

# Management Summary

The EWI Budget Browser 'Entrepreneurship & Innovation' is an annual publication of the department of Economy, Science and Innovation (EWI) of the Flemish Government. This publication highlights the budgets for the economic policy and the science and innovation policy.

Part 1 discusses **the Flemish government instruments for economic policy** according to five categories: strengthening competitiveness, promoting entrepreneurship, facilitating environment factors, promoting internationalization and supporting sustainability. The most important instruments are managed by the following EWI agencies: Flanders Innovation & Entrepreneurship (VLAIO), Flemish investment company (PMV), Limburg investment Company (LRM) and Flemish participation company (VPM).

The instruments for strengthening **competitiveness** are, among others, the SME wallet (kmo-portefeuille), venture capital (PMV), loans (LRM). In 2015 the instruments for promoting **entrepreneurship** were renewed. An example of an instrument facilitating **environment factors** is support for (re)construction of business centers. Flanders Investment and Trade (FIT; part of the Flemish Foreign Affairs Department or iv) is mainly responsible for promoting **internationalization**, for example by offering advice and assisting Flemish companies. Finally, measures for supporting **sustainability** of the Flemish economy are ecology premium plus, strategic ecology support and Combined Heat and Power (CHP) certificates.

Part 2 discusses **the science and innovation budget of the Flemish government**. This budget consists of the science policy financed by the Economy, Science and Innovation (EWI) policy area, the Education and Training (OV) policy area, and the by the other policy areas. The policy funds for science and innovation that come directly under the minister responsible for the science and innovation policy amount to 1,036 million euro in 2016, of which 989 million euro is earmarked for research and development (R&D). The policy funds for science and innovation from OV amounts to 1,030 million euro. From this, 315 million euro is foreseen for R&D, 712 million euro for scientific and technical education and training (STET) and 3 million euro for scientific and technical services (STS). For the science policy within the other policy areas the initial budget for 2016 is 151 million euro.

**The budget financed by the three actors together are the Horizontal Budget Programme for Science and Innovation Policy (HBPSIP)**. In 2016 the global fund for HBPSIP foresees 2.217 billion euro, of which 1.398 billion euro is for research funds. The initial budget 2016 for science and innovation is stable in comparison with the final budget 2015 and the budget for R&D increases.

The EWI budget browser describes different analyses of the HBPSIP. The science and innovation policy funds is distributed over the **policy areas of the Flemish government**. This indicates that the policy areas OV and EWI represent 94% of the total budget. The policy areas EWI and OV represent 46% and 47% of the HBPSIP. The R&D policy funds are distributed over the policy areas of the Flemish government. The policy area EWI represents the largest part 71%, followed by the policy area OV (23%).

The HBPSIP is also discussed by analysis of the ratio of non-oriented to oriented research. In 2016, the R&D budget is 1.398 billion euro, of which 679 million euro for non-oriented research

and 719 million euro for oriented research. The ratio of non-oriented to oriented research is therefore 49/51. In 1995, the ratio of non-oriented to oriented research was 60/40. As of 2002 the proportion of oriented research has increased to 59% in 2010. In 2005 the ratio was 50/50. In 2016 the ratio stays 50/50.

Part 3 discusses the **R&D government expenditure for Flanders in the international context**. The GBARD\* (Government Budget allocation for R&D) is expressed as percentage of the gross domestic product (GDP(R)). In 2014, Flanders scores 0.73%, which is above the EU28 rating (0.65%). Denmark (1.02%) is the world leader, followed by Finland (0.98%), Portugal (0.94%) and Germany (0.87%).

**Flanders has set itself the goal of investing 3% of its GDP in R&D by 2020.** One third of this is to come from public funds and two thirds from private funds. In 2013 the overall R&D intensity in Flanders (GERD) was 5.55% of which public funding was 0.76% (3%-nota ECOOM, June 2015). For the more recent years there are no survey data available for public funding. A calculation is included to approximate the results for the most recent years. This calculation is based on the efforts of the Flemish government itself (GBARD), the Flemish share in the federal government funds, and the Flemish return from the funds of the EU framework programmes for Research and Technological Development. This estimation was 0.74% in 2013, 0.79% in 2014, 0.73% in 2015 and 0.76% in 2016.

A **growth path** can be traced to the achievement of the 1% goal in 2020\*\*. To achieve the 1% goal the efforts of the Flemish government should increase by 893 million euro in 2020 in comparison with 2016. The economic growth influences the growth path. In order to stabilize the estimation, the Flemish budget for R&D should increase with 3% every year.

*\* Flemish government, as defined in the HBPSP + Flemish share in the Federal government R&D funds (ESA distribution key at 35.5% Flemish and the rest at 56% Flemish)*

*\*\* The following assumptions are made: an annual growth of the Flemish share of the Federal government funds with 2% - the Flemish return from the funds of the EU framework programmes for Research and Technological Development is kept constant at 160 million euro – GDP(R) increases following the HERMREG model (SVR, June 2015)*