



**EXPERT EVALUATION NETWORK
DELIVERING POLICY ANALYSIS ON THE
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON
ACHIEVEMENTS OF COHESION POLICY**

BELGIUM

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**LYDIA GREUNZ
WITH THE ASSISTANCE OF SARA BOTTI
APPLICA**

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EXECUTIVE SUMMARY

For the period 2007–2013, Belgium receives Structural Fund support under the Convergence Objective for Hainaut and other parts of the country receive assistance under the Competitiveness and Employment Objective. The spatial distribution of the Structural Funds reflects the North South divide of the Belgian economy with the Walloon region and Hainaut in particular lagging behind the national and EU averages on most socio-economic indicators.

As independent, Federal entities, the three Belgian regions have full autonomy over development issues. In practice, development policy is designed and implemented by the three regional governments in a fully decentralised and independent way. The immediate aim of the Convergence programme in Hainaut and the Competitiveness and Employment programme in the Walloon region is to increase and diversify the economic base and to achieve agglomeration economies through stimulating the development of poles of competitiveness in six areas of technology. In the Flemish region, the main objective is to promote entrepreneurship and to support innovation in the broad sense. In the Brussels–Capital region, the purpose is to support the economic development of the priority areas of intervention and to increase the attractiveness of these as a living and working place. The ultimate goal pursued is to offset the dual economic development of the city.

Although the economic recession affected growth in all Belgian regions and might have slowed down progress in implementing the programmes, it had no effect on the programme objectives and the funding, which both remained as initially defined. Overall, the progress in implementing the programmes is satisfactory taking account of the slowdown in the economy. At end 2009, around 14% of allocated funds (EU and national) were disbursed (against an average of below 7% in the EU–27) and over 90% were committed. Although the implementation rate was highest in Hainaut and in the Walloon region, once capital transfers not spent on the ground are excluded, no significant difference between the regions in terms of financial absorption is evident. There is no common pattern among the Belgian regions in terms of financial absorption by policy area. In the Walloon and Hainaut region, the most advanced activities in terms of expenditure are enterprise environment and R&D while in the Flemish region they are spatial planning and urban development. On the other hand, absorption of support to entrepreneurship is particularly weak in the Flemish region.

Since many projects are at an early stage of the launching phase and since most investment projects will produce output and results only when they are completed, it is clearly too early to get a representative picture of achievements. According to the 2009 Annual Implementation Reports (AIRs), the main outputs from the programmes in Hainaut and in the Walloon region are for investment grants and advanced support services as well as R&D support, particularly in

relation to the poles of competitiveness “Biowin”, “Skywin”, “Mecatech” and “Wagalim”. In the Brussels region, the main outputs by end 2009 relate to the support provided for business start-ups and entrepreneurial awareness raising of children and young people in school. Most output and result indicators in relation to investment projects were zero, though most projects had been launched by end 2009. The AIRs of the Competitiveness and Employment programme of the Flemish region give little information on the progress of projects implemented in terms of outputs and results. The main information relates to the calls of projects launched and the projects selected and/or approved. In all the three regions, the success of meeting the targets set for core indicators is satisfactory but the indicators reported refer in many cases to expected outputs and results rather than achieved ones. Under-setting of targets seems to be a feature of all regions and most notably the Flemish one.

While it is too early to measure the effects of funding on the development of regions supported, there are indications in the National Strategic Report 2009 and from the Managing Authorities that Structural Funds support has contributed to soften the negative impact of the crisis in all three regions. The Walloon and the Brussels regions mention short-term business lending specifically in this regard.

In the context of the crisis, all the three regions at the end of 2009 re-assessed the pertinence of the options taken and the priorities pursued by the programmes for 2007–2013. The results indicate that programmes remain entirely appropriate and do not necessitate any significant adjustment in response to the crisis. The main purpose of the programmes is to strengthen structural competitiveness and convergence factors in all regions and the relevance of this is not altered by economic fluctuations. Several thematic evaluations are currently underway and will be finalised by the end of this year. All three regions plan to carry out mid term-evaluations in 2011 and to update these at the end of the programming period. This tends to indicate that the Belgian regions are taking their responsibility of shared evaluation seriously.

SECTION 1 – SOCIO-ECONOMIC CONTEXT

Although Belgium is a small and relatively wealthy country with 10.6 million inhabitants and GDP per head 16% above the EU-27 average, the regional landscape of the country is varied and shows significant socio-economic differences. There is a clear North-South divide not only as regards language and culture but also in respect of the main economic indicators. GDP per head of the Flemish region in the North is roughly 30 percentage points higher than of the Walloon region in the South. This in a large measure reflects the situation in Hainaut, a Convergence region that is home to 40% of the population of Wallonia and 12% of Belgium. Brussels' GDP per inhabitant is much higher than in either region and nearly twice as high as the national average. However, this is in many ways artificial as many of those who work in Brussels live in the Flemish or in the Walloon region – they push up GDP in Brussels substantially but are not counted among the inhabitants.

Over the period 2000–2007 Wallonia and in particular Hainaut continued to fall behind the Flemish region in terms not only of GDP per head but also productivity growth and employment. The central problem of the Walloon economy and of Hainaut is the inadequacy of the productive base and the high unemployment particularly among the low qualified. The economic development of the region is hindered by low investment rates from both local sources and companies based outside the region, including abroad, leading to a decline in the manufacturing base and to insufficient exploitation of the region's endogenous potential. The main agglomerations in the region have lost economic power and have become less attractive as locations for business and investment. The growth and spillover effects on the surrounding areas have, accordingly, also diminished. Although the region has proven research capacity and several universities and research centres, the output they produce is not sufficiently commercialised.

Brussels suffers from dual economic development. On the one hand, the region is the administrative capital of Europe and as such a major business and cultural centre with per inhabitant GDP over twice the EU-27 average. On the other, it contains very poor and de-industrialised areas suffering from urban decay, impoverishment of the population living there and social exclusion. This in large measure is reflected in the difficult situation on the labour market. Just 55% of the people of working age were employed in 2009 as against a national average of 62% and an EU-27 average of 65%, while the unemployment rate was 16%, considerable above the national and EU-27 averages (8% and 9% respectively).

Although the crisis caused output in 2009 to decline everywhere in the country (by 3% on average), it affected the Flemish economy slightly more (-3.3%) than the Walloon region (-2.7%)

and Brussels (-2.5%) because of the large adverse impact on market services in Flanders¹. Recovery, however, is also occurring more quickly in the Flemish region (the growth rate is around 0.3 of a percentage point higher than in both Wallonia and Brussels according to the latest available figures). A similar growth differential, it is estimated, is likely to persist in the coming years.

The economic crisis led to the public deficit increasing from 0.3% of GDP in 2007 to 6% in 2009 and public sector consolidated debt from 84% of GDP in 2007 to over 96% in 2009. The situation however differs between regions with the North of the country having a smaller public debt than the South. It is not clear as yet whether and to what extent the perceived importance of reducing the debt is limiting the resources available for regional policy initiatives and public investment in the three regions.

SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD

THE REGIONAL DEVELOPMENT POLICY PURSUED

Belgium is a federal state composed of three regions (the Flemish region, the Walloon region and the Brussels-Capital region) and three communities (Flemish-, French- and German-speaking). In practice, regions have full autonomy over economic development purposes and policies are designed and implemented in a fully decentralised way, each of them pursuing their own priorities and objectives.

The priorities of regional development policy of the three regions have not changed since the programming period began. Although the economic recession has affected growth in all Belgian regions and might have slowed the implementation of the programmes², the development strategies pursued remain appropriate because they focus on structural competitiveness and convergence factors. Up to now, therefore there have been no shifts of funding between programmes or priorities. In the both the Wallonia and Hainaut programmes, reallocations of funding between measures within the same priority axis were undertaken but the shifts were marginal³.

¹ Source: Bureau Fédéral du Plan

² The AIRs do however not indicated any serious problem.

³ In the two regions funds were sifted from innovation and RDT support in enterprises to support in research centres.

This section highlights first the main thrust of regional development policy in the regions in terms of its focus and content and shows the way that support from ERDF is being used in relation to this policy. It then examines the regional differences in policy focus.

Regional development policy

In the **Brussels** region, the basis of development policy is the “*regional development plan*”⁴ (PRD), a strategic planning document which integrates the relevant policy areas over which Brussels has autonomy (economic development and employment, R&D, housing, transport, security, the environment, culture, tourism and social welfare) into a coherent development policy. The plan has 12 priorities and sets out the following three strategic objectives: (1) enhance the attractiveness of Brussels as a place to live for all citizens and support cultural diversity; (2) stimulate the development of sustainable activities and local job creation and avoid over-specialisation in administrative functions; (3) Increase the internationalisation of the city. The “*Contract of Economic development and Employment*” (C2E) is intended more specifically to support the economic development of the region and focuses on 7 priorities: (1) reducing unemployment; (2) improving competitiveness of the productive fabric by supporting R&D and innovation; (3) enhancing and integrating the system of education and training; (4) supporting the development of sustainable activities and entrepreneurship; (5) achieving a stronger integration of policies on transport, housing, security and urban regeneration; (6) improving governance; (7) strengthening social cohesion.

Cohesion Policy in the Brussels region is clearly aimed at contributing to the objectives of C2E. Given the relatively modest allocation, ERDF co-financing is concentrated in the so-called priority intervention zone (PIZ) which corresponds to the former Objective 2 area and where problems are most severe. The 2007–2013 OP focuses on two priorities:

1. Support territorial competitiveness (64% of total allocation): The aim is to support economic development and job creation in the PIZ by creating spaces for companies to operate in (25% of funding) and providing finance for start-ups (21% of funding). Support also goes to the development of an urban pole of activities centred on the “green economy” and environmental technologies (18% of funding).
2. Strengthen territorial cohesion (34% of total allocation): The aim is to reduce intra-regional disparities and to increase the attractiveness of the PIZ as a place to live and work. A first set of measures focuses on urban regeneration (21% of funding). A second set is concerned with the community and regional employment policy and is aimed at creating facilities for child care and training (14% of funding).

⁴ The “Plan Régional de Développement” (PRD) was adopted in 2002 and defines the strategic orientations of the Bruxelles Region.

In the **Walloon region**, the “*Marshall Plan 2.Green*” (EUR 1,620 million plus EUR 1,150 million of so-called alternative financing⁵) defines the development strategy for the period 2010–2014. The plan focuses on six priorities⁶: (1) Enhancing human capital by improving the system of education and professional training (21% of funding⁷); (2) Strengthening business and research cooperation by supporting the poles of competitiveness and clusters (24%); (3) Supporting scientific research as the “driving force of the economy in the future” (9%); (4) Encouraging entrepreneurship and creating favourable conditions for the development of new activities and employment (10%); (5) Supporting the green economy and the development of green technology (17%); (6) Supporting social proximity services and facilities (18%).

Cohesion Policy in the Hainaut and in the Walloon region (apart from Hainaut) is aimed at increasing the impact of national regional policy by concentrating funds on those policy areas where potential leverage effects are supposed to be highest. Finding under the Competitiveness and Employment objective is concentrated on the former Objective 2 areas⁸ where it is mainly directed towards agglomerations.

Although the priorities of the programme are the same in Hainaut and in the Walloon region because of similar conditions and development problems, the financial allocation to these differs and reflects a different hierarchy of needs. The OPs of the two regions focus on three priorities:

1. Job and business creation (36% of total allocation in Hainaut, 31% in Walloon region excluding Hainaut): This priority is aimed at enhancing the productive base by creating new activities and employment in sectors with strong growth prospects. Priority is given to the development of sectors around the poles of competitiveness⁹, environmental technologies, ICT and business services. The measures put in place are investment grants, financial engineering, advanced support services for companies and entrepreneurship.
2. Development of human capital, knowledge, know-how and research (22% of total allocation in Hainaut, 25% in Walloon region excluding Hainaut): The objective is to

⁵ The beneficiary takes credit. Annual payback is charged to the Walloon region.

⁶ The plan has also two transversal objectives: sustainable development and enhancing the efficiency of the public sector.

⁷ Not taking the so-called alternative funding into account.

⁸ Two Objective 2 programmes have been supported in the previous programming period: 1) Objective 2 “Meuse-Vesdre” which is mainly an urban area; 2) Objective 2 “Namur-Luxembourg” which covers mainly rural areas.

⁹ The poles of competitiveness policy focuses on six areas of technology: health (“Biowin”), agro-industry (“Wagralim”), mechanical engineering (“Mecattech”), aeronautics and space (“Skywin”), transport and logistics (“Logistics in Wallonia”) and since 2010, environmental technologies.

strengthen the innovative capacity of firms – SMEs in particular, to enhance the knowledge base by supporting R&D in research centres mainly in relation to the poles of competitiveness, to stimulate technology diffusion and adoption and to support the commercialisation of research by businesses. The measures implemented are intended to support innovation and the acquisition of technology by SMEs, R&D in research centres and technology diffusion, advanced services for non-technological innovation in SMEs and infrastructure and equipment for training and competence centres.

3. Balanced and sustainable territorial development (40% of total investment in Hainaut, 43% in Walloon region excluding Hainaut): This priority is aimed at improving the context conditions for development by supporting regeneration of old industrial land, improving accessibility and equipment in business areas and regenerating urban centres.

The basis of development policy in the **Flemish region** is the so called “*Pact van Vilvoorde*” (2001) concluded by the Flemish social partners and the government to implement the Lisbon strategy and the “*Flanders in Action Plan*” (2006) which is aimed at making Flanders one of the five best performing regions in Europe in 2020. The action plan focuses on (1) entrepreneurship and access to capital, (2) education, training and lifelong learning, (3) innovation support and investment in R&D, (4) environmental friendly urban development and energy efficiency, (5) transport and logistics, (6) social care, (7) smart governance.

Cohesion Policy in Flanders is aimed at contributing to the ambitious goal of Flanders becoming one of the most competitive European regions by 2020. Unlike in the other Belgian regions, reduction of intra-regional disparities is not the primary policy objective and accordingly funding is not necessarily concentrated in the weakest areas. The OP has the following four priorities each of which has the same financial weight:

1. Knowledge economy and innovation: The operational aim is to achieve a more extensive horizontal use of the knowledge available in the region by local businesses, non profit bodies and public administrations. The measures seek to raise awareness (1% of funds), improve access to knowledge and innovation (4%), stimulate R&D cooperation (6%) and internationalisation (3%), diffuse new knowledge applications (7%) and stimulate innovation in the rural economy (4%).
2. Entrepreneurship: While at present the weakness of Flemish entrepreneurship is to a large extent compensated by the strong presence of foreign companies, it is becoming increasingly difficult to attract new ones. The aim is therefore to promote local entrepreneurship and entrepreneurial skills (10%) to facilitate the creation and growth of companies (10%) and to support their internationalisation (5%).

3. Improving the economic conditions for business and spatial planning: The measures focus on improvement of transport and logistics (5%), enhancement of business sites (9%) and the strengthening of regional attractiveness (9%).
4. Urban development: Support is provided to integrated urban development projects (housing, workplaces, public areas, shops) in 13 Flemish cities and urban areas (20%) and to small-scale urban projects in Antwerp and Ghent (5%).

The allocation of EU funds by policy areas (Table A) shows that support to the enterprise environment is the most important field of intervention in all Belgian regions accounting for between 55% of funding in Brussels and 62% in Hainaut. In Hainaut, the Walloon region and Brussels the largest shares of funding go to “Other investment in firms¹⁰” (36% in Hainaut, 25% in Wallonia and 20% in Brussels) and to “RTDI and linked activities” (27% in Brussels, 22% in Wallonia and 15% in Hainaut). In the Flemish region, enterprise support is mainly directed towards measures aimed at enhancing innovation in SMEs (37% of funding) and RTDI activities (17%). In contrast to the other Belgian regions, the Flemish programme allocates relatively little to “Other investment in firms” (5%). The regeneration of old industrial and/or urban areas is equally an important objective in all Belgian regions with allocations varying from 12% in Hainaut to 22% in the Flemish region.

Table A – Allocation of ERDF by policy area

	Flemish region	Walloon region	Brussels region	Hainaut	Flemish region	Walloon region	Brussels region	Hainaut
	ERDF (EUR million)				distribution in %			
1. Enterprise environment	118	162	32	280	59	57	55	62
1.1 RTDI and linked activities	34	61	16	68	17	22	27	15
1.2 Support for innovation in SMEs	73	31	5	51	37	11	8	11
1.3 Other investment in firms	10	70	12	161	5	25	20	36
1.4 ICT and related services	1	0	0	0	0	0	0	0
2. Human resources	0	0	7	0	0	0	13	0
2.1 Education and training	0	0	5	0	0	0	8	0
2.2 Labour market policies	0	0	3	0	0	0	5	0
3. Transport	9	22	0	22	5	8	0	5
3.1 Road	0	7	0	7	0	3	0	2
3.2 Rail	0	0	0	0	0	0	0	0
3.2 Other	9	15	0	15	5	5	0	3
4. Environment and energy	20	24	5	42	10	9	9	9
4.1 Energy infrastructure	4	6	4	12	2	2	7	3
4.2 Environmental infrastructure	16	18	1	30	8	6	2	7
5. Territorial development	45	71	11	101	22	25	19	22
5.1 Tourism and culture	1	21	0	41	0	7	0	9
5.2 Planning and rehabilitation	44	42	9	53	22	15	16	12
5.3 Social infrastructure	0	8	2	7	0	3	3	2
5.4 Other	0	0	0	0	0	0	0	0
6. Technical assistance	8	3	2	5	4	1	4	1
Total Objective	201	283	58	449	100	100	100	100

Source: DG Regio

¹⁰ These are mainly investment grants.

Table B – Allocation of ERDF by policy area of cross-border cooperation programmes in which Belgian regions are involved

	Euregio Maas- Rhein	Grande Région	France- Wallonie- Vlaanderen	Two Seas	Vlaanderen- Nederland	Total	Euregio Maas- Rhein	Grande Région	France- Wallonie- Vlaanderen	Two Seas	Vlaanderen- Nederland	Total
	ERDF (EUR million)						distribution in %					
1. Enterprise environment	32	28	33	38	26	157	45	26	24	23	27	27
1.1 RTDI and linked activities	12	10	16	15	9	63	17	10	11	9	10	11
1.2 Innovation in SMEs	14	14	12	17	11	68	20	13	9	10	12	12
1.3 Other investment in firms	4	0	0	2	1	6	5	0	0	1	1	1
1.4 ICT and related services	2	3	6	5	4	20	3	3	4	3	4	3
2. Human resources	12	22	25	22	11	92	17	20	18	13	12	16
2.1 Education and training	6	12	10	10	5	43	9	11	7	6	5	7
2.2 Labour market policies	6	10	15	12	7	49	8	9	11	7	7	8
3. Transport	6	6	0	17	9	39	9	6	0	10	10	7
3.1 Road	0	1	0	0	1	2	0	1	0	0	1	0
3.2 Rail	1	1	0	0	2	4	2	1	0	0	2	1
3.2 Other	5	4	0	17	7	33	7	4	0	10	7	6
4. Environment and energy	9	14	17	33	19	93	13	13	13	20	20	16
4.1 Energy infrastructure	4	4	3	17	9	36	5	4	2	10	10	6
4.2 Environmental infrastructure	6	10	15	17	9	57	8	10	11	10	10	10
5. Territorial development	5	26	54	45	23	153	7	24	39	27	24	26
5.1 Tourism and culture	2	16	41	33	14	107	3	15	30	20	15	19
5.2 Planning and rehabilitation	0	4	11	5	5	24	0	4	8	3	5	4
5.3 Social infrastructure	3	6	2	7	4	21	4	5	2	4	4	4
5.4 Other	0	0	0	0	0	0	0	0	0	0	0	0
6. Technical assistance	6	11	8	11	7	44	9	11	6	7	7	8
Total	72	106	138	167	95	578	100	100	100	100	100	100

Source: DG Regio

Territorial Cooperation

Belgium is involved in five cross-border co-operation (CBC) programmes (Two Seas, France-Wallonie-Vlaanderen, Grande Region, Vlaanderen-Nederland, Euregio Maas-Rhein)¹¹ and two trans-national cooperation programmes (North West Europe and North Sea Region) which overall account for 8.5% or EUR 194 million of the EU support to Belgium. The cross-border activities undertaken mainly address the needs expressed by sub-regional authorities. Table B gives an overview of the priorities and shows that there is no universal structure. CBC programmes are to a large extent complementary to the regional OPs of the Belgian regions. This is also reflected in the distribution of funding between policy areas. While on average the three Belgian regions allocate 60% of the ERDF to the enterprise environment (Table A), the share of funding allocated to this policy area is much smaller under the CBC Objective (27%). On the other hand, the policy areas of human resource development and energy and the environment receive relatively little ERDF finance under the Convergence and Competitiveness Objectives, while CBC programmes allocate on average a third of total ERDF funding to them.

POLICY IMPLEMENTATION

Neither the AIRs nor the OPs of the Belgian regions provide disaggregated information by priority axis and/or measure on the planning of annual spending. It is, therefore, difficult to

¹¹ By decreasing order of ERDF allocation.

assess whether financial implementation is in line with objectives. The only information available is the annual financial plan of the overall programmes. The comparison of this with the actual implementation rate tends to indicate that the implementation of the programmes is delayed in each region.

Table C – Annual financial plan and planned implementation rates (OPs – ERDF), actual implementation rate (AIRs 2009 – ERDF and national funding)

	2007	2008	2009	2010	2011	2012	2013
EUR million - annual planned (OPs)							
Hainaut	117.3	100.2	83.3	65.5	46.9	27.4	8.7
Walloon region	36.3	37.6	38.9	40.3	41.7	43.1	44.6
Brussels region	7.7	7.9	8.1	8.2	8.4	8.6	8.7
Flemish region	27.0	27.6	28.1	28.7	29.3	29.8	30.4
Total Belgium	188.4	173.3	158.4	142.7	126.2	108.9	92.5
EUR million - annual planned (OPs) cumulated							
Hainaut	117.3	217.6	300.8	366.3	413.2	440.5	449.2
Walloon region	36.3	73.8	112.8	153.1	194.8	237.9	282.5
Brussels region	7.7	15.6	23.7	31.9	40.3	48.9	57.6
Flemish region	27.0	54.6	82.7	111.4	140.7	170.5	200.9
Total Belgium	188.4	361.6	520.0	662.7	788.9	897.8	990.3
"planned" implementation rate: planned expenditure in percentage of total allocation							
Hainaut	26	48	67	82	92	98	100
Walloon region	13	26	40	54	69	84	100
Brussels region	13	27	41	55	70	85	100
Flemish region	13	27	41	55	70	85	100
Total Belgium	19	37	53	67	80	91	100
"actual" implementation rate: actual expenditure in percentage of total allocation							
Hainaut			18				
Walloon region			14				
Brussels region			7				
Flemish region			7				
Total Belgium			14				

Source: DG Regio

Overall the implementation rate at end-2009 should be around 53% of total allocation following the annual financial plans of the OPs (Table C). According to the AIRs, the actual implementation rate was 14% of total allocation¹² (Table D). Delays seem greatest in Brussels and Flanders.

¹² The implementation rate is defined as the share of total allocation (national and ERDF) spent. Spending refers to certified eligible expenditure paid by beneficiaries.

Table D – Allocation (ERDF and national funding), Expenditure (certified eligible expenditure paid by beneficiaries) and Implementation rate (situation end 2009)

	Allocation		Expenditure		Implementation rate Expenditure in % of Allocation
	EUR million	distribution in %	EUR million	distribution in %	
P1: Job and business creation	385.9	36	151.0	77	39
P2: Human capital, knowledge, know-how and research	241.3	23	40.4	21	17
P3: Balanced and sustainable territorial development	430.2	40	3.6	2	1
Technical assistance	12.5	1	0.0	0	0
Hainaut	1070.0	100	195.1	100	18
P1: Job and business creation	222.7	31	79.9	81	36
P2: Human capital, knowledge, know-how and research	177.8	25	15.3	15	9
P3: Balanced and sustainable territorial development	312.3	43	3.8	4	1
Technical assistance	7.5	1	0.0	0	0
Walloon region	720.4	100	99.0	100	14
P1: Support for territorial competitiveness	71.9	62	5.8	74	8
P2: Strengthening territorial cohesion	38.7	34	1.5	19	4
Technical assistance	4.6	4	0.6	8	13
Brussels region	115.2	100	7.8	100	7
P1: Knowledge economy and Innovation	120.6	24	6.7	20	6
P2: Entrepreneurship	120.6	24	1.3	4	1
P3: Improving the basis for economic structuring and spatial planning	120.6	24	14.2	42	12
P4: Urban development	120.6	24	10.0	30	8
Technical assistance	16.1	3	1.6	5	10
Flemish region	498.3	100	33.7	100	7
Total	2403.9		335.6		14

Source: DG Regio

Progress in implementing the programmes is (apparently) most advanced in **Hainaut** and the **Walloon region** (Table D). Around 18% of total allocation had been spent by end 2009 in Hainaut and 14% in Wallonia. The implementation rate is highest for the first priority “Job and business creation” (39% in Hainaut 36% in Wallonia) where over a third of spending relates to financial engineering in Hainaut and over four-fifths in Wallonia. The rest was spent on investment grants. However, only a small share of the spending in relation to financial engineering (18% in Hainaut 16% in Wallonia) was effectively disbursed to enterprises, the main part of it being capital transfers to organisations charged with operating the measure. Overall, investment grants and financial engineering accounted for 77% of total spending in Hainaut and over 80% in Wallonia by end 2009. The implementation rate of the “human capital, knowledge and research” priority is above average in Hainaut (17%) but below in Wallonia. Two-thirds of the expenditure in Hainaut and around 60% in Wallonia went to advanced support services for non-technological innovation in SMEs. The main part of it was capital transfers to organisations charged by the government to implement the support. Little has actually gone to enterprises. The implementation rate of measures aimed at supporting innovation and technology diffusion in enterprises, research centres and training and competence centres is relatively low. Almost nothing was spent end 2009 on the priority of sustainable territorial development.

It is worth noting that the implementation rate by end 2009 of the Convergence programme falls to 7% (instead of 18%) and of the Competitiveness programme to 4% (instead of 14%) when capital transfers are excluded. This is likely to reflect actual progress in programme

implementation more accurately particularly when it comes to assessing tangible results and outputs in the next section.

A few projects have been affected by the current economic recession, their implementation being delayed because firms are not willing to engage in R&D (MEDIATIC project) and/or because they have suffered a decline in activity (competence centre CEFOVERRE in relation to glass industry). There is however no indication in the AIRs that the current recession is significantly hindering implementation of policy in Hainaut and the Walloon region.

In the **Brussels Capital region** 7% of the funds allocated had been spent by end-2009. Around two-thirds of the 37 project proposals had been approved but most of them are in a very early stage of the launching phase. The implementation rate of projects under the first priority of territorial competitiveness is slightly higher at 8% of the funds allocated. It is estimated¹³ that over half of the expenditure went to support business start-ups and the remainder the development of the urban pole of “green economy”. The implementation rate of the second priority of territorial cohesion was below 4%. Most projects for urban regeneration have progressed little because of lengthy legislative and administrative procedures. A significant number of projects were not approved by the selection committee because the selection criteria were not fulfilled.

The economic and financial crisis caused the budget deficit in Brussels to increase significantly mainly because of lower receipts. This has weakened the co-financing capacity of the region and the possibility of granting advances to the projects selected for funding. In order to avoid delay in implementing the policy, the European Commission granted an advance of 2.5% of the overall allocation in 2009. The 2009 AIR give a reassurance that the implementation of the Competitiveness and Employment programme remains a priority despite the financial difficulties of the government.

Overall, the implementation rate of the Competitiveness and Employment programme in the **Flemish region** was 7% of total allocation at end-2009. Implementation is most advanced for the priority of spatial planning where around 12% of the funds allocated have been spent. Projects under this priority mainly relate to investment in infrastructure carried out by the public sector. On the other hand implementation is lowest for measures on entrepreneurship where just 1% of the funds allocated have been spent. In 2009, one call for tender was launched leading to the approval of four projects.

¹³ The Brussels 2009 AIR does not provide any information on the state of expenditure for measures or projects. Expenditure at the level of priority axis is the only quantified information available to assess progress in terms of financial implementation.

Despite this low implementation rate, the 2009 and 2008 AIRs of the Flemish Competitiveness and Employment Programme do not highlight any particular problem and explain the delay by the late approval of the programme (07/12/2007) by the European Commission.

Progress in implementing the policies can also be assessed by analysing the commitments of funding to selected and/or approved projects. This gives an overall more positive picture (Table E). By end-2009, the ERDF allocated was entirely committed in Hainaut and in the Walloon region and 96% committed in the Brussels region. In the Flemish region, the commitment rate was much lower at 59%.

The disaggregation of expenditure by policy area indicates a much lower absorption of enterprise support in Brussels (41%) and in the Flemish region (48%) – particularly for RDTI and innovation – than in Hainaut (99%) and the Walloon region (over 100%). On the other hand, commitments for investment in environment and energy infrastructure are lower in Hainaut (85%) and the Walloon region (70%) than in the Flemish region (89%). In the Brussels region, commitments in this area are well above the allocation but the 2009 AIR does not provide any explanation for this.

Table E – Commitments in relation to allocation ERDF (situation end 2009)

	Flemish region	Walloon region	Brussels region	Hainaut
	Commitments in % of Allocation (ERDF)			
1. Enterprise environment	48	102	41	99
1.1 RTDI and linked activities	36	119	5	114
1.2 Support for innovation in SMEs	52	70	17	76
1.3 Other investment in firms	19	100	99	100
1.4 ICT and related services	457	-	100*	-
2. Human resources	-	100*	109	100*
2.1 Education and training	-	-	103	-
2.2 Labour market policies	-	100*	119	100*
3. Transport	102	133	-	163
3.1 Road	-	199	-	198
3.2 Rail	-	-	-	-
3.2 Other	102	101	-	146
4. Environment and energy	89	70	368	85
4.1 Energy infrastructure	93	12	38	41
4.2 Environmental infrastructure	87	90	1330	102
5. Territorial development	58	95	132	93
5.1 Tourism and culture	83	152	-	120
5.2 Planning and rehabilitation	58	83	64	85
5.3 Social infrastructure	-	0	323	0
5.4 Other	-	-	-	-
6. Technical assistance	100	100	0	100
Total Objective	59	100	96	100

Source: DG Regio

Note: * no initial allocation but funds have been committed by end 2009.

Progress in implementing the **CBC programmes** (Table F) is slightly lower than for the Belgian Convergence and Competitiveness programmes. At end-2009 certified eligible expenditure paid by beneficiaries amounted on average to 5% of total allocation but there were significant differences of absorption between programmes ranging from 0% for the Two Seas programme¹⁴

¹⁴ The first certification of expenditure was submitted by the Certifying Authority on 09/03/2010.

to 10% for the Vlaanderen–Netherlands programme. In terms of commitments, the pace of absorption seems satisfactory with around 56% of ERDF already allocated to projects.

The Two Seas programme is a new programme for the 2007–2013 programming period. It is not a follow-on programme and has no previous history. The programme area is large and covers regions in four Member States, some with no past European cross-border cooperation experience. Due to protracted negotiations over the programme area, the Programme was late in starting. The formal Commission approval of the Programme only occurred in September 2008. The low implementation rate for the Euregio Maas–Rhein programme is mainly due to issues of compliance with the regulatory framework which has necessitated relatively complex procedures causing delays in the introduction of the certification of expenditure.

Table F¹⁵ – Implementation rate and commitment rate (situation end 2009) of cross-border cooperation programmes

	Total Allocation	ERDF allocation	Expenditure	Implementation rate(*)	Commitment rate(**)
	EUR million			Expenditure in % of Allocation	Commitments in % of Allocation
Two seas	295	167	0	0	31
Euregio Maas-Rhein	144	72	4	3	51
France, Wallonie, Vlaanderen	249	138	17	7	81
Grande Région	212	106	18	8	52
Vlaanderen - Netherlands	190	95	19	10	71
Total	1,089	578	57	5	56

Source: DG Regio

Note: (*) Implementation rate: certified eligible expenditure paid by beneficiaries in relation to total (national and ERDF) allocation;

(**) Commitment rate: committed amount of ERDF to approved projects in relation to total ERDF allocation.

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

This section summarises first the qualitative and quantitative information on achievements in the 2009 and 2008 AIRs of each programme. It then presents an overview of progress in terms of the main core indicators before commenting briefly on the meaningfulness of the targets set.

Because it is important to keep the rate of disbursement in mind when interpreting the achievements in terms of tangible outputs and results, the share of expenditure at the most disaggregated level is also indicated. It is useful to recall that the implementation rates of the Competitiveness programmes by end 2009 in both the Flemish and the Brussels regions were 7%. It was also 7% for the Hainaut Convergence programme and just 4% for the Walloon Competitiveness programme, excluding capital transfers not disbursed to enterprises.

¹⁵ Annex Table A gives an overview of the implementation rate by priority axis of the different CBC Programmes

Main outputs and results of Convergence and Competitiveness programmes from AIRs 2009, 2008 – situation end 2009

Hainaut and Walloon region

The main measures put in place to stimulate **job and business creation** (priority axis 1) were investment grants and financial engineering and the provision of advanced support services for companies and entrepreneurship.

- *Investment grants* to companies had absorbed around 23% of total expenditure in Hainaut and 13% in Wallonia by end-2009. Overall 69 enterprises¹⁶ in Hainaut had received support (47 extensions and 22 creations)¹⁷. 72% of investment was concentrated in 6 sectors of activity: distribution (25%), plastics and rubber (13%), transport services and logistics (13%), the food industry (8%), fabricated metal products excluding machinery (8%) and repair of machinery and equipment (5%). In Wallonia support went to 13 enterprises¹⁸ (9 extensions and 4 creations)¹⁹. 35% of investment took place in information services, 14% in accommodation, 9% in machinery and equipment and 9% in chemical industry.

The sectoral distribution of investment supported indicates that grants were allocated to all kinds of activities. There is no evidence of support being targeted towards activities targeted by the poles of competitiveness policy, environmental technologies, ICT and business services. These sectors are however the selected targets of industrial policy in Wallonia in the coming years. The AIR does not provide any explanation of why there was not more focus on these.

- *Financial engineering* absorbed around half of the expenditure in Hainaut and over two-thirds in Wallonia. The spending relates mainly to capital transfers to financial organisations²⁰ charged by the government to deliver risk capital, guarantee funds and micro-credit²¹. The shares actually spent on enterprise support were just 18% in Hainaut and 16% in Wallonia.

¹⁶ The objective fixed in the AIR in terms of the number of enterprises supported is cumulative and includes beneficiaries of investment grants and financial engineering. The target value by end 2010 is 804 enterprises supported in Hainaut. By end 2009 the actual number of enterprises supported was 128 (16%).

¹⁷ Overall, these are expected to create 1,841 additional jobs and to consolidate 3,275 work-places.

¹⁸ The objective fixed in the AIR in terms of the number of enterprises supported is cumulative and includes beneficiaries of investment grants and financial engineering. The target value by end 2010 is 322 enterprises supported in the Walloon region. By end 2009 the actual number of enterprises supported was 47 (15%).

¹⁹ These are expected to create 186 additional jobs and to consolidate 803 work-places.

²⁰ So called 'Invests'.

²¹ Micro credit and loan guarantee had not yet been implemented at end 2009.

By end 2009, 59 enterprises (including 13 start-ups among them 3 R&D intensive ones) were supported in Hainaut and these created 62 new jobs. Investment took place in the following sectors: distribution (21%), construction (11%), energy (8%), fabricated metal products (8%). In Wallonia, 34 companies (including 10 start-ups among them one R&D intensive one) were supported and they created 60 new jobs.

From the sectoral distribution of support, it is difficult in some cases to understand why the companies were supported by risk capital rather than traditional grants. A priori, the activities supported were neither particularly risky²² nor technologically intensive. The ex-post evaluation of Cohesion Policy in Belgium highlighted the issue of risk capital and guarantee funds being primarily allocated to firms outside high tech sectors. The situation does not seem to have changed significantly. In addition, risk capital and guarantee funds were intended to go exclusively to SMEs according the OPs. In practice up until now, just 5% of the funding in Hainaut and 45% in Wallonia went to SMEs. The AIRs do not provide any explanation of why this is the case.

- The provision of *advanced support services for companies and entrepreneurship* was marginal in terms of spending (less than 3%) but the AIRs indicate reasonably good realisation rates in Hainaut: 13 awareness raising and information campaigns (12 planned²³) were carried out; 230 enterprises received individual advice (300 planned), 99 enterprises were created (18% in ICT), 548 enterprises extended their activities and 549 direct jobs were created. In Wallonia, the realisation rates were lower: 7 awareness raising and information campaigns were organised (16 planned), 106 enterprises received individual advice (250 planned), 307 enterprises extended their activities, 78 firms and 262 jobs were created.

The implementation of the second priority axis “**human capital, knowledge, know-how and research**” has seen less progress than the first in both Hainaut and the Walloon region. Accordingly, very few tangible outputs and results were recorded by end 2009.

- Spending mainly went to *advanced support services for non-technological innovation in SMEs* and amounted to 14% of total expenditure in Hainaut and 10% in Wallonia. In practice, these were solely capital transfers to the operator “Novallia” in charge of delivering the support. Disbursements to the projects selected by end 2009 (16 in total of which 8 were in Hainaut) had not yet taken place. As a consequence no outputs and results were recorded by end 2009.

²² Personal services, accommodation, real estate etc.

²³ Planned figures in parenthesis refer to the target in 2010.

- Very little was spent on *support to innovation and technology acquisition in SMEs*. Neither of the planned initiatives²⁴ had started by end 2009 except the new technology voucher programme. The programme is considered to be a success as regards both the interest shown by firms and the quality of services. Some 1,062 vouchers were distributed to 54 companies in Hainaut and 2,331 to 114 in Wallonia which was over twice as many as the targets fixed for end-2010.
- Support for R&D in *research centres* and infrastructure and equipment in *training and competence centres* amounted to 7% of total expenditure by end-2009. The AIRs highlight the good progress in relation to the competitiveness poles “Biowin” (health) and “Skywin” (aeronautics and space) in Hainaut and “Mecatech” (mechanical engineering) and “Wagralim” (food) in Wallonia but also as regards research in environmental technologies and ICT. Although the number of research projects jointly carried out by enterprises and research centres (6) was below the objective set (14), the collaborations established have helped academics to better understand the needs of industry and have led to tangible results in terms of industrial applications.

Many projects carried out under the third priority axis “**balanced and sustainable territorial development**” in Wallonia and in Hainaut were only at early stages of implementation by end-2009.

- Apart from feasibility studies and technical audits little was actually carried out as regards *regeneration of old industrial and/or polluted land*. Only one industrial site has been cleaned up to now. Given the delay it might be difficult to achieve the objective of 28 sites regenerated by 2015. The main reasons for the delays are long administrative and legislative procedures and problems of accessibility in some cases. Similar difficulties were highlighted in previous planning periods. Several reforms have been adopted to accelerate the procedures which, however, have not had significant visible effects.
- Improvement of *business sites and accessibility* to them progressed but more slowly than planned. Most projects are currently in the launching phase. By end-2009, just one of the 7 office buildings (planned to be finished by end 2010) had been constructed. The aim is for it to contribute to the development of an activity pole “Redu” centred on aerospace and it already provides places for 7 companies (and 32 jobs). The extension of the multimodal transport platform “Liège Logistics” linked to the “Logistics in Wallonia” competitiveness pole is nearing completion. Satisfactory progress is also reported as regards the regeneration of urban centres where many projects are in an

²⁴ ACQUITECH, RETECH, STIMULE.

advanced stage. Some have already produced first results in terms of commercial activity and job creation.

Brussels

Only a few projects in the Brussels Competitiveness and Employment programme had produced output and results by end-2009. These were mainly related to the first priority of **strengthening territorial competitiveness** and more specifically to support of business start-ups and entrepreneurial awareness-raising of the young in schools: 110 business start-ups were supported²⁵ and 2,143 children and young people attended an awareness-raising event²⁶. Most projects for the creation of business sites for companies were launched during 2009. These will not be finished before the end of the programming period. The first projects in respect of the urban pole on “green economy” were also launched. However, the two biggest projects in financial terms, “Brussels Greenbizz” and “Brussels Ecopôle” had not started. Given that none of these investment projects had been completed at end-2009, all output and result indicators were zero.

Progress in implementing the second priority axis on **territorial cohesion** was relatively slow. Several projects were aimed at enhancing the attractiveness and image of the PIZ had not yet been approved by end-2009 and one project no longer met the selection criteria and was rejected²⁷. The other projects are in the launching phase. At end-2009, most of the output and results indicators were zero. Five out of 7 child care facility projects and most investment projects in training centres had been started and most of them are expected to be operational in 2010.

The Flemish region

The 2008 and 2009 AIRs²⁸ of the Flemish Competitiveness and Employment Objective contains a general description of the objective pursued for each priority, the calls for projects launched in 2008 and 2009, the financial amounts allocated to these, the *name* of the projects approved and the associated cost. This financial information, however, is not always reliable²⁹. Many of the approved projects had been approved but not yet been implemented but there is no clear

²⁵ There are no annual objectives in terms of outputs and results but only a global target to be achieved by the end of the programming period (500 supported enterprise projects).

²⁶ Global objective to be achieved by 2013: 5,000 pupils.

²⁷ This project concerned the construction of a swimming pool.

²⁸ The information provided in the AIRs of the Flemish programme is specific to the year under investigation. In other words, the AIR of a given year contains information on “what has been undertaken in the year” without referring to “what has been undertaken and achieved in previous years”. It is therefore very difficult from the reports to obtain an overall picture of progress in implementing the policy.

²⁹ In some cases, ERDF support exceeds total costs which is highly unlikely (p 27, p 29 of the AIR 2009).

distinction in the AIRs between these and those implemented. Information on tangible outcomes of interventions is not provided. The quantified output and result indicators for 2008 and 2009 at the programme level and by priority axis do not refer in many cases to actual outcomes but to expected results from approved projects³⁰. None of these is reproduced here because it is not possible to distinguish between realised and planned projects. Projects approved in 2008 and included in the 2008 AIR are not mentioned in the 2009 AIR, so that it is not possible from these reports to track progress in implementing the projects. The only “firm” information contained in the AIRs in relation to programme implementation is the number of selected projects. Although this gives information about neither tangible results nor outputs, some figures are reproduced here for reasons of completeness:

- **Knowledge economy and innovation:** 10 calls for projects were launched in 2009 of which five related to ICT in SMEs, four to clean technologies³¹ and one to innovation in rural areas. The 10 calls led to 33 projects being selected in 2009.
- **Entrepreneurship:** One call for projects was launched for the provision of support services to SMEs. The focus was on individual action plans to help SMEs survive the current crisis. The call for tender led to four projects being selected.
- **Improving the basis for economic structuring and spatial planning:** 14 projects were selected (one for logistics, 4 for business and industry accommodation, and 10 so called “leverage projects”). Ten of these were not launched in 2009. No further detail is provided in the AIR.
- **Urban development:** 9 projects were approved (7 integrated urban projects; two projects in Antwerp and Gent).

Core indicators and target setting

Given the variable quality of information contained in the AIRs on tangible outputs and results, it is not easy to construct an integrated picture on what has been achieved so far by the programmes. A brief analysis of core indicators might help to give an insight into the situation. Table G summarises for a common set of core indicators included in the programmes the objectives set for 2013, the values achieved by end 2009 and the achievement rate³². Overall, the success of meeting the targets set for the core indicators seems satisfactory. Indeed, for all programmes, the achievement rate in 2009 was above the implementation rate in terms of expenditure (Table D). In Hainaut and in the Walloon region, good results in comparison to the

³⁰ As indicated in a foot note (p 5 of AIR 2009).

³¹ 1) The calls for projects in relation to ICT in SMEs and Clean technologies were organised according the following target actions 1) Awareness raising; 2) Support ; 3) Cooperation 4) Internationalisation, 5) ‘Valorisation’.

³² Achievement in 2009 in relation to objective set for 2013.

final targets are reported for start-ups and RTD projects. Achievements are however below average for direct investment grants in enterprises and rehabilitation of old industrial land. In Flanders, results in relation to targets seem to be highest for RTD and investment grant projects³³. In the Brussels region, the programme has helped a significant number of business start-ups but the other core indicators show little evidence of achievement.

Table G – Achievement rate of core indicators

Core indicator	Hainaut			Walloon region			Brussels region			Flemish region		
	obj. 2013	value 2009	rate	obj. 2013	value 2009	rate	obj. 2013	value 2009	rate	obj. 2013	value 2009	rate
Number of jobs created	6469	957	14.8	4284	457	10.7	1500	71	4.7	15000	978	6.5
Number of start-ups supported	669	177	26.5	410	105	25.6	600	110	18.3	900	67	7.4
Area rehabilitated (hectare)	148	8.7	5.9	165	0	0.0	12	0	0.0	750	63	8.4
Number of RTD projects	180	71	39.4	139	43	30.9	-	2	-	585	303	51.8
Number of cooperation project enterprises-research centres	10	1	10.0	10	5	50.0	-	-	-	180	37	20.6
Number of direct investment aid projects in enterprises	1547	128	8.3	659	47	7.1	-	-	-	485	243	50.1
Average			17.5			20.7			7.7			24.1

Source: DG Regio

Note: The results for the Flemish region are not directly comparable to those of the other regions because the value in 2009 refers to expected results for approved projects rather than actual achievements.

Table H – Under-setting of targets for outputs and results

	Hainaut	Walloon region	Brussels region	Flemish region	Belgium
number of output indicators	18	18	10	27	73
share of output indicators with achievements in 2009 above the target for 2013	22%	17%	10%	26%	21%
number result indicators	14	14	10	22	60
share of result indicators with achievements in 2009 above the target for 2013	7%	7%	0%	41%	18%
total number of indicators	32	32	20	49	133
share of total indicators with achievements in 2009 above the target for 2013	16%	13%	5%	33%	20%

Source: DG Regio

The fact that the achievement rates in all regions are higher than the implementation rate in terms of expenditure might not only reflect performance but could in some cases also be due to under-setting of the targets. This would obviously lead to apparent high achievement rates. Under-setting of the targets seems to be a feature of programmes in all the regions (Table H). Overall, it can be estimated that 20% of output and result targets have been set unreasonably low. For these, the achievements at end-2009 exceeded the targets set for 2013 which is clearly an unlikely occurrence if meaningful targets had been set. The problem seems to be particularly prevalent in the Flemish programme. For around 33% of the output and result indicators the final objectives to be achieved by 2013 had already been surpassed in 2009.

³³ It should be noted that the results for the Flemish region are not directly comparable to those of the other regions because the values refer to expected results of approved projects rather than actual achievements.

SECTION 3 – EFFECTS OF INTERVENTION

Given that the implementation rate of the programmes is just 7% of the total allocation, it is far too early to measure any impact of expenditure. No evaluation or analysis of effects has been carried out up until now. There is however indication in the National Strategic Report (December 2009) that EU support has contributed to softening the impact of the crisis in all regions. Direct information from the managing authorities tends to confirm this.

During the years just before the crisis, the main economic indicators for the Walloon region showed a positive trend: a fall in the bankruptcy rate, an increase in private investment, a rise in the employment rate – though concentrated among women – in Hainaut, a fall in unemployment. GDP per head however continued to grow more slowly than both the national and EU averages. It is difficult to say to what extent Cohesion Policy has contributed to these developments and there is no evaluation which has analysed this. In any case, the situation has changed drastically since the crisis began and much of the effort and many of the effects achieved have been overtaken by events.

In this context, the Walloon region has re-assessed the appropriateness of the options taken and the priorities in the Convergence and Competitiveness and Employment programmes. Although it was concluded that these remain entirely relevant in the context of the crisis since they focus on overcoming structural weaknesses and that these weaknesses remain as before: limited concentration of the economy on sectors and areas (including urban centres) likely to generate higher growth. Although the three Belgian regions were affected by the crisis and recorded a similar decline in output in 2009 (around 3%) industrial activity in Wallonia was hit most (Federal Planning Bureau, 2010). In this context, the financial engineering initiatives co-financed by the Convergence and the Competitiveness and Employment programmes and short-term business lending in particular may well have helped companies in these sectors to withstand the crisis.

In the Brussels region, it is the PIZ which has been most affected by the crisis because of the fragile social and economic tissue of the area. There is, therefore, real concern about it falling further behind with respect to economically stronger areas of the city. In this context, the OP of the region was re-assessed at end-2009 to see whether there was a need to adjust the programme. The evaluation indicated that the priorities pursued as well the focus on the priority intervention zone remain entirely appropriate. The evaluation also showed that the programme might have helped to limit the adverse effects of the crisis on the PIZ and to prevent a widening of the gap with other parts of region. The managing authority of the Brussels region points to the programme's potentially significant contribution to offsetting the effects of the crisis particularly on the construction sector because a large part of the programme is on urban regeneration. The managing authority also states that the ERDF co-

financed financial engineering measures for enterprises, such as micro-loans, cash loans and seed funds, provided significant support for enterprises in financial difficulties.

In response to the crisis, the Flemish Competitiveness and Employment programme has included a series of specific measures for enterprises to help them to put in place a survival plan. At present, these are the only projects which have been carried out under the second priority axis “entrepreneurship”³⁴. There is no indication yet whether and to what extent these measures have produced the expected effects. According to the managing authority, the effects will be evaluated in 2011.

SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION

There is no specific evaluation strategy in place in any of the regions, apart from the general approach recommended in the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the ERDF, the ESF and the CF and repealing Regulation (EC) No 1260/1999. Evaluations will, therefore, be carried out in cases where monitoring of the operational programmes indicates a significant divergence from the goals initially set and/or in cases where revisions to programmes are proposed. However, all three regions plan a number of either thematic or mid-term evaluations during the programming period.

Evaluations in the programming period 2007–2013

In addition to the ex-ante evaluations conducted before the adoption of the programmes, each of the three regions carried out an evaluation of their respective programmes in the context of the national Strategic Report for Belgium 2009³⁵. The purpose was to assess the contribution of the programmes towards (a) implementing the objectives of Cohesion Policy as established by the Treaty (b) fulfilling the tasks of the ERDF and the ESF (c) implementing the priorities of the Community strategic guidelines on cohesion (d) achieving the objective of promoting competitiveness and job creation and working towards meeting the objectives of the Integrated guidelines for growth and jobs. The evaluations also included an analysis of the socio-economic situation and trends, an assessment of the achievements by September 2009 and an evaluation of challenges and future prospects in relation to implementation of the agreed strategy. All the studies concluded that the programmes comply with the EU goals and guidelines and that no major adjustment of the programmes in response to the crisis was necessary because the programmes focus on long-term structural factors. There is no major

³⁴ Although this choice may be justified, it is a question (which is beyond the scope of this work) whether it is desirable and purposeful to finance short-term adjustment by the Structural Funds.

³⁵ Walloon region: Capron H., Schoon A. (2009); Flemish region: IDEA Consult (2009)

problem in implementing the programmes though the crisis has slowed down implementation and will presumably have an impact on the extent to which the objectives set are realised.

As regards planned and ongoing evaluations, the **Walloon region** is currently carrying out a thematic evaluation on the “*effectiveness and efficiency of advance support services to enterprises and entrepreneurship*”. The first part of the study analyses the contribution of the projects selected to the overall objective pursued by the programme and will be available end-2010. The second part of the study which will be carried out in 2012 will assess the results and effects achieved by the projects.

Another study that is currently being undertaken is intended to evaluate the *value added of adopting and implementing “integrated project packages”* as opposed to single, individual projects. First results will be available in October 2010. In addition, the overall effects of the Convergence and Competitiveness and Employment programmes will be evaluated at end-2015.

In the **Brussels region**, no other evaluations than the one carried out for the 2009 NSR have been undertaken. The managing authority plans a mid-term evaluation in 2011 and an update of this by the end of the programming period.

In addition to the evaluation carried out for the 2009 NSR, the **Flemish region** has conducted a survey assessing the awareness of people in the region of the Structural Funds. The managing authority plans to carry out a mid-term evaluation of the programme in 2011.

Evaluations on the period 2000–2006 period

In the previous programming period, all three regions carried out the evaluations required by the regulation (ex-ante, mid-term and updated mid-term). The full references of these are listed in the annex.

It should be noted that the main evaluations of ERDF co-financed innovation and R&D support were summarised in the “Policy paper on innovation” for Belgium (reference to web publication). These evaluations are not covered again here though references to them are listed in the annex.

The focus here is on evaluations of two specific policy areas: (1) direct support to enterprises through investment grants and (2) support to the development of clusters and poles of competitiveness.

Investment grants

In Belgium, as in many European countries, investment grants are among the most widely used forms of support for enterprises and consequently absorb large shares of development funding. Structural Funds co-financing of these in the current programming period absorbed around a quarter of the total ERDF in Belgium.

In the Walloon region, the effects and efficiency of investment grants have been evaluated several times. The first ex-post evaluation of the policy tool was carried out in 1998 and covered the period 1986–1997. The evaluation was updated in 2000³⁶ extending the period of investigation to 1998 and 1999. Another evaluation was carried out in 2005³⁷ with a different methodological approach and a slightly different focus.

The specific research questions addressed by the first evaluation were: What was the impact of investment grants in terms of growth and employment? How and to what extent did the support contribute to broaden the industrial base? How did the policy influence the spatial distribution of activity?

From a methodological point of view, this ex-post analysis was based on an extended database on the different expansion laws of the Region (laws of 1970, 1978 and the 1959 Act now repealed) and the investment grant schemes under the Structural Funds (Objectives 1, 2 and 5b) covering the period 1986–2000. The database included over 45,000 cases and provided information on the company (name, location, industry, number of jobs, etc.), the investment programme (amount and rate of grant, the aid scheme, the implementation period, the expected impact in terms of employment) and the achievements (grants paid, investment made, jobs created). Based on this information together with information for a control group of non-supported enterprises, different factors (such as geographic, sectoral and temporal) were investigated using mainly traditional descriptive analysis.

The main conclusions can be summarised as follows:

- Support during 1986–1999 was mainly concentrated on traditional activities in which the region specialised. The support scheme contributed relatively little to increasing the diversification of the productive base and/or to the development of activities with high technological content. Because the support went mainly to traditional areas of specialisation and/or low-tech activities, the effect of support on growth was small. The study recommended therefore that support should be directed primarily towards sectors and activities with strong growth potential and in particular towards high tech and medium-high tech sectors.
- While in absolute terms, the spatial distribution of investment grants was strongly correlated with the spatial distribution of industrial activity, the concentration of funding was much lower in per capita terms. The study revealed that despite higher support rates, investment was lowest in the economically weakest regions. Because of their lack of competitiveness, the higher support rates did not help to attract and develop new

³⁶ Capron (1998, 2000)

³⁷ Price Waterhouse Coopers (2005)

activities. The study recommended putting integrated sectoral policies in place to support the development of upstream and downstream activities within the production chain. In addition, it recommended giving more attention to strengthening human capital through training and to increase the physical attractiveness of the region by regenerating old industrial land.

- Although the scheme helped to create employment (on average 5,200 jobs a year), the study showed that support went to a large extent to big capital intensive companies for which the primary aim was not to create jobs but simply to maintain existing employment. One of the recommendations was to direct the support scheme more towards SMEs.
- Deadweight spending was found to be important particularly before the reform of the scheme in 1993, which helped to bring deadweight spending down from over 60% to around 30%. On the basis of the example of the Hainaut Objective 1 region, the study demonstrated that increasing the support rate added little to the overall volume of investment.

The main recommendations of the study were adopted and translated into the OPs implemented during 2000–2006 and 2007–2013, support being partly shifted from investment grants to innovation and R&D. The selection criteria are now more targeted, giving more support to selected activities and initiatives covered by the poles of competitiveness and cluster policies³⁸.

The second evaluation (2005) of the support scheme covered the period 1994–2004 and focused more directly on ERDF co-financed investment grants. While the assessment of the macro-economic effects is methodologically weak (and consisted simply of reporting global trends in the main indicators), the micro-economic part of the study leads to more interesting insights. The analysis was based on firm level data including 150 enterprises receiving support and a control group not supported by the policy. In addition to this, a survey of 221 enterprises supported was carried out. The main findings were as follows:

- Growth of value added and employment was on average higher for the sample of enterprises receiving support than for the control group.
- In all districts, the effects of investment grants were greater in SMEs than in big companies.

³⁸ Although in practice in the 2007–2013 programming period there is not much evidence of support being mainly directed towards these areas (see section on achievements).

- The highest growth rates of value added and employment in enterprises were observed in the sectors covered by the poles of competitiveness and cluster policies.
- The great majority of enterprises did not consider investment grants as a key to their investment decisions but many recognised that it had influenced the size of the investment and/or its timing.
- While for small enterprises the choice of where to locate the investment was little influenced by the possibility of obtaining investment support, for bigger enterprises it had an effect but it was by no means the only factor.

Pole of competitiveness policy and cluster policy

All three Belgian regions support the development of poles of competitiveness and encourage co-operation between the business sector, universities and other research centres. In the Walloon region the poles of competitiveness policy has been pursued since the adoption of the "Plan Marshall" in 2005. The policy has become the backbone of development strategy in 2010–2014 and it is supported by the Structural Funds. Support to enterprises and research is mainly aimed at developing poles of competitiveness in six areas of technology³⁹: health ("Biowin"), agro-industry ("Wagralim"), mechanical engineering ("Mecatech"), aeronautics and aerospace ("Skywin"), transport and logistics ("Logistics in Wallonia") and, since 2010, environmental technologies. In the terms included in the calls for projects, the poles should (1) be based on close partnership between enterprises, training bodies and research units, (2) be financed by private and public funds, (3) target development priorities with medium-to-long-term potential, (4) lead to critical mass and visibility at an international level, (5) include an international dimension and (6) contribute to the development of economic activities in the region. Following a call for projects, the proposals were evaluated by a jury of international experts and selected by the government on the basis of their opinions. During the period 2006–2009, 136 projects were supported with EUR 235 million of public funding. Most of them were research, training and investment projects and created an estimated 9,000 jobs.

The policy was evaluated in 2009 as part of the evaluation of the Walloon Plan Marshall. From a methodological point of view, the evaluation was mainly based on surveys covering the different institutes and enterprises inside the poles and companies outside the poles for comparison. The analysis also used statistical information from administrative sources as well as firm-level data. Overall, the evaluation assessed the policy as being appropriate given the objectives and circumstances. The main findings were:

³⁹ The selection of these technology areas is based on a study carried out by Capron (2005).

- The possibility of collaboration and partnership in the poles is much appreciated by the firms involved, in particular by SMEs for which the opportunity to collaborate with universities and large enterprises has increased greatly⁴⁰.
- Most companies involved look more than before for local (Walloon) business partners and expertise, partly because the firms now know each other.
- At the project level, joint strategies tend to be formulated and expertise combined to achieve a larger critical mass and to improve the level of excellence. Such common approaches were much less the case before the policy.
- Academics and business people have learned to work together. Universities are now more concerned about the commercial use of research results and the development of concrete, industrial applications.

According to the evaluation it is too early to assess the employment and growth effects of the policy, though at the micro-economic level, results tend to indicate that companies participating in the competitiveness poles are on average more innovative and generate more jobs than companies with the same characteristics outside the poles.

Despite these positive observations, the evaluation also indicates several weaknesses:

- The poles are very different in terms of structure and size. In two of them (“Wagralim” and “Logistics”), the absence of large companies could adversely affect future development.
- Unresolved problems in relation to intellectual property rights could obstruct the commercialisation of research results.
- Administrative delays in completing contractual agreements have slowed down the implementation of the policy (particularly initially) and have penalised small firms more than big ones.

As a complement to the poles of competitiveness policy, the Walloon region also provides support for the development of clusters, co-financed by the ERDF. Cluster policy focuses on supporting industrial and commercial partnerships and networks among companies in horizontally or vertically related activities. After a feasibility study⁴¹ in 2000 which confirmed interest in cluster policy in the Walloon region, 12 clusters have been supported. At the same

⁴⁰ It is worth noting that this result tends to indicate that the pole of competitiveness policy successfully addressed one of the main recommendations formulated by the updated mid-term evaluation (2005) of the programming period 2000–06 in relation to the poles of excellence: Research should more focus on the technology needs of SMEs and technology transfer to the productive fabric.

⁴¹ MERIT (University of Maastricht) and Ernst & Young France, (2000).

time, awareness raising initiatives were carried out particularly in the Objective 1 and 2 areas of the region.

The policy was first evaluated in 2004. The results were overall positive but highlighted the need for a formal, legal basis. Following the recommendation of the study, a decree on the support and the development of clusters was approved by the Walloon Parliament in January, 2007. This provides for (1) an open selection procedure for projects, (2) funding on a sliding scale (100% during the first period of three years, 80% during the second and 50% during the third), (3) an evaluation plan for each cluster and of the policy itself, and (4) specific support for international and inter-cluster cooperation.

Today the Walloon region supports 14 clusters, each of them evaluated through interviews, surveys and quantitative data analysis every three years by an independent evaluator. The aspects covered by the evaluations are: (1) cluster growth and composition of the members in terms of firm size, (2) internal dynamics, governance, information exchange and interaction between members, (3) achievements and results in terms of partnership projects and synergies, (4) growth prospects and capacity for self-financing. The evaluations include recommendations for improving the functioning and organisation of the clusters, which have to be addressed. The evaluations play a decisive role in the decisions on whether or not support to the cluster should be renewed after each three-year period. In 2007, most of the clusters were assessed positively but support was not renewed for some of them.

If there is an example of good practice which it is worth highlighting it is perhaps the evaluation of cluster policy in the Walloon region. It should be emphasised however that it is less the method and the content of the evaluations which exemplify good practice, but rather the practice adopted of tracking the progress and of evaluating developments in each individual cluster on a regular basis with concrete recommendations which then feed into decisions on funding. In addition, the regional authorities maintain an excellent internet site (<http://clusters.wallonie.be>) which is well structured and provides easy access to all background studies and updates on progress. The site is in French and English.

SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES

The first challenge to highlight relates to the institutional framework in Belgium. Given that each region has high degree of autonomy over the development policy pursued, there is a need for strong cooperation between the regions not least to avoid perverse effects. However, cooperation is inadequate and this affects the efficiency and effectiveness of the policies implemented at the regional level. Each region, for example, supports the development of their own poles of competitiveness focused broadly on the same sectors, which works against a critical mass from being achieved.

The second challenge relates to the information contained in the AIRs and raises a question about the purpose of annual reporting. The above analysis of the Belgian AIRs indicates the following shortcomings:

- The kind of information contained in the reports is not always appropriate for tracking progress in implementing the programmes;
- The indicators monitored and reported are very different from programme to programme even though the measures they concerned are similar;
- Outputs and results might refer to actual and tangible outcomes but equally to planned or expected outcomes. There is not always a clear distinction between these;
- There seem to be confusion between output and result indicators in some programmes;
- Targets are in many cases clearly under-set leading to artificially high achievement rates.

Taken together, these considerations indicate that any attempt to aggregate the information across the programmes is not possible, or at least the result would not be meaningful. There is a need to reflect on the purpose of annual reporting. If it is to give information on progress in implementing Cohesion Policy at the aggregate level, the system needs a thorough overhaul.

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- Uzma Nayani, Coordination Unit ERDF 2007-2013; Ministry of the Brussels Capital region

Walloon region – Convergence objective and Competitiveness and Employment objective:

- Mrs. Sandra Jelas, Coordination Unit of Structural Funds 2007-2013; SPW, Department of programme evaluation, Walloon Region

Flemish region – Competitiveness and Employment objective:

- Mrs. Heidi Minner, Flemish Government, Agentschap Ondernemen, Department for European affairs – Structural Funds 2007-2013
- Mr. André Van Haver, Flemish Government, Agentschap Ondernemen, Head of Department for European affairs – Structural Funds 2007-2013
- Mrs. Elke Tiebout, Flemish Government, Agentschap Ondernemen, Department for European affairs – Structural Funds 2007-2013

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European Commission:

- Mrs. Martine Verbruggen, DG Regio – E3, Interventions in Belgium, France and Luxembourg

Walloon government:

- Mrs. Florence Hennart, Wallon public Service, DGO6 Economy, Employment and Research

TABLES

See Excel file for Tables 1 and 2

Table 1: Regional disparities and trends

Table 2: Macro-economic developments

Annex Table A – Implementation rate by priority axis of the CBC Programmes

	Allocation		Expenditure		Implementation rates
	EUR million	distribution in %	EUR million	distribution in %	Expenditure in % of Allocation
P1: Supporting competitiveness, attractiveness, accessibility	107	36	0		0
P2: Promoting and enhancing a safe and healthy environment	74	25	0		0
P3: Improving the quality of life	75	25	0		0
P4: Common priority with France (Channel) - England programme	23	8	0		0
Technical assistance	16	5	0		0
Two seas	295	100	0		0
O001					
P1: Strengthen the economic structure, knowledge, innovation and jobs	94	65	2	42	2
P2: Nature and environment, energy, natural resources and mobility	26	18	1	22	3
P3: Quality of life	16	11	1	33	8
Technical assistance	9	6	0	4	2
Euregio Maas-Rhein	144	100	4	100	3
O063					
P1: Economic Development	79	32	5	30	6
P2: Develop the region's identity through culture and tourism	75	30	7	43	9
P3: Improve the service facilities accessible to the border population	29	12	1	9	5
P4: Joint management of the territory and living environment	51	20	2	13	4
Technical assistance	15	6	1	5	6
France, Wallonie, Vlaanderen	249	100	17	100	7
3PO064					
P1: Economy	92	44	5	30	6
P2: Spatial planning	53	25	9	52	17
P3: Investing in people	54	25	2	13	4
Technical assistance	13	6	1	5	7
Grande Région	212	100	18	100	8
3PO065					
P1: Economic Development	95	50	12	66	13
P2: Environment	46	24	3	18	7
P3: People	38	20	2	10	5
Technical assistance	11	6	1	6	10
Vlaanderen - Netherlands	190	100	19	100	10
Total	1089		57		5

Source: DG Regio

ANNEX

Thematic evaluation – Cluster policy in the Walloon region

MERIT, (2004), « Evaluation des expériences de clustering en Région wallonne »

Object: Assessment of the Walloon programmes of clustering and "grappage" – The appropriateness of cluster policy in the Walloon region by evaluating the outcome of experimental initiatives

Evaluator (year): MERIT (2004)

Coverage: 4 clusters comprising 247 enterprises and 25.000 jobs

Method: (1) Quantitative analysis of the enterprises in the cluster: creation of a databank and collection of statistical information on the firms in the cluster with the purpose to monitor its evolution, performance, composition etc. (2) Qualitative analysis: mainly interviews

Results: Overall positive for 2 clusters though challenges (e.g. insufficient critical size) and less convincing results for the other 2 clusters.

Main recommendations:

- Ensure durability of programmes by setting the legal basis to avoid disruption.
- Public support should be "degressive" but always sufficient to finance support services not provided by the private sector
- Implement transparent selection criterions
- Give priority to the initiatives supported by operators who are really close to enterprises and examine carefully the mobilising capacity of the animator.
- Enhance the "additionality" criterion
- Implement statistical tools for monitoring and quantitative assessments of the cluster over time
- Organise forums of exchange
- Complement the activity reports with satisfaction assessments of members

Effects of evaluation: Among the 4 clusters evaluated, two continued to receive support from the government while for the other two clusters support was stopped after 2004. The overall positive assessment of the experimental programme has led the Walloon Region to support cluster initiatives on a permanent basis and to set a legal basis (Decree on support and development of clusters voted by Parliament Walloon January 18, 2007). Today the Region supports 14 clusters, each of them being evaluated every 3 years and receiving "degressive" support by periods of 3 years.

Three year assessment of supported clusters in the Walloon region

Object: Three-years assessment of clusters

1st assessment (after 3 years)

- MITECH cluster, Comase Management Consulting (2008)
- Nutrition cluster, Perspective Consulting (2007)
- Transport & Logistics Cluster, Perspectives Consulting (2007)

<ul style="list-style-type: none">- Eco-Building Cluster, Perspectives Consulting (2007)- ICT Cluster, Perspectives Consulting (2007)- Ceramic products cluster, Perspectives Consulting (2006)- Space cluster, Perspectives Consulting (2006)- Solid Wastes, Perspectives Consulting (2006)- Clinical research cluster, Perspectives Consulting (2006) <p>2nd assessment (after 6 years)</p> <ul style="list-style-type: none">- Aeronautical cluster, Comase Management Consulting (2008)- Automotive Cluster, Perspectives Consulting (2007) <p>Most comment methods: desk research, statistical analysis of compiled databases, interviews</p> <p>Recommendations: specific to each cluster supported</p> <p>Most frequent recommendations common to the supported clusters:</p> <ul style="list-style-type: none">- Need for a stronger implication of the cluster members in the governance bodies of the cluster- Insufficient membership of big companies- Need for a stronger strategic focus of the cluster and a better visibility
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<p>Lepage V., (2009), “L'évaluation externe comme outil de pilotage de la politique de clustering : leçons tirées de 5 années de pratique en Région Wallonne”, Paper presented at the conference “Pôles de compétitivité et développement économique régional”.</p>
<p>Object: Lessons and summary of 5 years of evaluation experience of cluster initiatives in the Walloon region</p> <p>Author (year): Lepage V. (2009)</p> <p>Content of the paper: Summary of the main approaches developed and adopted to evaluate cluster policy in the Walloon region, summary of the main recommendations and lessons.</p>