sales, greater productivity or quality improvements etc.

3. Financing

Financing is one of the key factors which determine the long-term sustainability and the efficiency of a Cluster. The availability of funding (private and public) decisively influences the cluster's operation, efficiency and sustainability. Therefore, a solid financing plan that ensures sustainability is particularly important for Cluster. Cluster management Team need to continuously secure and look for new funds in order to have a financially balanced and stabilized Cluster. This is true for both mainly privately financed networks as well as for clusters which primarily rely on public financing sources. Clusters that are publicly funded should be allocated enough funds to secure financial stability over several years. A financing model should be based on regular and variable income sources. This helps to reduce the dependency on only one source of financing, particularly if the latter is only available for a limited period of time. Examples for financing sources are:

- Membership fees, which could be flexibly adjusted e.g. to the scope of services, or fixed, depending on the kind and size of members
- Sponsorship
- Fee for specific not-free services (e.g. seminars, consulting services etc.)
- Benefit from income generated from patents, licencing, technology transfer achieved within Cluster
- Implementation of projects
- Public co-financing of some activities.

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*The basic prerequisite for financial sustainability is that the legal form of the cluster must allow commercial activity and accumulation of earnings.

4. Innovation Dynamics and Innovation Management

Innovative companies need reliable relations of cooperation with other partners from the economic and research community to maintain their competitive edge in the long run. Open Innovation is designed to enhance the innovation potential of companies by obtaining external and broadening internal know-how because it is based on cooperation with others. Therefore, Cluster should keep fostering innovation, technology transfer, cooperation opportunities and sharing of know-how among companies and among those and RTOs. One way for achieving this kind of dynamic is the development of protocol agreements among key Cluster members (non SMEs, startups, spinoffs) and other key actors not already members of the Cluster ensuring the long term support of businesses for innovation.

5. Regional Development

Clusters have the potential to influence the competitiveness of the region by increasing the productivity of participating companies. Intensive continuous interaction is critical, in addition to the presence of companies, research and development institutions and other organizations (business support organizations, public sector, NGOs, etc.) from the same or several interconnected sectors. Improved partnerships between companies can also lead to additional structures and opportunities for cooperation, in the area of personnel, management, marketing, sales and positioning, which has a positive effect on regional development. Successful realization of the effects of growth and employment (such as spin-offs, setting up new firms and R & D in the region, recruiting qualified staff) implies a responsible action for the region by all regional actors. In this context, joint dialogue and cooperation between political, economic and scientific communities (4Helix) is crucial.

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