



Review and Analysis of Clusters in Croatia

Masa Orlovic, MBA

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Introduction

- Croatia:
 - small transition country
 - almost 99% of companies are SMEs
 - growing competition – expected accession to the European Union.
- Croatia recognized the importance of clusters.
- Croatian policy makers endeavour to support cluster establishment and development – programmes, initiatives, financial support...

Clusters in Croatia – History

- First signs – in 2003 USAID started a project called the Croatian Competitiveness Initiative, at a request of the Croatian Government.
- Aim of the project: to increase competitiveness of Croatian economy through the creation of several clusters, in particular in wood industry, tourism and ICT.
- The National Competitiveness Council established. Final goal – to contemplate about the national competitiveness and the possibilities of its enhancement.
- NCC formulated “55 Recommendations for Increasing the Competitiveness of Croatia“.

Clusters in Croatia – History (cont.)

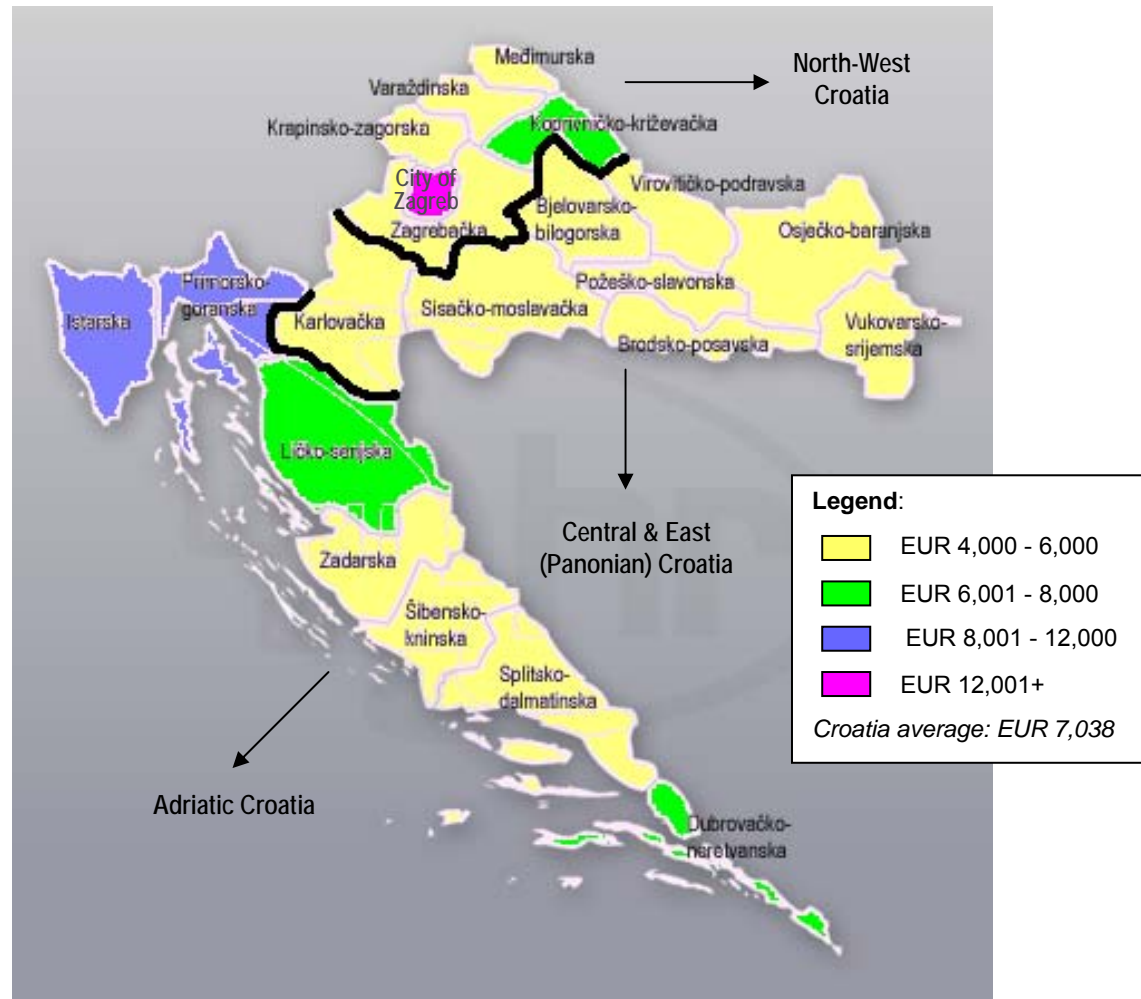
■ Seven key priority areas established:

- Education
- State of law
- Cost and price competitiveness
- Inovativeness and technology
- SME development
- Regional and cluster development**
- Development of positive attitude and leadership.

■ Results:

- cluster pilot projects initiated
- National agency for regional development, and education for cluster managers – not realized.

Figure 1: GDP per capita in Croatian counties, 2005



Clusters in Croatia – Present Situation

- Further boost to the importance of cluster concept → clusters built into the strategic policy documents on a national level:
 - Strategic Development Framework for 2006 – 2013
 - Strategic Coherence Framework 2007 – 2013
 - Science and Technology Policy of the Republic of Croatia 2006 – 2010.
- Croatian Government launched a specific programme with a purpose to stimulate the creation of clusters.

Programmes & Subsidies

- The Ministry co-finances the establishment of new clusters, with maximum 50% of the costs:
 - consulting services
 - feasibility study, business plan, investment study
 - product design and packaging solution
 - promotional activities (market research, web site, etc.)...
- – And supports the already operating clusters with grants up to 2.5% of a cluster's total turnover: grants for various material and non-material investments.

Programmes & Subsidies (cont.)

- The Ministry runs a financial supervision.
- In the period 2004 to 2007, the Ministry financially supported the creation of 22 clusters, with about EUR 1.8 million invested.
- Other programmes for entrepreneurship, aimed at supporting SME development:
 - financing technology development
 - education
 - certification
 - equipment upgrading
 - promotion...

Clusters in Croatia – Present Situation (cont.)

- The Ministry of Economy, Labor and Entrepreneurship, as the body governing and coordinating the clustering efforts and activities at the national level, runs a register of Croatian clusters.
- Identified a total of **33 Croatian clusters** currently working or being in the establishment phase.
- No specific cluster mapping has been undertaken.

Clusters in Croatia – Present Situation (cont.)

- No regional or national clusters according to EU criteria.
- Croatia divided into NUTS 2 regions according to EU regulations in 2007 – the basis for comparisons on regional statistics.
- No specific cluster-related analyses on the level of NUTS 2 regions yet conducted.
- Forth-coming accession to the EU – harmonization with EU standards.

Table 1: 22 Ministry-Supported Croatian Clusters by Industry

2007	Clusters	%	Members	%	Employees	%
Textiles, clothing and footwear	3	13.6	21	5.2	3,131	12.5
Agriculture, food & beverages	3	13.6	49	12.1	776	3.1
Construction industry	2	9.1	13	3.2	1,632	6.5
Metal processing & Machine building industry	2	9.1	63	15.6	4,556	18.2
Wood processing	2	9.1	49	12.1	4,030	16.1
Road transport	2	9.1	73	18.1	950	3.8
Automotive industry	2	9.1	29	7.2	2,955	11.8
Interior decorating	2	9.1	32	7.9	3,317	13.2
Printing industry	1	4.5	11	2.7	37	0.1
Trade	1	4.5	31	7.7	1,920	7.7
Industrial property	1	4.5	6	1.5	9	0
Shipbuilding	1	4.5	27	6.7	1,750	7.0
Total	22	100	404	100	25,063	100

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Table 2: Total of 33 Observed Croatian Clusters by Industry (Author's Estimations*)

2007	Clusters	%	Members*	%	Employees*	%
Textiles, clothing and footwear	5	15.2	55	9.2	14,057	36.2
Agriculture, food & beverages	5	15.2	88	14.7	1,238	3.2
Construction industry	3	9.1	20	3.3	1,767	4.6
Metal processing & Machine building industry	3	9.1	67	11.2	4,766	12.3
Wood processing	2	6.1	49	8.2	4,030	10.4
Road transport	2	6.1	73	12.2	950	2.4
Automotive industry	2	6.1	29	4.8	2,955	7.6
Interior decorating	2	6.1	32	5.3	3,317	8.5
Printing industry	1	3.0	11	1.8	37	0.1
Catering & tourism	1	3.0	92	15.4	1,000	2.6
Intellectual services	1	3.0	3	0.5	47	0.1
Trade	1	3.0	31	5.2	1,920	4.9
Medical equipment	1	3.0	3	0.5	12	0
Technology	1	3.0	5	0.8	21	0.1
Industrial property	1	3.0	6	1.0	9	0
Shipbuilding	1	3.0	27	4.5	1,750	4.5
Business zones	1	3.0	8	1.3	950	2.4
Total	33	100	599	100	38,826	100

Legal Form

- Legal form of clusters: a private limited company (in Croatian: d.o.o.), a public limited company (d.d.), a cooperative or an economic interest association (GIU). The clusters observed up to date:
 - private limited company – 36.4%
 - economic interest association – 22.7%
 - consortium – 22.7%
 - business association – 18.2%.
- Most clusters registered by the Commercial Court or some other kind of official register in 2006 (12 clusters) and 2007 (10 clusters).

Approaches to Cluster Development

- Clusters whose founding was financially supported by the Ministry until the end of 2006 created by the **bottom-up** approach.
- In the period 2007 – 2010 the Ministry intends to create 6 new clusters using the **top-down** approach – subsidies approximately EUR 275,000/cluster.
- Sectors: Natural water processing; Yachts and sports boats; Clothing; ICT sector; Furniture; Mariculture and fishery.

Regional and Local Initiatives

- Regional authorities (counties) are sometimes the initiators of clustering processes.
- Zagreb County in 2007 started the creation of 3 clusters in the region: Metal processing, Tourism, and Wood Industry cluster.
- Most lately, 3 new clusters emerged:
 - the Osjecko-baranjska County launched the initiative for establishing a cluster of apple manufacturers – accepted
 - ICT cluster in Osijek
 - cluster of the Benkovac stone (exploitation and processing of stones from the area around the city of Benkovac).

Path for the future

- In November 2007, Croatia signed an international agreement on cluster and innovation policy with 11 European regions and seven Central and Eastern (CE) European countries.
- Aim: to define a joint strategy and objectives of the future innovation and cluster policy of CE Europe, including:
 - creation of a common platform of knowledge for all EU cluster initiatives
 - launching co-operation projects between universities, research institutions and companies
 - joint approaching to global market, and establishing and maintaining the quality of cluster management training courses.

Major Obstacles

- No unanimous cluster policy, approach to clusterization, or a definition of a cluster
- Clusterization not conducted consistently – most significant sectors not taking part in the clusterization processes
- Competitiveness of Croatian products and industries should be the basis for the formulation of a strategy for cluster development
- Mindset of Croatian people

Recommendations

- Basic prerequisite – conduct an appropriate and comprehensive mapping study, that should enable objective international comparisons on clustering activities.
- A thorough SWOT and cluster analyses on Croatian competitiveness should be made. The analyses should take into account both statistical indicators and qualitative information.

Recommendations (cont.)

- Industrial policy (draft has been made) – should not be created and applied like traditional policy. It should be built on enhancing linkages between the private industry and science community, and promoting innovation-competitiveness conjunction.
- The same rule applies for innovation policy (still under the umbrella of science and technology policy) – both should be integrated and well coordinated, and should define institutional instruments for the implementation and monitoring.

Recommendations (cont.)

- Government bodies, as the creators of cluster development policies (i.e. integrated industrial and innovation policies) should promote mutual trust between different stakeholders, as well as institutional co-operation on clusters, in order to attain and retain the synergic effect created through the clustering processes.

Recommendations (cont.)

- Due to the regional inequalities, a necessity arises more to involve regional policy makers into supporting cluster development, more regional initiatives, not only directly connected with clusters (development of technology parks, zones and centers), from which clusters could benefit from.

Conclusion

- It is without doubt that Croatia is investing significant efforts in order to initiate, support and enhance the clustering activities in the country, which has been proved by the number of the clusters existing at the moment. In that way, Croatia is in line with the trends being underway in the European Union, and in other developed countries throughout the world as well. However, there are certain areas where improvement is possible, welcomed and needed.

Thank you for your attention!

Contact:

- E-mail: morlovic@hgk.hr
- Phone: +385 1 4606 784
- Fax: +385 1 4606 790
- Croatian Chamber of Economy – Zagreb Chamber
Industry and SME Department
HR-Draškovićeve 45, 10000 Zagreb, Croatia