

S34Growth

Interreg Europe



S34Growth addresses regional policy instruments facilitating industrial innovation-related interregional collaboration which can help the renewal of Europe's industry and boost competitiveness.

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Regional Action Plan: Flanders Region

S34Growth - Enhancing policies through interregional cooperation: New industrial value chains for growth

Regional Action Plan focusing on the improvement of the addressed policy instrument

Part I – General information

Project: S34Growth - Enhancing policies through interregional cooperation: New industrial value chains for growth

Partner organisation: Government of Flanders, Department of Economy, Science & Innovation (EWI)

Other partner organisations / involved (if relevant):

Country: Belgium

NUTS2 region: Flanders (BE1)

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Part II – Policy context

The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument

Name of the policy instrument addressed:

Operationeel Programma "Investeren in Groei en Werkgelegenheid" Vlaanderen 2014 – 2020
(Operational Program "Investment in Growth and Jobs" Flanders 2014 – 2020)

Part III – Details of the actions envisaged

ACTION 1: Include interregional cooperation in updated S3 for Flanders

1. **The background** (please describe the lessons learnt from the project that constitute the basis for the development of the present Action Plan)

Lessons learnt

The Smart Specialisation Strategy (S3) was an ex-ante conditionality for receiving ERDF budget for the period 2014-2020. Regional smart specialisation as a guiding principle for the OP2014-2020 allows for a more efficient allocation of ERDF funds because it targets those sectors where the region has a strong economic advantage and/or a large innovation potential. Based on the need for structural interregional collaboration as identified within this project, Flanders has decided to give its Smart Specialisation Strategy an update. By doing so, Flanders took into account and increasingly focus on new developments in terms of cluster policy, higher-TRL innovation instruments and interregional collaboration.

Especially interregional collaboration received more attention in the updated S3 as it has proven to be an efficient and mutually beneficial way of implementing not only Flanders' S3, but smart specialisation strategies across Europe. This is exemplified by the synergies that co-exist between, for example, the pilot facilities for bio-economy in Flanders, namely Biobase Europe Pilot Plant, and South-Holland, namely Bioprocessing Facility. Another example is the collaborative research organisation Holst Centre in Eindhoven (South-Netherlands) jointly created by Imec (Flanders) and TNO (The Netherlands) in 2005.

Participation in the project also resulted in the necessary contacts in order to benchmark the S3 Strategy which is being updated with other regions, and vice versa. In this respect there a meeting is planned in the near future with those responsible of S3 in the South-Netherlands.

The policy discussions and presentations regarding S3 in other partner regions served as an inspiration for our strategy's update. For example, during the OSDD in Basque Country, we learned that the region limits its priority domains to three specialisations and four 'opportunity niches'. This allowed them to carry out in-depth analysis about the strategic objectives of each specialisation domain. In Flanders, we also aim to combine a 'top-down' analysis of priority domains with a 'bottom-up' definition of the strategic objectives and road maps within each domain.

In July 2017, Flanders launched an inter-cluster project call, where the Flemish spearhead clusters, which were formed bottom-up, had the opportunity to apply for funding in the context of an inter-cluster R&D&I project. Project proposals also needed to be linked to one out of three 'transition priorities' in Flanders, namely industry 4.0, energy or circular economy. These are 3 of 7 priorities which form the Vision 2050, the long-term strategic plan of the Flemish Government which was the result of analysis of future innovations and political and administrative discussions. By taking this top-down document and using it in a call for bottom-up organisations the Flemish government is trying to align our long-term strategy with existing bottom-up organisations. The results of this call can also be used to evaluate the importance of inter-cluster collaboration in the updated S3, both from a regional and interregional perspective.

The S34Growth project is about improving policy instruments to stimulate interregional cooperation that lead to an acceleration of the uptake of innovative technologies by the market and this on the basis of the smart specialization principle. Very often financing is the main bottleneck in this process

(how can a regional financing instruments be used in an interregional setting?) and thus the focus of this Interreg Europe project is the opening/widening of regional financing instruments to an interregional context. The Operational Program of Flanders and the current smart specialisation strategy is very much focused in a first instance on the region itself. By opening these up towards other regions, this interregional aspect is added. How this will be organized practically is not clear yet and is part of the implementation phase. Will this be through a dedicated call that e.g. foresees a budget to be spend outside the own region? Or via another financing instrument linked to the OP? How much budget is available? These modalities will need to be sorted out together with the MA.

Opportunities identified

The Department of Economy, Science and Innovation together with Flanders Innovation & Entrepreneurship (FIE, the Flemish agency for innovation and entrepreneurship, VLAIO in Dutch) have started updating its Smart Specialisation Strategy mid-2017. This process is still ongoing, as it requires input from many policy domains and stakeholder levels although it is already used as a guiding document by the department EWI and FIE. By analysing and formulating the need for interregional cooperation in Flanders' S3, we can influence the current and next ERDF OP accordingly. The European Commission is also evaluating its Smart Specialisation policy in the light of the next Multi-Annual Financial Framework. This means that the ex-ante conditionalities in the next programming period might be subject to change. Through our participation in a pilot action for interregional innovation partnerships funded and supported by the European Commission, we will be able to further influence the European S3 policy as well.

The process of updating the Flemish S3 has given the opportunity to also discuss and investigate the addition of an interregional dimension to the Flemish industrial policy and also to the execution of the Flemish OP. Lessons on how to include this interregional dimension (and what difficulties to avoid) are provided by the S34Growth project. By connecting new activities (adding an interregional dimension to the S3 and implementing it through the OP) to already planned activities (updating the S3) can significantly increase the success rate of the Interreg Europe project.

2. Action (please list and describe the actions to be implemented)

This action will consist of three steps:

1) Gather good practices

1.1. Gather good practices from other regions

During the numerous OSDD events, we have gathered evidence and good practices regarding the S3's on partner regions. We will use this information as input for our own strategy update, and share it within Department EWI and FIE.

When?	March 2018 - September 2018
Participants?	Dep. EWI
Resources?	EWI staff

1.2. Analyse the current interregional cooperation activities within Flanders

Together with FIE, we gather and analyse several descriptions of interregional activities already carried out in Flanders in the context of our S3 policy, e.g. Thematic Smart Specialisation Platforms, Vanguard Initiative, Era-Nets, Joint-Undertakings, Interreg projects. This serves as input/evidence interregional cooperation component of our updated S3.

When? April 2019 - September 2019
Participants? EWI + FIE
Resources? EWI staff costs

2) *Include lessons learned from the S34Growth project into the updated Smart specialisation strategy for Flanders*

2.1. Develop proposals within writing group

The writing group consist of Department EWI, FIE, and the Managing Authority. It meets several times per year to discuss the background documents, evidence, analysis and policy recommendations for the future. The policy advisor from EWI who was responsible for the S34Growth project in Flanders was always present in this process in order to ensure that there was a substantial link with the S34Growth project and the S3 strategy which is being updated. Amongst others, several proposals for possible instruments/approaches for interregional cooperation are listed and assessed in the draft of the new S3 for Flanders.

When? Started April 2017 – September 2019
Participants? EWI + FIE + MA
Resources? EWI staff costs

2.2. Discuss proposals with ministries and other relevant entities

The updated S3 needs to be discussed with, and approved by, the competent Minister and other entities within the public administration that are involved in the strategy. Improvements suggested during this process can then still be included in the S3. This process can only start when the new government has taken office (after elections in May 2019).

When? September 2019 - March 2020 (the starting date depends on the start of the new government. This is only an estimation)
Participants? EWI + FIE
Resources? EWI staff costs

3) *Identify appropriate instruments to implement the S3*

3.1. Identify appropriate instruments for (interregional) collaboration among S3 actors

Following the update of the S3, a second exercise will start within the Department EWI and FIE on how existing instruments for higher-TRL activities, inter-cluster and interregional collaboration can be deployed in this context and can contribute in the execution of the Flemish OP. When missing, an interregional dimension to these instruments will need to be included. The specifications of these instruments need to be defined so that they can serve as a financing instrument for interregional cooperation on higher TRLs.

When? April 2019 - March 2020
Participants? EWI + FIE
Resources? EWI staff costs

3. Players involved (please indicate the organisations in the region who are involved in the development and implementation of the action and explain their role)

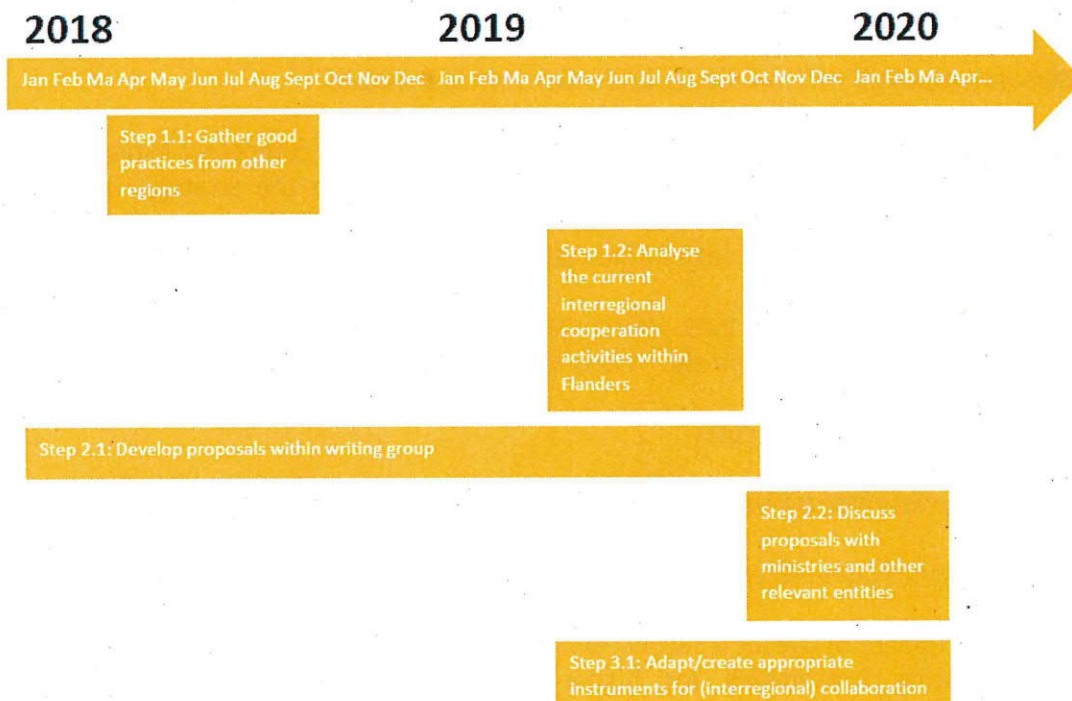
- Department of Economy, Science & Innovation (EWI)

The involved policy advisor of Department EWI is actively contributing to the writing and evidence-gathering process for the update of the Flemish S3. Due to active membership and engagement in regional networks and projects based on S3 principles, e.g. the Vanguard Initiative, EWI will be a primary source for policy recommendations regarding S3.

- Flanders Innovation & Entrepreneurship (FIE)

FIE has taken on the coordinating role in the writing group for the update of the S3. They are responsible for the R&D&I instruments for SMEs. As such, their participation in the process is guaranteed and absolutely necessary. Several discussions with FIE will take place in 2019 and the beginning of 2020 to formulate the (implementation of the) final strategy.

4. Timeframe



5. Costs (if relevant)

There are no specific costs related to this action, except staff costs.

6. Funding sources (if relevant)

Not relevant

7. Risks and contingency plans

- Interruption in discussions due to regional elections mid-2019

At the end of May 2019, there will be regional (and federal) elections in Belgium. This means that there will be a government change in Flanders and also a risk that the execution of the proposed action will be discontinued for a while. It is difficult to assess when a new government will be in place and consequently when the action can be continued. It is also difficult to anticipate whether the new government will have the same views on S3 and interregional cooperation.

There are several situations that will mitigate this risk. First of all, having a regional S3 is an ex-ante conditionality for the Operational Programmes. This means that an updated S3 will have to be presented to the European Commission before the start of the next Programming Period in 2021. This provides a good motivation for developing an updated strategy on time. Second of all, our Department can include a policy section regarding the importance of an updated S3 in the new Government Agreement. Our next Minister and Government will consequently be able to fall back on this Agreement when setting out their policy priorities.

ACTION 2: Explore interregional dimension for Flanders' Operational Programme post-2020

1. **The background** (please describe the lessons learnt from the project that constitute the basis for the development of the present Action Plan)

Lessons learnt

Operational Program Flanders 2014 – 2020 has a specific target “Support the transfer/dissemination of technologies in view of knowledge valorisation and market uptake” as part of priority axis 1 “Stimulate research, technological development and innovation”.

The project partners noticed that innovation activities and knowledge transfer are not necessarily confined to the geographical borders of a region. Numerous examples of innovation activities have been presented during the S34Growth 'On-Site Deep Dive' (OSDD) meetings that would not have been possible without interregional collaboration. Good examples identified are:

- CrossRoads2: an Interreg Vlaanderen - Nederland project that funds cross-border innovative activities carried out by a combination of Dutch and Flemish SMEs. The project relies on Flemish and Dutch SME funding mechanisms which are generally well-known to SMEs. This limits the administrative burden. Since 2016, 70 projects were approved for a budget of 6,8 million euro, involving 126 companies.

- MANUNET: an Era-Net fund for interregional cooperation in the manufacturing sector since 2000. SMEs have easy access to this instrument, although it is not evident to secure the financial commitment of the regions. This Era-Net works as a 'virtual common pot', where each region only takes out what it has put into the fund. Since its creation in 2014, MANUNET has reached funded 223 projects involving 610 SMEs for a total budget of 224 million euro.

While interregional cooperation within the context of the current OP Flanders 2014–2020 is possible to a small extent (mainly through subcontracting), discussions with our local stakeholders and Managing Authority have taught us that these options are not well-known – and hence underutilised. The same reasoning applies to the 20%-rule of Interreg programmes (Article 20 of ETC Regulation No 1299/2013), which states that up to 20% of the project budget can be spend outside the programme area, provided that the operations are for the benefit of the programme area.

Opportunities identified

We have identified two opportunities/policy developments that will help us implement this action.

First of all, the government of Flanders has started the process of drafting its Government Agreement for the newly-elected government 2019-2024. Department EWI will be heavily involved in the policy options related to innovation and industry. Several in-depth discussions between EWI, Flanders Innovation & Entrepreneurship (FIE – Flanders' government agency for innovation and entrepreneurship), and other relevant departments/agencies will take place throughout the year 2018 and 2019. Since one or more of the proposed policy tools will most likely be related to the next ERDF Operational Programme, EWI will propose evidence-based policy recommendations regarding the usefulness of interregional collaboration, building on the knowledge gained within this project.

Second of all, the next ERDF Operational Programme needs to be operational by 2021. This means that the content, objectives and conditionalities of the programme will start taking shape in the coming 1,5 years. During the implementation phase of this project, we would like to focus our efforts on providing recommendations for the next OP, while at the same time monitoring the achievements of the current OP.

2. Action (please list and describe the actions to be implemented)

This action will consist of three steps:

1) Engage with Managing Authority and stakeholders

1.1. Learn more about decision-making/writing process

It is important that the policy advisors of Department EWI responsible for this action are familiar with the process of drafting the next ERDF Operational Programme. Therefore, they must first learn more about the decision-making and writing process of the next OP and of the leading principles of S3. This will require a bilateral meeting with the Managing Authority and/or experienced policy advisors at FIE/Department EWI. One meeting will be sufficient.

When?	June 2019 – September 2019
Participants?	EWI + FIE + MA
Resources?	EWI staff costs

1.2. Organise a stakeholder workshop together with Managing Authority

In order to substantiate our proposals for the next OP, we will organise a regional stakeholder meeting together with the Managing Authority. It is important to involve the main beneficiaries of Structural Funds, namely RTOs, universities, companies. This meeting can serve a double purpose: on the one hand evaluating the efficiency of the current OP, and on the other hand gathering insights for the next OP (both in relation to interregional collaboration).

When?	November 2019 – December 2019
Participants?	EWI + MA + stakeholders
Resources?	EWI staff costs + catering

2) Collect relevant information ('inventorisation')

2.1. Evaluate current possibilities for interregional cooperation by creating an 'inventory'

During our consultation with the Managing Authority, we have been informed about the possibilities for interregional collaboration within the current OP2014-2020. We would like to gather and evaluate these possibilities in a 1- or 2-page summary ('inventory') which we can easily share within our department and/or the project partners and which can also serve as an input for the drafting of the future OP 2021 - 2027. The Government of Flanders will also make an inventory of European Programmes where the work of the S34Growth project can be used, e.g. the Digital Europe Programme where the included European Digital Innovation Hubs are expected to have a certain specialisation, preferably aligned with the S3 Strategy.

When?	July - October 2019
Participants?	EWI
Resources?	EWI staff costs

2.2. Share and discuss 'inventory' with Managing Authority and relevant policy makers

Once we have created and disseminated the 'inventory' document, we can use it as the background for discussions with the Managing Authority and other relevant policy makers regarding the interregional dimension of the next OP. EWI and IEF will also have a meeting with the region South-Netherlands, geographically the closest S34Growth region, to discuss their S3 strategy and possible common grounds and possibilities to exchange information, when successful this can be expanded to other regions involved with S34Growth, for example at the final seminar in Tampere.

When?	July 2019 - December 2019
Participants?	EWI + MA
Resources?	EWI staff costs

3) Contribute to government agreement

3.1. Contribute insights to the official government agreement 2019-2024

In collaboration with FIE and other policy domains, we will draft policy options for the ERDF instrument as input for the next Government Agreement. These recommendations will build on

the evidence gathered during the partner meetings, study visits, stakeholder consultations and inventorisation exercise.

When?	May 2019 - November 2019
Participants?	EWI + FIE
Resources?	EWI staff costs

2. **Players involved** (please indicate the organisations in the region who are involved in the development and implementation of the action and explain their role)

- Department of Economy, Science & Innovation (EWI)

Department EWI will play a crucial role in coordinating and drafting the inventory document as explained above. It will also take the lead in organising stakeholder meetings. Finally, EWI is an active participant in the 'writers group' for the next government agreement. As such, they will contribute first-hand to drafting the policy options for innovation, industry and interregional collaboration post-2019. This will include recommendations regarding the next ERDF OP2021-2027.

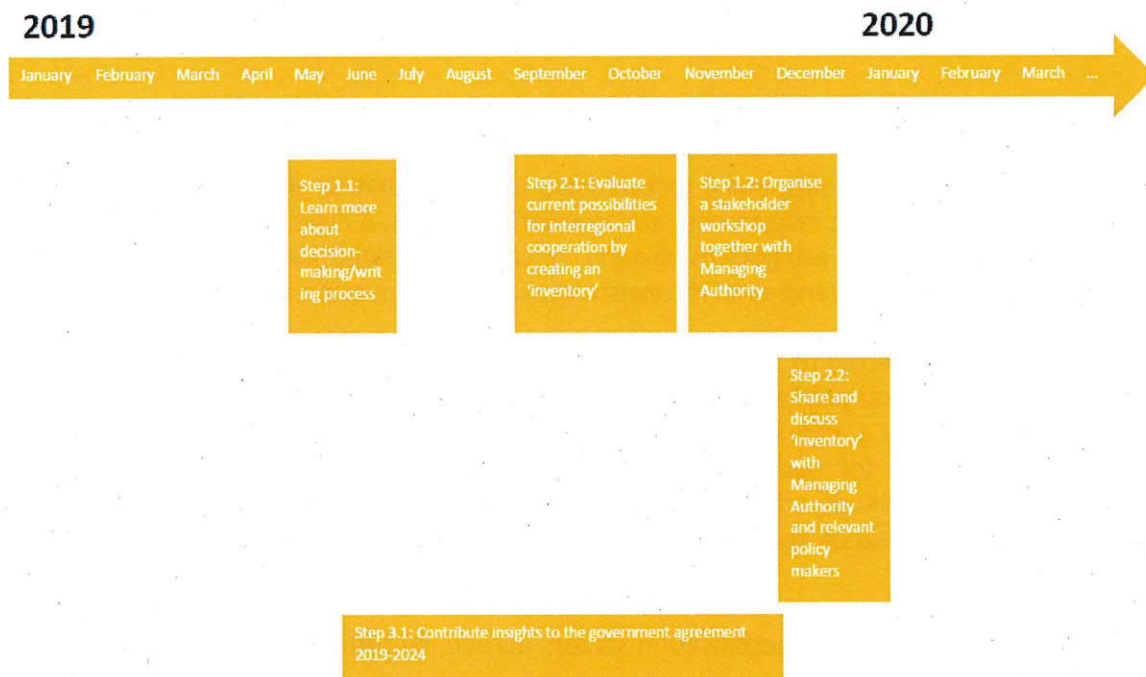
- Managing Authority

The involvement of the Managing Authority is crucial since they have the technical and practical knowledge regarding Flanders' OP 2014-2020. EWI will continue to consult them to provide input for the inventory. They will also be asked to verify the accuracy of the document. Lastly, they play a crucial role in the decision-making and writing process for the next ERDF OP.

- Flanders Innovation & Entrepreneurship (FIE)

FIE has taken on the leading role both in the process of updating Flanders' S3 as well as coordinating Flanders' contribution to the industrial policy recommendations of the Government Agreement. As such, EWI will enter into discussions with FIE regarding the lessons learnt and recommendations for an interregional dimension of Structural Funds.

4. Timeframe



5. Costs (if relevant)

There are no specific costs related to this action, except staff costs and catering for meetings.

6. Funding sources (if relevant)

Not relevant

7. Risk and contingency plans

- Substantial changes to cohesion policy post-2020 at EU-level

There is a risk that the cohesion policy will change substantially in the next programming period, mainly due to the withdrawal of the United Kingdom from the EU. This will leave the EU with a budget gap, meaning that all programmes could face cuts, including large ones like cohesion¹. Therefore, it remains to be seen whether the ERDF programme in Flanders will continue to exist post-2020, and if so, what the budget will be.

In order to mitigate this risk, we will follow the EU policy development closely together with the Managing Authority, in order to provide timely information and reactions vis-à-vis our stakeholders.

- No political willingness to introduce interregional elements in ERDF

¹ Arcilla, T. & Sandford, A. (January 2018) - <http://www.euronews.com/2018/01/10/the-eu-s-future-budget-plugging-the-brex-it-hole> - retrieved 9 March 2018

The upcoming elections in 2019 could initiate discussions on the importance of ERDF and the OP for Flanders. Once the newly elected government is in place, discussions with relevant political representatives and other relevant entities will take place on this matter.

8. Expected impact and results of the policy improvement

During the stakeholder meetings, many stakeholders indicated that S3 should be a reality, not a wish, because it helps target public investments and innovation efforts. A clear and realistic S3 can foster the development of innovation ecosystems around certain technology domains. It also helps identify synergies, complementarities and even inconsistencies in the innovation landscape.

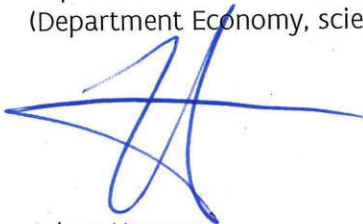
Hence, this action is expected to

- 1) Provide a clear and predictable framework regarding S3 domains in Flanders,
- 2) Take into account a wide range of related policies and initiatives (e.g. Vision 2050, the ambitious long-term vision for Flanders that should tackle societal challenges), and consolidate this overview in an overall strategy,
- 3) Describe the relevance and merits of interregional collaboration in a clear policy framework.

These improvements will

- 1) 'Export' Flanders smart specialisation sectors abroad, by further developing these sectors in an interregional context.
- 2) Improve and accelerate the uptake of innovative technologies, developed by a variety of innovation-actors like research institutes and industrial companies, by the market and provide (partial) solutions for societal challenges.
- 3) Improve knowledge and technological spill-overs between regions, thanks to the collaboration based on smart specialisation principles.

Departement Economie, wetenschap en innovatie
(Department Economy, science and innovation)



Johan Hanssens
Secretary – general