The Contribution of SMEs to the Regional Development of Flanders

László Borbás
Zalaegerszeg u. 59, H-1196 Budapest, Hungary
borbas.laszlo@kgk.bmf.hu

Abstract: Regional policy in Flanders dates back to the late fifties. Today’s regional policy was introduced in 1994. In the regional policy of Flanders, local autonomy plays a substantial role. Subregions are contiguous territorial entities with sufficient internal socio-economic cohesion and critical mass. Horizontal coordination between local actors and the policy fields concerned is carried out in this way. A minimum representation of the local politicians and local social partners is required. In this framework the representatives of the SMEs as social partners are able to express their interests on subregional levels. It means they have to struggle for the resources on subregional level.

It is widely accepted that Belgium in general and Flanders in particular is a country or region where SMEs are the backbone of the economy. Flanders is often thought of as a very entrepreneurial region. Global Entrepreneurship Monitor’s facts seem to neglect the above quoted idea. In 2001 the Flemish government stressed the importance of entrepreneurship and the desirability of creating an entrepreneurial society in its „Pact of Vilvoorde”. In this 21 goals are defined, to be achieved by 2010 in Flanders. Four out of the twenty-one are very closely related to entrepreneurship in the sense of starting new business initiatives and business renewal.

1 History of Regional Policy in Flanders

Regional policy in Flanders dates back to the late fifties and the early sixties. Within Belgium the competence of making regional economic policy is decentralized to Wallonia, Brussels and Flanders, the constituent parts of the state. Originally the basic aim of the regional policy of Flanders was to promote industrial development and its equal distribution over Flanders. A traditional system of investment subsidies and an active policy for the development of industrial estates was set up. In the nineteen-seventies Regional Development Agencies were created for each province in Flanders. During 1960-1990 regional development was very traditional, and the central question was how to distribute economic prosperity across the country. After realization that European regional policy had been ineffective in engaging every subregion in Flanders and anticipating new trends in regional policy all over Europe, from 1988 new
attention was given to regional development in Flanders. The first program that ran from 1990 to 1994 remained focused on lagging regions. Governance was embryonic, but saw the creation of regional managers to create local networks to trigger bottom-up initiatives and mediate between the regions and the Flemish government. Today’s regional policy was introduced in 1994. It is of governance approach, and the engagement of the citizens and bottom-up linkages is assured by the installation of development coalitions, the subregional platforms. In the regional policy of Flanders, local autonomy plays a substantial role. Subregions are contiguous territorial entities with sufficient internal socio-economic cohesion and critical mass. Horizontal coordination between local actors and the policy fields concerned is carried out in this way. A minimum representation of the local politicians and local social partners is required, together with the representative of the Flemish economics and labour administration and the local RDA. The Flemish government finances only 50% of the basic working costs of the platforms. The other 50% has to come from the partners in the platform itself. In many cases larger companies provide local means e.g. pay the local managers or provide the infrastructure. In other cases local RDA or Chamber of Commerce plays supporting role. The parties involved has to create a strategic vision and a regional charter. First they have to make a description of socio-economic structure of the subregion. The definition of the specific local factors influencing economic development is the core of the strategic vision. Based on the specific local factors, the strategic choices for the subregion are assured via the regional charter.[4]. In this framework the representatives of the SMEs as social partners are able to express their interests on subregional levels. It means they have to struggle for the resources on subregional level. If their efforts are successful, after the consultation process with the local partners and central administration, the projects they are involved in, must be implemented by the different responsible administrations. It is interesting that in some cases Chambers of Commerce view the regional platforms as kind of competitors for the same resources. It is true that the creation of subregional platforms can be seen as policy tools for breaking into existing formal and informal relationships of power. All in all Flemish government is on its way to develop a vision of the roles of regional policy and stakeholders. Territorial identification is considered to be the precondition for effectiveness. The budget for regional policy is relatively not important in comparison with other EU policy fields. This may change in the future when the EU applies itself to subsidiarity within the field of regional policy. This would make the integration of financial resources possible for the Flemish government. We also have to take into consideration the fact, that the regional policy of the EU has few impact on the development of the Belgian regions and SMEs. European Regional Policy is mainly focused on regions whose development is lagging behind and on declining industrial regions. This policy is quite top-down oriented and will even less impact on the Belgian regions after the accession of the ten new countries, because e.g. in practice none of the Belgian regions will be eligible.
2 Entrepreneurial Activity in Belgium and Flanders

It is widely accepted that Belgium in general and Flanders in particular is a country or region where SMEs are the backbone of the economy. Flanders is often thought of as a very entrepreneurial region. Global Entrepreneurship Monitor’s facts seem to neglect the above quoted idea. E.g. in 2001 out of the 29 countries that participated in the research endeavour, Belgium was the least entrepreneurial. Flanders was even less entrepreneurial than Belgium. These findings are alarming. What kind of facts do we find behind? What should be done on regional levels for improvement? Because of the generous welfare system less than one percent of Belgian adults are setting up necessity driven enterprises. The situation is more worrying if we see the fact that only less than 4% of them see clear business opportunity. Becoming an entrepreneur is still not considered as an obvious career choice. Failed entrepreneurs seldom get a second chance. In 2001 the Flemish government stressed the importance of entrepreneurship and the desirability of creating an entrepreneurial society in its „Pact of Vilvoorde“. In this 21 goals are defined, to be achieved by 2010 in Flanders. Four out of the twenty-one are very closely related to entrepreneurship in the sense of starting new business initiatives and business renewal. They are as follows:

„In 2010, Flanders is further evolved towards an entrepreneurial society. The decreasing trend of start-up companies is reversed. Flanders belongs to the top-fve European regions with respect to net growth in the number of companies. In 2010, the Flemish economy has twice as many gazelles as today. These fast growing companies look at Europe as their home market and have a prominent position in international networks and knowledge centers. In 2010, Flanders is one of the most attractive European regions for the establishment and development of new business activities. Flanders’s investment quote is among the top-five of European regions. In 2010, 25% of the sales of all Flemish companies comes from new products and services. The number of start-up companies that is established from knowledge centers will be doubled.” It is understood that entrepreneurship and innovation leads to economic growth and renewal. Innovative and entrepreneurial companies create new centers of prosperity and new jobs, while driving out those businesses that have been suspended by new technologies or that can not adapt to changes. Belgium seems to accept the need for change to be able to transform itself from an economy dependent on producing to one whose prosperity rests on education, knowledge and technology. Technology transfer refers to the extent to which national research and development will lead to new commercial opportunities and whether or not these are available for new or growing firms. In Flanders from 2000, a new technology transfer system towards SMEs was launched and the awareness of Belgian best practices increased. As far as technology transfer towards SMEs is concerned, the IWT has launched its SME programme, which involves substantial support measures to stimulate the collaboration between the public research, technology and development centres and the local SMEs. The IWT has made efforts to promote the subsidies for SMEs
and to decrease the administrative requirements to obtain these subsidies. These efforts were accompanied by a massive promotion campaign. The IWT has subsidized 25%, about 75 million Euros, of the total capital of all Flemish spin-offs. Good example for spin-offs is Leuven Inc. which was established to promote the local industry and increase the networking. Despite the well functioning technology transfer network, new technology based firms have difficulties to attract early stage capital, which they need to further develop a prototype or acquire a new technical solution. There is also well functioning university seed capital funds, which were created to invest in very young ventures. In addition SMEs can apply for deferred loan, which can be up to 80% of the total project financing needed. Moreover many programmes were launched to increase collaboration between SMEs and the different public research, development and technology centers. Flemish government made major efforts to decrease the administrative barriers to set up a company. The cost of it could even reach 4,000 Euros. Belgian taxation system does not give incentives for entrepreneurial ventures. The tax pressure is considered as one of the highest burdens to new start-ups.

Flanders has a number of business support agencies with different geographical and sectoral coverage.

- Regional Development Agencies (GOMs) the mission of which is to promote socio-economic development. In connection with the above, they try to make SMEs and start-ups aware of technological opportunities.
- Flemish Institute for Independent Entrepreneurs (VIZO) provides support in the form of training, management advice and enterprise coaching.
- Innotek gives business support free of charge for start-up companies. Flemish Center of Quality (VCK) helps in managing quality of their products or processes.
- SME-IT was created by some sectoral organizations to promote the use of IT among SMEs.
- The above mentioned parties collaborate in the „Innovation Network”. This is a virtual cooperation as a first step to one-stop-shop.

As far as education is concerned, we can not overestimate the importance of it. Although, according to experts, in Flanders primary and secondary education does not inspire creativity, independence and personal initiative and does not provide the necessary knowledge of market economic principles, positive signs can also be detected. There are successful projects for the students e.g. „mini enterprise project” and the DREAM project in secondary education. Different organizations are becoming more and more active in the field of teaching and coaching entrepreneurs, like PLATO, VIZO etc.
Funding is necessary for starting any kind of company. For Small and Medium sized enterprises the government tries to make access to financial resources easier. Through business angel network the availability became easier. On the other hand, due to the Basel II norms availability of bank loans for SMEs has decreased.

Governments has to do a lot to help SMEs on their territories survive in the global competition. It is everybody’s interest to help and protect local companies by different means. They are key actors in our struggle for sustainable development.

References


