Lisbon Strategy

NATIONAL REFORM PROGRAMME 2008-2010 BELGIUM

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Contents

Introduction 1

1. Belgium today 1
2. The main points of the socio-economic policy in Belgium 3
3. The role of the National Reform Programme from a national standpoint 19

1. Macroeconomic stability 21
  1.1. A responsible budget policy 22
     1.1.1. The 2007 budget 22
     1.1.2. Predicted short- and medium-term developments in budget position 23
     1.1.3. Challenges of an ageing society 25
  1.2. Company competitiveness, a guarantee for greater employment 26
     1.2.1. A reduction in the indirect labour cost 26
     1.2.2. A suitable wage policy 29
     1.2.3. The fiscal and regulatory environment for businesses 31
     1.2.4. Improving research, development and innovation 32
  1.3. Stronger social protection 32
     1.3.1. Measures to improve pensions 33
     1.3.2. Improving access to quality health care while controlling health care expenditure 34
     1.3.3. Strengthening social protection, fighting poverty, and supporting purchasing power 36

2. Promoting productive economic growth 39
  2.1. Innovating economy 40
     2.1.1. Fostering R&D 40
     2.1.2. Boosting R&D human resources 46
     2.1.3. Dissemination and use of ICT 49
  2.2. Creation of new business activity: Fostering entrepreneurship and industrial competitiveness 50
2.2.1. Toward better regulations and simplified administration 50
2.2.2. Support services for companies 54
2.2.3. Access to funding 56
2.2.4. Industrial policy 57

2.3. Improving market place operations 59
  2.3.1. Reform of competition policy 59
  2.3.2. Natural gas and electricity 60
  2.3.3. Rail and postal sectors 63
  2.3.4. Electronic communication 64

2.4. Investments 64
  2.4.1. Infrastructure 65
  2.4.2. Business investments 66

2.5. Promoting sustainable energy use and climate protection 67

2.6. Fostering the sustainable use of non-energy resources and improving synergies between protection of the environment and growth 71

3. Flexicurity as a balanced approach for an inclusive labour market with more and better jobs 73

3.1. Better support on the path to and in the labour market 77
  3.1.1. Those who do not yet have work are better supported 77
  3.1.2. And support for workers already in the labour market... 78
  3.1.3. Employment services for quality support 79

3.2. Lifelong learning 80
  3.2.1. Training for all, young and old 80
  3.2.2. The right skills for each occupation 82
  3.2.3. The individualisation of life long learning pathways 83
  3.2.4. New skills for new jobs 84

3.3. A more efficient labour market in which everyone finds their place 85
  3.3.1. A strong economy for more jobs 85
  3.3.2. Fostering geographical mobility 86
  3.3.3. The labour cost must remain competitive for
employers and wages must be attractive to workers

3.3.4. Getting older workers back to the labour market

3.3.5. Ensuring that young people find work more quickly

3.3.6. An open labour market as a mirror of a diverse society

3.3.7. Economic migration to meet labour shortages

3.4. A more efficient labour market that eases and supports transitions

3.4.1. Working conditions that combine flexibility, quality, and security

3.4.2. Social security in the service of a mixed career

3.4.3. A better combination of work and private life

3.4.4. Restructuring as a springboard to new opportunities

3.4.5. A new status, a new opportunity

4. The 2008 status report for the National Reform Plan 2008-2010. European Structural Funds' contribution to the implementation of the Lisbon Strategy in Belgium.

4.1. Introduction

4.2. The Federal State

4.3. Flanders

4.4. The Walloon Region

4.5. Brussels-Capital Region

4.6. The German speaking Community

Annex

1. Distribution of micro-economy responsibilities

2. Powers: employment

Annex 2: Most important measures in the Progress Report

Chapter “Macroeconomic stability”

Chapter “Promoting productive economic growth”

Chapter “Flexicurity as a balanced approach for an inclusive labour market with more and better jobs”

Annex 3: Additional documents
Introduction

1. Belgium today

In early 2000 European heads of state and government realised that the European Union was facing new challenges. Globalisation, the challenges presented by the new knowledge-based economy and, in particular, the speed with which changes were taking place led the Union to create a programme with the stated strategic goal of becoming: “the most competitive and dynamic knowledge-based society in the world by 2010, capable of sustainable growth with more and better jobs and greater social cohesion”.

Belgium was fully committed to this programme from the very start and the structural policies it has implemented since 2000 have already produced benefits. Since 2000 there has been a 1.5 percentage point increase in the employment rate and the number of older salaried workers employed has increased by 8 percentage points. In mid-2008 68,500 jobs were created on the back of the already sharp increase in jobs over previous years. However, a slight budget deficit has somewhat marred Belgium’s positive achievements since the 1990’s. Total debt has been reduced from 137.1% of GDP in 1993 to 84.9% at the end of 2007, while the gap which existed compared to the euro zone average has narrowed to below 20 percentage points (in 2000 the figure was almost double this level). In terms of economic growth, over the past few years Belgium has also recorded better results than the euro zone average.

Despite this, the country still has a long way to go. Recent estimates by the Federal Planning Bureau (Economic Budget, September 2008) indicate a very difficult economic climate in the near future. Economic growth will continue to slow and reach 1.2% in 2009. As a small open economy, Belgium is naturally very vulnerable to fluctuations in the global economic climate. However, despite the difficult economic climate Belgium wants to make a difference by implementing policies that will strengthen in a sustainable manner its economic fundamentals. These policies will safeguard the competitiveness of businesses and thereby guarantee both existing jobs and the creation of new ones. In addition, the government will guarantee sustainability of the social security system to provide a major source of wealth and well-being.

Consequently, the efforts made in previous years must be continued and even strengthened. It is clear that this can only be done in an environment
in which all parties concerned (the federal authorities, the regional and community governments and the social partners) assume their full responsibilities. During a special Council of Ministers held on 23rd May 2008 the federal government defined its key socio-economic priorities over the forthcoming years. These include more employed people, lower social charges on labour and businesses, encouraging entrepreneurship and innovation, increased social protection and a commitment to fighting poverty and a sustainable environmental and energy policy. Specific measures have been set in each of these areas to be achieved in forthcoming years. Regional and community governments are also pursuing ambitious reform plans. In addition, the social partners have been closely associated with the preparation of this National Reform Programme (NRP) because of the important role based on social dialogue which they play in the economy.

Belgium’s strategy for ensuring social protection in view of its aging population is based on two principles: increasing the employment rate and keeping a watchful eye on the state of the public finances. By feeding the Silver Fund through the gradual creation of budget surpluses the debt-to-GDP ratio is continuing to fall. The stability programme for 2008-2011 forecasts the attainment of a structurally balanced budget in 2008. From 2009 onwards there will be a gradual creation of surpluses which should reach 1% of GDP in 2011. The debt ratio will continue to fall and should reach 81.5% of GDP by the end of 2008 and 71.1% of GDP by the end of 2011.

With economic growth slowing and inflation increasing, the current economic climate appears rather unfavourable for public finances. Many uncertainties have emerged and, as a result cautious assumptions have been maintained. The budget objectives are being maintained due primarily to the strict control of primary expenditure and, in addition, as part of the budgetary framework an extensive programme of socio-economic reforms has been developed to strengthen the economy’s growth potential. Belgium will strive to achieve its balanced structural budget. In addition, attention is also being paid to vulnerable social groups. Targeted measures are in place to support the purchasing power of these groups who are the worst prepared to deal with rising inflation. This allows an immediate response to be provided to important social needs despite a tight budget.

The stability programme includes the budgetary objectives of both Entity I (the federal authority and social security) and Entity II (regional and local authorities). By 2011 the financing balance will amount to 0.9% for Entity I and 0.1% for Entity II. The Flemish government is paying particular atten-
tion to the state of its public finances. Consequently, by the end of 2008 it will have paid off almost all of its debt. To meet the challenges of the aging population (which in Flanders will become much more acute from 2010), the Flemish government has invested in a healthcare insurance fund ("Zorgfonds") and in a fund for the future ("Toekomstfonds").

2. The main principles of Belgium’s socio-economic policy

The Belgian federal government is setting an ambitious policy within its budgetary framework which should enable the State to deal with changing economic conditions. This is a win-win policy which will improve social protection, strengthen the competitiveness of businesses and protect the environment. To achieve these goals five key socio-economic priorities have been identified:

- A global employment strategy (particularly through a strengthening of the stimulation policy, lifelong learning and the fight against job traps);
- A continuation of the policy to reduce social costs (both fiscal and para-fiscal) on employment (and particularly on low and middle incomes);
- Encouraging entrepreneurship (specifically through an action plan targeting small- and medium-sized companies, research and development and innovation);
- Strengthening the social protection system as an important source of wealth and well-being and to fight against poverty;
- Strengthening environmental and sustainable development policies.

The actions and decisions taken by the Belgian government form part of this overall strategy and reflect the country-specific recommendations that Belgium has received. They include the sustainability of public finances, a reduction of social costs on employment, the use of a flexicurity approach, increased job market participation (particularly for older workers and those from vulnerable groups), the reduction of regional disparities, the promotion of lifelong learning and measures to stimulate competition in the gas and electricity markets and to intensify R&D and innovation.

These priorities (underpinned by those of the federal authorities which seek to maximise job creation and improve social protection in the area of sustainable development) provide the basis for the measures outlined in the three sections of the National Reform Programme.
The regions are playing a key role in implementing this overall strategy through their own specific programmes.

The Flemish government has developed its own Flemish Reform Programme 2008-2010 (which was approved on 4th October 2008). This programme continues the implementation of the objectives and measures introduced in the first Flemish Reform Programme 2005-2008, namely an innovative economy which requires additional investment in research and innovation, encouraging entrepreneurship through the simplification of public regulations and administrative procedures, a strong stimulation policy to get more people into the workforce, and investment in skills development (primarily through the accelerated implementation of the skills agenda). All of this will be implemented while also ensuring that the public finances remain healthy and that sufficient attention is paid to sustainable development.

In July 2006 the Flemish government implemented the Vlaanderen in Actie (VIA) plan for the medium-term future of Flanders. Its objective is to ensure that by 2020 Flanders will have become a member of the elite group of European regions in a sustainable manner whilst maintaining its level of prosperity. The VIA includes projects that address the challenges facing Flanders, particularly in relation to talent, logistics and mobility, globalisation and innovation. A firm agreement to set objectives and social commitment will be prepared in 2008.

On 20th January 2005 the Walloon government adopted the “Priority Action Plan for the Future of Wallonia” (CAW), which defines the long-term development of the region. The plan sets global goals to be achieved by 2010 (as part of the implementation of the Lisbon objectives) and to build economic, social and territorial cohesion.

The priorities set by the CAW revolve around four key strategies: the creation of activities and employment; the development of human capital, knowledge and expertise; social inclusion and balanced territorial development. Priority reforms in the areas of activities and job creation are also implemented through the Priority Action Plan (which covers the period from 2006-2009 and includes additional budgetary funds). Since the end of 2007 an additional emphasis has also been placed on the response to environmental challenges (particularly in relation to climate problems). This priority has been horizontally integrated into the various policies implemented by the Walloon government.
A number of projects are being carried out in close cooperation with the French-speaking Community. The latter has also adopted the Contract for Schools which defines the government of the French-speaking Community’s educational priorities.

In addition to its action plan for the economy and employment, the Brussels-Capital Region has defined the following two priority objectives within the framework of the Lisbon Strategy:
- Access to the job market, particularly for young under-qualified people
- Development of economic growth, particularly in urban zones with little infrastructure

Funding provided to Belgium by European structural funds for 2007-2013 reinforce the policies implemented in line with these strategic priorities and are included in them. Consequently, they are in line with NRP priorities.

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<th>Policy 1</th>
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Despite the progress made over the years, the employment rate in Belgium is still too low. In 2007 Belgium had a 62% employment rate, still far below the Lisbon objective of 70%.

The guidelines outlined in the European employment strategy (and the recommendations made by the European Council to Belgium) are an extension of the ambitious policy which Belgium intends to implement to put more people into work, to fill job openings more quickly, to improve the employability of workers and job-seekers, to erase regional differences, to facilitate the transition to the job market and to improve job quality. The common principles of flexicurity provide a major source of inspiration.

In order to increase the number people in work labour demand will be stimulated. In cooperation with the social partners the federal government will ensure that labour costs are more attractive than those in Belgium’s major trading partners. This will be achieved through applying the law on competitiveness and by reducing employer social security contributions. This is why it is important that labour costs continue to rise moderately.
Demand will be supported by other targeted reductions in social contributions, simplified reductions for target groups and the continuation of the service voucher programme.

However, it is not sufficient to create jobs alone - they must also be filled. The active support provided to job seekers over the past few years has clearly been effective. It is for this reason that Belgian authorities want to act even more forcefully than ever by providing job seekers with faster and more targeted support and by extending the support system for those over 50. In parallel, the social partners are being asked to make unemployment benefit more degressive without affecting the current minimum levels. The governments are also continuing to take measures to make labour more financially attractive, for example by reducing employer contributions on the lowest salaries and through reductions in federal and regional taxes. The authorities are also cooperating more actively to ensure that job seekers can find work on the other side of regional borders. Naturally this must be supported by strong regional economic policies designed to eventually bring all of the Belgian regions up to the level of the best-performing EU regions.

Job quality and the employability of salaried workers continue to be priorities for the Belgian authorities, hence the reason why they are emphasizing lifelong learning. Strong basic skills are an important precondition to remaining employable throughout an entire career. In addition, the Belgian government is working on an initiative aimed at the professions, whereby the development of professional teaching skills, training within the policy framework of an active job market and workplace training are fully compatible. The Belgian government is therefore attempting to provide support at every stage in developing qualifications through practical experience in the job market. An action plan for health and safety in the workplace is also contributing to better quality jobs.

Special attention will be given to various groups who currently have poor chances of success in the job market (starting with young and older people). Youth unemployment is particularly high in Wallonia and in Brussels and this is a cause for concern. In Flanders and in the German-speaking Community, the need to extend average career length is quite acute. The extremely weak position of foreigners in the workplace requires ongoing attention, while the potential of the handicapped is still under-valued. In order to increase opportunities for these more vulnerable groups the range of plans aimed at promoting employment will be harmonised and simplified.
These priorities when taken together result in a balanced Belgian employment strategy which can be implemented at all levels through a spirit of “ownership” in cooperation with the social partners. This strategy is linked to the social protection system - a high level of employment is a basic condition for social inclusion and social security provides both a safety net for those who leave the job market (for a while) and a springboard for their return at a later date. In line with the common flexicurity principles, this synergy will be strengthened over the forthcoming years and will be implemented through close cooperation between the National Reform Programme and the Strategic Report on Social Protection and Inclusion.

The Flemish government intends to work harder to increase the employment rate. As a consequence, significant attention is being paid to specific groups. The general approach will be broadened, primarily for the benefit of younger job-seekers and as part of the Plan for Youth Employment. From the autumn of 2008 onwards all of the tools used to promote jobs for handicapped people will come into effect (notably through increased subsidies for labour costs and through support and appropriate screening). One of the measures intended to significantly improve representation of these high-risk groups is the Individual In-House Training Programme (FPI). While growth of the system has slowed somewhat in 2007, it remains a key measure which will be increasingly called upon to “ensure an interface” between at-risk groups and professions that lack resources. In order to increase participation in lifelong learning, the Flemish government will be using the “Competentie-agenda” to take greater action in the area of skills development. Training vouchers will remain in effect in Flanders to counteract a decline in training attendance. To combat the unqualified outflow in certain part-time training programmes, the apprenticeship and part-time work decree (which is the basis of the so-called “full-time commitment”) will come into effect this fall. The Flemish government will also enact mobility measures to promote commuting and inter-regional mobility (along with the other regions).

In the Walloon Region and French-speaking Community reform and priority measures for employment, education, and training are aimed at increasing activity rates and developing lifelong learning. The emphasis is primarily on improving the skill levels of young people and bringing them into the job market, the creation of new businesses, strengthening social inclusion, inclusion in the job market (especially for at-risk groups) and improving the match between supply and demand in the job market through: (1) the development and validation of skills and the improvement of work/study apprenticeships; (2) efforts to assist professions that are
faced with labour shortages and (3) the improvement of inter-regional mobility for job seekers (including the development of language skills).

In Brussels the governments of the Brussels-Capital Region and the French-speaking Community Commission have made employment and professional training priorities of the Contract for the Economy and Employment. It has therefore been decided to improve access for various target groups (e.g. young job seekers, those with limited skills, foreigners etc) to coaching schemes and training. Many measures have been introduced or improved to increase access to the job market and to improve the skills of job-seekers in Brussels: actiris cheques (Languages, ICT, and Training), professional reference centres, professional project contracts between job seekers and the Public Employment Service to provide individual support, Individual In-House Training (FPI/IBO), diversity programmes etc.

The Brussels-Capital Region will continue to invest in equipment for technical and professional schools, in childcare facilities, in the social economic sector and in pilot projects such as the creation of public sector positions to provide a first work experience for young job seekers. Cooperation with the other regions is a priority for Brussels in order to create conditions favourable for the inter-regional mobility of job seekers, such as: the intensive exchange of job offers, the organisation of meetings between the employers of one region and the job seekers of another (“job-dating”), exchanges for people engaged in training so that they can learn another language, cooperation during company restructurings etc.

Policy 2
Reduced labour and business costs

Improved support for job-seekers and the better matching of job-seekers with jobs will not be sufficient on its own to bring about the broader labour market that Belgium needs. In addition, financial and other thresholds (which often prevent access to employment) must be eliminated. This is the reason why the overly heavy tax burden (which is currently a burden for businesses) will also be reduced (within budgetary limits). Additionally, it will be necessary to tackle the unemployment and inactivity traps.
New reductions in social security contributions are being implemented (particularly for low- and middle- incomes), with a targeted increase in the tax exempt share and an increase in the employment bonus. In addition, the federal increase in standard deductible expenses will be extended through 2008. The Flemish government has increased the standard tax deduction for workers living in the Flemish Region. Consequently, in 2009 all Flemish people will benefit from a 250-Euro reduction in their taxes (regardless of their income). Flemish workers on low incomes will also be entitled to an additional 50 Euro-deduction, bringing the total deduction to 300 Euros.

Previous measures have been effective, resulting in a decrease in the implicit tax rate from 43.9% to 42.8% of taxable labour income between 2005 and 2006. In contrast, there was an overall increase in the euro zone and the three neighbouring countries over the same period. According to estimates by the National Bank of Belgium this downward trend will continue in Belgium and reach 42% in 2007.

Business competitiveness is also being supported by the implementation of a tax and regulatory framework which encourages their activities (e.g. notional interest rates, support for Research and Development, a reduction in taxes on patent revenues, an extension of the tax exemption on additional personnel hired by SMEs, a reduced administration burden etc).

On 1st July 2008 the partial exemption of wage tax on the pay of researchers was standardised. The 25%, 50% and 65% rates were all fixed at 65%. The exemption for additional SME personnel (which was a temporary measure and due to finish at the end of 2007) will now become permanent in 2008.

During the 2009-2010 negotiations on intersectoral agreement (IPA/AIP), the social partners will be asked to seek a balance between the growth of these costs and the purchasing power of salaried workers and to reinstate the wage cost handicap. Previously, economic crises and the socio-economic climate were taken into account when determining the margin of wage increases. Within this framework additional proposals from social partners to improve the structural reduction in social security contributions on low salaries and to strengthen existing measures for night and shiftwork, overtime and increases in the minimum wage will be watched very closely by the government.
### Policy 3

**Encouraging entrepreneurship and innovative economic forces**

The competitiveness of the Belgian economy is also supported by structural policies on innovation, Research and Development, the regulatory framework and the spirit of entrepreneurship. The federal authorities, regions and communities each play their part in cooperating with the social partners.

At a federal level the social partners expect to adopt specific measures on the subject at the next IPA/AIP. The key principles of the industrial policy aimed primarily at innovation, entrepreneurship and improving environmental factors in territory planning are clusters and skill hubs. European structural funds will also target these objectives.

A framework has been created for investment in innovation and Research and Development. In order to achieve the 3% objective a coherent strategy involving all Belgian government agencies and the private sector has been developed. In addition, the “Research and Innovation Forum” has also been revived.

For the 2006-2009 multi-year budget the Flemish government is on a planned growth trajectory of 525 million Euros in additional funding. In 2008 an additional 120 million Euros will be set aside for science-related policies, bringing total credits to 1.68 billion Euros (of which 1.05 billion has been allocated to Research and Development). This increase will benefit both existing measures (e.g. R&D aid to companies, strategic research centres etc) and new measures such as the Human Capital Action Programme and the Hercules mechanism for large research infrastructures. In addition, the government is tending to balanced distribution between long-term non-directed research, basic strategic research and applied research directed at companies. This investment approach will improve the knowledge triangle over the long-term. As part of the 2009 budget additional investments are planned for the future development of knowledge infrastructures (particularly in universities) and the VITO (Vlaamse instelling voor technologisch onderzoek). The government has launched a creative sale by auction (“Innovatief aanbesteden”) in order to indirectly promote innovation and innovative solutions through public auctions.
An effective competition policy ensures lower prices for both consumers and companies. Consequently, it is a major weapon in the fight against the erosion of purchasing power. In addition, cartels and the abuse of dominant positions will be vigorously targeted. Instruments relating to market control and price increases will be extended and the research and tracking capacity of services responsible for competition will be strengthened. In order to ensure that the policy has a sufficiently clear vision of the end prices to be set, the federal government is creating a price observatory which will be responsible for studying price components. We will therefore benefit from a better understanding of the way the market operates and of potential unfair competition practices. Based on these findings future measures might be implemented at a later date.

The efforts undertaken to create a modern and simplified administrative legal framework are characterised by a transversal and multi-disciplinary approach. The current economic regulations are about to be thoroughly re-worked. A federal-level Round Table for the modernisation of economic legislation is finalising its inventory and its analysis of current economic law. This will provide a springboard for the later modernisation of economic legislation. The Brussels-Capital Region has approved a widespread systematic decree to encourage economic expansion.

A reduction in the administrative burden is consistently being sought and impact assessment efforts have intensified. Following the example of the federal government, the Kafka test is also being applied to the Walloon Region to ensure that administrative problems do not result from new legislation. The Flemish authorities are continuing to hone the methodology of their “Regulation Impact Assessment”. By the end of 2008 reduction goals will be outlined for each political region. Furthermore, a conscious effort will be made to involve the parties concerned in the regulation creation process.

Belgium is fully committed to creating an internal market for services through implementation of the framework services directive. Generally speaking, Belgium is attempting to introduce the European transposition objectives as quickly as possible (a 1% transposition deficit). Since mid-2008 a summary of the directives remaining to be transposed is provided at each Council of Ministers along with an update status.

In order to encourage entrepreneurship and business development regional funds dedicated to funding companies have been increased and are being targeted at key Lisbon objectives, such as stimulating innovation, increasing the growth capacity of companies (particularly SMEs), training,
export promotion and corporate globalisation. As part of a simplified and more accessible structure, financing measures will be offered to companies.

In order to stimulate the creation of new businesses at a federal level, an action plan and legislation aimed specifically at creating and developing small- and medium-sized companies has been developed. The action plan includes detailed measures designed to stimulate the creation of SMEs, improving entrepreneur security, improving the relationship between SMEs and the authorities and adapting the labour market for SMEs (for example, by simplifying recruitment plans and continuing to broaden the status of the self-employed).

By re-directing available resources or fine-tuning existing measures, the Flemish government will be going even further in linking its policies to the needs of businesses and entrepreneurs. In terms of providing even more effective support, 2008 was notable for initiating plans to simplify assistance measures for SMEs (particularly through an appropriate budget mechanism for economic consultancy and the transformation of the SME aid-to-innovation programme), for integrating the existing growth bonus into a renewed ecology bonus for businesses and for assistance measures targeted at strategic investment projects and training. The measures already implemented for obtaining financing (risk capital, guarantees, loans (arrears)) reached full speed in 2008.

The Walloon Region is planning a comprehensive package of measures to develop, polarise and improve the competitiveness of its productivity base. The priorities defined for this purpose are: the encouragement of company spirit and entrepreneurship, help and support for business creation, the extension and transfer of businesses (particularly of SMEs), the implementation of an integrated industrial policy focused on the creation of networks (competitive hubs and clustering), access to finance, help to investment (particularly through a lighter local, provincial and regional company tax burden), professional training and education and increased regional attractiveness (economic activity zones, effective infrastructure, the welcoming of foreign investors etc).

At the end of 2007 the Parliament of the Brussels-Capital Region approved integrated regulations to promote aid for economic expansion. This combined the different business aid packages (which were listed in a variety of legislative and regulatory content) into one integrated document. The objectives of the regulations are to encourage companies to invest, to fight against the deadweight effect, to manage the level of aid provided based
on economic and employment policy objectives, to encourage public-private partnerships and to provide support to companies throughout their lifetimes. The regulations streamline and update existing assistance, reduce case processing times and create new types of aid better-suited to the current needs of companies located in an urban setting. It also contains measures to promote recruitment, innovative investments, the environment, job quality, the transfer of companies and the knowledge of workers.

Policy 4

Improved social protection and the fight against poverty

The current economic situation and the sharp rise in food and energy prices in particular has led to major problems, particularly for those on lower incomes. At the same time funds available to the authorities to meet these needs were limited as the worsening economic climate resulted in increased budgetary pressures. Consequently, measures aimed specifically at low income households were implemented in 2008. The oil fund and social rates for natural gas and electricity were expanded in reaction to the significant increases in energy prices (i.e. social tariffs became automatic).

On 1\textsuperscript{st} July 2008 the guaranteed minimum income for the elderly (IGO/GRAPA) was increased by 2\% and minimum pension and invalidity benefit levels were also increased. In October 2008 the IGO/GRAPA will be increased again (by 5 Euros per month on the base figure) and the minimum pension for self-employed workers will also be increased. The revaluation of pensions (which came into effect six years ago) was initially planned for 2009 but was brought forward by a year. In addition, a first important step was taken towards removing the unified withholding on pensions, with the amount exempted from this payment being substantially increased. The limit on work permitted after retirement and the survivor’s pension were also increased. Furthermore, an age supplement was granted to all people who receive family allowances and allowances for the first children of self-employed workers were increased by 10 Euros.

In addition, all of the measures agreed to by the social partners (as part of the allocation of the well-being fund) were implemented in 2008. The social partners are currently working on determining the amount of the well-being fund for 2009-2010.
On 23rd May 2008 the socio-economic Council of Ministers focused particular attention on the topic of social protection. The federal government set itself the objective of strengthening the principle of insurance, solidarity, the adjustment to prosperity and the long-term financing of social security. The National Conference on Pensions will be held in the autumn of 2008 and will lead to a number of structural pension reforms.

Access to health care and the quality of care have been improved (e.g. chronic illnesses, the revaluation of general practitioners etc), while still remaining within the 4.5% limit set for growth in real expenditure. In addition, as the result of the creation of a financial reserve within the 4.5% limit, a forward-looking strategy has been developed. A comprehensive multi-year plan for cancer and chronic illnesses was implemented in 2008. The regions and communities are also developing action plans as part of the fight against poverty and offering assistance in relation to household purchasing power, with low- and middle-income households the primary targets. In 2009 in Flanders the professional exemption will be expanded to include all workers living in the Flemish Region. It will be increased selectively for the lowest-income households and they will benefit from a professional deduction of up to 300 Euros. To better balance professional and private lives an additional 50 million Euros has been allocated for childcare services, to improve the status of foster parents and to make care more financially viable. The Flemish government is also paying special attention to those who are most dependent on care - the monthly level of health care insurance allowances will be increased again by 5 Euros to 130 Euros a month. Secondly, the regional tax collected by the Brussels-Capital Region has been cut in half (90€ instead of 179.50€). This will affect both households and businesses. Another government priority has been to increase the number of places available in day care. Since 2004 an additional 908 places have been created (to which should be added 1,046 planned and funded places and 1,055 places from new projects). One of the measures included in the new regulatory framework for economic expansion aims to provide financial incentives to companies to create new childcare places. Thirdly, the joint government of the Walloon Region/French-speaking Community has implemented a number of initiatives to support family purchasing power (particularly for low- and middle-income households). These include free regional transport for job-seekers, reduced childcare fees, higher education grants and interest-free loans to improve home energy efficiency.
The Belgian authorities are well aware of the impact rising energy prices have on business competitiveness and the purchasing power of citizens. Consequently, the creation of an efficiently operated energy market which has increased competition is an absolute priority. The liberalisation process which was started in Belgium (and which has already allowed significant progress to be made), must be taken to its conclusion. We note that it is primarily on the production side that competition must be strengthened. For this reason the federal government is ensuring that new electricity producers can expand into the Belgian energy market, primarily by encouraging a favourable investment climate and fully competitive conditions. In this way part of the production market (which was historically held by the incumbent) will be redistributed.

It is important to note that as the result of significant efforts in the autumn of 2008 a newly formed global energy group was charged with the safeguarding of competition and recognising the conditions of independent management. As a first step care was taken to ensure that the companies concerned implemented and followed what has been dubbed “European remedies”. Consequently, we can state that (in parallel with the merger), a number of new companies were able to enter the Belgian energy market. Eni, the Italian company, is now the main shareholder in the Distrigaz natural gas company and Centrica, the British company, is now the main shareholder in SPE, the country’s second largest electricity producer. In addition Suez relinquished control of the Fluxys natural gas transmission network and this has benefited Belgian communes via the Publigaz holding. It will be crucial for Belgium to continue to ensure that the conditions required for competition and independence are maintained.

To comply with the provisions of the so-called “third liberalisation package” actions to separate the production/supply functions on the one hand and transmission on the other will be pursued. The federal government has opted resolutely for the independent management of transmission networks and has subscribed to European “ownership unbundling” (which provides for the minority ownership of producers/suppliers). Many initiatives to achieve this have already been undertaken and they will be vigorously pursued. With respect to the natural gas transmission network operated by Fluxys, the federal government approved a draft law at the
end of July 2008 which will ensure that the vertically integrated portion of the company will be reduced to 24.99% by the end of 2009. Belgium also subscribes to the other proposals contained in the third liberalisation package.

The government is aiming for a strong and independent regulator. The powers of CREG (the national regulator) were extended significantly under a law in April 2008. As a result, the regulator is now better equipped to supervise the market, identify any breaches of competition rules and report them to the competition authorities. The regulator will also be able to judge if the ratio between company costs and the prices they set are objectively justifiable.

In line with European requirements on data collection and the careful tracking of developments in the market place, a federal government department in charge of energy will assist the political authorities in identifying the direction to be taken to ensure a secure supply for all energy sectors.

In addition to increased competition, achieving the objectives related to climate and renewable energy are of major importance to Belgium. In this respect also ensuring that energy costs remain fair will remain an ongoing priority.

The Belgian governments are convinced that the rise in energy prices, the need to ensure a stable energy supply and the fight against climate change require a structural transition to a “low-carbon economy”. The time of “cheap energy” has passed. Global demand for energy is increasing and will continue to do so, due partly to the strong energy requirements of emerging economies like China and India.

A structural process requires a structural response, with a fundamental change in behaviour required. The key phrases are: awareness of Belgium’s energy dependency, energy savings and efficiency-mindedness. Households, businesses (and last but not least) the authorities will have to adjust their behaviour and take strategic decisions whilst remaining alert to the environment and the need to adopt an energy efficient approach in relation to relatively scarce energy sources.

The environment has sent all of us a clear message. We will have to work together to provide an effective response to increases in greenhouse gas emissions. This will be required not only to meet the Belgian Kyoto objec-
tive of -7.5% for 2008-2012 but also to meet the objectives of the ambitious European post-2012 scenario. The latter provides for a significant additional stimulus in favour of a structural shift within the EU and for the attainment of a comprehensive global agreement on climate. Much work has already been done (particularly by industry). According to the latest emissions inventory figures for Belgium (2006), emissions levels decreased by 6% compared to the reference year. Starting in 2008 (the first year of the first Kyoto Protocol commitment period (2008-2012)), governments will have taken the first steps towards a low-carbon society. However, further efforts will of course be required.

The Belgian authorities will develop a policy to encourage citizens and businesses to invest in energy savings, energy efficiency and the environment, with a focus on the building and mobility sectors being of particular importance. The potential in these two sectors is enormous. Houses and buildings must be built in more energy-efficient ways. The federal authorities are leading by example via a third-party payer system and are also creating an ambitious multi-year plan for this purpose. The development of measures to enable the creation of more sustainable vehicle fleets will also be pursued. Following Europe’s lead the automobile industry will again be urged to integrate environmental concerns into its production process. In conclusion, the Belgian governments will ensure that companies can implement all of these initiatives without losing their competitive edge.

Belgium needs a sustainable and diversified energy mix. The current energy mix is as follows: 40% petrol and petroleum products, 25% natural gas, 9% solid fuels, 21% nuclear energy and 4% renewable and recycled fuels. Because it comprises 65% fossil fuels and less than 4% renewable energy this mix is insufficiently diversified and is too dependent on exhaustible sources. In addition, it does not provide definite answers to environmental issues and also does not provide sufficient guarantees for reining in energy prices. The Belgian government has brought together a group of national and international experts to determine the ideal energy mix for Belgium in the medium- and long-term. This group will make its recommendations to the government so that it can make targeted choices during the second half of 2009. Investments in more sustainable energy forms (and particularly the promotion of renewable energy sources) are a

1. Compared to 1990 the level of emissions has decreased by 5.2% (1995 is used as the reference year for fluorinated gases).
2. Statistical overview of Belgium, key figures for 2007, SPF Economy, SME, the Middle Classes and Energy
priority for the authorities. Belgian wind farm capacity both in the North Sea and “on-shore” must be able to fulfil its potential.

In order to implement the agreement reached between the Belgian federal authorities and the regions as to how responsibility for implementing the Kyoto Protocol of 8 March 2004 would be divided among them, the federal government refined and extended its reduction measures (this includes for example tax deductions for investments designed to create energy savings and promotion of the third-party payer system). Additionally, in May 2008 the government adopted a comprehensive and diversified strategy for the federal policy on emissions acquisition rights. The necessary funds were released for this purpose in order to acquire emissions rights via sustainable projects and depending on the fulfilment of its commitment.

Implementation of the Flemish climate strategy includes a series of “priority measures” for energy efficiency, sustainable energy use and renewable energy sources. It also addresses the ecology section of the Lisbon Programme. As the result of an improved ecology bonus (amongst other things), support is being provided for environmental investments made by businesses.

In 2008 the Walloon government adopted an Air-Climate Plan which has a horizontal impact across several policy areas: competitive hubs and clusters, research programmes, training policy, financing tools and investment support, aid for the development of a photovoltaic energy system, inclusion of behavioural and energy efficiency criteria in public administration and the development of multi-modality etc.

On 6th December 2007 the government of the Brussels-Capital Region approved a road map designed to construct an integrated and far reaching climate plan through 2020. The region’s decision was inspired by the example of several European cities (which had also set themselves very ambitious objectives). The government’s road map aims to establish an integrated climate plan by the end of 2008 based on the following principles: (1) to place Brussels (the capital of the EU) within the group of most proactive European and world cities on climate issues; (2) to set objectives for Brussels which are consistent with the climactic risks outlined by the IPCC; (3) to preserve and improve the purchasing power of citizens and business competitiveness by reducing their total energy burden in the face of relentless rises in energy prices; (4) to avoid any loss of comfort by the residents of Brussels and to guarantee more social justice by providing protection for the poorest consumers facing higher energy prices; (5) to generate new em-
ployment opportunities for the residents of Brussels and new opportunities for businesses (particularly in new energy performance areas) and (6) to determine the minimum reduction goal that can be attained by 2020 (by at least implementing all of the measures for which economic profitability is assured).

3. The role of the National Reform Programme from a national standpoint

This new National Reform Programme implements the launch of a new cycle of the Lisbon strategy. During this phase it will be important to meet the commitments made and to carry out all necessary measures. Belgium has spoken in favour of a continued emphasis on growth and jobs whilst also progressing social and environmental issues. In fact structural measures must continue to be implemented in the European Union in order to preserve the competitive position and wealth. From Belgium’s standpoint, the Commission’s decision to formulate proposals designed to ensure coordination and more effective governance within the euro zone is a positive development.

The renewed National Reform Programme has a special place within the framework of socio-economic policy implementation in its broadest sense (budget, social security, employment, competition, Research and Development etc.). The programme provides tangible proof that Belgian policies fit into the European framework. The programme therefore provides guidelines and a benchmark for the objectives and priority areas across all levels of government.

The current National Reform Programme clearly stipulates the responsibilities assumed by each government authority. Since Belgium is a federal country, economic and employment market policies are capabilities shared between the federal and regional authorities. Education and training are first and foremost community responsibilities. Each authority must provide adequate answers to the needs (which can be different from one region to another). The autonomy of federated entities must bring citizens closer to policies and enable better governance at all levels of power. Last year saw the emergence of an awareness that new steps must be taken in reforming institutions. This should enable improvement at all levels of government. A new balance between the various authorities can improve reciprocal aid and enable more effective cooperation. This will enable Belgium to meet the challenges of tomorrow.
However, implementation does not depend solely on the federal government, the regions and the communities. In Belgium, social partners, employers and employees also have an important part to play. The social partners have made a significant contribution to this programme. During the first stage of the writing process dialogue took place between the national Lisbon coordinator, the Central Council for the Economy and the National Labour Council. The Federal Council for Sustainable Development also participated in these discussions. During the final writing phase they debated a draft reform programme. In conclusion the councils offered a formal opinion on their contributions to achieving the Lisbon objectives and to Belgium’s National Reform Programme. In order to communicate the Lisbon strategy more widely, the social partners also presented their work on the Lisbon strategy to the federal parliament.

It is evident that the National Reform Programme emerged as a result of intensive cooperation between the federal authorities, the regions and the communities. In order to provide a true picture of the efforts made by Belgium, the various priorities held by the regions and communities were clearly revealed. All share a common goal: to strengthen competitiveness, growth and employment in order to continue working towards a balanced social and ecological policy. The reform programmes of the federated entities are therefore essential in reaching these objectives.

On 3rd October the Flemish government approved an updated Flemish Reform Programme for 2005-2008, which emphasises continuity and the implementation of measures already agreed on.

In October 2008 the governments of the Walloon Region and the French-speaking Community approved their joint plan for achieving the Lisbon objectives as part of the Belgian NRP for 2008-2010. It provides details on the regional and community priorities on the path to achieving these objectives. This approach aims to strengthen the bonds between all the parties affected by the Lisbon strategy.

Whereas there is sufficient room for manoeuvre to enable the various authorities to put forward their own priorities, the ultimate objective is a shared one - Belgian governments fully adhere to the Lisbon objectives and have endorsed a policy which encourages sustainable growth. They have done so driven by the strong conviction that economic growth can only result in prosperity for all if a sustainable effort is made to balance the economic, social and ecological pillars.
1. Macroeconomic stability

The Belgian authorities have continued their efforts and undertaken new actions to best address the two main macroeconomic policy challenges described in the NRP 2005-2008.

On the one hand, pursuing a responsible budget policy aimed at the gradual creation of budget surpluses, enables preparation for the consequences of population ageing. This policy is also a proactive one: it includes an extensive reform programme intended to reinforce economic growth potential and aims to maintain a high-level social protection system. In addition, funds are guaranteed for priority areas including security, justice, mobility, development cooperation, and the environment.

On the other hand, in order to support employment, business competitiveness, and more particularly cost competitiveness, has been reinforced by means of a suitable wage policy, a policy of easing the burden of contributions on labour, in line with the recommendations of the Council, en more globally, the improvement of the tax and regulatory framework.

A new impetus was given to this dynamic when the guidelines for the new federal government’s socio-economic policy were defined in compliance with the government agreement of March 2008. The promotion of employment plays an essential part in this policy. Achievement of the objective is assured by the continuation of the policy to reduce tax on earned income, the activation policy, and the fostering of entrepreneurship. Enhancing social protection is also a significant aspect of this socio-economic programme.
Table 1 - Structural macroeconomic indicators

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<tbody>
<tr>
<td>Per capita GDP in PPS</td>
<td>121</td>
<td>118</td>
<td>113.1</td>
<td>111.6</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Labour productivity per person employed</td>
<td>132.2</td>
<td>130.2</td>
<td>110.9</td>
<td>110.2</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Rate of inflation¹</td>
<td>1.9</td>
<td>1.8</td>
<td>2.1</td>
<td>2.1</td>
<td>2</td>
<td>2.3</td>
</tr>
<tr>
<td>Public balance (% of GDP)</td>
<td>0</td>
<td>-0.2</td>
<td>-2.8</td>
<td>-0.8</td>
<td>-2.8</td>
<td>-0.9</td>
</tr>
<tr>
<td>Public debt (% of GDP)</td>
<td>94.2</td>
<td>84.8</td>
<td>63.2</td>
<td>60.4</td>
<td>62.1</td>
<td>58.7</td>
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<tr>
<td>Tax rate on low salaries</td>
<td>85</td>
<td>83</td>
<td>74.3</td>
<td>75.49</td>
<td>74.11</td>
<td>75.39</td>
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<tr>
<td>Low salary trap (single without children)²</td>
<td></td>
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<tr>
<td>Tax rate on low salaries</td>
<td>48.9</td>
<td>49.2</td>
<td>39.8</td>
<td>40.1</td>
<td>39.8</td>
<td>40.1</td>
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<tr>
<td>Rate of taxation on the cost of labour³</td>
<td></td>
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<tr>
<td>Implicit tax rate on labour⁴</td>
<td>44.1</td>
<td>42.8</td>
<td>35.9</td>
<td>36.2</td>
<td>36.1</td>
<td>36.7</td>
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<th>EU25</th>
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<tr>
<td>Unequal income distribution</td>
<td>4</td>
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<tr>
<td>Poverty risk after social transfers</td>
<td>15</td>
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</table>

Source: Eurostat

1: The reference is the euro area and not the EU15
2: Change in net income due to an increase in work divided by the change in gross income due to an increase in work (individuals earning 67% of the average salary).
3: Tax on gross remuneration and social security contributions paid by the employee and the employer expressed in % of total salary cost
4: Ratio of taxes and social contributions withheld on salaried work income in the total remuneration of salaries.

1.1. A responsible budget policy

1.1.1. The 2007 budget

The budget deficit incurred by all public authorities in 2007 amounted to 0.2% of GDP. In accordance with the 2007-2010 stability programme, the Belgian authorities had forecast a surplus of 0.3% of GDP.

The economic environment of 2007 was rather favourable for public finances. However, the potential for adopting budgetary adjustment measures was reduced due to the process of forming a new government which followed the legislative elections of June 2007.
At the time the initial budget was drawn up, a cautious estimate had been made for a level of economic growth of 2.2% of GDP. This projection was confirmed by the budget audit carried out in March 2007. Finally, growth in 2007 reached 2.8% of GDP, which was, as in previous years, a rate higher than the euro area average of 2.6%.

Several elements offer a more precise explanation for this discrepancy with the budgetary objectives. First, as opposed to previous years, the 2007 budget was implemented without any non-recurring measures being taken. Real estate sales and the resumption of pension funds were not carried out, although they were originally planned for in the budget. In addition, and in compliance with the Eurostat decision, the securitisation of outstanding taxes was not accounted for as receipts. Besides, the increase in tax receipts turned out to be less than initially forecast. Finally, expenditure was higher than estimated.

The level of indebtedness of the public authorities continued to decline nevertheless and reached 84.8%\(^1\) of GDP at the end of 2007. In addition, the gap between Belgium’s public debt ratio and the euro area average (66.6% of GDP) was further reduced.

In addition, the Belgian public authorities’ financing balance is more favourable compared to the average financing balance of the euro area, which amounts to -0.6% of GDP. A better performance has also been recorded for the primary balance. This balance amounts to 3.7% of GDP in Belgium as opposed to 2.3% of GDP on average in the euro area.

1.1.2. Predicted short- and medium-term developments in budget position

The 2008-2011 stability programme presented in April 2008 updates the previous programme and sets out the budgetary policy guidelines for the period in question.

This programme plans to achieve of a balanced budget in 2008 then, beginning in 2009, the creation of structural surpluses which should amount to at least 1% of GDP in 2011. Following an initial gap, the budget policy will

\(^1\) This figure takes into account the reconsolidation of the Railroad Infrastructure Fund (FIF) in the public administration sector. The government passed the reconsolidation when the 2008 budget was drafted, thereby ending the disagreement between Eurostat and the Institut des Comptes Nationaux on which accounting method to use for the take-over of the SNCB’s debt by the FIF.
come in line with the path set out in the modified law guaranteeing a continuous reduction in public debt and creating a Silver Fund. Given these conditions, the programme does not in any way imply a weakening of the adjustment effort in comparison with prior objectives.

According to the economic and budget projections contained in this programme, the public debt ratio will continue to fall at a sufficiently sustained rate, reaching 81.5% of GDP by the end of 2008 and 71.1% of GDP by the end of 2011.

The 2008 budget returns to the principle of structural balance. Given the current environment of economic instability and the political agenda, it was decided to achieve a balance. The recourse to ad hoc measures has been considerably restricted.

In order to achieve this objective, the growth of primary expenditure has been severely circumscribed despite a strong increase in ageing-related expenditure. The federated entities should all contribute to achieve this budgetary objective.

Besides, the economic environment has deteriorated during the year. The macroeconomic assumptions of the 2008 budget referred back to the January 2008 economic budget. A GDP increase of 1.9% and an inflation rate of 3% were expected at that time. These projections were entirely valid at that time but have since had to be revised.

The July 2008 budget audit was based on the estimates of the June 2008 economic budget. According to these forecasts, the deceleration of the economic activity should be more substantial in 2008 with a GDP growth of 1.7% in constant prices. Inflation should also be higher with an expected increase of 4.6%.

Given the many uncertainties surrounding the economic environment, this budget audit was based on cautious assumptions. The commitment to a balanced budget was maintained, particularly thanks to rigorous control of departmental expenditure. Following the increased inflation, a margin of 110 million euros was provided for the development of new initiatives aimed at strengthening the purchasing power of the poorest households. The government has nevertheless committed itself to achieving a balanced

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2. According to the economic budget of September 2008, GDP growth will be 1.6% and inflation 4.7% in 2008.
budget in 2008, if necessary, through new measures that will be taken at the time the 2009 budget will be drawn up.

However, with the assistance of all federated entities, the Belgian government has committed itself to meeting the objectives set in the Stability Pact by implementing a strict oversight policy for overall expenditure and an ambitious activation policy for, notably, specific target groups (youth, foreign-born residents, women, and the elderly).

1.1.3. Challenges of an ageing society

The Belgian authorities have developed a comprehensive and coherent strategy to address the challenges of population ageing. In addition to fostering activity and employment, the budget policy is an essential part of this policy with the gradual creation of budget surpluses intended to finance the Silver Fund in a structural way and a continuous reduction in the debt ratio. This policy is intended to ensure the sustainability of public finances which, in the 2007 progress report review, was pointed out as requiring close monitoring.

The reduction in the debt ratio enables reducing the weight of interest charges and providing an available margin to absorb the cost of population ageing. According to a June 2008 report by the Study Committee on Ageing, this cost was estimated at 4.3% of GDP for the period 2007-2030 and 6.3% of GDP for the period 2007-2050.

The reserves accumulated in the Silver Fund will provide a source of financing until 2030 for additional expenditure by the various legal pension schemes.

The absence of budget surpluses in 2007 and 2008 will make it difficult to finance the Silver Fund as planned in the modified law guaranteeing a continuous reduction in public debt and creating the Silver Fund. In compliance with this law, 0.3% of GDP in 2007 and 0.5% of GDP in 2008 should have been affected to the Fund, at least under positive economic growth conditions.

However, the Fund’s portfolio was increased by 832.5 million euros in 2007 thanks mainly to the yield on financial investments. The Fund’s total re-

3. Compared to the previous report, this cost remains unchanged for the 2007-2030 period and is only slightly higher (about 0.1% of GDP) for 2007-2050.
serves amounted to 15,493.7 million euro at the end of 2007, that is 4.7% of GDP.

In 2008, the Fund will be allocated an amount equal to the interest capitalisation, that is 687.5 million euro. From 2009 on, the Fund should benefit from structural financing thanks to a return to the path aimed at the gradual creation of a budget surplus.

In addition to the budget policy, increased participation in the labour market\(^5\) and the improvement of the social protection system are also essential components of the strategy put in place to address the challenge of ageing. Increasing the employment rate among older workers is a priority in this respect. The implementation of many of the Generation Pact’s measures will contribute to this objective.

Besides, an increase in the maximum amount for allowed work after retirement\(^6\) from 2008 on will encourage retirees to extend their working career and foster active ageing. In addition, according to the government agreement, these maximum amounts will be gradually increased during the 2008-2011 legislature.

1.2. Company competitiveness, a guarantee for greater employment

Company competitiveness is being strengthened by easing the fiscal and parafiscal burden on labour, a responsible evolution of salary costs, and improving the fiscal and regulatory environment for businesses. Various initiatives have been taken to foster investment, employment and innovation, and as a result, to help boosting economic growth.

1.2.1. A reduction in the indirect labour cost

Continuing the policy to reduce taxation on labour, particularly on low and medium level incomes is a key priority of the federal government’s socio-economic policy... Beyond fostering labour supply and demand, this policy supports the purchasing power of households and, as a result, the economic activity.

4. The amount corresponding to the 2006 surplus, as estimated by the National Bank of Belgium in February 2007, was also invested in April 2007.
5. This issue is examined in detail in chapter 3.
6. The ceiling was increased by 25% for retirement pensions (work after the legal retirement age) and by 8% for survivors’ pensions (work before the legal retirement age).
A whole series of measures has been taken to achieve these objectives while taking into account the defined budget framework. These initiatives meet the recommendations made by the Council in the evaluation of the 2007 progress report.

In order to tackle unemployment traps and make work more financially attractive, the reductions in fiscal and parafiscal contributions are primarily directed at low- and medium-paid workers.

Thanks to the targeted increase in the tax-exempt share of income in 2008, these workers now benefit higher net incomes. The impact on the budget amounts to 150 million euros on an annual basis.

In addition, the “employment bonus,” which consists of a sliding-scale reduction in personal social security contributions, was extended once again in October 2008. Under the intersectoral agreement 2007-2008, an increase on 1 October 2008 in the minimum average guaranteed monthly income was planned. The amount of the bonus has been increased in order to avoid workers losing the benefit of their employment bonus as a result of this increase. Emphasis was put on the lowest income: The maximum increase applies to the minimum wage, then gradually decreases as income increases. The cost of this increase amounts to 36.44 million euros on an annual basis.

The “minimum guaranteed income” allowance system was reworked in order to avoid potential unemployment traps. According to this mechanism, a job-seeker who takes on part-time work can continue to receive a part of his unemployment allowance in order to earn more than the allowance alone. The higher the number of hours worked, the higher the difference.

The amount of the “minimum guaranteed income” allowance has been increased given that the benefit was not always financially attractive enough. When calculated, the amount of the highest supplement is now allocated independently of the job-seeker’s family situation and the employment bonus is no longer deducted from the allowance. It can now reach up to 147 euro a month.

7. This measure, passed in June 2008, has been taken into account for the calculation of withholding tax on earned income since July 2008. However, it applies to the whole income 2008.
8. An adjustment to the reduction in employer contributions is also planned.
9. Or an equal amount if the part-time work is not exceed a third of full-time work.
In addition, the Flemish Region has extended the lump-sum reduction in the personal income tax introduced in 2007 for workers living in the Region. In 2008, the income threshold entitling to the deduction was lifted and the deduction was increased from 125 euro to 200 euro (instead of the 150 euro initially planned). The budget cost of the measure is estimated at 200 million euro. The deduction, which was initially intended for low incomes, will be applicable to all workers in 2009. The amount of the deduction will be increased to 250 euro for all workers and to 300 euro for low-income workers. The impact on the budget will amount to 700 million euro.

Other recently implemented measures include overall cost reductions and benefits for certain target groups.

The increase in lump-sum deductible operating costs implemented in 2006 and 2007\(^{10}\) enabled a reduction in the tax burden on labour. The overall net revenue of workers has been increased by this provision without generating additional costs for employers. The measure was confirmed in 2008: the increase in the lump-sum reduction was included in the withholding tax on earned income for the month of May. Its impact on the budget amounts to 150 million euro. The anticipated indexation of tax brackets in the withholding tax on earned income from October 2008 on, also leads to an additional increase in net revenues (cost 80 million euro).

In addition, a new tax incentive system was implemented in 2008 on bonuses granted to workers based on company results. This mechanism is intended to foster workers involvement in their companies and to introduce more flexibility into wage policies.

In order to support human resources for research and development, exemptions on the payment of withholding tax on researchers’ salaries were introduced in 2004 and gradually extended to new staff categories\(^{11}\). The measure was further extended in 2008: the various deduction rates were harmonised in July 2008 and the maximum rate (65%) now applies to all categories of researchers affected by the provision. This increase amounts to 82.8 million euro on an annual basis.

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10. In 2006, the first bracket of deductible expenses was increased by 1.1 percentage point. The measure was continued in 2007 with an additional increase of 1.1 percentage point. In addition, the ceiling for deductible expenses was also lifted twice.
11. These measures are detailed in chapter 2, point 2.1.2.
In addition, as part of the intersectoral agreement negotiations for 2009-2010, and in accordance to the government agreement, the government considers to implement the social partner proposals regarding further reductions in social contributions for low-paid workers, the exemption mechanism for the payment of withholding tax for night and shift work, and for overtime. A change in the number of overtime hours allowed and in the related employer social security contributions scheme will also be considered. An increase in the minimum wage will also be considered as part of these negotiations without however allowing the measure to damage the competitiveness of Belgian companies.

Additional measures to ease the fiscal and parafiscal burden are being considered and will be defined at a later date, according to the available budget margins. These provisions are relating to a new extension of the tax-exempt quota, a change in the number of intermediary tax brackets, and a reduction in social contributions on labour.

The various charge reductions will be compensated for through a number of additional revenue sources in order to achieve a balanced budget in 2008. This is the product of the fight against tax and social security fraud, the contributions from electricity producers (250 million euro), the impact of activation policies for job-seekers (286 million euro), and a limited number of non-recurring measures (270 million euro).

In addition, previously adopted measures to reduce the tax burden on labour have been effective. According to Eurostat figures, the implicit tax rate on earned income in Belgium decreased by 1.1 percentage point between 2005 and 2006, to 42.8%. This contrasts with the average upward trend observed in the euro area and, particularly, in the three main neighbouring countries\textsuperscript{12}. In addition, according to the estimates of the Belgian National Bank, this rate should fall even further in Belgium to 42\% in 2007.

1.2.2. A suitable wage policy

In Belgium, wage negotiations are the responsibility of the social partners. The public authorities did however introduce a reference framework for these negotiations with the law of 1996 for the promotion of employment and the safeguarding of competitiveness. Intersectoral negotiations take place every two years to reach an agreement on wage cost evolutions and

\textsuperscript{12} During the same period, the implicit tax rate on labour increased by 0.3 percentage point on average in the euro area, 0.4 percentage point in France, 1 percentage point in Germany, and 3 percentage points in The Netherlands.
also on more structural questions related to the functioning of the labour market, such as worker training and innovation process.

The reference point for Belgian wage developments is the expected average development of labour costs of the three main commercial partners (Germany, France, and The Netherlands). This reference point enables an indicative definition of the maximum margin of wage increase. Special attention is paid to the effective wage increase compared to this norm. Any catching up to close a possible gap with the norm must take place through a dialogue among the social partners, taking into consideration the components of the labour cost and the socio-economic context.

In this respect, the negotiations to reach a new intersectoral agreement (IA) in late 2008 will provide an opportunity to assess the effective increase in wage costs over the 2007-2008 period. The previous agreement fixed a nominal indicative wage norm of 5% for the period. This norm was to enable Belgium to reduce its wage cost handicap by 0.5%. According to the technical report of the Central Economic Council of November 2006, this handicap was estimated at 1.5 percentage point compared to the reference year of 1996. According to the November 2007 report, the handicap amounted to 1.2 percentage point due to a more rapid increase than expected in hourly labour costs in the reference countries.

The 5% wage margin took into account projected inflation of 3.9% for 2007 and 2008. Because of inflation acceleration in 2008, these forecasts were exceeded resulting from a higher-than-expected nominal increase. Effective wage growth could therefore reach 7.4% according to the projections of the June 2008 economic budget. The evaluation of the Belgian wage handicap will only be available in November 2008. Reducing the gap with the main trading partners and maintaining company competitiveness are however ongoing concerns.

In addition, several factors have a moderating influence on wage costs increases. The activation of “all-in” clauses in the collective labour agreements of some business sectors limits wage increases, should inflation be more severe than expected. Besides, the wage subsidies granted to companies reduce increases in their wage costs and support their competitiveness. These costs reductions are not taken into account when measuring the gap between the increase in Belgian wages and those of its three neighbouring countries.
In addition, during the intersectoral negotiations for 2009-2010, the social partners will be induced to take into consideration the impact of the indexation mechanism on determining the margin available for real wage increases. The various economic shocks to which Belgium was exposed, and the socio-economic evolution of its neighbouring countries, were taken into account to determine the norm for previous intersectoral agreements. The social partners usually agree that a balance must be achieved between increases wage costs developments and workers’ purchasing power. The various sectors have also been asked to negotiate a corrective mechanism to avoid future wage excesses and to ensure that easing of fiscal burden is not converted into wage increases.

1.2.3. The fiscal and regulatory environment for businesses

An ongoing improvement in the fiscal and regulatory environment for companies is a major goal for Belgian public authorities. A environment favourable to business activity has indeed a fostering effect on investment and job creation. The economic growth potential has been improved as a result.

Over the past few years, the fiscal framework is become more attractive thanks notably to the introduction of the notional interest deduction, the deduction for revenues from patents, the “tax unit” principle for VAT, and the extension of the Parent-Subsidiary Directive to companies located in countries with which Belgium has signed a preventive double taxation agreement.

In order to continue improving the business environment for companies, the government will examine the possibility of implementing a legal framework for fiscal consolidation within a neutral budget framework. The signing of new bi-lateral agreements will also be pursued in order to encourage investment.

A number of simplification measures have also been taken to reduce the administrative burden for companies. These include electronic invoicing and electronic personnel management. Administrative constraints will be further reduced thanks to an additional decrease in the statistics burden and the development of e-government, notably through optimised use of the Crossroads Bank for Enterprises.

13. This topic is covered in more depth in chapter 2 (point 2). Efforts for simplifying and reducing costs for federated entities are notably examined.
In addition, entrepreneurship is being fostered by the continued improvement in the social status of the self-employed and the development of an action plan to promote small- and medium-sized companies. Besides, the government considers to grant these companies tax incentives for energy-saving investments and investments aimed at enhancing the security.

The Flemish government is helping local authorities to wipe off their debts thanks to the Local Pact. The treasury surplus of 795 million euro recorded at the end of 2007 and the fact that Flanders has no debt, have enabled it to take over debt from local authorities in the amount of 612 million euro.

The latter have committed themselves to removing taxes on office space and on employed staff, to carrying out a transparent fiscal policy favourable to companies, and to not increasing taxes for 2009. In addition, the Flemish government will exempt all new equipment and tooling from withholding tax on real estate and will fully compensate communes and provinces for revenue lost on supplementary local taxes to withholding tax on real estate.

The Walloon Region is continuing to reduce local, provincial and regional taxes on companies, it began in 2006 with, notably, the removal by 2009 of the provincial tax on power capacity and the compensatory industrial tax. The overall estimated gain for companies from 2006 to 2009 amounts to 178 million euro.

1.2.4. Improving research, development and innovation

As a small open economy, Belgium faces intense competition in international markets, notably from emerging and low-wage countries. In order to create niche markets to take on these competitors, Belgium intends to enhance its competitiveness by fully playing its R&D and innovation hands. To comply with the recommendation to spend 3% of GDP on R&D, Belgian public authorities will be making a greater effort to reach 1% of GDP. For their part, companies will be striving to better convert their R&D expenditure into innovations which can be brought to the market place. It will also be necessary to better disseminate knowledge among economic actors.

1.3. Stronger social protection

In addition to employment and Belgian economic competitiveness, strengthening social protection scheme remains a priority area in the federal government's socio-economic policy. This scheme is intended to
ensure well-being, prosperity and solidarity among citizens. This system contributes moreover to supporting economic activity as it guarantees that households and, particularly, low-income households enjoy a sufficient level of income.

Many initiatives have been developed within a responsible budget framework in order to upgrade a number of social services, and particularly pensions, to improve access to health care and to fight against poverty while avoiding the creation of job traps.

1.3.1. Measures to improve pensions

Since the Generation Pact was agreed to, the pensions of private sector workers and of the self-employed have benefited from a partial adjustment to prosperity thanks to the creation of a biennial mechanism. This mechanism came into effect for the first time in 2007-2008\(^\text{14}\).

In 2007, the oldest (in effect before 1 January 1988) and lowest pensions were adjusted to prosperity via a bonus to adjust them to prosperity\(^\text{15}\). This bonus has been integrated into the monthly pension payment since March 2008. In addition, an adjustment to prosperity for pensions of 2% came into effect on 1 September 2008 for a new category of beneficiaries. These are pensions that came into effect between 1 January 1988 and 1 January 2003.

An additional 100 million euro was earmarked for the development of new initiatives in the 2008 budget. This additional funding was added to the 126 million euro envelope initially planned for the adjustment to prosperity.

The minimum pension amount for salaried workers and self-employed was increased by 2% in July 2008. The minimum guaranteed income for the elderly ("GRAPA") was also increased by 2%. Finally, it was decided that the solidarity contribution on pensions would be reduced gradually from July 2008 on. The government is planning to further remove gradually this contribution which had come into effect under Article 68 of the law of 30 March 1994 on social measures.

\(^{14}\) In line with the Generation Pact law, the budget for adjustments to prosperity for social security allowances in 2009-2010 will be the subject of meetings between the government and the social partners late 2008. They will be based on a prior report from the Study Committee on Ageing. The government’s decision on how to allocate this budget will take the opinion of the social partners into account.

\(^{15}\) This adjustment to prosperity also operated on a percentage basis. A supplement to the bonus was granted in situations where the bonus was less than a 2% increase of the pension amount.
During the July 2008 budget audit, additional measures were decided for pensions and, in particular, for the lowest. Pensions which came into effect in 2003 were increased by 2% in September 2008. The minimum pension for the self-employed and the base “GRAPA” payment were both increased in October 2008. The total amount of these upgrades amounts to 11.8 million euro.

In compliance with the government agreement, the oldest and lowest pensions will be raised further in the future and the number of beneficiaries will also be increased. The calculation method in comparison to salaries will be also modified during the legislative session in order to increase the replacement rate. Based on proposals from the social partners, additional resources will be allocated to the biennial prosperity adjustment mechanism. This will contribute to the overall upgrading of pensions. It is also planned to harmonise the minimum allowances for salaried workers and the self-employed and to suppress differences in pension rights granted to married people and legal cohabitants. The development of complementary second and third pillar pensions will be encouraged and the development of the third pillar will be better framed.

Moreover, a national conference on pensions will be held to reform and strengthen the pension scheme, to initiate reflexion on pension calculation methods, on obstacles to mobility between various pension schemes, on adapting to challenges such as increased life expectancy, and also on the situation of certain categories of workers such as part-time workers, public service contractors and certain categories of self-employed workers. Generally speaking, this conference will aim at ensuring a viable future for the pension scheme while guaranteeing a decent level of pension coverage.

1.3.2. Improving access to quality health care while controlling health care expenditure

Financial balance of the social security system has been achieved thanks to improved control over health care expenditure. In addition, it is part of a policy to strengthen a high-quality social protection system.

Continuous improvement of access to care is a top priority of health care policy. This is intended to limit, or even selectively decrease, the overall share of health care services paid for by patients, to decrease the price of medications (for example, the most innovative ones), to optimise the provision of health care, and to reduce existing inequalities, whether geographical or social. A suitable provision, in particular of general practi-
Guaranteeing high quality health care is another major priority, notably following the introduction of a health care system performance evaluation mechanism, the enhancement of patient rights, and control over the care provided (via certification standards, the dissemination of best practices, etc.). Emphasis is being put on the development of health tracks in which the general practitioner's role is essential. In addition, measures to simplify administrative procedures contribute to improve the operation of the health care system.

In 2003, a 4.5% norm was determined for the maximum real annual increase in health care expenditure. Because this norm was exceeded in 2003-2004, the federal government adopted structural savings measures at the end of 2004 with the goal of better managing the growth of these costs.

Pursuing this strict cost control policy has made it possible to maintain the costs increase below the real growth objective of 4.5% in both 2005 and 2006. The guidelines for this policy were reaffirmed for 2007. According to available projections, the increase in health care expenditure should remain within this growth norm.

In compliance with the government agreement, the 2008 health care budget should remain within the 4.5% growth objective. Funds in the amount of 340 million euro have been set aside for priority actions within this norm. These priority actions target the following: improved access to health care for patients via a gradual decrease in their payments, with special attention paid to the protection of chronically ill patients and the reduction of the inequalities which continue to exist in the system; the implementation of the first multi-year plan to fight cancer based on what is already being done in other countries; continued promotion of general practice; the implementation of a policy to simplify administrative procedures via, notably, the completion of the project to create an e-health platform; the maintenance of pricing security for patients through agreements negotiated with mutual assurance companies and the organisations representing service providers; refunding of hospitals; funding of access to innovation in the area of medication and implants; and funding to manage the issue of age-
ing via an increase in budgets dedicated to institutions specialised in home-based care.

Furthermore, for the 2008-2010 period, a multi-year budgetary programme, within a maximum global envelope of 380 million euro will be dedicated to improving access and health care quality for patients with cancer or chronic illnesses.

A preventative strategy has also been implemented with the creation, within the norm, of a financial reserve of 580 million euro. During the July 2008 budget audit, the government decided to specifically allocate 306.3 million euro to the Fund for the future of health care intended to compensate, from 2012 on, for increased medical costs resulting from the ageing population\(^\text{16}\).

However, as from 2009 and according to the government agreement, the government will annually set, within the legal norm, a percentage to be paid to the Fund for the future of health care.

The Flemish authorities have also developed a reserve fund to meet the increased needs of the future related to the ageing population. The reserve fund received 100 million euro in 2008 and now stands at a little over 798 million euro.

The Flemish authorities are offering additional support via the Flemish dependency insurance (“zorgverzekering”\(^\text{17}\)) for non-medical care (notably assistance to families, aid for cleaning, day care services, housing adaptation, and aid systems). A recent study of home care showed that dependency insurance reduced objective precariousness by 14%.

### 1.3.3. Strengthening social protection, fighting poverty, and supporting purchasing power

Minimum invalidity benefits increased automatically by 2% in line with the increase in the minimum pension amount. Prosperity adjustments

\(^{16}\) With respect to the allocation of the remainder of the budget, 73.7 million euro have been allocated to a catch-up fund for hospitals, 100 million went to a stability measure (intended to cover additional expenses between the time overspending is noticed and the time corrective measures are taken), and 100 million were allocated to a general reserve.

\(^{17}\) The Flemish dependency insurance provides an annual lump-sum intervention of 1,500 euro for severely dependent people. This coverage is financed through a 228,000,000 euro budget.
were also made to the allowance scheme in September 2008. Resources for households with a disabled person were also increased via a partial exemption of partner income in the calculation of the integration allowance.

Special attention has been paid to strengthening the purchasing power of families. The schooling allowance became an age supplement and is extended to all children entitled to family allowances in 2008-2009\(^\text{18}\). The impact of the new measure on the budget amounts to 11 million euro. Furthermore, the amount of family allowances for the self-employed’s first child was again increased in 2008 (with a cost to the budget of 9 million euro). The family allowances supplement for low-income single-parent families was increased again beginning in October 2008. The income ceiling entitling to the benefit was also raised. The goal is to fight against job traps and to support purchasing power.

In all, the Belgian government has increased social allowances by 900 million euro since 2007.

Moreover, the Generation Pact law foresees the allocation of additional funding starting in 2009 for an adjustment to prosperity for social assistance allowances (integration allowance, minimum guaranteed income for the elderly, allowances for the disabled).

Depending on available budget margins, the age supplement is planned to become a 13\(^{\text{th}}\) month of family allowances. The allowance will be adjusted to prosperity and allowances for disabled children will also be adjusted.

The energy bill of low-income households has been reduced thanks to the lowering of social pricing on gas and electricity, the extension of the heating oil social fund, and the implementation of a single lump-sum reduction on gas and electricity bills for individuals who are not entitled to social pricing. The income threshold under which an intervention of the heating oil social fund can be requested was lifted and the amount paid was increased several times. Access to the fund was also made easier. In addition, social pricing for gas and electricity has been granted automatically since January 2008. The new measures amount to a total of 39.5 million euro.

A federal plan to fight poverty was also approved in July 2008 with the goal of guaranteeing subsistence protection. This plan includes nearly 60 concrete measures linked to six topics: income, employment, health, hous-

\(^\text{18}\) The bonus introduced in 2006 and renewed in 2007 was reserved for 6-18 year olds.
The Flemish authorities have also developed an action plan to fight poverty. The plan runs from 2005 through 2009 and is updated annually. It is based on ten fundamental rights: participation, social aid, family, justice, culture and recreation, income, education, employment, housing, and health care.

The joint government of the Walloon Region and French-speaking Community adopted a series of measures with a total budget of 75 million euro to support the purchasing power of households, in particular, those with low and average income. These initiatives touch, for instance, on free regional public transportation for job-seekers and discounts for school transportation, lower costs for childcare and family assistance, abolition of the radio tax, an increase in study grants, and the granting of bonuses and zero-interest loans to increase the energy efficiency of housing.
2. Promoting productive economic growth

The Lisbon strategy is focused on growth and jobs. It emphasises the importance of political support for business activities whose end goal is to improve living conditions for citizens while taking into account economic, social, and environmental concerns. The main points of this policy are covered in this chapter. They are: the knowledge economy, the challenges of an increasingly globalised economy, and short- and long-term environmental issues (and more specifically, energy).

The European Council has asked Belgium to pay particular attention to two “problems to watch” related to these policy areas. The first point is the functioning of energy markets, and particularly, the importance of having a policy which opens the natural gas and electricity markets to competition. The second point is to promote a policy which fosters research and development (R&D), and innovation. For this purpose a request has been made that special attention be paid to the role of public financing and to ensure that a high level of coordination takes place between the competent authorities.

The Belgian governments acknowledge the existence and importance of these two problem areas and, as shown in this chapter, have committed to making a major effort to resolve them.

The policies pursued by the Belgian governments over the past several years created GDP growth slightly higher than that of the euro zone overall in 2002-2007 (2.3% compared to 2.1%).

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1. Source: Eurostat
2.1. Innovating economy

R&D and innovation are a priority for the Belgian governments. The efforts provided by each of the authorities are intended to increase public and private R&D investment, to create and/or enhance competitiveness poles, to support knowledge transfers by promoting partnerships, to improve the market value of research activities, to promote available human resources for R&D, and to foster the dissemination and use of ICT.

2.1.1. Fostering R&D

Private and public R&D investments

According to estimates, total R&D spending in Belgium was 1.83% of GDP in 2006, that is, a level comparable to that recorded in 2005. This spending was 60% financed by companies\textsuperscript{2}, 25% by the public administration sector and 12% by funds from outside the country\textsuperscript{3}. According to initial budgets,

\begin{table}[h]
\centering
\caption{Structural indicators for the fields of innovation, research, economic reforms, and the environment}
\begin{tabular}{|l|cc|cc|cc|}
\hline
 & Belgium & EU-15 & EU-27 \\
\hline
Youth education attainment level & 81.8 & 82.6** & 74.4 & 75.2** & 77.2 & 78.1** \\
Gross domestic expenditure on R&D (% of GDP) & 1.87 & 1.83* & 1.89 & 1.91* & 1.83 & 1.84* \\
Comparative price level (EU27=100) & 106.7 & 105.4** & 105.4 & 104.7** & 100 & 100** \\
Business investments (% of GDP) & 18.0 & 20.0** & 17.2 & 18.6* & 17.3 & 18.7* \\
Greenhouse gas emissions (1990=100) & 100.3 & 94.0* & 98.8 & 97.3* & 93.2 & 92.3* \\
Energy intensity of the economy & 232.22 & 218.54* & 188.68 & 179.54* & 212.06 & 202.45 \\
Volume of freight transport relative to GDP & 91.2 & 82.3* & 103.2 & 103.0* & 105.4 & 107.5* \\
\hline
\end{tabular}
\end{table}

Note: *, ** indicates that this is 2006 and 2007, respectively.
Source: Eurostat structural indicators (10 October 2008)
government budget appropriations on R&D increased by 3% in 2007 therefore reaching 0.61% of GDP that year. This means that financing stabilised compared to 2006 funding.

The various authorities planned an increase in their science and innovation policy budgets in 2008.

The federal government planned a net annual increase of 6% in funds for the Interuniversity Attraction Poles programme which is intended to promote durable and structured cooperation between the leading basic research teams from the universities of the two major language communities of the country. The federal government also increased its financial participation in the construction of a new science base in the Antarctic which became operational in 2008 and thereby reaffirmed its desire to intensify Belgian scientific research on that continent. In July 2008, the Council of Ministers also decided to increase the support planned for Belgian companies taking part in the development of the Airbus A350XWB. The importance of space applications for growth, job creation, and education, has been fully recognized. Industrial services downstream of space activities will be encouraged as well the involvement of SMEs in the space value chain.

The Flemish government is pursuing its efforts to meet the Barcelona objective which it adopted as part of the Flemish Innovation Pact (Innovatiepact voor Vlaanderen) in March 2003. The 2006-2009 multi-year budget calls for a net gradual budget increase of 525 million euros. There was a net increase of 75 million euros in 2008 compared to 2007. An additional one-time 45 million euro increase is also planned. The entire science policy budget for 2008 is 1.68 billion euros of which 1.05 billion is allocated to R&D. The objective is to equitably allocate funds between non-oriented long-term research, strategic basic research, and applied research targeted at companies. The main increase in 2008 provided an additional 20 million euros for in-house company R&D projects. Also included is financing for Objective 2 of the European Structural Funds for 2007-2013 to create measures to support innovation. This is a 48.2 million euro budget for “the knowledge economy and innovation” covering the entire period. Flanders freed up an additional 72 million euros for the same period of which two thirds were provided by the public sector and one third by the private sector.

The Walloon Region is continuing its Priority Action Plan (*Plan d’actions prioritaires*) which foresees a "research" budget of 270 million euros for 2006 to 2009. In addition to the funds dedicated to research within the framework of this plan, the Region is continuing to make structural improvements to regular budgets for aid and actions to promote R&D (a 159 million euro budget in 2008 compared to 142 million in 2007). In addition to these budgets those intended to support measures for research as part of the programmes co-financed by the 2007-2013 European Structural Funds should be added in. They total 177.7 million euros for the 2007-2013 period (regional). This is an increase of 48% over the 2000-2006 amount. Over 65% of these funds will be used in 2008. *A new decree for the support of research, development, and innovation in Wallonia* which replaces the decree of 5 July 1990 was adopted in July 2008. This decree plans new actions adapted to changes in the global economy and technology, the Belgian institutional landscape and changes to European support aid in this area.

The Walloon Region has also developed action for non-technology innovation. It specifically helps to finance adaptation and improvement projects for products and processes. A new call for projects with a 46 million euro budget was launched in September 2008 (co-financed by the ERDF).

The French speaking Community, responsible for basic research, increased its research budget by 25.6% for 2005-2008.

And, the Brussels-Capital Region is implementing the measures contained in its Regional Plan for Innovation 2006-2013.

In order to support the initiatives of the regions, the bonuses and subsidies in capital and interest granted to companies for material and immaterial assets by the regional institutions, as part of their support for research and development, have been exempted from company taxation since 1 January 2007.

**Networking and internationalisation of research**

The policy carried out in the area of pooling innovative players continues to be intensified, notably through the development of competitiveness and competence poles which bring together innovation players and strive for international excellence, and through the development of clusters. These initiatives are covered in more detail in the industrial policy section (2.2.4.).
In Wallonia, the policy of networking research players is now being coordinated by the Technologic Promotion Agency which began operations in the spring of 2007. Its main objective is to enable Walloon companies, and in particular SMEs, to easily find their way to technological innovation thanks to an effective networking of players in technology development (companies, universities, schools of higher education, research centres, etc.) and innovation service providers. This networking is also supported by European Structural Funds 4.

In Wallonia and the French speaking Community, the globalisation of research has been supported by the “National Contact Points” set up to facilitate access to European research programmes. These will be continued and strengthened for the 2007-2013 period. In addition to the support provided by these services, financial aid to set up projects is also available through the Walloon Region and the French speaking Community.

In Flanders, the various activities carried out as part of international cooperation are presented in a position paper which includes an annual action plan. In addition, new financing has been planned. The main activities are bilateral cooperation (for example, Flanders/The Netherlands), multilateral cooperation (EU, OECD, UN), the EU’s Seventh Framework Programme for Research and Technology Development (7FPRTD), the Competitiveness and Innovation Framework Programme (CIP), participation in joint programmes (Art. 169) and joint companies (Art. 171), and participation in international “Big Science” facilities.

At the federal level, following the positive assessment of the first phase of the “Science for Sustainable Development” programme, a second phase will be financed in 2008 and at the beginning of 2009 in the amount of 25 million euros.

The social partners have been reaffirming their willingness to pay special attention to structural competitiveness for the past several years. The latest Inter-Professional Agreement gave the Central Economic Council (CEC) a mandate to continue its analysis of the subject 5.

4. Chapter 4 covers measures supported by European Structural Funds
5. Within the CEC, four work groups bringing together various innovation experts are responsible, respectively, for examining (1) the issue of patents and standardisation; (2) the exchange of knowledge between companies and science and industry; (3) entrepreneurship; (4) the tax framework for R&D and the policy mix. The first group’s report is available. The social partners provided a first opinion to the government based on this report on 20 December 2007.
Transferring knowledge and promoting the economic exploitation of research

In order that the investments provided to research bear fruit, the transformation of research results into industrial activity is being fostered by promoting technology and knowledge transfers between various players, by protecting intellectual property and by supporting the creation of spin-offs.

Intellectual property rights is a little known concept in many companies, particularly in SMEs. The patent information units are staffed by teams of experts who inform companies and increase their awareness of the advantages of optimal use of intellectual property. There are currently three of these units which are financed primarily by the federal government. The creation of new patent information units is being prepared for high creativity sectors. The federal government is continuing to seek ways to encourage companies to protect their intellectual property rights.

The ratification of the London Protocol of 23 May 2008 will enable a substantial reduction in the costs associated with European patents by lowering translation costs.

In order to encourage companies to develop or acquire patents they have been able to deduct 80% of the revenues generated by patents from their basic taxable amount since January 2007. Thanks to this deduction, the effective tax rate on this revenue has been limited to 6.8%.

The Flemish authorities support the transfer of research results through the funding of university interface activities and through the TETRA fund (targeted at schools for higher education). The operation of these interface services was evaluated in 2008 and the results of the assessment led to a new multi-year policy plan which will come into effect in 2009. The budget of the TETRA fund was increased by 1.5 million euros in 2008 and totalled 8.9 million euros.

A project to greatly simplify innovation support instruments for SMEs was initiated in 2008. The Flemish strategic research centres (Strategische onderzoekscentra) aimed at international excellence concentrate on technology transfers, cooperation/agreements with companies, the economic exploitation of research activities and the creation of spin-offs in four sectors.

6. These are IMEC (nanotechnology and microelectronics), VIB (biotechnology), VITO (new materials and energy), and IBBT (ICT and broadband technology).
After an in-depth assessment, new multi-year management agreements were reached with the Flemish authorities and came into effect in 2007 and 2008. These new agreements include a code of good governance. In all, the four strategic research centres will receive 146 million euros in 2008. This is an increase of 10.4 million euros over 2007.

Structural financing of 15 million euros (an increase of 10 million euros) was planned for 2008 for the new Flemish “Hercules” mechanism which provides financing for medium and heavy infrastructure for basic and strategic research. Flanders also increased its industrial research fund (Industrieel Onderzoeksfonds IOF) by five million euros in 2008. It granted universities structural financing to enable them to create an applied knowledge portfolio with intellectual rights.

The Flemish government launched an innovative public auction action plan (Actieplan Innovatief Aanbesteden) in mid-2008 with a total of 15 million euros for its 2008-2010 pilot phase. As part of this plan, the authorities have taken the initiative of acquiring existing and planned innovations which help to solve important socio-economic issues or improve the quality/productivity of public services.

In Wallonia, in addition to the competitiveness poles which are primarily intended to bring new knowledge to the market place, the Walloon government is pursuing the launch of mobilising programmes and excellence programmes. Through its mobilising programmes (programmes mobilisateurs), the Region is aiming to improve the scientific potential of its universities and schools of higher education in industrial fields essential to the Region and to bring them into the fabric of Walloon industry. Several calls for projects for new mobilising programmes were initiated in 2007 and 2008 (total budget of 25 million euros funded as part of the Priority Action Plan to intensify the mobilizing programmes over the 2006-2009 period).

The Walloon Region has also created three excellence programmes on health-related topics over the past two years. These programmes consist in injecting additional funds into university networks to promote the creation of new long-term fields of excellence that will be productive for the development of the Walloon economy. Each programme is financed by the Region in the amount of 2.5 million euros annually for five years (a total of 5 million in 2007 and 7.5 million in 2008 and 2009). With the help of Euro-

7. On topics such as renewable energy and energy efficiency, open innovation, nuclear fusion, ICT, etc.
pean Structural Funds, Wallonia is also implementing a single service provider in the field of technological innovation and a specialised operator for intellectual property.

The Brussels-Capital Region launched a new impulse programme in the field of life sciences in 2007 and a new programme for the environment in 2008. These programmes are aimed at strengthening the Region’s technology potential in sectors which have been identified as innovative for the Region by fostering cooperation between research units and financing multi-year research programmes with medium-term market applicability (15 million euros for each programme). The Region is also implementing infrastructure and services suitable to attract R&D activities from the outside and enable the development of innovative activities. As a result, two new incubators will soon join those already present in Brussels.

Standards are increasingly becoming tools to facilitate access to the innovation market. In order to raise company awareness, and particularly SMEs, to the benefits of standardisation for their innovation potential, twenty specialised teams called Standards-Antennas, have been created within the collective research centres. They also inform companies about standards and the evolution of standards in their field. The creation of new Standards-Antennas is planned. Pre-standards research enables the acquisition of knowledge to design relevant standards to increase innovation and competitiveness in industrial sectors. The government is providing financial support for the work done by the collective research centres in this area and is encouraging them to direct their research to the preparation of performance standards which are by their nature far more favourable for innovation without, however, increasing administrative costs for companies.

2.1.2. Boosting R&D human resources

In order to decrease the R&D-related costs, the federal government has granted exemptions from tax wage for the past few years to universities and schools of higher education (a 65% exemption), to registered research institutions (a 50% exemption), to partnerships between the public and private sectors (a 50% exemption), to private companies based on diplomas in certain fields of study (a 25% exemption), and to young innovative companies (a 50% exemption on the salaries of researchers and support staff). These percentages were standardised at 65% for all categories in July 2008. Taken together on an annual basis, these measures provide a tax incentive of 250 million euros.
Two other tax and parafiscal incentives have also been implemented by the federal government since January 2007. On one hand institutions active in the field of basic research (primarily universities) can reinvest their employer social security contributions in the creation of new doctoral and post-doctoral positions through two scientific research funds (the Fonds voor Wetenschappelijk Onderzoek – Vlaanderen FWO and the Fonds de la Recherche Scientifique FNRS). On the other, revenue earned by researchers from marketing their research results and paid by a certified research establishment is taxed at a different preferential rate of 33%.

The tax exemption for income tax and personal social security payments on the innovation bonus introduced in 2006 will be continued in 2008.

The procedure to obtain a visa and residency documents for researchers from countries outside the European Union who sign a welcome agreement with a previously certified organisation was simplified following transposition of the European scientific visa directive in 2007. As a result, a researcher from a non-European country can become a resident of Belgium after completing a waiting period of one week instead of two months. In addition, the researcher in question will benefit from a work permit exemption.

The French speaking Community has increased the budget of the FNRS to enable it to fulfil its development plan. As a result, the number of researchers paid by the FNRS and associated funds has increased and new programmes have been started up. The “Scientific Impulse Mandate” enables young university professors to finance their own team. The “Scientific Impulse Mandate-Ulysses Mobility” is intended to bring back researchers who had previously left the French speaking Community and to attract foreign researchers by covering their salaries and the expense involved in building a team.

The Walloon Region’s research decree calls for action to hire highly qualified staff on a temporary basis via the “FIRST” aid programme. This programme is intended to increase scientific and technological potential at universities, to transfer this potential into the fabric of Walloon industry, and to train young researchers. Within this framework, 20 million euros have been made available to the FIRST spin-off and spin-out programme for 2006 through 2009. The FIRST measures will also be enhanced via European Structural Funds. The Walloon Region and the French speaking Community are also pursuing increases in funding for doctoral grants (+ 30 FRIA grants per year from 2006 to 2009). The START programme was launched in
July 2008. Its goal is to enable universities to hire new international-calibre academic staff by providing them with financing for their research project from the outset.

The Flemish government is supporting the Odysseus programme to attract human capital to the research field. The programme targets researchers who have made a career outside of Belgium. Programme funding is 12 million euros a year for a total of 60 million euros. The programme will be assessed in 2008 in view of a possible extension after 2010. The Special Research Fund (Bijzonder Onderzoeksfonds) for universities had its budget increased by 9 million euros, of which 5 million are intended to further development of the Methusalem programme. The rest of the funding is allocated as follows: 1.5 million euros are earmarked for the financing of additional mandates for independent academic staff and 2.5 million euros are additional to the Fund’s base subsidy. Thanks to the Methusalem programme, which had a 15.19 million euro budget in 2008, renowned Flemish scientists can expect sustained structural funding ensuring that scientific talent will remain in the Region. A new Human Capital Action Plan (Actieplan Menselijk Kapitaal) was approved in 2008 and funded in the amount of 8.17 million euros. Among other things, it includes a pilot programme (the Baekeland programme) for intersectoral mobility between the academic world and companies.

In addition, in 2008, Flanders increased the number of doctoral and post-doctoral mandates granted via the IWT (specialisatiebeurzen) and the Fund for Scientific Research (FWO). What’s more, a net budget increase in the amount of 2.7 million euros is planned for FWO post-doctoral mandates in 2008. The Flemish government voted a decree to support international cooperation efforts through the FWO on 14 December 2007 and will be providing 700,000 euros in support in 2007 and 2008. In 2007, a series of obstacles was removed for researchers and formal requirements became more flexible, social and international. This ensures better compliance with the European Charter for Researchers which was signed by the FWO at the beginning of 2007.

In early 2008 the Brussels-Capital Region initiated a new programme called “Brains (Back) to Brussels” with the goal of attracting new, or bringing back, quality researchers to the Region by financing their research salaries and operational costs for their projects.
2.1.3. Dissemination and use of ICT

One of the objectives of the *Digitaal Actieplan Vlaanderen i2010* is to develop a high-performance digital infrastructure for researchers so that they can fully participate in e-research. With respect to supercomputers and calculation grids, and at the initiative of the Flemish executive, the university associations of the Flemish Community have designed a plan to further develop calculation capacity in Flanders to which both private and public research will have access. An amount of 2.4 million euros was put into the 2007 budget for hiring specialised staff in 2008-2009 to raise awareness about, and train people in, the use of supercomputers and calculation grid technology. The first network connexions were completed in July 2008. The Flemish government also approved a cooperation agreement with the Belgian telematics research network (*BELNET*) for 2008-2022 and granted support in the amount of 2.95 million euros to *BELNET* for 15 years. This amount is rebated to Flemish *BELNET* customers.

In the Walloon Region, the policy to disseminate and raise awareness about ICT is being implemented by the Walloon Telecommunications Agency (*WTA*). Two important areas of action focus on the development of e-business and e-learning. In the area of e-business, and in addition to providing incentives which are part of the decree on integrating e-business in SMES, the WTA has developed activities to raise awareness of ICTs in SMES. In 2008, the WAT initiated the implementation of an e-learning cupola whose objective is to federate and coordinate the players and initiatives in the Walloon Region and the French speaking Community in order to act as a catalyst for the development of e-learning. The cupola will be the foundation of the “ICT & e-learning” programme approved in July 2008 with a total budget of 8.7 million euros (co-financed by European Structural Funds). In addition to the cupola, various training programmes will also be financed within the same framework.

The Member States were asked to pay particular attention to the dissemination of broadband Internet in homes and schools at the last European summit in the spring of 2008. The rate of penetration of broadband Internet in Belgium is 23.9% (number of broadband connexions per 100 people). This percentage is substantially higher than in the EU15 and the EU27. The rate of dissemination is also high in schools (primary and secondary schools). As a result, no fewer than 83% of Flemish schools had a broadband connexion in 2004. In French speaking education, the “Cyberclasses”

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8. See section 2.3.4. on electronic communications
plan, which began in 2008, expects all installation work for computers, servers, and cabling (ADSL) to be completed within two years. The Walloon Region is also pursuing the development of a public optical fibre network serving the main urban centres and an increasing number of economic activities parks (with support from the ERDF). It has also linked all universities and higher schools of education to the very high speed BELNET network. An incubator dedicated to digital media and ICT will be created in Mons.

2.2. Creation of new business activity: Fostering entrepreneurship and industrial competitiveness

2.2.1. Toward better regulations and simplified administration

The Belgian policy for better regulations and simplified administration is based on four important pillars.

Modernising current regulations

A significant part of Belgian economic legislation must be revised in light of current economic and institutional realities. Based on an exhaustive inventory of economic legislation and an ad hoc analysis, the "Round Table on Modernising the Economic Regulatory Environment" created in 2006 will formulate concrete proposals for a regulatory framework favourable to innovation in 2008. Among other things it will include aspects of legislation concerned with commercial practices, legislation on business start-ups, legislation on contracts, legislation related to intellectual property, rules for new technologies, and some legislation for consumers. A conference on “Round Table” results will be held in October 2008.

The Parliament of the Brussels-Capital Region approved an organic ordinance for the promotion of aid to economic expansion on 13 December 2007. The ordinance brings together the aid to companies previously spread across many legislative and regulatory texts under a single organic document. The objectives of the ordinance are to encourage companies to invest, to modulate the amount of aid based on the objectives of economic and employment policy, to foster public-private partnerships, and to support companies throughout their entire life-cycle. The ordinance simplifies and modernises existing aid, shortens case processing times, and introduces new types of aid better adapted to the current needs of companies located in urban areas.
The initiatives for better regulation have been improved in Flanders. Transparency and access to Flemish regulation and to the regulatory process will be improved thanks to a central Internet site. The operations of the “quality of legislative texts” cells in the departments of the Flemish government will be re-assessed and updated in the autumn of 2008. With respect to monitoring, current indicators for Flemish regulations will be corrected and extended. Regulatory measures, the reduction of administrative costs, and impact assessment will be optimised (see following paragraphs).

In the Walloon Region, emphasis in 2008 has been put on the removal of obsolete laws (about 200 are targeted).

Reducing administrative costs

A reduction in the time required to create a company from 56 to three days is a recent success which is the result of close cooperation between the Crossroads Bank for Enterprises and the One-Stop Business Shops. The latter were created as centres where all new entrepreneurs and others could go to get information. Granting of business licences is, whenever possible, the job of the One-Stop Business Shops.

In addition, many accounting and invoicing procedures have been streamlined. The period for which accounting documents must be kept was lowered from 10 to 7 years in June 2008. This enables companies to save a great deal of storage space. In addition, the obligation for 10,000 small businesses to keep a paper trail of their receipts was removed in November of last year. An electronic cash register system is now sufficient.

What’s more, a legal framework has been created for electronic invoicing via the publication of a VAT-circular on the electronic archiving of invoices. Another important step in reducing the amount of paperwork was taken with the obligation for all companies to electronically create their VAT declaration, their wage tax declaration, and their salary stubs.

The administrative streamlining policy being implemented in the Walloon Region is based on the 2005-2009 administrative streamlining action plan, E-government, and transparency, and coordinated by Easi-Wal. Its implementation continued in 2008 with the goal of finalising all planned action by the end of 2009. Particular attention will be paid to the environmental permit (simplification and dematerialisation of the process).
In mid-2007, the Flemish government decided to measure all administrative costs related to Flemish regulation. In addition to the review of administrative costs, a method was also sought to examine the costs of regulations. Work will have to be done at a later date to improve external forms and, starting in 2008, internal forms also. The Flemish compensation rule will be re-evaluated and adapted at the end of 2008. This implies that every new administrative cost must be compensated for by a reduction in current administrative costs of at least the same amount.

Regulating “Evidence-based and impact assessment”

The Federal Planning Bureau carries out a review of administrative charges applied to Belgian companies and the self-employed every two years. Three areas are taken into consideration: taxation, employment, and the environment. Studies have shown that administrative costs decreased from 3.5% of GDP in 2000, to 3.3% in 2002, to 2.6% in 2004, and to 2.4% in 2006.

The Federal “Kafka” test, applied to all new legislation since 2003, has greatly contributed to this success. An alternative is always sought before introducing new administrative costs.

Since May 2007, “Kafka” has also been applied to legislation submitted to the Walloon government.

Analyses of company reporting obligations have led to simplification initiatives for the Prodcom and structural inquiries. At this level, the inquiry will involve, respectively, from 25% to 40% fewer companies, leading to an overall reduction in administrative costs of close to 6 million euros.

The Flemish government has also decided to measure all administrative costs related to Flemish regulations using a staged approach. An initial review was carried out for six policy areas between September 2007 and April 2008. The other policy areas will be measured in 2008. They will have had to formulate their reduction objectives by the end of 2008. They must also have a written action plan by the end of March 2009 at the latest. Progress made is written up in an annual report. The Flemish government hopes to considerably reduce administrative costs by about 2012 using this method. The launch of a “RIA” databank was approved on 7 March 2008 as part of the Flemish “Regulatory Impact Assessment – RIA” methodology. This will increase the transparency of the process via the active publication of RIA documents.
Correct and prompt transposition of directives

In December 2007, the internal transposition table indicated a Belgian deficit of 1.2%, the best result obtained to date. However, the deficit reached 1.4% in July 2008 (still the best result to a digit). The Council of Ministers moved to action immediately and decided to follow the issue more closely. Two new aids will improve the processing of transposition files: A standard sheet will replace all of the notes required in the past and a summary table will be appended to notifications to the Council of Ministers from now on. The transposition of European directives was added to the agenda many times during the Consultation Committee. As a result, Belgium is trying to reach the standard transposition deficit of 1% as quickly as possible.

The transposition of the “services” framework-directive is an important challenge for all Belgian authorities which have fully committed to the process. The Council of Ministers delegated the task of interdepartmental organisation and transposition of this directive to a steering committee headed by the FPS Economy. The committee reports to the Council of Ministers on a regular basis. The Inter-ministerial Economic Commission, comprised of representatives from all federal and regional governments, is in charge of administrative coordination. An in-depth screening of legislation at all political levels must be carried out before the end of October 2008.

The potential for administrative simplification will also be used to its utmost by the creation, among other things, of a one-stop shop.

The Flemish authority has created a special “Services Impact Test” (DIT) to verify fulfilment of requirements in matters of non-discrimination, of need, and of proportionality found in the directive. This test is based on the Flemish Regulation Impact Assessment (RIA) methodology. On 9 May, the Flemish government decided to recommend the use of this test (DIT) as justification for the screening of (current) Flemish regulations. The RIA has been integrated into the DIT for new regulation screening. Simplification projects resulting from screening are taken up in the action plans with administrative cost reduction objectives. The register of Flemish licences and certifications is provided to the Flemish pilot group for the transposition of the European “services” directive. Flemish communes will be informed of

9. Dialogue organisation for the federal and regional governments
the implications of the “services” directive at the local level via a conference in October 2008.

In order to improve tracking of European directive transposition, the Walloon government has created an assessment report on the situation on a monthly basis since the beginning of 2008. A spreadsheet of delayed transposition laws, and of future transpositions, has also been created. The Walloon Region has decided to implement an ambitious plan based on “Task Force Services 2010” plan in order to optimally complete transposition by the end of 2009. This in light of both its desire to strengthen services of general economic interest and of its awareness of the important opportunity the transposition of the “services” directive represents for facilitating the development of services companies that wish to provide services or set up their business in Wallonia.

Transposition of the directive will include an intensive information campaign.

With respect to administrative cooperation and, more specifically, to use of the “Market Information system” (IMI), a first meeting to increase awareness has already been held in cooperation with the European Commission.

The social partners will proceed with an assessment of the social and economic impact of the “services” directive with the National Bank of Belgium and the Federal Planning Bureau.

Belgium wants to complete transposition in September 2009 in order to be able to deal with any potential unforeseen circumstances.

### 2.2.2. Support services for companies

In order to stimulate the creation of new companies, the federal government has created an action plan and specific legislation aimed at the creation and development of small and medium-sized companies. Detail measures are included in the action plan to stimulate the creation of SMEs, to increase assurances for entrepreneurs, to improve the SME-public authority relationship, and to adapt the labour market to SMEs (for example, simplification of employment creation plans and improvement of the self-employed status).

A sustainable economic policy must take the company into account at all times, including during difficult periods. The federal government is con-
vinced that failure cannot automatically lead to bankruptcy and that a takeover must provide sufficient guarantees to workers. Given this objective the government took the initiative of reviewing the law of 17 July 1997 on composition. A preventative company policy framework was defined in Flanders.

In Wallonia, the Economic Stimulation Agency (ESA) is now fully operational. A 14.3 million euro budget was allocated to the reform. The management contract covers the 2007-2012 period. Since 2007, the agency has been implementing a programme on the spirit of entrepreneurship for school age children between the ages of 10 and 25. The programme was implemented in cooperation with educational (all levels) and training players and with the support of a network of certified operators. It also implemented a network of support services to companies which offers a full range of advisory and support services for the creation and development of companies.

The SOWACCES offers a complete range of information and advisory services for company transfers and a matching platform for buyers and sellers. In 2008 it also developed a new tool for SME transfer diagnostics and worked with the ESA to set up six “transfer relay agents” who carry out awareness and support activities. Various entrepreneurial spirit awareness, creation support, and company development and transfer projects will be developed with the support of European Structural Funds. The ESA has also created several strategic intelligence projects. It will also manage the direct aid systems, particularly pre-start-up grants (upstream of company creation) and innovation grants (non-technology) for which a new decree was adopted in July 2008.

In 2007, the Brussels Centre for Companies in Difficulty (CED) launched new initiatives for the heads of companies experiencing difficulties or whose companies are in crisis. The CED opened a toll free line accessible 24/7. A partnership was created with the Court of Commerce of Brussels and with the Bar of Brussels in order to provide free legal assistance. Training in company creation and crisis management was started for accountants and tax specialists. The Brussels Enterprise Agency (BEA) will soon be launching an Internet site to support the spirit of entrepreneurship. It will cover all initiatives for schools, teachers, universities, and students.

The Flemish budget for initiatives to promote entrepreneurship increased from 0.25 million euros to 4.7 million euros. By creating the Vlaams Agentschap voor Ondernemen (VLAO), the Flemish government simplified access to
the measures it has taken to support companies and improve the business climate in Flanders. The VLAO is the single point of contact between public powers and entrepreneurs or companies needing information. It directs entrepreneurs who must contact several government departments and acts as a spokesperson for the Flemish authority for the start-up of new initiatives and aid intended for companies. Within the framework of gradual simplification for entrepreneurs, the Flemish government decided to bring together the Agentschap Economie (responsible for direct aid to companies) and the Vlaams Agentschap Ondernemen to create the new Agentschap Ondernemen. The transition was completed on 1 January 2009.

The Flemish authority provides subsidies to sponsorship project organisers (3 million euros in 2008) in order to create a diversified offer throughout all of Flanders and to limit the cost of participation for entrepreneurs. The Vlaams Actieplan Ondernemerschap will be published in the autumn of 2008. It will include essential programmes to raise awareness and promote entrepreneurship (for example, a call to promote entrepreneurship, business plan competitions) which avoid fragmented policy, and enable the fostering of systematic and targeted cooperation between stakeholders.

2.2.3. Access to funding

The three Regions have taken initiatives to prevent policy fragmentation in order to increase transparency and facilitate access to funding instruments, particularly for SMEs. Most funding measures are overseen by an umbrella organisation. With respect to Flanders, Brussels, and Wallonia, this is, respectively, the Participatiemaatschappij Vlaanderen, the Société Régionale d’Investissement de Bruxelles (Brussels Regional Investment Company), and the Société Wallonne de Financement et de Garantie des Petites et Moyennes Entreprises (the Walloon Financing and Guarantee Company for Small and Medium-Size Businesses).

Essential funding instruments include subordinated loans, credit guarantees, and the supply of risk capital. The budgets planned for this purpose have increased.

In addition, a range of instruments is available as part of the direct support framework for entrepreneurship. They take the main Lisbon objectives into account: fostering innovation, increasing the growth capacity of companies (SMEs in particular) based on sustainable development, the granting of sufficient space to invest, the granting of training, the fostering of exports, and the globalisation of companies.
During 2007, the Flemish government reformed its system of ecology bonuses to make it into an instrument which grants aid based on competitive calls for projects. New changes were made in 2008, including an increase in the level of assistance available and in the maximum amount available per request. SME support instruments for initiative and innovation will also be simplified. The current SME programme intended to support company innovation has been simplified and partially integrated into the BEA which has itself been improved. Thanks to the new BEA programme, entrepreneurs will have access to assistance for basic questions related to training, initiative, and innovation via a simple interactive application.

Funding from European sources also targets these objectives.

At the federal level, the main point of contact for SMEs is the Belgian Knowledge Centre for SME Financing (BeCeFi). It provides contacts for regional financing instruments.

2.2.4. Industrial policy\textsuperscript{10}

An active cluster and competence pole\textsuperscript{11} policy plays an important role in industrial policy in both Flanders and Wallonia. The grouping of all players and the creation of networks contribute to meeting objectives that include fostering innovation, the knowledge economy, entrepreneurship, and the improvement of environmental factors.

Five competitiveness poles were created in Wallonia on the themes of life sciences, aeronautics-aerospace, agri-industry, mechanical engineering, transportation and logistics. These poles combine companies, training centres and public and private research units involved in partnerships and targeting global excellence in productive sectors. A first, positive, assessment of the poles was made after two years of operation. New calls for projects were sent out in 2007 and 2008. Following the first three calls for projects, 94 projects were developed by the five poles with public funding of 183 million euros. The projects should create 5,800 jobs. The clustering policy is also intended to support the development of (trans-)sectoral company networks. A decree related to this policy was passed by the Walloon parliament on 18 January 2007. There are currently 14 certified clusters in Wallonia including five new ones since September 2007.\textsuperscript{12}

\textsuperscript{10} See the chapter on structural funds
\textsuperscript{11} See point 2.1.1.
Several competence poles have been created in Flanders and they are active in several areas: mechatronics, logistics, innovative foods, etc. These bottom-up initiatives are aimed at bringing together and fostering research and innovation players in various sectors Flanders-wide. They receive support within the framework of specific agreements with an obligation to produce results. A manual on aid requests for competence poles was published in June 2007. It is based on the policy framework for large innovation knowledge centres (July 2005). Given that the first agreements signed with competence poles are coming to an end, their operation will be assessed in 2008. An important theme is therefore the development of a forward-looking strategy. In 2007, 15.06 million euros were dedicated to the competence poles compared to 7.78 million euros in 2006. A new competence pole called “Flanders in Shape” (product development and industrial design) was launched on 20 September 2007. The agreements for existing competence poles were modified in several points. Financing for one of them was increased considerably: Flanders’ DRIVE II (automobile industry) will receive 28.8 million euros for 2008-2011. This competence pole will therefore be able to target partnerships internationally and strengthen its cooperation with other regions which have a strong automobile industry.

FLANDERS’ DRIVE II is based on three operational pillars: an innovation platform, research, and a test centre. The various activities carried out in the framework of international cooperation are described in a position paper which is linked to an annual action plan. A supplementary budget has been planned. In addition to international cooperation (countries outside of Flanders and The Netherlands), its primary activities include multilateral cooperation (EU, OECD, UN) the EU’s Seventh Framework Programme for Research and Technology Development (FP for TRD), the EU’s Competitiveness and Innovation Framework Programme (CIP), participation in joint programmes (Art. 169) and joint companies (Art. 171), and participation in “Big Science” facilities.

Brussels continues to pursue a clustering policy in the three productive innovation sectors: ICT, health, and the environment. In these three sectors, the Region is continuing to emphasise synergies and cooperation between various players and is trying to strengthen the creation of innovation through action plans. It is also putting out calls for projects in these sectors

which will enable companies to introduce a funding request for R&D projects.

The structural funds in the three Regions have been primarily targeted at Lisbon objectives such as fostering the knowledge and innovation economy, the promotion of entrepreneurship, the improvement of the economic climate, and the promotion of urban development.

2.3. Improving market place operations

2.3.1. Reform of competition policy

The federal government has confirmed the importance of ensuring that the Belgian competition authority is enhanced and operates correctly in order to enable the companies to operate in an economically correct market. Emphasis will be put on the effective enforcement of the prohibitions against creating cartels and abusing dominant market positions. Not only the entrepreneurs benefit from transparent market operation. The current purchasing power debate demonstrates that end prices charged to consumers are an important factor in market mechanisms and the economy.

In order to ensure that policy makers have a clear understanding of the mechanisms governing end-user prices, the government will create a price watch group that will study its various components. This will enable a better understanding of the way the market operates and of potential competition distortions, and to then take action to correct them if necessary.

Other initiatives mainly involve rationalising existing activities

In order to develop instruments to make the competition policy more proactive, the Competition Services are working with a team that watches the market place in order to gather quarterly indicators that will help to identify potential dysfunctions.

The Competition Directorate-General is extending its capabilities into the domain of research and proceedings by drawing lessons from its experience, by systematising the know-how acquired this way, and by making it more accessible. For this purpose, joint training programmes are being organised and the IT tools available for these enquiries are updated on a regular basis.
Techniques to increase the effectiveness of the questions formally dealt with, is a permanent point of interest. This objective is achievable by carrying out actions, on limited files, which comply with the decisions taken by the European Commission and the Competition Council on more significant files and by working as much as possible toward a better understanding of competition-related rules.

As a result, cooperation between the competition authority and the various sectoral regulators will be improved.

**2.3.2. Natural gas and electricity**

The federal government’s goal is to strengthen competition in the energy market. It wants to ensure that new electricity suppliers can deploy their activities in Belgium by creating a climate favourable to investment and truly competitive conditions. This will lead to reasonable prices for consumers. It will also ensure that in the production sector, part of the market share of the traditional player (2000MW) is better allocated among the new players.

Important initiatives have already been taken in this respect. Therefore, an avoidable licence fee on under-exploited or non-exploited sites was introduced to encourage the current operator to sell them to other companies. A sales contract has already been signed to this effect. In addition, the government is busy making the operations of Belpex, the electricity market, more effective. It had already made 265 MW available by the end of 2007. A ministerial decree was passed to improve operations.

Steps to benefit the market’s second producer were recently taken to increase its participation in Belgian nuclear plant capacity. The share of the second producer is now 15%. European approval is now underway for a long-term delivery contract for 285 MW.

A number of European remedies to safeguard competition were applied concurrently with the merger of Suez and Gaz de France. As result, Suez’s share in Distrigaz was sold to the Italian company Eni at the end of May 2008 and GdF’s share in SPE, the market’s second producer, was sold to the British operator Centrica in July. Suez’s share in Fluxys was reduced to 44.75%.

Belgium wants to considerably strengthen its natural gas storage capacity. Several options have been examined to achieve this and the *Vlaamse Instel-
ling voor Technologisch Onderzoek (VITO) has studied several possibilities for internal storage.

The government has firmly chosen independence for the operators of the natural gas and electricity supply networks and for independent management by, following negotiations, gradually reducing the share of producers/suppliers below 25% and by organising substantial representation of the public sector. With respect to electricity, the process was finalised at the end of 2007. Electrabel’s share was reduced to 24.36%; thus, definitively ending its blocking minority. In terms of natural gas, activities to create an independent transmission network are ongoing. On 25 July 2008, the government therefore approved a draft law which called for Suez ownership of 24.99% by the end of 2009 and, from the standpoint of corporate governance, implemented provisions for independent management.

As part of the negotiations which are underway for the third package of instructions for the liberalisation of the electricity and gas markets, Belgium has opted to effectively uncouple ownership between competing and regulated activities with the possible continuation of minority participation. More autonomy is also sought for the operators of distribution networks. Recent capital reorganisations have enabled this goal to be reached in the three Regions. In the Flemish Region and the Brussels-Capital Region, 30% at most is in the hands of the private sector whereas in the Walloon Region at least 51% is held by the public sector.

The government wants to set up an independent and powerful regulator and supports European initiatives on the issue. The competences of the CREG, the energy regulator, were extended by the law-programme of April 2008. Whereas, in the past, the CREG had only kept a market watch over transportation and distribution costs, in the future, it will analyse all energy price components. This monitoring implies that the CREG will have regular access to the real costs of producers, importers, and suppliers. This will enable an assessment of the effective and justified ratio between costs and price, to pinpoint market trends, and to anticipate them. In carrying out its oversight and supervisory activities, the CREG may observe anti-competitive behaviour or unfair commercial practices and report its observations to the Minister on its own initiative and, in any event, offer to take upon itself, or to assign to another competent authority, any measures it deems useful to fight against anti-competitive behaviour. As part of its oversight activities, the CREG will inform the Competition Council of any suspected breaches and will provide it with the report sent to the Minister.
It can also formulate opinions on market operation and suggest measures that will improve it and increase its transparency.

In line with European expectations regarding data collection and the conscientious tracking of the market’s overall evolution, a federal administration department in charge of energy will support the political authority in defining directions for the supply security for all energy sectors. For this purpose, the said department will collect all required supply-related data and will track market evolution while working intensively with various agencies including the Federal Planning Bureau, regional energy agencies, regulators, network operators, and energy producers and suppliers.

The Flemish energy market has been fully liberalised since 2003. The full liberalisation of the Walloon energy markets was accomplished on 1 January 2007. As difficulties remain, particularly in invoicing and when changing operators, a number of legal modifications have been adopted to bring continuous improvement to market operations and support measures for the benefit of consumers:

- In February 2008, the Walloon government adopted a decree modifying the decrees of 30 March 2006 on the obligations of the public service in the gas and electricity markets and of 17 July 2003 on the local commission for service interruption notifications.
- A decree modifying the decree of 12 April 2001 on the organisation of the regional electricity market and a decree modifying the decree of 19 December 2002 on the organisation of the regional gas market were adopted by the Walloon parliament on 16 July 2008. Their objectives included organising the separation between network management and their operation in order to ensure greater distribution network operator independence from competing companies, producers, and suppliers (via distribution sector reform and modification of the shareholding of the network operators), strengthening of the missions and powers of the CWAPE, the Walloon market regulation authority, and the creation of a mediation service for consumers.

Five new electricity supply licences and one gas supply licence were granted in 2007.

Responding to the concerns expressed by the European Council in its conclusions of 19 and 20 June 2008, the government has designed a social
energy policy to deal with the social consequences of more expensive energy.\footnote{See chapter 1 (section 1.3.3.) for more information.}

The government is planning to provide every resident with accurate and understandable information on their energy consumption. For this purpose, it designed a standard invoice with the three Regions which suppliers must use in the three Regions. The invoice will be available at the end of 2008.

2.3.3. Rail and postal sectors

The structure of the NMBS/SNCB Group created on 1 January 2005 will be re-assessed and, if necessary, will be reworked based on financial transparency and the independence of “essential functions”. Its past debt will be definitively passed on to the Treasury. In fact, it was transferred to the Railway Infrastructure Fund (FSI/FIF) in 2005 and included part of the Group’s assets in counterparty. The railway assets will be transferred to Infrabel, the network operator, and non-rail assets will either be transferred to the NMBS/SNCB Holding or valued by the FSI/FIF. Due to the non-discriminatory intervention of the department within the network operator in charge of managing the allocation and pricing of routes, it will be proposed that the members of the board of directors of Infrabel no longer be allowed to hold mandates in another Group entity. For the same purpose of independence, it is also planned that the high level officials of the specific service in Infrabel will no longer be allowed to take on other positions, for a specific period of time, at any rail operator or the NMBS/SNCB Holding.

The NMBS/SNCB was not granted a monopoly for machinist training. New competitors can therefore train their machinists at an institution of their choosing. In addition to the NMBS/SNCB, there are already two other certified training institutions. A new management contract was signed between the NMBS/SNCB Group and the federal authorities in June 2008. The contract defines objectives for growth and the quality of services as well as an investment programme for infrastructure and equipment. The final goal is to have a high-performance rail company.

With respect to the postal services branch, the federal government is currently preparing for the transposition of the third directive\footnote{Directive 2008/6/EC of the European Parliament and the Council of 20 February 2008 amending directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services, OJEU, L32 of 27-02-2008.} into Belgian
law in order to enable effective competition in the Belgian postal market while ensuring universal service. The modernisation programme for national post office sorting centres by the postal incumbent (De Post/La Poste) was completed in 2007. The investment, in the amount of 250 million euros, was the largest ever made by De Post/La Poste. It was also announced that newly hired postal workers will gradually be given lower pay scales but will continue to enjoy a full-fledged employment status. These postal workers will have fewer responsibilities. The new conditions will only apply to new hires. This new status is related to the modernisation of the sorting process. In the meantime, Post Danmark, one of the owners of De Post/La Poste, has announced that it wants to merge with Posten AB of Sweden.

2.3.4. Electronic communication

Belgium has 99.85% broadband coverage. In order to foster greater use of broadband, the federal authorities implemented the “Internet for All” programme in 2006-2007 (broadband connexion plus a computer plus training in a single package with a subsequent VAT refund). The federal government is also working on a project intended to facilitate access to computers. This project is intended to increase usage rates.

A number of legislative reforms took place in 2005-2006. They were intended to increase user confidence about the market’s telecoms operators. The processing of complaints about audio-visual programming was also reviewed by the telecoms mediation service. In addition, users can now cancel their contracts given a prior notification period of one month maximum after the minimum period has passed. Modifications to general sales conditions must be brought to the attention of users with at least one month’s notice. Operators must inform users of the quality level of their network services. A price simulation was carried out by the regulator in order to give users the possibility to compare various pricing schemes.

A draft law intended to strengthen the regulator’s powers is currently been written. The regulator greatly improved regulated wholesaler offers in 2007-2008. This should promote penetration of unbundled access and therefore lead to more varied and less expensive offerings for users.

2.4. Investments

The Belgian authorities contribute to an increase in production capacity through two channels. On one hand, they are investing in infrastructure
and, on the other, they are encouraging companies to invest. They always keep a watch on the sustainability of investments, including from an ecological perspective.

2.4.1. Infrastructure

Belgium has committed to preparing and implementing European TEN priority projects. As part of these projects, the following were completed in 2007-2008:

- Extension of the annual LNG transhipment capacity of the Zeebrugge terminal to 9 billion m$^3$.
- Completion of the high speed lines to Amsterdam and Cologne, for start of service in 2009.
- A request for subsidies from the European Commission to finance a part of the Eurocaprail; that is, upgrading of the Brussels to Strasbourg line through Luxembourg.
- Upgrading of the Seine–Scheldt link to Vb class has been approved and is being prepared. Work could begin in mid-2009.

Outside of the framework of priority projects, ratification of the Scheldt treaties with The Netherlands was completed in July 2008 and dredging work on the Western Scheldt has begun. Most of the works will be done in The Netherlands. A second lock was opened near Evergem (by Ghent) in 2008. On terra firma, a large-scale investment plan is underway. It targets an increase in rail capacity to ports and plans the building of a second tunnel under the Scheldt. This programme can be carried out quickly thanks to pre-financing from the Flemish Region. The Flemish Institute for Logistics (Vlaams Instituut voor de Logistiek – VIL) was created in Flanders. The Flemish authorities and the logistics sector intend to use this institute to strengthen the unique logistics position enjoyed by Flanders and to protect it for the future while meeting the challenge of sustainable development. As for the Walloon Region, it is pursuing a pro-active policy to promote inland navigation. This implies the construction of logistics and multi-modal platforms, fleet modernisation, and improvement of loading and unloading facilities. Development is also planned for the Liege airport. A new activity zone opened at the end of 2007 and work to lengthen the runway has begun.

As regards passenger transport, the upgrading of the rail system in and around Brussels intended to create a regional express network is underway. The most important aspect of this process is the construction of several four-track routes which will enable the splitting of peripheral and
long-distance traffic. The goal is to develop a high-frequency peripheral service covering a 30 km area around the city. The START and Diabolo projects are intended to provide better rail access to the national airport. The third rail access now under construction, and the new rapid transit link between Brussels and Malines, means that the airport will enjoy a high level of access from all directions starting in 2012. The Charleroi/Brussels South airport has a new, higher-capacity terminal (opened in early 2008) and equipment which enables flights during foggy periods. The runway will be lengthened in 2009 and a rail link is planned for a later date.

From the energy network standpoint, the opening in early 2008 of two new regulating stations mark the conclusion of an important gas project. This new equipment enables flexible gas exchanges between the three terminals at Zeebrugge with no capacity constraints. In addition, a significant capacity increase is underway on the east-west axis of the transmission network. This should be finalised in 2010.

2.4.2. Business investments

The new Flemish subsidy decrees for industrial lots, enterprise poles, and company incubators reached cruising speed in 2008. A first call for projects to invest in land, buildings, and equipment was approved in September 2007. It was assessed in 2008 and a new call was made. This system applies to three types of enterprise poles: poles offering basic services, strategic enterprise poles focused on new companies from a given foreign region and special poles focused on new companies from a specific economic target group.

As part of the Brownfield decree of 2007, the Flemish government created a new provisional cell called “Brownfield”. This cell is responsible for ensuring that existing, under-exploited, industrial sites (Brownfields) are used instead of new lots (Greenfields). As part of these agreements, the cell prepares opinions on request files and negotiates in the name of the Flemish government. The agreements of the Flemish government with investors and developers enable the latter two to benefit from legal, administrative, and financial advantages.

15. Strategic Redeployment and Employment Plan in the airport Region
In the Walloon Region, aid instruments for companies (aid to SMEs and regional aid) were revised in compliance with the directions of the Priority Action Plan and the Region’s industrial policy (for example, a link with the competitiveness poles) and will be strengthened with help from the ERDF. In addition, the Walloon government has initiated procedures to make 5,000 ha of land available to companies. Thanks to contributions from the European Structural Fund, projects aimed at improving logistics and multi-modal platforms (see §2.4.1) and science parks will also be funded. An online databank was created in February 2008 to attract foreign investors. It contains practical information on several hundred industrial parks. AWEX funds were also increased to strengthen Wallonia’s international visibility policy.

2.5. Promoting sustainable energy use and climate protection

The obligations resulting from the Kyoto Protocol and from European negotiations for an “energy-climate package” are the guidelines used for Belgium’s environmental, climate, and energy policies. The Kyoto agreements set a 7.5% reduction objective for Belgium. This is based on average greenhouse gas emissions between 2008 and 2012 compared to the reference level. Based on the most recent data available from the national emissions inventory, greenhouse gas emissions in 2006 were 6% lower than the reference level and exactly meet the path set out for Belgium in order to achieve a 7.5% reduction by 2010 compared to its reference level.

In the meantime, new measures have been taken to ensure compliance with the reduction objective over the upcoming years. An important leverage point to reach this reduction in emissions is an increase in energy efficiency; Belgium’s energy efficiency increased by 2% a year between 2000 and 2005. Gains in energy efficiency will translate into an environmental gain and savings for consumers and companies and this will improve the latter’s competitiveness. This trend will foster the creation of new markets and jobs.

16. 1,000 ha from the Priority Action Plan, 1,500 ha from potential urbanisations in sector plans, and 2,580 ha from a programme of planological modifications.
17. The reference level corresponds to the level of greenhouse gas emissions calculated for the Kyoto protocol reference year, that is 1990 for CO\textsubscript{2}, CH\textsubscript{4} and N\textsubscript{2}O emissions and 1995 for HFC, PFC and SF\textsubscript{6} emissions.
In 2007, the federal government doubled the tax exemption for investments aimed at increasing energy efficiency in buildings. In 2008, 14 million euros in investment credit was freed up for the third-party investor mechanism in order to optimise investments intended to create energy savings in public buildings and institutions benefiting the general public. In addition to these internal reduction measures, progress was achieved by the federal government on its emission’s purchasing policy. A bilateral agreement to buy 1,333,000 emissions rights was signed with a German bank (KfW Carbon Fund) in 2008 in order to fulfil the commitment made by the federal government to purchase 2.46 million emissions rights annually from 2008 through 2012.

In addition, the federal government approved a purchase strategy which, among other things, served as the launch pad for a third tender with a total budget of 50 million euros. The government also took the decision to explore other purchase options in order to retain the remaining credit needs. As a result, it was able to entertain the possibility of taking part in the “Green Investment Schemes”. A purchase agreement was also signed in 2008 as part of the Hungarian investment programme. What’s more, as president of the National Climate Commission, the federal government played an important coordination and management role during the approval process for the National Allocation Plan 2008-2012 which allocated the additional reduction in emissions rights. The production of green energy is an important element in pursuing emissions reductions.

Between 2002 and 2006, the production of green electricity in Belgium increased by 170% to reach 3% of total electricity consumption. The support policy pursued at the federal level to promote offshore wind power has begun to bear fruit. The first turbines of the C-POWER project, located on Thorntonbank in the North Sea, should begin to produce electricity this year. This will cover the electricity needs of 60,000 households.

A sharp increase in Belgian offshore wind power generation capacity is expected. The federal government recently decided to create a simplified review procedure for minor modifications to previously granted domain concessions. The federal government has decided, notably, to create a special regime suited to the production gaps of offshore installations which should enable the forecasting and transport of wind energy on a given bandwidth over the high tension network and to establish financing procedures for surcharges related to offshore green certificates. In this case, a special framework is created to enable the transport network operator to consolidate the compulsory purchase of offshore green current certificates.
via a surcharge on network rates and this for as long as there is no specific
or joint market for these federal certificates in regional or other markets.

At the end of 2007, the Walloon Region enhanced the energy efficiency aspect
of its Priority Action Plan with a 48 million euro budget. A call for research projects on sustainable development themes and global warming was initiated in February 2008 with a budget of 42 million euros. These projects will be implemented by the competitiveness poles and the enterprise networks created as part of the Priority Action Plan. The Walloon Region certified two new company networks in 2008. These are TWEED (Walloon Technology for energy, environment and sustainable development). In addition, two new programmes for technology innovation were launched in the energy field: Energywall (with a 10 million euro budget for 2008 and 2009) and SOLWATT a research programme for photovoltaic energy (with a 5 million euro budget for 2008). SOLWATT is part of the SOLWATT plan which provides installation bonuses for photovoltaic panels and the corresponding green certificates. The bonus for photovoltaic energy production was increased in 2008. In addition, a 750,000 euro budget was freed up to provide eco-climate vouchers to SMEs which sign up part of their staff for training in energy efficiency. These actions are supported by European Structural Funds, both horizontally and, more specifically, within the framework of the budget dedicated to sustainable and balanced territorial development. An Air-Climate plan was agreed to in March 2008. This plan encompasses all of the goals and objectives of the Walloon Region for the improvement of air quality and the fight against global warming. A number of these objectives have already become concrete measures: the granting of an ecobonus/ecomalus at the time of vehicle purchase, the creation of a specific “Air” agency to carry out the air pollution policy, the purchase of green electricity for Walloon Region buildings, a telecommuting pilot project for public service employees, the financing of projects in the amount of 84.4 million euros in order to improve the energy efficiency of public buildings and schools, and the other measures mentioned above.

According to the latest half-year tracking report of the Flemish Region’s Climate Plan 2006-2012, some 97% of projects are effectively implemented without any particular problems. Achievement of the reduction potential forecast for the 2008-2012 period is following the projected timetable perfectly. What’s more, the spending recorded and planned for by the Flemish Region for 2006-2012 has increased, moving from 684 million euros when the Climate Plan 2006-2012 was approved in July 2006 to about one billion euros now.
From 2009 onward, 50 million additional euros will be freed up every year to improve housing energy efficiency. Regulations on building energy efficiency, already in application for new construction, was extended to residential buildings up for sale from the autumn of 2008 on and to residential buildings put up as rentals from the beginning of 2009. In keeping with the energy efficiency certificate provided at the sale or rental of housing, the energy efficiency certificate will also be introduced for non-residential buildings in 2009. In addition, the Energy Renovation Programme 2020 was launched. Its goal is to improve the energy efficiency of existing buildings. Business development areas where new plots are created will not be entitled to receive subsidies unless it can be proven that their electricity consumption is CO₂ emissions neutral. In addition, 188 branch offices are part of the benchmarking agreement on energy efficiency. A 3% yearly increase in energy efficiency was recorded between 2002 and 2006. According to forecasts, by the end of 2012, the savings achieved by the benchmarking companies will reach global annual primary consumption equivalent to 7.2% of that of 2002. Two hundred and thirty-one companies are taking part in the mid-size company audit. These companies are big energy users. Their energy plans show that they will reduce their primary energy consumption by 4.6% by 2010 compared to 2005 levels. In 2007, the ecology bonus was folded into a new instrument which provides support as part of a competitive bidding system. It has also been proposed that both aid percentages and the maximum amount of aid per request be increased. To ensure funding for this modification, regulations on the growth bonus will be eliminated on 1 October 2009 and the budget freed up will be added to the ecology bonus. The Flemish government intends to use these changes to optimise both environmental performance and energy efficiency of subsidised investments. At cruising speed, 120 million euros will be dedicated to the measure every year. The Flemish Region also hopes to improve energy efficiency on the supply side. From 2008 onward, network operators will be expected to save a pre-determined amount of primary energy as part of their public service obligations. What’s more, the green electricity certificate and the combined heat and power certificate systems have led to the increased production of energy which is more respectful of the environment. In 2007, the share of green energy in gross domestic electricity consumption was 2.7%, or three times more than in 2004. The number of installations obtaining combined heat and power certificates increased rapidly, moving from 28 (end of 2005) to 121 (end of August 2008).

The Brussels-Capital Region also introduced an energy performance certificate for new construction and extensive renovations. This certificate will be applicable for building sales and rentals from 2009 onward. In May
2007, a first call for projects was made for the construction of low energy consuming buildings which are respectful of the environment. A budget of 7 million euros was allocated to this effect. Some 39 projects were accepted and should provide results in October 2010. In addition, the local authorities receive aid to develop a local Agenda 21. Fourteen projects were selected in 2008 for a total budget of 575,000 euros. Low income households can obtain an ecology and social loan (zero interest) to improve the energy efficiency of their homes. Bonuses for investments in small photovoltaic systems were increased to cover up to one half of the cost of the investment.

2.6. Fostering the sustainable use of non-energy resources and improving synergies between protection of the environment and growth

Protecting the environment supports the economy in two ways. First, the trend toward more effective use of natural resources through among others the application of new technologies generates savings for companies and consumers without having a negative impact on production or consumption. This helps improve the economy’s competitiveness. Next, protecting the environment creates new markets and new jobs. The social partners have an important consultative role to play in this area via the Central Economic Council, as they do for climate and energy issues.

The Walloon Region has decided to provide better support for company investments which are respectful of the environment. In 2008, 12 million euros will be provided for this measure (environmental decree of 11 March 2004, modified 29 March 2008) compared to 5 million only in 2007. B.E.Fin, S.A was created in July 2008. This is a specialised subsidiary of the Walloon Regional Investment Company (SRIW) whose goal is to participate in partial financing of projects and companies which are investing in the energy and biotechnology sectors or which are focused on meeting the Kyoto objectives. Finally, the Walloon Region supports the Eco-Construction and Solid Wastes company networks.

The Flemish Region has initiated a transition to a policy of sustainable resource management. Two processes are being implemented as part of this. One focuses on the sustainable management of resources and the other on sustainable construction and habitats. As part of the first process, the waste policy has been converted to a sustainable use of resources policy. Emphasis is put on the following: the prevention of waste and emissions, full management of the production cycle, environmentally friendly consump-
tion, the use of recycled materials, and environment-friendly gardening. The foundations of an environmental input-output model for Flanders have been developed in view of supporting the policy concerning the sustainable use of natural resources. With the aim of spurring eco-efficient investment the third “scan” year of the environmental efficiency programme for Flemish SMEs will be launched in 2008. This year again, 330 SMEs will be informed of their potential in this matter. Conservation objectives have been set for special protection zones as part of the ecological network. Twelve species protection plans were created for a total of 28 species. In the meantime, 10 of these plans have already gone into effect. The Environment-Innovation platform is continuing to develop instruments for innovative public tenders and new environmental technologies.

The Ecobuild Cluster was created to support eco-building in the Brussels-Capital Region. The network can turn for support to a training centre which promotes the transition to eco-building in companies. In addition, renovation bonuses (with a 6.2 million euro budget in 2008) have been modified to stimulate eco-building. As a result, higher bonuses can be granted for the installation of water cisterns for rain water and for the permeabilisation of greenery islands. The bonus amount also depends on the type of materials used. The bonus is higher when natural materials or ecologically certified wood are used.
3. Flexicurity as a balanced approach for an inclusive labour market with more and better jobs

Macroeconomic stability and efficient product markets are basic preconditions for a healthy labour market. A knowledge economy spurred by research, development and innovation is the cornerstone of a continuous increase in productivity which itself, in turn, creates the conditions for better quality in work. An open, inclusive and smoothly functioning labour market also lends support to economic growth by providing companies with sufficient manpower with the required qualifications. A virtuous circle can therefore come into being between sustained economic growth and a high employment rate in the service of prosperity and strong social protection.

The Lisbon Strategy created a balanced framework for structural reforms. It provides Belgium and the other countries of the European Union with the means to grasp the new opportunities created by globalisation, demographic change, and progress toward a low carbon economy in the present and beyond 2010. Job growth in the Belgian labour market over the past several years and the acceleration of the increase in part-time and, especially, full-time jobs, should not make us forget that structural problems remain, that challenges will inevitably have to be faced, and that the Lisbon objectives will not be met.

The guidelines of the European Employment Strategy and the European Council’s recommendations for Belgium provide us with an opportunity to implement an ambitious policy aimed at bringing more people into the labour market and at ensuring, in a tight labour market,\(^1\) that every person has skills which will enable them both to find work and to smoothly make any transitions needed to meet new employment requirements. The common principles of flexicurity provide a positive source of inspiration in this respect. They provide the framework for an approach enabling the various authorities to fully mobilise their autonomous competences to bring about a strategic convergence.

The framework of the employment policy is currently being debated. The question is how to coherently and homogenously define the competences

\(^1\) As is currently the case in all of the regions and especially in Flanders
and responsibilities of each level of government in order to optimise the response both to the specific and shared challenges with which they are confronted. The common principles of flexicurity do, however, afford a great deal of room for manoeuvre to the Member States of the European Union so that they can each find their own way to achieving the shared objective. The translation of these principles into a Belgian context must enable the definition of a coherent strategy which fully respects both the autonomy of each level of government, strengthens cooperation, and provides answers to questions with which all of the Belgian authorities are confronted. The social partners will be fully involved in this strategy.

The current National Reform Programme rephrases Belgian policy goals in the area of employment without challenging its continuity. The targets of the previous cycle were retained and a willingness to achieve them as quickly as possible was reaffirmed.

Table 3 - Structural employment indicators. Evolution and objectives

<table>
<thead>
<tr>
<th>Target</th>
<th>Belgium</th>
<th>EU27</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>The employment rate for the total population (15-64) must be at least 70%</td>
<td>60.5%</td>
<td>62.0%</td>
<td>The rate of increase is too slow compared to the European average</td>
</tr>
<tr>
<td>The employment rate for the female population (15-64) must be at least 60%</td>
<td>53.0%</td>
<td>55.3%</td>
<td>The rate of increase is too slow compared to the European average</td>
</tr>
<tr>
<td>The employment rate for the active population (55-64) must be at least 50%</td>
<td>30.1%</td>
<td>34.4%</td>
<td>The increase is in line with the EU average but there is a considerable delay</td>
</tr>
<tr>
<td>The average exit age must increase to at least 62</td>
<td>59.4</td>
<td>: 60.5</td>
<td>The average exit age in Belgium has increased considerably (2006)</td>
</tr>
<tr>
<td>25% of all long-term unemployed must take part in an active employment measure</td>
<td>27.2%</td>
<td>39.0%</td>
<td>The activation of long-term job-seekers has been enhanced</td>
</tr>
</tbody>
</table>

2. The objectives are tracked using the European Employment Strategy indicators and cover all of the employment policy. The complete set of indicators is found in the appendix. It also includes regional data and sheds light on the gender issue.
There are issues with the reliability of this indicator: its methodology is being revised.

- The methodology for this indicator is currently being revised.
- That is to say the average over the four reference weeks of the workforce inquiry
- The table compares residents with Belgian nationality with those who do not have the nationality of a Member State of the European Union.

### Target

<table>
<thead>
<tr>
<th>Target</th>
<th>Belgium</th>
<th>EU27</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>An integration path must be provided to all young job-seekers before they reach their sixth month of unemployment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not implemented for 10.1% of them</td>
<td>Not implemented for 11.1% of them</td>
<td>Following several years with a worse score after the adoption of a new follow-up system, there has again been progress</td>
</tr>
<tr>
<td></td>
<td>Not implemented for 28.0% of them</td>
<td>Not implemented for 11.4% of them</td>
<td>A strong increase is ongoing</td>
</tr>
<tr>
<td><strong>Childcare must be available to at least 33% of children under 3</strong></td>
<td>27.2%</td>
<td>28.4%</td>
<td>The constant increase in the number of places available is bringing Belgium closer to its goal</td>
</tr>
<tr>
<td><strong>The share of early school leavers must be under 10%</strong></td>
<td>11.9%</td>
<td>12.3%</td>
<td>16.0%</td>
</tr>
<tr>
<td></td>
<td>13.1%</td>
<td>12.1%</td>
<td>15.9%</td>
</tr>
<tr>
<td><strong>85% of young people between 20 and 24 must have successfully completed their secondary education</strong></td>
<td>81.8%</td>
<td>82.6%</td>
<td>77.1%</td>
</tr>
<tr>
<td><strong>Each month&lt;sup&gt;c&lt;/sup&gt; 12.5% of adults (25-64) must take part in lifelong monthly training</strong></td>
<td>8.6%</td>
<td>7.2%</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>1 worker in 2 must in the course of each year take training</strong></td>
<td>39.4%</td>
<td>40.9%</td>
<td>(2006)</td>
</tr>
<tr>
<td><strong>The unemployment rate for foreign nationals and foreign-born people cannot be higher than that of Belgian workers</strong></td>
<td>Gap: 25.9%</td>
<td>Gap: 22.8%</td>
<td>Gap: 9.6%</td>
</tr>
</tbody>
</table>

<sup>a</sup> There are issues with the reliability of this indicator: its methodology is being revised.
<sup>b</sup> The methodology for this indicator is currently being revised.
<sup>c</sup> That is to say the average over the four reference weeks of the workforce inquiry
<sup>d</sup> The table compares residents with Belgian nationality with those who do not have the nationality of a Member State of the European Union.
Taking into account the future needs of the labour market, the Belgian authorities have strongly emphasised lifelong training. A solid skills foundation is an important precondition for being able to adapt to changes in the labour market and for ensuring employability throughout a career. In the coming years, the approach taken will emphasise the needs related to carrying out a profession by articulating the practical development of professional skills in education and through vocational training both in and outside of companies. The development of qualifications must be supported at each step by practical experience in the labour market.

Work experience is, in fact, the key that will enable access to a new or better job. An effort needs to be made to ensure that workers do not remain outside of the workforce for too long. Given this outlook, the system to guide, follow-up and supervise job-seekers has proven its worth and therefore the authorities want to strengthen it further. Job-seekers will be supported and supervised earlier and in a more targeted way in order to spur their reinsertion into the labour market.

The necessity to match labour supply and labour demand has a clear geographical component in Belgium. Over the past few years, everyone has become more aware of the advantages of increasing inter-regional mobility. The different authorities are now cooperating more and more intensively to support job-seekers to jobs beyond their regional borders. However, this approach will have to be combined with strong regional economic policies to bring the performance of all Belgian regions to the level of the best in the European Union.

Enhanced support of job-seekers and improved matching will not suffice to expand the labour supply, which Belgium needs. It will also be necessary to remove the obstacles of all kinds and, in particular, financial ones, which are still hindering access to employment. The burden of the tax and benefit system on labour remains high. It will again be reduced in the coming years, within the limits of available budgets. The fight against unemployment and inactivity traps will continue, notably by improving and securing integration paths via various benefits schemes.

Special attention will be paid to the most vulnerable groups in the labour market: These are, first of all, young people and older workers. It is primarily in Wallonia and Brussels that youth unemployment remains at worrisome levels. However, in Flanders and in the German-speaking Community, the need to extend the length of careers is becoming increasingly urgent. Overcoming the cost of ageing will, in any event, be a
challenge for all public authorities. In addition, the weak position of foreign-born residents in the labour market continues to demand the attention of policy-makers. The potential of people with handicaps is equally under-mobilised everywhere.

Statement of these priorities, within a strict gender mainstreaming approach, constitutes the overall framework of the Belgian employment strategy. This strategy is taking shape at all levels in close cooperation with the social partners, in a spirit of ownership, and cannot be dissociated from the social protection system. In this respect also, things work in both directions: while a high level of employment is a basic condition for improving social inclusion, strong social protection provides both a safety net against events which remove people from the labour market and a springboard to get back into it. The synergy between employment policy and social policy will be further strengthened in upcoming years in accordance with the common principles of flexicurity. This synergy is seen in the existing coherence between the National Reform Programme and the Strategic Report on Social Protection and Social Inclusion.

3.1. Better support on the path to and in the labour market

In order to help people find work or remain employed in a context in which the concept of employment security must replace the concept of job security, adequate support of people already in the labour market is as important as supporting those who are looking for work. Modern and effective employment services are well-prepared to meet this challenge.

3.1.1. Those who do not yet have work are better supported

The Belgian authorities jointly implemented a new procedure for the guidance and follow-up of job-seekers in 2004. The objective was to both fight long-term unemployment and to better support those who were at risk of sliding into unemployment. The procedure was introduced in several phases starting with the youngest age group. It planned for more intensive support through employment services provided within the timeframes laid out by the European guidelines and interviews by the federal service responsible for paying unemployment benefits to verify the efficacy of job search behaviour.

3. See the joint opinion of the NLC and the CEC dated 16/09/2008
As planned, an in-depth assessment of the new procedure was carried out in 2007 and 2008. This assessment demonstrated that the new system effectively promoted more active behaviour on the part of job-seekers and led to a greater number of actions initiated by employment services. The number of people finding work increased among a number of categories of job-seekers and the number of sanctions remained relatively low.\footnote{When compared to the results based on the previous provisions (the famous Article 80 and following ones from the unemployment regulations) it becomes apparent that there are fewer suspensions and that the suspensions are often temporary. However, more vulnerable people, notably heads of households and people living alone can now also be suspended. An assessment of the impact of suspension on the trajectory of workers still has to be done.} The follow-up system has now been accepted as a legitimate procedure by many labour market players and it appears that it is being applied uniformly across the regions.

Based on this assessment, the authorities have planned to further enhance and expand the system. Within this framework, the timetable set for the start of the guidance by the regional employment services plan and for interviews by the supervisory services of the federal employment service will be shortened and harmonised. In conjunction with the social partners, a review will also be carried out to determine how new groups of job-seekers can be brought into the tracking system, notably on the basis of their age.

As a result, the new procedure would be even better integrated with the measures taken by the regions over the past years to rapidly and effectively organise support for job-seekers. Emphasis will now be put on quick screening of job-seeker potential in the labour market and on the actions which will lead to their employment in the short-term. This will involve individualised support and closer tracking and, potentially, intensive training focused on labour market requirements and, insofar as possible, on providing practical professional experience through vocational training, individual training in a company, or employment in the social economy. Given this context, cooperation with the actors of all industries is deemed essential.

3.1.2. And support for workers already in the labour market...

The quality of transitions between two jobs or between one employment status and another plays a crucial part in labour market dynamics, and career guidance is essential to the process. A network of career support centres has been created in Flanders with the help of the ESF. They enable...
support to be provided over a longer period of time: Workers are coached in to help them take decisions about the direction in which they want to take their career. Workers can also directly take contact with a local unit for first line information.5

The regions have also developed a job coaching programme which provides workers, and especially those in the margins of the labour market, with support that will lead to their effective reinsertion into employment. Also notable is the part played by the employment cells which are called upon to support workers who have been victims of restructuring (see below).

3.1.3. Employment services for quality support

Employment services cannot operate in isolation if their role is to be optimised. In their role as manager/organisers, these regional services are part of a network which brings together both public and private structures. This role is defined by their management contract.

In order to create employment and facilitate integration in the work force, Brussels (BCR) has developed a strong partnership network which now has 110 member organisations. With support from the ESF, the network is now part of a mixed management system for the labour market which also mobilises the temporary employment sector.

In Wallonia, operation on a per-project-basis is intended to extend and diversify the offering in order to meet local needs: One hundred and sixty-five operators have signed up to 366 projects to provide support for 7,500 job-seekers. The German-speaking Community has implemented a platform within which the employment service, the social partners, and the temporary employment sector cooperate closely. Since 2006, Flanders has turned to tendering to manage support projects. Projects are auctioned off to private providers who take on long-term job-seekers. The upshot of an intermediate assessment of some 6,000 support projects is that about 36% of job-seekers found employment. In order to further increase the system’s effectiveness, project funding will be tied even more closely to results in the future. The action field of these systems has since been extended to young people and to groups in the margins of the labour market.

5. A pilot project is currently in place in six “werkwinkels” in Antwerp province
3.2. Lifelong learning

Skills development will be an essential precondition for tomorrow’s knowledge economy. A dynamic training policy begins with early assistance and requires the acquisition of solid basic skills. It continues by providing career-long personal development opportunities based on labour market needs.

To this end, it is necessary to profile training plans taking into account the specific requirements of each profession. Each community has developed its own system of competence profiles for this purpose. Training programs have been created for each profession in conjunction with sectoral social partners, often in modular form, and based on the required professional qualifications identified. These profiles can also be used in teaching and for adult education. Employment services can also use them to direct job-seekers to short and targeted training programmes. These profiles can also play a role in redirecting careers within the framework of company restructuring.

The adoption of a common framework for the definition of competence profiles is planned to ensure that this approach will promote inter-regional mobility. All of this work has been developed as part of the European Qualifications Framework.

3.2.1. Training for all, young and old

In Belgium we are also aware that investment in training people must begin early on. The compulsory schooling age will be lowered to five. The communities are offering ever more high-quality facilities for children and are making kindergarten and primary school accessible to all. Flanders is paying special attention to equality of access by providing additional support to schools confronted with special challenges and by limiting the schooling costs paid by parents. The transition between primary and secondary school is sometimes problematic. The German speaking Community has attempted to remedy this situation by providing a common curriculum for children up to 15 and by strongly emphasising basic skills. The French-speaking Community has, for its part, focused on initiatives to bring about equal access and it has also strengthened the teaching

6. The French speaking Community, the Walloon Region and the COCOF (Brussels) have set up the Service Francophone de Métiers et des Qualifications whereas in Flanders this policy is part of the Competentieagenda

7. Based on the ROME system developed by the ANPE in France
of basic skills in secondary education. Brussels (BCR) decided that additional investments would be made in basic equipment for technical and vocational schools in sectors where employment opportunities have been identified.

At the secondary school level, the upgrading and improvement of technical and vocational training’s image has been the object of substantial effort and work intended to prevent early dropout from the school system has been intensified. There has been substantial investment in the technical equipment of schools over the past few years, in many instances with the cooperation of the specialised sectoral centres and employment services, and with the support of European Structural Funds. Cooperation between schools has also been encouraged.

In addition, various alternate training systems have also been upgraded. In Flanders, young people are offered a full-time commitment so that they have to be active either at school or at work for 28 hours a week unless they have been integrated in a preparatory pathway. The French speaking Community is trying to bring more young people into this type of training environment. It has standardised the status of those involved and is planning to grant a full-fledged secondary education diploma, as does the German speaking Community where this type of training is widespread. The three communities are cooperating closely with companies and with sectoral social partners, using ESF funds if required. However, some questions need to be addressed, notably with respect to the overly restrictive opportunities provided by some sectors.

The communities have enhanced the potential for development when beginning with vocational and technical education by setting up higher vocational training systems, sometimes in the form of alternate training or other flexible types of education which combine work and training.

The generalisation of the use of vocational training in education is continuing. Flanders has hired “bridge builders” to assist schools and companies when they implement vocational training projects. The French speaking Community has implemented an “internship market” and has devel-

8. By the communities and Brussels with the support of the Brussels-Capital Region
9. In the French speaking Community and with the support of the Walloon Region, the Brussels-Capital Region and the COCOF, notably via the Centres de Technologie Avancées; in the Flemish speaking Community via, among others, the Regionale Technologische Centra
10. In cooperation with the Walloon Region and the COCOF
11. In cooperation with the Walloon Region
opened a framework to provide onsite training to all students in technical and vocational school. Onsite training courses are also becoming widespread in the qualifying sections of social promotion education. In higher education, much is being expected of vocational training with a language immersion component. In the German speaking Community, onsite training is provided for every student in secondary education. The three communities are planning to provide more onsite training courses to secondary school teachers. In order to simplify the search for adequate training locations, Brussels (BCR) has developed a special database which also contains job listings for student work. Student jobs in fact also play an important role in acquiring professional experience. The Federal authorities are therefore planning to simplify work regulations for students.

Support for students has now also become more vocational in its approach. As soon as choices must be made, students are provided with practical information about the professional placement opportunities offered by various training programmes. An effort is made to fight against gender discrimination, for example, by defining neutral names for professions and by giving young women the opportunity to become familiar with occupations in which men are over-represented during short training sessions. In addition, initiatives have been taken to promote manual work and techniques among the young, notably within the framework of the Euroskills programme.

For job-seekers, emphasis has been put on the importance of having professional experience. A fair number of activation measures offered to job-seekers now have a greater onsite training component than before. Systems of individual in-company training have also been strengthened and more care is being taken than before to ensure that they are used for those job-seekers who are in the most need of complementary training, particularly job-seekers belonging to at-risk groups and that there is sufficient turnover within the system.

3.2.2. The right skills for each occupation

Solid training basic education will only retain its value if the person continues to invest in training throughout their career. The social partners have reiterated their commitment to dedicating 1.9% of the wage bill to training and to providing training every year to one out of every two work-

12. Like the Mädchen für Männerberufe in the German speaking Community and the "horizon emploi" website in the Walloon Region
13. IBO/FPI/PIF/IBU
ers. They have developed a better measurement tool\textsuperscript{14} for this purpose and have implemented a mechanism to sanction industries which do not meet their obligations. In addition, special attention will be paid to training high-risk groups and 0.10 percent of the wage bill will be spent on them. In many sectors, training is organised at the sectoral fund level and regional and community authorities cooperate closely with these funds to set up joint training facilities\textsuperscript{15} and define joint training programmes.

The final step in implementing a system using uniform competence profiles based on professions was the start up of a system to recognise acquired skills. The delivery of diplomas to validate experience is, of course, dependent on the creation of profession profiles. The communities have all committed to the development of centres responsible for certifying competences.\textsuperscript{16}

The public powers have a part to play in encouraging companies to recruit based on qualifications rather than on diplomas. A number of authorities have adjusted their recruitment policies to this purpose. In addition, companies and social partners have been made aware of the issue of competence management. An ESF project was set up in Flanders for this purpose.

### 3.2.3. The individualisation of life long learning pathways

Given the multiplication of career models, it is important to be able to adjust the life long learning pathways in line with the needs of each person. To this end, new and more flexible forms of teaching including e-learning have been implemented. Starting with the competence profiles, the same training objective can be pursued by different facilities. What’s more, the validation of competences enables upgrading of experience acquired informally and can promote the move from undeclared work to the formal work place.

Time credits provide an opportunity to withdraw from the labour market, either partially or fully, and provide a chance for people to dedicate some time to training while still receiving an allowance. The training leave system\textsuperscript{17} provides a similar opportunity: the worker’s salary is maintained

\textsuperscript{14} Among others via the Social Audit
\textsuperscript{15} Competence and reference centres created and developed with the assistance of European Structural Funds
\textsuperscript{16} The French speaking Community in cooperation with the Walloon Region and the COCOF
\textsuperscript{17} The paid education leave
and absences are limited to actual study hours. Last year, the social partners decided to strengthen funding for this system. Without challenging existing rights, these two systems can be the starting point for the development of a training pillar within the framework of a full time savings account, as it is conceived by the federal government.

Adult training is structured to meet highly individualised training needs and, in fact, provides flexible training, notably in the context of social promotion education. The French-speaking Community, committed to upgrading its technical and vocational studies, has integrated this system into the Bologna Decree.

Employers and workers are being encouraged to invest in training via the use of training vouchers. These cheques pay for part of the price of training. In 2007 in Flanders, 175,000 workers, or 12% of the population in question took advantage of this measure (for a total budget of approximately 13.5 million euros). Within this framework, the objective is to grant greater priority to qualifications training, to training for critical positions, and to promote the participation of risk groups. Wallonia invests 9 million euros annually in training vouchers and has, for the past several years, paid increased attention to language training. The German speaking Community has reformed its system and provides flexible support to every training initiative started by either an employer or a worker. A budget of 159,000 euros has been planned for this purpose. Brussels (BCR) is giving priority to job-seekers who find employment and is therefore funding language education and ICT training (budget of 5 million euros).

3.2.4. New skills for new jobs

When looking at the changes that have taken place in the labour market over the past several years it is clear that the competences in demand have been changing at a rapid pace. This trend is not about to reverse itself; on the contrary.

The changes call for various types of responses and, first of all, for the acquisition of basic skills which can provide the foundation for an entire career. But, it is also important to meet the needs of the labour market. Employment services are therefore required to adjust their training offerings on a regular basis following in-depth analysis of labour market bottlenecks. The special effort made by Brussels (BCR/COCOF) in this respect should be pointed out. Also noteworthy, is the cooperation with the social partners in the sectors to define professional profiles that enable a more
proactive approach. The student support centres are also involved in these efforts. Special attention has been focused on opportunities provided by the development of “Green Jobs” because of the trend toward a low-carbon economy.\footnote{For the federal authorities, this takes place as part of the “environment-employment alliance”}

The Belgian authorities are also in the CEDEFOP network and the communities have committed to taking part in the pilot phase of the OECD’s PIAAC study to enable them to assess the structure of qualifications present in the working population and to fill potential loopholes.

### 3.3. A more efficient labour market in which everyone finds their place

A policy which promotes lifelong training, and enhanced tracking and support for the unemployed undeniably supports labour supply. However, finding work is still a great challenge. Positions are not available for all categories of job-seekers, there are financial disincentives, and geographical or linguistic barriers prevent or block access to the labour market. Certain groups of especially vulnerable job-seekers face additional challenges related to diploma and attitude requirements which they are often lacking. Discrimination sometimes also plays a part. To meet this challenge, Belgium has developed a set of policies that take into account both the supply and the demand side of the labour market.

#### 3.3.1. A strong economy for more jobs

A strong employment policy is inseparable from a stable macro-economic environment. Therefore, labour cost reductions must be part of a multi-year budget plan. Promoting job creation also requires a suitable micro-economic policy. A first response to regional differences in employment rates and the unemployment rates must be sought in regional economic policies carried out with the support of European Structural Funds and the regions themselves.

Employment policy can also contribute to strengthening the economic fabric, notably by facilitating the creation of companies. The entrepreneurial capacities of Flemish job-seekers are being looked at closely and are also being closely examined as part of the alternate training system. The French speaking Community and the Walloon Region are raising the awareness of
secondary and higher education students about entrepreneurship. Brussels (BCR) is encouraging all young people to set up as entrepreneurs.

### 3.3.2. Fostering geographical mobility

The Belgian labour market is characterised by a mismatch between supply and demand. An analysis of existing shortages, the adjustments made to the training offering, and the measures aimed at fighting against gender discrimination are all attempts to overcome these difficulties.

The mismatch between supply and demand also has a very strong regional bias. In order to strengthen the regional mobility of job-seekers, the employment services have expanded their cooperation, with the support of their respective social partners. These joint efforts were given new impetus by the inter-regional conference on employment held in 2008. Consistent electronic exchange of job offers has been in effect since 2006, except in the German speaking Community. The system will become operational country-wide by the end of 2009.

This exchange should lead to the redirection of 56,000 job-seekers from Brussels and Wallonia to critical positions in Flanders. Within this framework, joint teams made up of members of the Flemish, Walloon, and Brussels employment services are cooperating to identify job-seekers who may be able to fill 7,000 job vacancies in Flanders. The job-seekers in question have the option of following intensive language training. Overall, the employment services are investing more and more heavily in language instruction, notably through the individual vocational on-site training systems. Brussels has enhanced its language voucher system by opening it up to all job applicants. These efforts are supported by the federal authority which has planned to grant a bonus to job-seekers who take language instruction. A pool of 9,000 job-seekers will be created in Wallonia. They will undergo screening and be provided support and training in view of a potential move beyond their regional border.

Three priority zones have been defined for intensive cooperation between Flanders and Wallonia. They are the area between Mouscron and Tournai, Flemish Brabant and Walloon Brabant, and Liege. The three regions will also make joint efforts to fill vacancies in the area around the Brussels-Na-

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19. Part of the JobFocus project in Wallonia
20. The social partners at the federal and regional levels have issued a joint statement on the subject
21. 50,000 in Wallonia and 6,000 in Brussels
tional airport in Zaventem (Brucargo). The airport companies are also actively involved. Answers to public transportation issues are being provided in order to reach these objectives. Additional bus lines have been started up and job-seekers from Brussels can use shared taxis to get to the airport area. The cost of the latter is paid for by the public employment service for the first several months. The German speaking Community is highly mobile. It has further increased its cooperation with the Walloon and German employment services.

A joint structure (Synerjob) has been set up to consolidate cooperation between the regional employment services. As agreed, the cooperation efforts will be assessed in the future.

As part of the the guidance and follow-up system for job-seekers, the intent is to clarify and improve mobility requirements and to verify the effectiveness of efforts made to learn another language. The social partners have proposed granting of a mobility bonus for all job-seekers who find a position requiring long travel times.

3.3.3. The labour cost must remain competitive for employers and wages must be attractive to workers

In order for companies to create jobs, the wage handicap accumulated compared to our main commercial partners must be removed and the labour cost for less productive positions must remain competitive. Access to employment must also be sufficiently attractive for workers from a financial standpoint and the quality of jobs offered must be satisfactory.

The tax burden on labour is particularly heavy in our country; one of the reasons for this is the high level of social protection. A lowering of the tax burden has been an important goal for many years. To this effect, and based on the recommendations of the social partners, the federal authority will be simplifying the various employment aid systems by reinforcing the structural component, and particularly the low income component, of the reduction of employers’ social security contributions, while remaining within available budget limits. In addition to their assessment mission, the social partners have also been asked to examine the tax advantages granted for overtime and shift work. The Flemish authorities have also planned to grant a bonus to companies that hire workers over 50.

It should be noted that a reduction in the employee’s social contributions of the lowest-income workers has again been agreed while ensuring that a
The low-wage trap is not created. The federal authorities are developing a taxation policy which is intended to increase net salaries. In addition, the Flemish authorities are also granting a fixed-rate tax credit. A budget of 700 million euros has been set aside for 2009 to provide a tax credit of 250 euros to all residents of the Flemish Region and of 300 euros to low-wage earners.

Measures are in place to ensure that these moves do not lead to an increase in gross salaries which would, in fact, cancel out the positive impact on employment. In this respect, the authorities count on the combination of the automatic cost-of-living adjustment through the indexation system, which to a large extent ensures that salaries do not lose their purchasing power to inflation (the salary adjustment reference uses an index without fuel and which has been smoothed to avoid a price-salary spiral) without causing second-round effects, and wage norm legislation intended to frame the intersectoral negotiations which will begin again this autumn. Flexibility in setting salaries has also been increased as part of the framework for promoting results-based remuneration.

To counter the remaining employment traps, the system granting an unemployment allowance to involuntary part-time workers has also been reformed. The social partners have also agreed to an increase in the minimum wage. The effects of the employment trap related to a potential decrease in the head-of-household allowance when a partner accepts a job have been reduced. Efforts are also being made to strengthen the quality of work to make a return to the work force more attractive: Training opportunities will be expanded (see 3.2.) and an action plan for well-being at work has been developed and has now been submitted to the social partners. New opportunities for combining family and professional life have also been set up. The Federal government will examine the possibility of instituting a “career account” system which will enable workers to modulate their career and improve its quality through better matching of family and professional needs.

The latter measures can also contribute to reducing the gender pay gap. This gap is still problematic and can be an obstacle to increased participation of women in the work place. An annual report provides a status update on progress made ahead of recommendations made on the subject. The social partners have therefore committed to revising job classifications and have decided on measures to fight against gender segregation at the

22. The famous “non-recurring benefits”
sector level. These include cooperation with the construction sector initiated by the Walloon employment service. 23

3.3.4. Getting older workers back to the labour market

The low employment rate of older workers is a priority policy concern. A conference on the reform and consolidation of pension plans is currently being organised.

The measures taken as part of the Generation Pact, which was implemented several years ago, are just now reaching their cruising speed. It is too early to fully assess the impact they have had. The tightening of conditions for access to normal early retirement, particularly the increase in number of years of seniority required, came into effect on 1 January 2008. An awareness campaign designed to draw the attention of citizens and companies to the potential of older workers and to the need for active aging is also being drafted. This campaign will be organised in the coming years with the support of the ESF.

Many sectoral pay scales still use age as the criterion on which salaries are based. This leads to excessively high salary costs for older workers. The European anti-discrimination law has led the federal authority to invite the social partners to systematically adjust their pay scales. From 2009 onward, collective bargaining agreements setting pay scales based on age can no longer be legally extended. In addition, the social partners are studying the possibility of granting a compensatory bonus to make up for income lost by those willing to accept lower-paid employment at the end of their career.

An assessment of the follow-up system for job-seekers showed that taking back unemployed workers over 50 in this system would have an activation effect but that it is not necessarily the best formula for specific categories. In any case, the federal government, in cooperation with the social partners and regions, wants to extend the system’s area of application. However, no agreement has yet been reached on this issue.

The Flemish and German-speaking authorities have already developed activation plans for older workers. Flanders invites them to a collective information session and gives them the opportunity to have access to a support plan specifically created for them. The German speaking Commu-

23. Femmes de la Construction

89
nity, in cooperation with the employment service of Aachen in Germany, is seeking to develop support plans adapted to older job-seekers. It is also creating work organisation models which better meet the needs of older workers. Wallonia is also perfecting these types of models with support from the ESF with, notably, the implementation of a tutoring system.

3.3.5. Ensuring that young people find work more quickly

The fight against youth unemployment begins with an increase in their level of qualification when they enter the labour market (see above). The regions have, in fact, expanded their support efforts for young job-seekers.

In 2007, Wallonia set up a specific support plan for young people who sign up as job-seekers. It provides a personalised support which puts emphasis on quick access to employment. Early results showed that 91% of the target group was reached with 34% of the least qualified, 55% of the moderately qualified, and 78% of the most highly qualified job-seekers finding work. The plan has since been revised and expanded to adjust support to the characteristics of the sub-groups. A pilot project intended to promote the hiring of youth from under-privileged neighbourhoods was again implemented in several Walloon cities in 2007.

Flanders generalised a pilot project which had been implemented in a number of cities and municipalities during 2005-2007. The objective is to quickly and correctly evaluate the placement opportunities for young people who have low and medium skill levels and to then consistently offer them suitable work via the use of new communication technologies.

Brussels (BCR) is also planning a more active approach towards job-seekers with stronger emphasis on young people. Job-seekers who sign an agreement with the placement services are contacted every two weeks for an in-depth analysis of their situation and they consistently receive suitable job offers. Improved support is planned for young people who are having particular difficulty finding work. Young people who do not want to sign this agreement are also given support through the employment services.

24. JobTonic
25. Het Jeugdwerkplan
26. With a professional trajectory contract
The German speaking Community is pursuing a policy which calls for supporting young people on an individual basis beginning on the first day of unemployment.

3.3.6. An open labour market as a mirror of a diverse society

Over the upcoming years, Belgium will be faced with demographic changes which will make it more important than ever to expand the labour market. Bringing foreign born residents, people suffering from a handicap, and other vulnerable groups into the work force will be a major challenge. The Belgian authorities have developed policies in favour of diversity which promote through the granting of labels like the federal “diversity label,” provide advice through the granting of consultancy bonuses, and which support companies in the development of diversity plans.27

Today, this issue is mainstreamed throughout all employment services policies even though special initiatives are being taken to bring vulnerable groups into the work force. Flanders is aiming at overrepresentation of these groups in the active labour market policy and is ensuring that all its employment measures meet diversity objectives. Additional intermediation efforts have been developed in favour of these groups by reserving a semi-open circuit of job vacancies for them.28 Brussels (BCR) has paid special attention to high-risk groups in its training offering, notably by setting up initiatives to promote literacy. Other positive measures are planned so that local and regional public services hire on personnel from under-privileged neighbourhoods on the basis of anonymous C.V.s. For its part, Wallonia has developed a specific tracking plan for those job-seekers which are most difficult to place and who are supported through to the work place.

More suitable formulas to process the most difficult cases have also been implemented as part of the review of follow-up system for job-seekers. These job-seekers must often deal with multiple difficulties (medical, mental, and psychological, etc.) which require a special approach. The Federal government has also launched other initiatives, including the granting of a diversity label, and is working on a socio-economic monitoring system that, from 2009 on, will enable analysis of the evolution of diversity in the labour market.

27. All of this work will be coupled with enhanced monitoring of diversity in the labour market
28. Jobkanaal
This type of profile is also often found in the social assistance system (integration allowance). The employment services of all regions have assisted local assistance centres\(^29\) and the latter have joined efforts to manage these job-seekers. In Wallonia, priority has been given to bringing them into companies.

The social profit sector, the social economy,\(^30\) the local services economy, and subsidised employment also provide opportunities for groups of more problematic job-seekers to join the workforce. The competent authorities have strengthened funding for these initiatives. In addition, the promotion of social clauses in public auctions also provides a form of indirect support for these structures. Wallonia has also implemented a system which enables services to be provided to individuals at an affordable price, notably, maintenance services, and small repair and gardening jobs. Social economy structures have been set up for the maintenance of green belts around companies. The transition of workers from these systems to the normal labour market is given special attention in all these programmes. This is also the case for protected workshops. In addition, Flanders gives workers who benefit from this system and who move to a mainstream job the right to reverse directions.

The fight against discrimination in the labour market also rests on the provisions of the European directive on the matter. Within this context, the social partners are committed to developing a code of good conduct and are negotiating an extension to the CLA for all aspects of the working relationship, including recruiting.

### 3.3.7. Economic migration to meet labour shortages

Despite the efforts made to activate job-seekers, there are persistent labour shortages in certain sectors of activity. Economic migration can be part of the solution to this problem.

The Federal government is intending to first lift restrictions on the free movement of workers from new Member States. In compliance with a European directive on the matter, asylum seekers will also have access to the labour market within six months of submitting their request for asylum.

\(^{29}\) The CPAS (Public Social Welfare Centres)

\(^{30}\) Reinsertion companies among others
In conjunction with the Regions and social partners, the Federal government will specify the conditions under which economic migration can effectively help counter labour shortages.

The Federal government will also specify the conditions which people present on the national territory must meet to gain access to the labour market. In addition, for those people who have been in Belgium since at least 31 March 2007, and are now living permanently in the country, conditions will be specified defining under what conditions they can receive a work and residency permit if they can prove that they have received a job offer or can become self-employed.

The regions and communities are naturally continuing to pay special attention both to the integration of new-comers to the country and to migrants who have already been in the country for some time. This is being done by offering language classes and, in Flanders, through citizenship classes.

3.4. A more efficient labour market that eases and supports transitions

Belgium is seeking to implement a more efficient labour market. Current systems are primarily aimed at promoting internal flexicurity, that is, systems which enable employers to adjust working hours to the needs of their companies and workers to enjoy a better balance between their work and private life. Over the past years, more attention has also been paid to external flexicurity, that is, to systems aimed at the reinsertion of people into the labour market following company restructuring. Other initiatives must still be implemented to reduce the period between jobs and to support workers in this trajectory.

3.4.1. Working conditions that combine flexibility, quality, and security

The 38-hour working week is currently part of a flexible system in which working hours can be calculated on an annual basis, although within certain limits. Various sectors have also developed their own rules. The Federal authorities are requesting that social partners reflect on further flexibility, without, however, overshooting the current boundaries set on maximum working hours.

In addition, Belgium has a temporary unemployment system which is however limited to blue-collar workers. This system enables companies to
reduce the number of workers in periods of slower economic activity without cancelling employment contracts. In 2007, this system was used every month for an average of 18,000 workers.

Part-time and temporary work can meet needs of both employers and employees. They can also serve as a springboard to more lasting integration in the labour market. The social partners are committed to simplifying these systems, in compliance with European directives on the matter, so that they can better fulfil their role. The conditions and reasons for resorting to temporary work will be explored with the social partners as part of the overall debate on public service employment (statutory employment versus other forms of employment).

The service vouchers system, which provides a subsidy for at-home assistance services, provides another example of the successful combination of flexibility and security. The system creates jobs and provides a means to fight undeclared work. Over 60,000 people were active in this system at the end of 2007. An expansion in the number of authorised activities is currently being planned as part of a dialogue between the Federal authorities, the regions, and the communities. The regional employment services are continuing to direct people to this system which is also experiencing labour shortages. Plans have been made to transfer those workers to the service vouchers system who still currently enjoy, as part of a specific system, both an unemployment allowance and a remunerated activity in household services. Attention will be paid to the quality of positions offered.

The fight against illegal and undeclared work and organised benefits fraud also requires improved cooperation between inspection services at all levels of power and more effective use of the information available in databanks.

3.4.2. Social security in the service of a mixed career

Belgian social security provides protection to people whose careers include periods of both employment and unemployment. What’s more, the opportunity to build social security rights is independent of the type of employment contract. There are, for example, several specific provisions covering seasonal workers and childcare workers. The concept of salary, which is the basis on which contributions and services are calculated, is also broadly defined. In addition, so-called “equivalent periods” are also

31. The local employment agencies
32. Via the SRRS among others (the social information and research service)
taken into account. Even when work has not actually been done, for example, because of unemployment, invalidity, or because of a time-credit\textsuperscript{33}, social security benefits continue to accumulate.

There are incentives in the various social security systems aimed at encouraging beneficiaries to return to work. Therefore, the reinsertion into the work force of people who have suffered from a work-related illness or accident is encouraged through a right of return found in their initial benefits allowance which is applied when they go back to work. The possibility of combining pensions with employment has been extended, notably through an increase in the salary ceiling under which the pension is not deducted.

Unemployment insurance also has a part to play. In addition to the activation effect of the follow-up system for job-seekers, the modulation of benefits is also important. Short periods of unemployment are often unavoidable in the context of a labour market career. The unemployment benefit does, in fact, have a potential for activation and, as a result, the federal government has decided. The social partners have been asked to define a more adequate revenue protection system for the first phase of unemployment. The goal is to increase the benefit during the first period of unemployment, then to decrease it gradually and more deeply to achieve an activation effect. Current minimum allocations would, however, be maintained.

A well-being envelope is now set every two years and it must guarantee greater stability for social security allowances. It is within this framework that the government, in cooperation with the social partners, determines the modifications that need to be made to various social services. A number of allowances in the pension and invalidity schemes and in the area of work accidents and illnesses have been readjusted by 1 September 2008.

3.4.3. A better combination of work and private life

The communities and regions are continuing their efforts\textsuperscript{34} to expand childcare facilities. In 2007, 101,805 places were available\textsuperscript{35} (28.3% of chil-

\textsuperscript{33} However, with a time-credit of five years, only three years are taken into account
\textsuperscript{34} With the support of European Structural Funds
\textsuperscript{35} Of which, 67,128 in the Flemish speaking Community, 360 in the German speaking Community, and 34,227 in the French speaking Community. The latter is planning an increase of 2,900 spots as part of the “Plan Cigogne”.

95
The employment services are making additional efforts to ensure that a shortage of facilities does not become a hindrance for the unemployed in their job searches. The improved local services offering and the service vouchers system also enable many people to accept employment or to work more hours than they did before.

The time credit system enables workers to leave the labour market for a while, for example, to provide care to relatives. Parental leave, which is available to both men and women, provides an opportunity to combine career and childcare. After assessing the system, the federal authorities will envisage further improving it and broadening access.

### 3.4.4. Restructuring as a springboard to new opportunities

The Generation Pact initiated a new approach to company restructuring. From now on, access to early retirement is conditioned by an active six-month search for another job through the employment cells. These cells work with the regional employment services. Regional authorities are also responsible for supervising the activation plans implemented.

There were 106 active employment cells in Flanders in 2007 (with an increase in the reinsertion rate for the workers in question of 55% to 62%) and additional counsellors were hired. Support for workers who were victims of a bankruptcy was also improved in Flanders. There were 36 redeployment and employment cells active in Wallonia in 2007; 51% of the people supported by these cells found work. Fourteen cells were active in Brussels in 2007 compared to one in the German speaking Community. The company restructurings which have affected workers from various regions are managed cooperatively by the public employment services.

### 3.4.5. A new status, a new opportunity

In order to promote mobility between various statuses on the labour market, the self-employed status has, in particular, been made more attractive over the past years. Both the Federal authorities and the regions provide low-rate loans to promote company start up. Job-seekers can also continue to receive their unemployment allowance during the start up phase. The social situation of self-employed workers has been consistently enhanced over the past few years thanks to an improvement in health care coverage,

36. Including 94 company employment cells and 12 permanent employment cells which manage the relatively low number restructuration files at the regional level
an increase in family allowances and minimum pensions, and through expanded admission conditions. Self-employed workers can also turn to a “bankruptcy insurance” which guarantees a one-year allowance once during their working career. This allowance is provided in addition to social security rights.

In order to encourage job-seekers to go into their own business, Wallonia is providing the opportunity to start a company within a protected structure and to test the company’s potential in that environment.

37. Company incubators.
4. The 2008 status report for the National Reform Plan 2008-2010. European Structural Funds’ contribution to the implementation of the Lisbon Strategy in Belgium.

4.1. Introduction

The general Structural Fund Regulations for the next period (2007-2013) confirm their role as financial instruments at the service of employment, labour market, social inclusion and territorial development policies. The direct support provided by the European Social Fund (ESF) to the European Employment Strategy gives it the strategic scope needed to contribute to the implementation of the Lisbon Objectives and to be able to meet the recommendations made to countries under the Lisbon Strategy. The support of the European Regional Development Fund (ERDF) will also make it possible to achieve these objectives with respect to cohesion and territorial competitiveness.

As the European Commission prepared the new Structural and Cohesion Funds programme for the 2007-2013 period in close coordination with the Lisbon process, the issue of structural funds must be explicitly broached. As a result, it is expected that Member States will describe which contribution their programme will make to the implementation of Lisbon Strategy objectives. More specifically, the European Commission hopes that, as part of Objective 2, 75% of spending will be dedicated to projects which favour the implementation of the Lisbon Objectives. The 75% limit is a constraint imposed on the whole EU 15. It emerges from the definition of the priorities that the available Funds were largely channelled into meeting the Lisbon objectives.

Cohesion Policy objectives are, as a result, expected to make a stronger and more strategic contribution to European growth and employment objectives within a framework of sustainable development (European Employment Strategy – Lisbon – Göteborg).

The composition of the 2007-2013 National Strategic Reference Framework (NSRF) for our country therefore reflects the desire and the need to involve all the institutional players. In a coordinated way, and based on the distri-
bution of powers among the different entities, it stresses the priorities and their implementation to which Belgium is committed in achieving the Lisbon Strategy.

4.2. The Federal State

Given the significance of the tight link between the European Employment Strategy, the National Reform Programme (NRP), and the ESF programme, the Federal government remains committed to strategic federal actions in support of the NRP on both employment and social inclusion. The ESF will provide backing for federal priorities and themes and for their implementation as set out in the NRP and the Strategic Report on Social Protection and Social Inclusion for 2008-2010.

It will also provide the Generation Pact with very useful ways and funds to achieve implementation. The inter-generational bond must be strengthened given the demographic stakes raised by an ageing population and the risk that this poses for the financing of our model of social solidarity. Within this framework, an ESF contribution which takes into account career development is needed for the approaches and tools that must be developed. A sustainable improvement in the participation levels of older and young workers in the labour market must be achieved.

Federal actions promoting diversity and fighting against discrimination in employment are also important in order to be able to increase employment rates in target groups. Moreover, governance of European employment policies and the needed coordination, meetings, and dialogue require a permanent structure able to federate all the players involved in the Structural Funds and the Lisbon Strategy. The Federal government is committed to this aim.

Using the European Social Fund to foster the social and occupational integration of a vulnerable group sidelined from employment is a sustainable and effective way of tackling poverty.

4.3. Flanders

ERDF: Objective 2

Flanders can also call on European resources to implement its socio-economic policy. An amount of 201 million euros has been granted by the ERDF (European Regional Development Fund) within the framework of the new
cohesion policy and Objective 2 “Regional Competitiveness and Regional Development” 2007-2013 programme period. This money is designed to support initiatives to strengthen economic growth and promote employment (Lisbon Objectives). A first step in the allocation of these European funds was the development of a National Strategic Reference Framework (NSRF) for Belgium. This followed on European Regulations for the new cohesion policy and the orientations of the Community Strategic Guidelines on Cohesion (CSGC). Following broad consultation, Flanders’ contribution was definitively approved by the Flemish government on 15/12/2006. It was then further developed by its inclusion in Objective 2 – the 2007-2013 Operational Programme which, in turn, and following extensive dialogue, was also definitively approved by the Flemish government on 16/05/2007 before being presented to the European Commission. A series of significant innovations are included in this new Operational Programme:
- an approach based on themes rather than regions;
- concentration of funding on the four policy priorities;
- management by a centralised programme secretariat with provincial/urban points of contact;
- the creation of a tender system;
- the electronic introduction of project proposals (e-government);
- strong synergy with the strategic objectives of the Agency for the Economy

Contrary to previous programme periods, the 2007-2013 Operational Programme is for the first time being applied throughout the entire Flemish territory. Efforts will no longer be concentrated on regions but rather on important themes which contribute to the Lisbon Objectives. Funds will target four priorities within this framework:
- the stimulation of innovation and of the knowledge economy: this priority targets awareness and support, cooperation and internalisation, innovative examples of the business application of knowledge, and innovation in the rural economy
- the promotion of entrepreneurship: this priority targets stimulation of the spirit of entrepreneurship and competences, the implementation of a framework facilitating the creation, growth, and takeover of companies and the promotion of international entrepreneurship
- the improvement of infrastructure and the economy: this priority targets the sustainable enhancement of economic doorways and multimodal accessibility, quality enabling companies to set up business, sub-regional leverage projects, and the sustainability of economic focus points
- the promotion of urban development: this priority targets integrated urban development projects in the 13 Flemish cities/centres and the Flemish urban area around Brussels-Capital as well as small urban projects in neighbourhoods in Antwerp and Ghent.

The total estimated budget for the programme is 500 million euros. In addition to ERDF funds – 201 million euros (equally allocated between the four priorities) - financial support is being provided by the Flemish Region and regional/local powers (220 million euros), and by the private sector (80 million euros). Unlike the last programme period, this programme will be managed and supported by a central programme secretariat at the Agency for the Economy assisted by provincial contact points and contact points in the major cities of Antwerp and Ghent.

The selection of subsidised projects for priorities 1 and 2 will be based on a system of public tenders. Project proposals for priorities 3 and 4 can be introduced at any time during the programme period. As a result of the many efforts the Flemish government has made for e-government, project proposals can be introduced and processed electronically. The development of an integrated computer system for electronic applications, programme monitoring, and the exchange of data with the European Commission are another essential action point.

The ERDF programme can serve as a test for new initiatives and the synergy between the management of Objectives 2 and 3 (Interreg) can be fully applied. In addition, linking of the various players in the Region’s socio-economic development can be fully implemented. Following definitive approval of the programme by the European Commission, a Flemish kickoff event will be organised to inform the general public. Information and promotional campaigns will be carried out for promoters at the provincial level based on a professionally designed communications plan. The overall objective is to reach cruising speed by the end of 2007 and to also launch the first calls for tender within the framework of project introduction.

ERDF: Objective 3

Like the Flemish ERDF Objective 2 programme “Regional Competitiveness and Employment,” European territorial cooperation for the 2007-2013 period is marked by an accelerated completion of the Lisbon and Göteborg objectives. Operational Programmes which are part of European Territorial Cooperation (Objective 3), and in which Flanders will participate, were developed in 2007. With the exception of one programme, all the Operational
Programmes for territorial cooperation have been approved by the Flemish government and have been presented to the European Commission.¹

A new cross-border maritime programme was submitted to the Flemish government in the autumn of 2007 before its presentation to the European Commission. Approval of this programme is expected by mid-2008. The committees responsible for its implementation have been created and the first calls for tender have been issued. It is important for Flanders to set the schedules and contents of the various tenders from the beginning. The Agency for the Economy will ensure that Flanders carries out this proactive role and that policy priorities are completed and supported. Among other things, and in order to support potential Flemish promoters, the Agency for the Economy will organise a workshop entitled “Presentation of Projects within the Framework of the Programmes for European Territorial Cooperation” in 2008. The end goal is accelerated fulfilment of the Lisbon and Göteborg objectives thanks to more intense cooperation between people, institutions, and companies in Union territory. Flanders must take full advantage of opportunities for cooperation. It must also take advantage of the accelerated absorption of results from innovative projects in the economy and in innovation on one hand, and in transport, mobility, the environment, and energy provided by the programmes, on the other. The rate of participation of Flemish players in these programmes and the intensity of their cooperation at the European level will act as a barometer to measure the success of the programmes for Flanders. With respect to transnational cooperation programmes, in particular, the goal is to seize the opportunities offered by the EU in order to create a Flemish contact point to support to the fullest the participation of Flemish promoters in the programmes.


The contribution of ESF funds to the Flemish employment policy

1. Cross-border territorial cooperation: Flanders-Netherlands, Euregion, Meuse-Rhine, France-Wallonia-Flanders. 2 Transnational territorial cooperation: North Sea, North West Europe Region. 3 Interregional territorial cooperation: Interreg IVC, Interact, Urbact II.
2. Technical assistance for a programme covers joint technical secretariat costs, the preparation, management, supervision, assessment, communications, and monitoring of the programme. The Flanders-Netherlands border region programme will receive nearly 1.42 million euros; the Meuse-Rhine programme approximately 587,000 euros; and the France-Wallonia-Flanders programme about 931,000 euros. 306,000 euros will be allocated to the North Sea programme and the Programme for North West Europe will receive approximately 220,000 euros.
The 2000-2006 ESF programme tied the allocation of ESF funds to the Lisbon Strategy by translating the European guidelines into a series of axes and measures. The approach was similar for the 2007-2013 Operational Programme (OP). A list of priorities was decided within this framework:
- the activation of talent and its sustainable inclusion in the labour market;
- the promotion of social inclusion for groups with potential through social work;
- basing company culture and organisation on the human being and society;
- innovation;
- transnational and interregional cooperation;
- technical assistance

The ESF plays a support and enhancement role for both the 2000-2006 programme period and for the 2007-2013 OP. Given the Lisbon Objective goal of bringing 25% of the long-term unemployed back to the job market annually and given the objective of guaranteeing a new start for job-seekers (both young and old) before they become unemployed long-term, support and training of job-seekers (guideline 19) are an important part of the ESF programme for the new period. As part of Priority 1 of the new ESF programme, the VDAB organises every year 5,790 support actions (broad and intensive support) and 3,870 actions intended to enhance competences (training targeting results for job-seekers who are over-represented in unemployment in their region) targeting the four priority groups with potential. To this effect, a closed call was made to the VDAB which finances its own activities thanks to ESF funds in the amount of 18,850,000 euros. Priority 2 – the promotion of social inclusion for groups with potential thanks to tailored work opportunities – is part of the objectives of guideline 19.

However, the ESF is more than a financing instrument for the training and support of job-seekers. More and more pilot projects are being launched with ESF funds. These projects are then integrated into the policy for the regular labour market. Both the EVC and career support are examples of pilot projects which have been anchored in this way. The new programme period is planning for new pilot projects, notably for mentorship (priority 3), social innovation (priority 4), and in-company and sector training projects (priority 1). All of these projects are intended to facilitate innovation and language activation in the labour market in general and in the workplace, in particular. An annual amount of over 11 million euros is planned for training projects. Mentorship and social innovation projects will receive 2.8 million euros and 1.5 million euros, respectively. Funds
have also been earmarked in the OP for the career service and for proof of experience.

4.4. The Walloon Region

The various programmes tied to the use of European Structural Funds in the Walloon Region were approved by the European Commission in December 2007. Their implementation began in early 2008. The programmes are:

- The Convergence Objective: Phasing out Hainaut Statistic (1 ERDF OP and 1 ESF OP)
- The Regional Competitiveness and Employment Objective: Wallonia, excluding Hainaut (1 ERDF OP and 1 ESF OP). The ESF OP also covers the programmes of the French speaking Community (Wallonia and Brussels) and of the COCOF (Brussels). The amounts below are for interventions in the Walloon region only.

The Region is also receiving ERDF assistance for the Territorial Cooperation Objective.

As part of this scheme, the Walloon Region has devised an integrated development strategy for the various programmes which is coherent with the priorities defined in the Contract for the Future and, in particular, with the priority axes of the Priority Action Plan. The goal is to ensure the coherence of actions carried out by the Region both with and without Structural Funds. These priorities also take into account community orientations, the balance sheet, and the accomplishments of previous programmes. The programme will be guided by a willingness to focus funds both geographically (from this standpoint the focus will be on rehabilitation of urban areas) and thematically in order to generate leverage, synergies, and critical mass. At the thematic level, the Walloon Region has met community earmarking objectives intended to allocate a significant portion of funding to Lisbon priorities (60% on Convergence, 75% on Regional Competitiveness and Employment) with a level of 77% on Convergence and 80% on Regional Competitiveness and Employment.

The funds provided by the Structural Funds will therefore amplify the policies implemented within the framework of the Priority Action Plan and are in line with the priorities of the NRP.
The lines of intervention are:

*The creation of companies and employment – Total budget: €760.6 million (€454.2 Convergence - €306.5 Competitiveness)*

Support for the development of company spirit and entrepreneurship, and support and backing for the creation of companies via a coherent set of measures (ERDF and ESF):
- Direct aid to companies in the form of subsidies (see aid to investment)
- Or financial engineering tools (see SOWALFIN)
- Consulting, support, and training services for the development and creation of companies and support for the entrepreneurship (see ASE)
- Development of human capital, knowledge, know-how and research – Total budget: €770.7 million (€413.8 Convergence – €356.9 Competitiveness)

Support for R&D in companies (SME), innovation in technology and non-technology fields, R&D activities in research centres, research units in universities and schools of higher learning (see the Decree on research), and the development of effective training and educational infrastructure (ERDF).

Activities targeting training and qualification education, higher education tied to identified job market needs, social promotion education, and the enhancement of human resources in research (ESF).

*Social inclusion – Budget €277.6 million (€129.5 Convergence – €148.1 Competitiveness)*

Targeted action to tackle issues related to the inclusion of the long-term unemployed, in particular the young and the old, disabled persons, people who are vulnerable and the foreign-born, and specific action in urban and rural areas, particularly in matters of pre-qualifying training (ESF).

*Balanced and sustainable territorial development – Total budget: €742.5 million (€430.2 Convergence – €312.3 Competitiveness)*

Measures will be taken to improve the appeal of targeted zones to support the development of economic activity: clean-up of blighted industrial and urban sites, preparation of infrastructure to bring in companies, improvements in the accessibility of development poles, action for the quality and
protection of the environment, development of renewable energy sources and energy efficiency, implementation of integrated action to rehabilitate urban areas, tourism, culture, and patrimony (ERDF).

Sustainable development and energy issues are integrated transversally in the programmes co-financed by the Structural Funds. This means, among other things, financing for research projects in the area of eco-innovation and in the energy field through support for the development of companies which are active in the environmental sector and of targeted actions for economic leadership, etc.

**Current status**

A first call for projects went out in the spring of 2007. The Government has approved several projects since the beginning of 2008:

- January 2008: modification of the decrees in effect for investment aid measures in order to integrate the specific provisions of the measures co-financed by the ERDF (in development zones only). The total budget allocated to the measure is €325.1 million (ERDF + WR).

- March 2008: selection of the ERDF project portfolios for economic leadership (six for Convergence and 11 for Competitiveness) for a total budget (ERDF + WR) of €62 million. The projects cover a range of activities for information, company start-up support, innovation projects, transmission and networking projects, and for social economy, environmental and other projects.

- March 2008: Selection of ESF projects for Axis 1 of the programmes (company and job creation). The projects address training to meet company needs, activities to promote the spirit of entrepreneurship, and support for the creation of business activity. A budget of €54.2 million has been allocated (ESF + WR / FSC, including the Brussels Region).

- April: selection of ESF projects for the “Development of Human capital, Knowledge, Know-how, and Research” axis. These projects address alternating training, competence centre training programme activities, the networking of competence and research centres, redeployment units, the Job Tonic system, social promotion education, distance learning, the networking of technology innovation players, etc. A budget of €327.2 million has been allocated (ESF + WR / FSC, including the Brussels Region).

- May 2008: selection of 17 portfolios of research projects for a total (ERDF + WR) of €150.6 million. These projects are intended to put research centre competencies at the disposal of companies in order to
support them in their technology development efforts (financing of special equipment, of research projects, and optimising of the technology services offer of certified research centres). The sectors covered are materials, ITC, aeronautics, textiles, health, nanotechnologies, agri-foods, biotechnologies, and the environment (eco-innovation). Special attention has been paid to projects which fall under the dynamics of the Priority Action Plan, particularly in association with the competitiveness poles.

- May 2008: selection of projects related to the “Balanced and Sustainable Territorial Development” axis of the ERDF OP for a total ERDF + WR budget of €743 million. The projects cover:
  - The clean-up and re-allocation of former industrial sites and blighted urban areas: 12 projects selected for Convergence (€75 million), 13 Competitiveness projects (€45 million). The projects selected are part of structural portfolios which also take into account the re-assignment of sites. They are also in line with projects financed by the Priority Action Plan.
  - Structuring support infrastructure and the accessibility to development poles: 17 portfolios have been selected for Convergence (€95.5 million) and 15 for Competitiveness (€94 million). The projects fall within the thrust of the Priority Action Plan, have a structuring aspect and round out major investments in the Walloon territory (notably for multi-modal platforms, science and logistics park in Liege, and the space pole in Redu).
  - Revitalisation of urban areas and enhancing the appeal of the region: 28 portfolios were selected for Convergence (€263.4 million) and 20 for competitiveness (€172.7 million). The projects cover urban revitalisation and the promotion of tourism and patrimony. Pilot projects have also been selected in the energy field (biomethanisation, raising awareness about photovoltaic energy, promoting renewable energies)
  - May 2008: approval of projects related to support infrastructure for qualification training. These are tied to the Walloon Competence centres, the creation of advanced technology centres for the French speaking Community, and the strengthening of the Pedagogical Development Fund for qualifying education.
  - €50 million will be invested in the competence centres (23 in Convergence and 28 in Competitiveness) for new equipment, and the extension or creation of infrastructure. The projects were selected taking into account the training needs of productive and developing sectors and identified labour shortages (the biotech, logistics, construction, environmental, and mechanical engineering sectors are among those
covered). A total budget of €81 million has been allocated (total public expenditures).

- June 2008: the Walloon government approved the allocation of funds assigned to the risk capital facet of financial engineering measures for the various Invests (total budget of €198.8 million) and the measure’s orientations. The interventions will be provided as loans and will target support for investment, R&D, and innovation. A budget of €16.3 million will be allocated to the guarantee facet.

- June 2008: selection of 147 projects related to axis 3 (Social Inclusion) of the ESF programmes. The projects focus on socio-professional insertion activities, support and backing for job-seekers in their search for and at work, on mainstreaming equal opportunity, and on support for networking. A budget of €110 million euros has been allocated (ESF + WR / French speaking Community, including the Brussels Region).

In June 2008, the Walloon government also launched a second call for projects for axis 2 of the ERDF and ESF OP. They will be completed by the end of September 2008 and government selections will be made by the end of 2008 or the beginning of 2009.

4.5. Brussels-Capital Region

The implementation of the NRP in the Brussels-Capital Region is based on the strategy developed by the Brussels regional government in the “Contract for the Economy and Employment” (C2E). The use of European Structural Funds is also based on this contract. It is the result of dialogue between the regional government, the social partners, and local and institutional actors. It is completely in line with the Lisbon strategy.

The national strategic frame of reference shows how the Region intends, via the Structural Funds, to participate in the achievement of community objectives for cohesion, growth, and employment. It exploits an integrated urban development strategy which enables the linking of the capital’s socio-economic development with growth and employment objectives. Based on diagnostics which have underscored the strong dualisation of development in the Brussels-Capital Region, the interventions of the Structural Fund are intended to:

- increase economic dynamism and employment in the Region
- create balanced territorial development for the Brussels-Capital Region and reduce economic, social, and environmental inequalities in an area which contains neighbourhoods that are vulnerable compared to the Region overall
- improve the appeal of the area and of its living conditions for residents, companies, and associations.

The contribution of European Structural Funds to the strategy designed by the regional authorities is part of the three Operational Programmes (OP) developed in the Region. These are the ERDF “Objective 2013: Investing Together in Urban Development,” the ESF OP “The Brussels-Capital Region Objective for Regional Competitiveness and Employment” developed by Actiris, and the “Wallonia-Brussels Regional Competitiveness and Employment Troika (COCOF)”.

The European Structural Funds for the period are 176 million euros for the entire 2007-2013 programme period for the Brussels-Capital Region. In addition, there is also a national public contribution of another 176 million euros. It is projected that 89% of the European Structural Funds will contribute to achieving the Lisbon strategy objectives in the Brussels-Capital Region. The contribution is, therefore, well above the 75% limit set by the European Commission.

It should be pointed out that the strategy is built on the principle of concentration both at the level of the audience targeted by the actions and at the territorial level. The targeted audience is primarily made up of people impacted by unemployment. Territorial concentration is implemented by focusing activities financed by the ERDF on a specific zone which is, in fact, the most fragile socio-economic area.

The implementation of the various OP’s is carried out in a coordinated way by the management authorities concerned. Complementarity was included in the process at operations selection through the inclusion of other management authorities in the process of operation selection. In addition, the managers of operational programmes active in the Brussels Region took part in various follow-up committees as part of the process of coordinating the players of the Brussels region.

In addition, complementarity is included in operation development by the project carriers. The selection of ERDF projects led, among other things, to the selection of six advanced technology centres. These centres are 50% co-financed by the French speaking Community of Belgium. The financing of these projects also points to complementarity between the ERDF and the

3. 58 million ERDF, 29 million ESF (Actiris), and 90 million ESF (Troika OP)
ESF, for example, through the creation of care centres for children in the priority intervention area.

**Status of the ERDF OP**

The project selection process enabled the fulfilment of most of the operational objectives set out in the OP. This included, among other things, investment in infrastructure through the provision of space for growing businesses and through the improvement of the area’s appeal. European resources will also be used to participate in the creation of economic activity via a microcredit fund and a start-up fund as well as through raising awareness of the spirit of entrepreneurship among the young in the Region.

The objectives set also contribute to the access of Brussels residents to employment. Over 300 additional care spots for young children will be created thanks to the ERDF and this will make access to employment easier for Brussels residents. In addition, the investments will also cover the creation of training centres in order to increase the level of training of Brussels residents and to help ease their access to employment.

Furthermore, European financing will enable the implementation of a true environmental pole including a company incubator tied to the environmental economic sectors of urban areas and the development of research centres tied to environmental sectors.

**Status of the ESF OP (Actiris)**

The ESF OP “Objective for Regional Competitiveness and Employment in the Brussels-Capital Region” developed by Actiris tends to fulfil objectives intended to improve the competences and operation of the labour market in line with the European Employment Strategy (EES) while taking into account regional and local specificities.

The programme will develop three priority areas of intervention:
- Support for job-seekers and people who are excluded, or at risk of being excluded, from the labour market in order to increase their chances of access and improve their capacity for professional integration. This priority covers employment guidelines 17 and 19.
- Forty-three projects have been initiated for the four operations co-financed within the framework of the first priority. Sixty-three percent of expenditures estimated for 2007 were allocated to it. The projects
worked with 17,647 beneficiaries during the year meeting the objective of 17,500 beneficiaries/year set in the OP.
- Increased participation of women in the workforce, notably through better management of professional and private life. This priority corresponds to employment guideline 18.
- Fifteen projects contributed to providing ad hoc and/or limited time care for children between birth and the age of three in order to enable their parents to take part in the process of socio-professional insertion or to take on a job. Twenty percent of the expenditures estimated for 2007 were spent on this. A total of 599 children were cared for this year out of a total projected number of 823/year at the time of programme was created.
- Improvement of the partner approach and its coordination to help job-seekers and employers and improvement of the response to labour market needs through a proactive approach to needs analysis. This priority corresponds to employment guideline 20.
- Four projects were already co-financed in 2007 and 14% of estimated spending was dedicated to them compared to 19% projected for the programme overall. This priority includes innovative operations.

**Status of the Troika OP (COCOF contribution)**

The ESF OP “Wallonia-Brussels Regional Competitiveness and Employment Troika Objective (COCOF)” is essentially intended to encourage development of human capital through a suitable response to company needs for qualified labour, the development of vocational training, and the implementation of training-insertion for those who are furthest removed from the employment market.

The directions taken provide support for the regional and community policies of the three Transversal Strategic Plans (TSP 1, 2 and 3), for the Priority Action Plan of the Walloon Region, for the Contract for the Economy and Employment of the Brussels-Capital Region (C2E), and for the COCOF College’s Declaration-programme.

This OP is structured around three axes in which the COCOF’s "training” expertise is applied:
- **Axis 1: “Creation of Companies and Employment”:** training and support in response to company needs
- Axis 2 for the development of human capital, knowledge, know-how, and research is more specifically targeted at four levels of training:
  - Action on training, qualifying and alternating education for employed workers
  - Training for apprentices and job-seekers to improve or maintain their employability
  - Training activities for on-site trainers, teachers, and tutors
  - Activities to support the certification of competences
  - Activities to network players in technology innovation (research centres...but excluding reference centres)
- Axis 3 “Social Inclusion”: training for those who are most at risk and need special support (long-term job-seekers, new arrivals, etc.)

The project selection process has also enabled a response to the operational objectives set by the OP. Ninety-three training projects were selected and of these 86 are related to the "social inclusion" priority axis 3.

This concentration of funds is intended to help as many Brussels’ residents as possible find their way back to employment through the implementation of a coordinated insertion-training path and to, therefore, reduce social inequalities.

4.6. The German speaking Community

Programme planning for 2007-2013 of the European Social Fund’s Objective 2 “Regional Competitiveness and Employment” for the German speaking Community was approved by the European Commission on 18 December 2007. This delayed approval was due to the fact that, during the first year of the programme (2007), a number of the previous programme’s projects were continued with the approval of the European Commission.

However, in the Lisbon Strategy of 2000, updated in 2005, there is a strong tie between the Lisbon objectives and the objectives supported by the ESF in the German speaking Community. The German speaking Community’s programme also reflects its institutional position: while economic and salary policies are primarily focused on regional and federal power, the German speaking Community can implement a coherent education and training policy while managing the orientation, information, and placement of job-seekers.
The German speaking Community has developed two instruments to implement its policy: a catalogue of the Government’s priority measures and a Community Pact for Training and Employment (Gemeinschaftliches Ausbildung- und Beschäftigungsbündnis) signed with the social partners.

Substantial consistency with the Lisbon objectives was sought for these two strategic instruments which are implemented through the National Reform Plan.

Earmarking for the first year of the programme (2007) indicates that an active employment policy and social integration were the best backed priorities. Its first priority, a strengthening of the ability of workers and companies to adapt to new circumstances, got off to a slow start during the first year.

However, the importance of the employment and social integration policies are also symptomatic of another phenomenon: the German speaking Community currently has relatively low unemployment (a rate of 7% in March 2008) and there is even talk of a shortage of qualified labour in certain sectors. On the other hand, those job-seekers who are available to take part in measures co-financed by the ESF often have a difficult profile and require relatively intense training and support.

The German speaking Community will nevertheless make an effort to share the funding available for the various priority axes across the programme.
## Annex

### Annex 1: Distribution of responsibilities

The Federal Government and the governments of the different regions and communities are each competent in different policy fields. Notably for the fields treated in the chapters 2 and 3 of this report, the competences are strongly divided. For your information, a simplified division of competences for those two fields is presented below.

#### 1. Distribution of micro-economy responsibilities

<table>
<thead>
<tr>
<th>2.1. r&amp;d and innovation</th>
<th>Federal</th>
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<tbody>
<tr>
<td>- Scientific research for federal jurisdictions</td>
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<td>- Astronautics</td>
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<td>- Participation in internal research programmes</td>
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<td>- Inter-university magnets</td>
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<td>- Joint research centres (in cooperation with the Regions)</td>
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<td>- Federal scientific establishment</td>
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<td>- Patents policy</td>
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<td>- Fiscal and parafiscal support for research and innovation</td>
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<td>- Economy-based research</td>
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<td>- Support for research and development and innovation in the business environment (direct and indirect)</td>
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<td>- Strategy research institutes</td>
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<td>- Partnerships on the basis of innovation and the dissemination of information</td>
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<td>- Technological development</td>
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<td>- Joint research centres (in cooperation with the federal authorities)</td>
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<td>- Know-how disclosure in industry</td>
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<td>- Fundamental research in universities</td>
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<td>- Applied research in higher education</td>
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<td>- Scientific establishments</td>
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<td>- Grants for researchers</td>
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<td>- Popularisation of science and innovation</td>
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<th>2.2. Industrial policy and entrepreneurship</th>
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<td>- Commercial practices law, except granting quality labels and designations of origin</td>
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<td>- Establishment conditions apart from tourism</td>
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<td>- Industrial and intellectual property</td>
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<td>- Quotas and authorisations</td>
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<td>- Metrology and standardisation</td>
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<td>- National investment companies</td>
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<td>- Public procurement regulations</td>
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<td>- Economic support policy (direct aid, subordinated loans, guarantees, venture capital regulations, etc.)</td>
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<td>- Industrial policy (including development and investment companies)</td>
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<td>- Planning (including industrial zones)</td>
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<td>- Foreign trade (in cooperation with the federal authorities)</td>
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<td>- Support for start-up firms and entrepreneurs</td>
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<thead>
<tr>
<th>2.3. Market operations</th>
<th>Federal</th>
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<tbody>
<tr>
<td>- Competition policy</td>
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<tr>
<td>- Electricity and gas (in cooperation with the regional authorities): monitoring the wholesale market</td>
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<tr>
<td>- Electricity and gas (in cooperation with the federal authorities): monitoring the retail trade market, regional gas and electricity</td>
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<table>
<thead>
<tr>
<th>2.4. Investments</th>
<th>Federal</th>
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<tbody>
<tr>
<td>- Commercial law and company law</td>
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<tr>
<td>- Company taxation</td>
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<td>- SNB</td>
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<td>- Development and maintenance of regional roads, sea ports, airports, urban and regional public transport systems</td>
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<td>Federal</td>
<td>Regions</td>
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<td>2.5.a. Environment</td>
<td>- Protection against ionising radiation</td>
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<td>- Waste transport</td>
<td>- Waste policy</td>
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<tr>
<td>- Developing product standards</td>
<td>- Environmental inspection of businesses</td>
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<tr>
<td>- Developing environmental taxes</td>
<td>- Water policy</td>
</tr>
<tr>
<td>- Protection of the North Sea</td>
<td>- Rural development and nature conservation</td>
</tr>
<tr>
<td>- Safety in the workplace</td>
<td>- Agriculture and the environment</td>
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<td></td>
<td>- Science research</td>
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<td>- European and international environmental policy</td>
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<tr>
<td>2.5.b. Energy</td>
<td>- Electricity and natural gas charges</td>
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<tr>
<td>- The national equipment plan for the electricity sector</td>
<td>- Natural gas distribution</td>
</tr>
<tr>
<td>- The high-voltage power network whose voltage is over 70 kilovolts (kV)</td>
<td>- Renewable energy (environmentally-responsible energy and electricity from cogeneration)</td>
</tr>
<tr>
<td>- Storage and transmission of natural gas</td>
<td>- Rational use of energy</td>
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<tr>
<td>- Electricity production (apart from environmentally-responsible energy)</td>
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<td>- Nuclear energy</td>
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</tbody>
</table>
### 2. Powers: employment

<table>
<thead>
<tr>
<th>Federal government</th>
<th>Walloon Region (Wallonia)</th>
<th>Brussels Capital Region (brs)</th>
<th>Flemish Region and Dutch-speaking Community (Flanders)</th>
<th>German-speaking Community</th>
<th>French Community (Brussels-Wallonia Community)</th>
<th>French Community Commission (COCOF) for the Brussels Capital Region</th>
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<td>DGN/IRA</td>
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<td>VDAI</td>
<td>Arbeit-samt</td>
<td>(Bruxelles Formation)</td>
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<td>Unemployment</td>
<td>Unemployment benefit</td>
<td>Support for the unemployed</td>
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<td>Availability checks</td>
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<td>Basic education</td>
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<td>Retirement</td>
<td>Regulations on early and standard retirement</td>
<td>Review of employment plans during restructuring</td>
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<td>Career support</td>
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<td>Outplacement: commitment and reimbursement of costs</td>
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<td>Cost reductions</td>
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<td>Tax legislation and benefits</td>
<td>Social security; regulations and implementation</td>
<td>Taxation (incl. reduction in tax burden)</td>
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<td>Time credit</td>
<td>Whole of Belgium</td>
<td>French- and German-speaking areas</td>
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<td>Dutch-speaking area and Dutch-speaking institutions in Brussels</td>
<td>German-speaking area</td>
<td>French-speaking area and French speakers in Brussels</td>
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<td>Integration of less-favoured groups</td>
<td>Gender mainstreaming: tackling discrimination</td>
<td>Diversity policy</td>
<td>Social economy</td>
<td>Cooperation re. integration allowance</td>
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<td>Employment legislation</td>
<td>Regulations</td>
<td>Recognition (including temporary work)</td>
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<td>Employment legislation</td>
<td>Monitoring</td>
<td>Additional monitoring</td>
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<td>Geographical mobility</td>
<td>Regulations on migration</td>
<td>Issuing of work permits and identifying ‘bottleneck’ professions</td>
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<td>Monitoring</td>
<td>Additional monitoring</td>
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<td>Wage determination</td>
<td>Legislation and social consultation</td>
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Only entities with legislative authority in the field of employment are included. Grey areas: no powers in this field.
Annex 2: Most important measures in the Progress Report

Chapter “Macroeconomic stability”

1. Targeted increase in the tax-exempt share of income
2. Extension of the reduction in the social security contributions of low-wage salaried workers (work bonus).
3. Extension of withholding tax reductions on salaries of researchers
4. Increase in deductible fixed professional expenses
5. Bonus scheme granted to workers based on company results
6. Reform of the “guaranteed income” allowance
7. Broadening of the set-rate deduction on personal income tax for workers living in the Flemish Region
8. Walloon Region purchasing power programme: In particular, free regional public transport for job-seekers and lower childcare costs
9. Payments to the fund to guarantee the future of the healthcare system
10. Prosperity adjustment for pensions and increase in the minimum pension/GRAPA
Chapter “Promoting productive economic growth”

1. Federal: R&D taxation. Harmonising of the wage tax exemption
2. Flemish Region: increase in funding for science policy, primarily for research and development
3. Flemish Region: launch of an innovative auction programme (Actieplan Innovatief Aanbesteden)
4. Walloon Region: the competitiveness poles policy
5. Walloon Region: the youth programme to support the spirit of entrepreneurship (10-25 year olds)
6. Walloon Region: the new research decree
7. French Community: increase in the budget of the Fund for Scientific Research
8. Forum Research and Innovation
9. Flemish Region: objectives to reduce the cost of administrative burdens
10. Federal: Round table on Modernising the Regulatory Environment
11. Federal: SME action plan
12. Flemisch Region: simplification of instruments for SMES
13. Flemish Region: reform of the ecology bonus
14. Walloon Region: development of activity zones
15. Brussels Region: simplification of existing economic development measures
16. Brussels Region: simplification of administrative procedures
17. Federal: Liberalisation of the energy market
18. Federal: Price observatory
19. Federal: Gas transmission network (two new regulator stations)
20. Flemish Region: implementation of the Climate Plan (het Vlaams Klimaatbeleidsplan)
21. German Community: development of the forestry industry and of renewable energies
22. Walloon Region: the Air-Climate Programme
Chapter “Flexicurity as a balanced approach for an inclusive labour market with more and better jobs”

1. Federal: reduction in employers’ contributions to social security.
2. Federal: extension of the reduction in the social security contributions of low-wage earners (work bonus).
3. Federal: new system for the follow-up of the unemployed, with periodic interviews by the federal PES, better data transmission between the federal and regional PES and reinforced guidance by the regional PES.
4. Federal: Tighten access conditions to normal early retirement. From 2008 on, early retirement will only be accessible for workers that are 60 years old with 30 years of seniority (or 58 years old with 35 years of seniority). From 2012 onwards, these criteria will be tightened further.
5. Federal: service vouchers: Consumer subsidy for household services.
7. Federal and regions: Employment cells for restructuring enterprises: Access to early retirement is only possible for workers after a 6 month passage through the employment cell with intensive guidance.
8. Regions: Cooperation agreement on the systematic exchange of (bottleneck) vacancies.
9. Communities: Investment in the technological equipment of technical and vocational schools and reinforcement of cooperation among them and with the PES.
10. Communities: Raise the number of places in childcare structures by 13,000.
12. Brussels Region: All young unemployed are invited to sign an individual agreement at the start of their unemployment spell, with a
monthly follow-up. All adult (>25) unemployed get the same offer after 3 months of unemployment, with a 3-monthly follow-up.

13. Brussels Region: Common public-private administration of the labour market (involving the PES, municipalities, social services, NGOs, temporary work agencies, etc.).

14. Flemish Region: support for youth (Jeugdwerkplan): To further explore the successful approach to support and to generalise the experiences of the communal and urban youth unemployment programmes (steden- en gemeenterenplan jeugdwerkloosheid).

15. Flemish Region: the successful approach to job-seekers (preventative and curative) including efforts for target groups and the agreement calendar for follow-up.

16. Flemish Region: Reinforcement of the system for individual work floor-based vocational training of the unemployed in cooperation with public and private labour market parties.

17. Walloon Region: JOB Tonic: The device is designed to propose, on a systematic and intensive basis, to people under 25 who leave school (new unemployed), an insertion credit contract. The system was expanded in June 2008 to all young people with at most a certificate of upper secondary education.

18. Walloon Region: Creation of joint teams VDAB FOREM, establishment of a reserve of Walloon 9,000 candidates, jobdatings, strengthening language courses.

19. Walloon Region: JOB Focus – Fight against labour shortages: identification and anticipation of shortages, translating that into concrete action, implementation of training as a direct and lasting solutions to shortages identified, and support for creation of a closer relationship with companies seeking skills.

20. German speaking Community: All low-skilled unemployed are obligatorily integrated in a tailored integration course from the first day of unemployment onwards. Moreover, after the seventh month of unemployment they are invited for a collective information-session and for individual profiling, which in most cases leads to a tailored integration course. All adult unemployed get the same treatment after the thirteenth month of unemployment.

21. German speaking Community: Reinforce the common base in secondary education, by defining obligatory core competences.
22. French speaking Community and Walloon Region (+COCOF): The reform aims to develop a quality pathway of work-linked training and focused on a unique status of the young. A single piloting structure will be created.

23. French speaking Community and Walloon Region (+COCOF): Plan of which the objective is to allow citizens over 18 years to officially make recognize the competences acquired by some way that it is, in order to help to build its course of life, to reach continuing education, to develop its competences on the market of employment, etc. A French-speaking service of the skills and qualifications was created, it is charged to organize the production of the skills profiles and the training profiles.

24. Flemish Community: Guarantee apprentices' full-time commitment by offering more jobs or labour market integration courses.

25. Training vouchers.
Annex 3: Additional documents

On the website www.be2010.eu, the following annexes to the National Reform Programme can be found:
- Economic key indicators
- Indicators European Employment Strategy
- Strategic report on social protection and inclusion 2008-2010 / Rapport stratégique
- Detail of the most important measures of the progress report 2008