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Introduction

1. Context

The year 2009 was turbulent for the Belgian socio-economic policy. As in the rest of the EU, Belgium was hit by the worst economic crisis since World War II. The consequences of the crisis affected all sectors and aspects of the economy. The banks, manufacturing industry, employment and public finances were subject to significant shocks. Effective and united actions from the Belgian authorities was imperative to prevent the free fall of the economy, to protect the purchasing power of consumers, and to create a framework for gradual recovery.

Beyond reporting on the implementation of the NRP’s priorities, this progress report covers extensively the actions undertaken by the Belgian Government to counter the crisis. These actions are within the framework of the European Economic Recovery Programme and the Lisbon Partnership for sustainable growth and jobs.

The Belgian authorities reacted quickly to the loss of trust in financial markets, by means of recapitalising system-critical institutions and granting guarantees, thereby avoiding a domino effect in the European Union.

The recovery plans were aimed at dealing with structural challenges to the economy, taking into account the limited budgets. These plans were concerned with the competitiveness of companies and with employment. At the same time, sustainable socio-economic levers were strengthened and investments in a greener economy increased.

As in the rest of the European Union, absorbing the shocks of the economic crisis led to a significant budget deficit. Attaining a balanced budget is imperative to guarantee our welfare model for current and future generations. The various authorities in Belgium have committed themselves in the Stability Programme to having a balanced budget by 2015 at the latest. This has to be part of a sustainable win-win policy which would improve social security, protect the environment and strengthen the competitiveness of our companies.

The new coalition agreements of the Communities and Regions are landmarks on the way to sustainable socio-economic reforms. The Belgian
Governments have also reaffirmed their engagement in the Lisbon Partnership after 2010.

The introductory chapter gives an overview of the economic developments since September 2008, followed by policy reactions: the broad outlines of the new coalition agreements and the recovery plan. In addition, the most important progress regarding the five priorities axes of the National Reform Programme 2008-2010 and country-specific recommendations are discussed. Finally, the involvement of the different stakeholders of the Lisbon Partnership is considered.

In the chapters that follow, a detailed analysis is given of the current state of affairs and progress made regarding the macroeconomic environment, microeconomic reforms and the labour market policy (information up till 25 September is taken into account). In the final chapter, the role of structural funds and how they contribute to the National Reform Programme 2008-2010 are described. This progress report was compiled by the federal Government in close collaboration with the Regions and Communities.

Finally, the following annexes are included:
- Flemish Lisbon Report 2009

2. Major developments

Despite the current economic crisis, the objectives of the National Reform Programme 2008-2010 remain completely unchanged. Due to the economic crisis, it has become even more important to continue this ambitious socio-economic policy and to improve public finances in order to fit in with the budget plan that leads to sustainable balanced budgets. In the course of 2009, the federal Government took a great number of decisions, especially focusing on different recovery measures, which support the five priority socio-economic axes.

The recovery plans of the different Governments and coalition agreements of the Communities and Regions are in accordance with the Reform Programme 2008-2010 and give renewed impetus to the socio-economic policy.
2.1 Federal Recovery Plan

To deal with the worst economic crisis since World War II, the federal Government adopted a Recovery Plan in December 2008, with the aim to restore trust. These measures focus on four axes:

1. **Dealing with the financial and banking crisis.** Belgium was the first country on the European Continent to be hit by the international financial crisis. Although, in retrospect, the crisis had been brewing for a long time, no one could have anticipated the impact of the demise of Lehman Brothers on 15 September 2008. The Government did everything in its power to defend the Belgian banking and financial system and to save the system-critical institutions from bankruptcy. Moreover, the Government prevented the situation of the Belgian banks from leading to a domino effect in the European Union.

2. **Strengthening the sustainable socio-economic levers and investments in the environment.** The crisis is an opportunity to promote the sustainability of the economy. Therefore, in the framework of the recovery plans, the Government started working on sustainable development, supported activities in the building sector, and speeded up a number of investment projects.

3. **Business competitiveness, employment and a good social climate.** The crisis threatened to slow down the development of healthy businesses. Therefore, the Government responded by making access to credit easier, offering some financial leeway and lowering the burden on labour as part of the Interprofessional Agreement. By means of temporary unemployment and increased guidance, we tried to retain the maximum number of jobs. For the less well off, the social safety net was strengthened, amongst other measures by means of the welfare envelope.

4. **Restoring the sustainability of public finances.** According to the HCF, the budget deficit increased this year to 5.9% of GDP and next year, if policy remains unchanged, to 6.5% of GDP. In order to pay for the welfare state in future, bearing in mind the ageing population, the Belgian Governments agreed in the Stability Pact to reach a structurally balanced budget by 2015. Significant structural efforts will be made in 2010 and 2011.
2.2 Coalition agreements and recovery plans of Communities and Regions

Flemish Region

The Flemish Government will continue its socio-economic reforms as part of the Lisbon Strategy, on the basis of the objectives and breakthroughs of Flanders in Action (ViA), in consultation with the social partners and federal Government. Flanders will also work, with the ViA as a reference, on preparing a new Lisbon Strategy at the European level. The focus will be on bringing about economic innovation and an integrated labour market policy. This was stipulated in the Flemish Coalition Agreement 2009-2014 which was approved on 15 July 2009.

The Flemish Government had already implemented a number of measures to counter the crisis with its recovery plan, “Herstel het vertrouwen” (Restore trust), of 14 November 2008. This plan included actions based around three priority axes:
- Improving the granting of credit to companies
- Strengthening the activation of the labour market policy
- Accelerating and strengthening public and private investments

The processing industries and industrial sectors were especially hit hard. It is estimated that the unemployment rate in Flanders will continue to rise until 2010. The necessary transformaton of the Flemish economic landscape offers numerous opportunities for sustainability and greening, a process fully supported by the Government’s future plans. By means of the coalition agreements, the Flemish Government is taking this a step further, thereby helping Flanders to emerge stronger from the crisis as a result of short- and long-term actions.

The Flemish Government will gradually refocus from the ‘Herstel het vertrouwen’ (Restore trust) recovery plan to a sustainable employment and investment plan which will be developed in conjunction with employee and employer organisations during the autumn. With the sustainable employment and investment plan, the Flemish Government aims to remedy the negative effects of the crisis in the short term to prevent escalation.

People and companies have to emerge from the crisis stronger than before. The coalition agreement provides more tailormade solutions for counselling jobseekers and providing services to companies (vacancy postings). The Flemish Government is introducing new measures so that the labour
market policy can become more flexible in case of future short-term shocks. In the employment agreement clear engagements in this regard will be formulated.

At the start of the legislature, the Flemish Government will draw up an employment plan as well as a long-term investment plan. By strengthening public investments during the crisis period, the Flemish Government has not only stimulated employment, but also ensured that companies are better prepared once economic growth picks up again. Innovation is the key to companies’ survival in a new, hyper-competitive environment. The challenge lies in making the economic potential green and sustainable.

The Flemish authorities lend the necessary funds to the market to realise these projects and plans. Also, the Flemish Government is convinced that procedures for obtaining approval for project investments will speed up, both for public and private investors.

The long-term objectives of the Flemish Government are described in Pact 2020. The five breakthroughs from Flanders in Action (the Flemish learner; the open entrepreneur, innovation centre Flanders, smart logistics for Europe, and green and dynamic city Region) put into practice the policy that should allow Flanders to achieve its ambitious objectives. The Flemish Government linked actions to these breakthroughs.

Regarding the budget, the Flemish Government wishes Flanders to remain financially healthy in future, and will therefore introduce savings measures to arrive at a balanced budget in 2011. The interventions of the Flemish Government to strengthen the financial power of financial institutions will, in the framework of effective financial control, be evaluated regularly. Owing to the crisis, the budget revenue has shrunk drastically and, therefore, the Flemish Government has chosen a pragmatic approach within a strict budgetary framework. Choices will have to be made regarding expenses. The emphasis will be on efficiency gains, to ensure an improved Government that is more client-friendly and solution-oriented. Efficiency can be increased significantly provided that Government reform takes place and that the Flemish civil service improves (e.g. simplification of cabinets, cost cutting within administrations, and improving instruments of Government policy). Cut-backs on investments will be limited. The Flemish Government aims to have a balanced budget for the period 2012-2014 but no surpluses. This would give them time and flexibility to implement the new policy from the Flemish coalition agreement, in order to prepare Flanders socially and economically for the future.
At the end of 2008, the Walloon Government took specific measures to get the economy back on track in reaction to the financial crisis. These measures meet short-term objectives as well as the development perspective for the long term, specifically linked to the challenges of sustainable development. The Walloon Government approved a series of measures in October and November 2008 to support financial institutions and strengthen Walloon financial instruments. On 5 December 2008, the Walloon Government adopted an *Anti-Crisis Action Plan* in reaction to the economic crisis. This plan has a budget of €1.5 billion and consists of five intervention priorities:

- **Theme 1 – Accelerate investments**: approval of a package of measures to support public and private investments.
- **Theme 2 – Access to credit**: ensuring that companies have access to financing via different mechanisms.
- **Theme 3 – Employment training**: measures to promote employment, especially for young people, to increase the purchasing power of new low-wage employees and temporarily unemployed people, and measures regarding counselling and training.
- **Theme 4 – Alliance environment employment**: measures regarding support for investments in sustainable development and the development of green sectors, specifically for training and employment.
- **Theme 5 – Simplifying and accelerating administrative procedures** in areas that are critical for economic development.

The Governments of Wallonia, Brussels and the French Community positioned their coalition agreements for the 2009-2014 *legislature* within the scope of the joint strategy. The shared objectives entail dealing with the crisis and creating a society that is based on a model of sustainable, humane, joint development. The efforts of all three Governments will have to be subject to a controlled budgetary policy and a cautious approach.

The evaluation of the Priority Action Plan (also called the Marshall Plan), which the Walloon Government implemented during the period 2006-2009, clearly showed that the strategy is relevant and the execution efficient. On evaluation, it is recommended to continue and sustain this coherent approach to sustainable economic development. As a result of these achievements, the priorities of the *Walloon Government for the 2009-2014 legislature will be implemented by means of a Green Marshall Plan (Plan Marshall 2.Vert)*, serving as the foundation of the coalition agreement. This plan will be carried out in close collaboration with the Wallonia-Brussels Community.
The priorities which will be developed below are:

- **Human capital**: On the basis of improved coherence between regional and community policy guidelines for education, training, employment and the economy, the Government wants to continue reforms which were started in the scope of the “Contrat pour l’Ecole” (Contract for school) regarding qualifying education, encouragement of life-long learning, development of multilingualism, and promotion of the qualifying and pre-qualifying training on offer, specifically to meet the needs of sectors and deal with bottlenecks. The active policy for entering the labour market will be continued and strengthened, with special focus on younger citizens. Counselling employees who were hit by the crisis will also be a priority.

- **The competitive poles**: The industrial policy of the Region will be further developed. On the one hand, this will be by means of existing initiatives to promote competitive poles and clustering, with the emphasis on sustainable development, participation of SMEs, and developing innovation and R&D. On the other hand, a sixth pole, dedicated to new environmental techniques will be established.

- Setting up a framework suitable for establishing quality activities and creating jobs. In response to this priority, the Government will continue with the economic restructuring of the Region by means of a coherent set of policy measures which will support the setting up of activities, including examining innovation and education in the broadest sense. The emphasis will be on: continuing reforms for stimulating the economy and technology, launching a Walloon plan for SMEs, continuing the activities related to research and innovation on a qualitative and quantitative level, as well as the policy measures for attracting investors.

- The employment-environment alliance: This concerns launching and implementing ambitious action plans for sustainable development that entail environmental, economic and social objectives as a result of a partnership between the Government sector, the relevant sectors and the social partners. The first alliance will be launched shortly in the domain of upgrading the energy and environmental improvement potential of buildings.

- Improving the quality of life by supporting services that offer assistance to people. The Government will pursue a policy that responds to the growing needs of the population concerning assistance to people (e.g. ageing, impoverishment, child care), and also to objectives regarding better access to jobs and equality between men and women.
Promoting sustainable development will be a transversal priority for the Government. The sustainable dimension will be included in various priority actions as described above, and integrated into all governmental actions so that they can serve as an example and role model in the process. Moreover, the Walloon Government will pursue a strategy to reduce greenhouse gas emissions by 30% by 2020 and 80-95% by 2050 in response to the challenges of climate change as part of the Belgian and European actions on this. This will be done by continuing the Air-Climate Plan and the Sustainable Energy Management Plan.

Finally, the Government wants to pursue an ambitious policy regarding governance to improve the ethics and the efficiency of Government instruments and increase trust between the State, its representatives and its citizens. In the framework of the Marshall Plan 2.Vert, efficient and permanent steering will be developed, based on experience of the previous legislature, supported by regular and independent evaluations. A Plan for simplification and e-government will be launched, based on earlier policy-related measures (impact analysis, clarity of the legislation, electronic forms, electronic transactions, etc.).

**French Community**

Concerning the Walloon-Brussels Community, the Community Policy Statement 2009-2014 describes the Government’s action priorities for the various sectoral common guidelines. These priorities, which reflect the Lisbon Strategy, deal with education (Contract for school, qualifying education, high-quality and accessible higher education), life-long learning (education for social promotion and higher education), outstanding scientific research, ICT and child care. These priorities are closely linked with the above-mentioned priorities of the Region, to which the Community will contribute in its competence domains.

In addition to the specific measures to deal with the crisis, the Walloon and French Community Governments implemented their structural reforms, especially the Priority Action Plan, in order to improve structurally the economic environment of companies, and to continue supporting the establishment and development of businesses, specifically for innovation and training.
Brussels Capital Region

The Brussels Government has defined 5 major challenges facing Brussels in the coming years:

- **The challenge of demographic growth**, based on projections of a large population growth, especially that of the immigrant population.
- **The challenge of employment, training and education** is more important than ever due to the effects of the financial crisis, and is linked to the demographic growth, which leads to more young people entering the labour market.
- **The environmental challenge**, which is to turn Brussels into a model of sustainable development, an extremely important economic source of job creation and to promote the international image of the Region.
- **The challenge of the fight against a divided city and against poverty** requires that the transversal and territorialised policy is continued and strengthened on social, economic and cultural levels.
- **The challenge of internationalisation** has become a mission for Brussels more than ever. This has to involve better integration of the new arrivals and benefit the inhabitants of the city more.

The Brussels Government will make the *employment-environment alliance* an important part of the project for the city in response to environmental and employment challenges, especially for young people, by developing synergies with economic objectives as well as objectives related to education and training.

A first source of economic possibilities and employment (which were already identified and partly activated during the previous legislature) concerns re-evaluating the potential to improve the environment, specifically the buildings in Brussels. To give the Region a leading role on this level, the Government will initiate the development and execution - as part of an alliance employment-environment – of a *Pact for Sustainable Urban Growth*, at the start of the legislature. This pact will entail a multi-sectoral pact between the authorities, the relevant sectors in Brussels and the social partners to stimulate and structure the offer of sustainable building in Brussels extensively.

This pact will pay particular attention to vocational training (any type), assisting businesses and entrepreneurs, dealing with the problem of awarding a label, continuing to stimulate demand, the Government as role model, and access to financing. Bearing in mind the situation in Brussels and the predetermined objectives, the problem of renovating existing
buildings and the involvement of SMEs and independent small entrepreneurs, as well as the players in the social economy will be considered a priority.

The development of the economy and residential environment in Brussels will also be covered by a new *Regional Plan for Sustainable Development (RPSD)*. This is truly a city project, which considers our development in which economic, social and environmental challenges are linked in a balanced way. At the start of the legislature, work will begin on developing this RPSD. In reality, this plan will encapsulate the challenges posed by sustainable development in the Brussels Region, which could lead to increased employment and accommodation, new programmes for urban renewal can be steered, businesses can be developed, thus creating more diversification within our economy, safety can be improved, environmental goals can be realised, etc.

This objective is an important trump card, which has to be played to position the Region internationally. The RPSD will also integrate the objectives of the International Development Plan in order to re-evaluate the strategic areas for international development in Brussels.

To anticipate the considerable demographic growth, which offers an opportunity for the Brussels Region, the Government will develop the *2010-2020 Plan for Children and Young People*. This plan, together with the other relevant policy levels, will aim to coordinate transversally all policy initiatives that are vital for developing the talent of young people in Brussels for the future.

**3. Progress regarding the 5 priorities (axes) and country-specific recommendations**

Below is a short summary of the most important measures for executing the five priorities (axes). These have played a significant role in countering the consequences of the economic crisis, both on an economic and a social level, and continue to serve as the priority axes of the Belgian Lisbon Strategy. More detailed information follows in the ensuing chapters.
The focus of the employment policy this year is on minimising the consequences of the unemployment crisis. For the time being, the existing situation of temporary unemployment for blue-collar workers has been improved by increasing rates of remuneration. In addition, white-collar workers will benefit from a similar measure to that which is being developed for temporary suspension from work time (increase in ceiling). Moreover, reducing working hours, either individually or collectively, is offered as an attractive option in order to counter the crisis.

It is imperative to follow the consequences of the economic crisis on the labour market closely and to avoid short-term unemployment turning into structural (long-term) unemployment. The strategy to stimulate job seekers will be continued. Additionally, the restructuring policy will be extended to include under 45-year olds. In this way, every unemployed job seeker will be assisted in finding a new job by means of an employment unit and outplacement. Provision in the form of bridging has also been made for self-employed workers facing difficulties (such as possible bankruptcy).

In Flanders, the newly unemployed are quickly taken care of by means of specific actions to help with temporary contracts that were not extended, as well as by skills training during the period of temporary unemployment, e.g. the Impulse programmes aimed at different sectors. In the case of a bridging grant, extra financial support for skills training is provided. At the same time, we are continuing to focus on aid for job seekers, as well as older people in order to reach our employment rate target of 70% as quickly as possible. In the foreseeable future, more intensive counselling based on skills will be rolled out.

In the Walloon Region and the French Community, the priority activities regarding work, education and training will be continued: assisting job seekers and especially young people; supporting inter-regional mobility; reforming work-linked training; upgrading qualifying education; promoting life-long learning and developing skills (validation of skills, skills training centres, languages, e-learning, solutions to bottlenecks); support
for entering the labour market and diversity; and increasing the number of child care centres. Special attention has been paid to people who lost their jobs due to the crisis, and to retaining their availability. Specific counselling and training measures have been taken, as well as support measures to create jobs, especially in ‘green’ sectors.

In 2008, the Brussels-Capital Region and the social partners entered into an Action Plan for Brussels’ Young People with more than 20 new or improved measures. Based on this new plan, the priority work fields of the Contract for the Economy and Employment (2005) are being implemented.

In the Contract for the Economy and Employment which was adopted by the Brussels-Capital Region and its social partners, the broad outlines were determined and 15 work fields with priority actions for employment and training were developed. This entails a five-year commitment with two main priorities: turning entrepreneurship into a main objective in Brussels, thus promoting the economic development of the Region, and furthering access to employment for those living in Brussels.

The measures of the second axis – dealing with reducing labour costs – are part of the global employment strategy of axe 1.

AXIS 2

Continuing the policy to reduce the (fiscal and parafiscal) labour cost, especially for people with a low or medium income

In the framework of the Interprofessional agreement, the Government approved about 0.3% GDP (1,056 million euro in 2010) of extra labour cost reductions:
- A general tax cut to make up for the mounting wage handicap. The existing exemption for making an advance tax payment of 0.25% will be increased to 0.75% in June 2009 and to 1% in 2010.
- Tax cuts for night and shift workers. The exemption percentage for advance tax payment, which is now 10.7%, will be increased to 15.6% in 2010.
- The exemption rule for overtime will be further developed. The amount of overtime that gives the right to a tax deduction rises from 65 to 100 hours in 2009 and to 130 hours in 2010.
Moreover, the restructuring and simplification of a number of specific employer’s contributions are planned. The targeted reductions for older people, the long-term unemployed and specific groups of young people will be replaced with more cuts of the employer’s contribution to social security, especially for low-income employees. This will result in indirect labour costs (social security contributions) at the minimum-wage level becoming more or less non-existent.

Through the Flemish reduction of employer contributions, the Flemish Government aims to reward and stimulate the professionally active population to work and also for a longer period. In 2009 everyone with an earned income who lived in the Flemish Region received a tax benefit or reduction on personal income tax. This measure cost the Flemish Government 710 million euro. The new Flemish Government decided to apply (again) the reduction of employer contributions more selectively, especially for those with a low income.

In the scope of the recovery plans, various initiatives were launched to ensure the financing of small and larger enterprises. For example, extension of the time for payment of the pay-as-you-earn withholding tax on wages was granted for 4.5 billion euro.

The federal SME action plan that was approved in October 2008, comprises 40 measures spread over five transversal axes, which encourages establishing new businesses, increases security for the entrepreneur, improves relations between SMEs and the Government, enhances the SME labour market, and improves the status of self-employed. In addition, they cover the three sectoral axes specifically aimed at retail trade, the construction sector and the hotel and restaurant sector. The implementation of the action plan is on schedule; all transversal and sectoral axes have shown progress.

At the same time, attention has been given to better regulation and administrative tax cuts, and the budgets for innovation and R&D have been increased by the various Belgian Governments.
The Brussels Capital Region carried out an integrated implementation of its Regional Plan for Innovation, with assistance measures along the entire innovation chain. During the previous legislature, the money invested by the Brussels Capital Region for R&D was considerably increased. These funds were mainly spent on projects that mobilised universities to carry out projects intended to be economically exploited within the Region. The Government’s actions were mainly aimed at three broadly defined sectors: information and communication technologies; the healthcare sector; and the environment. The Region also introduced a series of mechanisms to give companies optimal assistance in times of crisis (Centre for Businesses in Difficulty (CED/COM) and also to ensure access to financing for companies (by means of the Brussels Regional Investment Company and the Brussels Guarantee Fund), and to support the investments of companies.

The Walloon Region and the French Community continued the implementation of their priority policy to support the competitiveness of companies as well as the attractiveness of the Region for investors. The actions carried out entailed support for those with an entrepreneurial spirit; support for setting up activities (specifically via counselling instruments and financing companies, administrative simplification); support for R&D and innovation (in particular, Government budgets were further increased); developing an integrated industrial policy based on connecting various actors (competitiveness poles, clusters, upgrading research, training, etc.); and developing effective infrastructure (companies, logistics and multimodality). To deal with the crisis, additional measures were taken, particularly regarding assistance for public and private investors, access to financing for companies, and simplification of the administration.

The Flemish Government is working on a programme and measures to stimulate open entrepreneurship, aimed at internationalisation, innovation, sustainable economic growth and socially responsible business. The emphasis is on developing a green economy and the need for international business growth. Special attention is given to stimulating entrepreneurship.

In Flanders, the Bridge project Economy–Education, together with a “call for entrepreneurship” and a series of other (existing and new) initiatives have been compiled in a new Entrepreneurship Action Plan.

In Flanders, cooperation between the VDAB and SYNTRA Flanders has been enhanced to help those job seekers who are interested in entrepreneurship.
This will help them create work with a flexible business path after the training.

AXIS 4

Enhancing the system of social protection as an important source of welfare and well-being and the fight against poverty

Axis 4 largely absorbed the shock of the economic crisis, and ensured well-being and welfare in the context of the fight against poverty.

The Government undertook important initiatives to support the purchasing power of households, particularly the most vulnerable, in order to strengthen the system of social protection. Within the "welfare" envelope of 234.2 million euro in 2009 and 541.4 million euro in 2010, the social security benefits to employees and the self-employed were increased. Additionally, within the 2009 budget, the Government approved reductions in employers’ contributions, increasing the pensions of employees and the self-employed, extending the reductions to fuel, gas and electricity prices, and increasing family allowances and pensions. All the measures taken within the social security sector in 2009 should amount to about 540 million euro and about 900 million euro in 2010, at current rates, serving as an immediate injection into purchasing power.

The Walloon Region and the French Community implemented support measures to help the purchasing power of households, which were adopted in the second half of 2008. These have particular bearing on specific costs for and burdens on families (public transport, child care, television and radio licenses, registration fees), an increase in study grants and support for energy-saving investments (loans at 0%).

The Flemish Government also continued to find ways to fight poverty. In this regard, the realisation of the Flemish Action Plan to fight poverty and an amendment to the decree concerned with fighting poverty deserve mention. Regarding employment, a pilot project with specific features was set up to help underprivileged job seekers. Selective application of the reduction in employer contributions deals with the purchasing power problem of low-incomes. Job seekers are also financially supported to help with transport and child care.
As part of the federal recovery plan, energy-saving investments through loans to private individuals (200 million euro) and Government buildings (100 million), green investments (232 million euro at current levels) were also made. Furthermore, various investment programmes were accelerated to improve the public infrastructure, amounting to 500 million euro. In total 1,032 million euro (about 0.3% GDP) was spent on sustainable investments. Finally, the construction of off-shore wind energy farms picked up some pace.

In addition to the 1.3 billion euro that the Flemish Region had provided in the 2006-2012 Climate Policy, another 50 million euro has been set aside for rational energy use in homes. It is important to mention that in the Flemish Region, the transition to a sustainable materials policy has started, and that a Flemish action plan for the environmental and energy innovation was started as part of the environment innovation platform.

The Walloon Region actively continued the implementation of its Air-Climate Plan, and updated its Plan for Sustainable Energy Management. The actions implemented focus on supporting R&D, the development of renewable energy, energy efficiency, the development of skills, the support of investments and the development of the “green” sector. As already mentioned, the anti-crisis plan that was adopted by the Walloon Government aligns perfectly with sustainable development, investment measures for sustainable transport, support for the development of “green” sectors, and more specifically, renewable energy (support to investments, support to create jobs, measures dealing with training, etc.).

4. Country-specific recommendations

Belgium has three country-specific recommendations: cutting tax on labour, bearing the budget in mind; enhancing competitiveness in the gas and energy market; and accelerating the execution of the coordinated policy to improve labour market efficiency, within an integrated flexicurity approach. In the following chapters, it becomes clear that significant progress was made in all areas over the last few years. In the course of the year, policy initiatives were taken that will lead to more progress in future.
An overview of the evolution of the structural challenges and measures that were taken or planned to execute the 2008-2010 National Reform Programme in these domains follow below. In the table, the title of the measure is indicated. For further information, see the relevant sections in the specified chapter.

It was recommended that Belgium cuts tax on labour even more, by reducing the tax wedge for people with a low income, and to better manage expenditure in the medium term to enhance budget consolidation.

Important indicators
- Evolution of the debt ratio: the difference between the debt ratio of the Belgian Government and the average debt ratio in the eurozone steadily declined in 2008: the debt ratio of the Belgian Government decreased from 107.8% of GDP in 2000 to 94.4% of GDP in 2004, and to 89.6% of GDP in 2008; while the debt ratio in the eurozone was, on average, 68.7% of GDP in 2000, 69.7% of GDP in 2004 and 69.6% of GDP in 2008.
- Evolution of the implicit tax rate on income from labour: in Belgium this rate was reduced from 44% of GDP in 2004 to 42.3% of GDP in 2007, while this rate increased in the eurozone from 38.5%, on average, of GDP in 2004, to 38.7% of GDP in 2007.
- Evolution of the marginal tax rate on low income workers: in Belgium this rate was reduced from 85% in 2004 to 83% in 2007, while the average rate in the eurozone increased from 75.05% in 2004 to 75.82% in 2007.

Measures

Section 1.3.1
- Exemption from paying pay-as-you-earn withholding tax on wages
- Tax reductions for night and shift work
- Tax reductions for researchers
- Exemption rule for overtime
- Planned simplification of jobs plans
- Exemption from paying pay-as-you-earn withholding tax on wages for researchers
- Federal reduction in employer contributions
- Partial early indexing of the tax bands in October 2008 and retention of the indexing in 2009
- Relief on personal income tax in the Flemish Region
It was recommended that Belgium creates more competition on the gas and electricity market by introducing regulation that encourages competition, with completely independent and effective regulatory authorities, and to uphold the measures with respect to transmission systems operators and distribution systems operators.

### Important indicators

**- Switching rates:** Flanders: ±89%, Wallonia: ±55%, Brussels: ±59% (= all consumers who made a choice = 'active consumers' or those who did not choose the default provider)

**- Volume on Belpex:** rose from 7.6 TWh (8.5% of use) in 2007 to 11.2 TWh (12.6% use) in 2008

**- Evolution of prices in the last months (2004 = 100)**

<table>
<thead>
<tr>
<th></th>
<th>January 2009</th>
<th>April 2009</th>
<th>August 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>130,80</td>
<td>120,16</td>
<td>117,18</td>
</tr>
<tr>
<td>Gas</td>
<td>186,01</td>
<td>160,61</td>
<td>132,24</td>
</tr>
</tbody>
</table>

*Source: NBB*

**- Market share of largest operator**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2004</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>91,1</td>
<td>87,7</td>
<td>83,9</td>
</tr>
<tr>
<td>France</td>
<td>93,8</td>
<td>90,2</td>
<td>88,0</td>
</tr>
<tr>
<td>Germany</td>
<td>34,0</td>
<td>28,4</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>20,6</td>
<td>20,1</td>
<td>18,5</td>
</tr>
</tbody>
</table>

*Source: Eurostat*

### Measures

**Section 2.3.2**

- Electrabel sells 10% of its nuclear capacity to SPE
- E.O.N. becomes third electricity producer.
- Share of Electrabel in Elia drops to less than 25% in 2007
- The splitting of activities in Fluxys has been completed.
- Police competence for CREG
- VL.energie, Flemish energy company, specialising in green energy
- Charges on insufficient use of sites
It was recommended that, as part of an integrated flexicurity approach, Belgium accelerates the execution of the coordinated policy measures to improve the functioning of the labour market, to revise unemployment benefits to ensure that the unemployed can return to the labour market more easily and quickly, to increase employment participation (especially, older employees and immigrant employees), to reduce regional differences, and to ensure that more people follow lifelong learning in all Regions.

<table>
<thead>
<tr>
<th>Important indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The policy reaction regarding flexicurity is positive: as the graphs indicate, which were agreed upon for follow up, the Belgian Government places great emphasis on an active labour market policy and lifelong learning.</td>
</tr>
<tr>
<td>- Regarding the simplification of returning to the labour market: the flow from unemployment to employment after one year was 20.2% in 2008. To increase this percentage, the activation of the unemployed will be continued. In 2004 26.8% of the long-term unemployed participated in an activation measure; by 2008 as many as 39% took part.</td>
</tr>
<tr>
<td>- With respect to increasing labour market participation, the activity level amongst older people rose by 9.5 percentage points between 2000-2008 to 34.5%. Although this increase is slightly higher than in the EU-27 (only 8.8 percentage points), the activity level is much lower than in the EU-27 (45.6% in 2008).</td>
</tr>
<tr>
<td>- The difference in the level of unemployment between Belgian nationals and non-Belgian nationals dropped from 25.9 percentage points in 2004 to 21.0 percentage points. The ultimate aim is to eliminate the difference.</td>
</tr>
</tbody>
</table>

Measures

Regarding the simplification of returning to the labour market:

Section 3.1.1 Tailor-made assistance to help all job seekers
- Obligation to set up an employment unit, followed by expansion to include all restructuring that involves more than 20 employees.
- Wallonia and Flanders to provide extra assistance and follow-up to temporarily laid off workers
- A first step to make unemployment benefits “degressive”.
- Expanding and strengthening the temporary unemployment scheme
- Rolling out methodologies of the Flemish Youth Policy Plan to other age groups
With respect to increasing labour market participation of older people and those with a migrant background:

Section 3.3.4 Older employees are the labour reserve of the future
- Roll out agreement to modify the back-to-work *allowance* (lower seniority requirement)
- Premium for moving from heavy to lighter work
- Enhanced assistance in case of collective redundancies
- Creating awareness in the Regions. For example with the social partners ‘*Samen op de bres voor 50+*’ (Together for entry for the 50+) to find a systematic approach to deal with older job seekers in Flanders.

Section 3.3.6 Social inclusion requires a broad labour market
- Collective employment agreements to fight discrimination
- Increasing the number of diversity plans within companies
- Strengthen brokership regarding the EAD (work permit) and diversity in the Regions
- Diversity policy for organisations that receive subsidies or carry out public work in the Regions
- Integration into Flanders

Regarding the regional differences on the labour market:

Section 3.3.2 The exchange between the Regions reaching optimum levels.
- Exchange of vacancies
- Making job seekers in Wallonia and Brussels aware of employment in Flanders
- Mixed teams in employment services
- Improve language training
- Improve public transport network
- Inter-regional teams
- Course participant exchanges during studies and internships for job seekers.
- Dialogue opportunities with the regional socio-economic consultation committees (*RESOCs*) with reference to the regional pacts in Flanders
Regarding lifelong learning:

Section 3.2 Lifelong learning
- Increase number of internships
- Improve systems to facilitate lifelong learning
- Roll out basic services for career guidance
- Impulse programme for sectors to train people in times of crisis
- Additional bridging premium to improve skills during a reduction of working hours

5. **Improving ownership as part of the partnership approach**

In the National Reform Programme 2008-2010, a general description is given of how the Regions, the social partners and civil society are involved in the Lisbon Strategy in Belgium. A short overview of the advisory opinions and workshops in the framework of the partnership approach is given.

- An extensive exercise to involve civil society in preparing for the Belgian EU presidency in 2010, and to make the European project tangible and accessible to citizens touched on various issues. Consulting the official Belgian consultative committees to obtain their opinions on European topics, amongst others, the Lisbon Strategy. An interactive dialogue with the European Construction by means of launching a forum (www.forum2010.belgium.be). Organising seven seminars on major European topics. The aim of these seminars, organised by the Federal Office for Foreign Affairs and the Egmont Institute, was to consult the consultative committees, social partners and civil society players. One of the workshops was dedicated to the views of the social partners and the civil society on the Lisbon Strategy after 2010.
- The social partners and civil society continue their work to implement the Lisbon Strategy. Since the previous progress report, the social partners have advised the Government on: the progress made on the Lisbon Strategy objectives in the biennial technical report; innovation culture; the action plan for sustainable public contracts; the recovery policy; the Belgian EU Presidency in the second half of 2010; continuing training; enhancing the exchange of knowledge between the academic world and business; and green jobs.\(^1\)

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- The Belgian Government will launch a non-paper on the ownership and partnership approach as part of the debate on Lisbon after 2010. The various contributions from the social partners, civil society, the Regions and the Communities will all be taken into consideration. In the framework of the strategic programme of the tri-chairmanship, consideration was given to the Lisbon Strategy after 2010.

- In May 2009, the Flemish Government recorded a note about the Lisbon Strategy after 2010. In this note, the Flemish Government formulated content and process suggestions regarding the shape of a Lisbon Strategy after 2010. This note was also used in response to the survey of the Committee of the Regions on the Lisbon Strategy after 2010.

- The Flemish Government wants to build on its past Lisbon activities (its own reform programmes and progress reports, a Lisbon website\(^2\), organising conferences about the Lisbon Strategy “Lisbon is a Region” from the end of 2008) to show the role that regional Governments could play in realising the Lisbon Strategy.

- In 2008, Flanders in Action (ViA) organised four workshops to determine the ideas of captains of society on: (i) talent; (ii) logistics and mobility; (iii) internationalisation; and (iv) innovation. In 2009 a workshop on solidarity against poverty and social exclusion will be organised. Many of the conclusions were included in “Doorbraken 2020” (Breakthroughs 2020). This broad partnership led to the signing of a 2020 pact to make Flanders one of the leading European Regions by 2020.

- As was the case before the National Reform Programme was developed, the Walloon Government and the French Community Government developed a joint contribution for the 2009 Belgian implementation report. This contribution was adopted by both Governments and is included as an annex to this report.

- In this contribution, the state of affairs is determined regarding the implementation of strategic decisions by the Region and the Community as described in the National Reform Programme, and additional measures are proposed – which have since been implemented— in response to the financial crisis. It also contains a summary of the most important strategic axes of the 2009-2010 policy statements by the Region and the Community, which is an updated version of the priorities described in the National Reform Programme.

- The implementation of the Walloon Government’s Priority Action Plan was the focal point of a detailed evaluation at the end of the legislature. This evaluation was drawn up based on the report of the special envoy tasked with following up the Plan, as well as on a global

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2. [www.vlaandereninactie.be/lissabon](http://www.vlaandereninactie.be/lissabon)
evaluation by IWEPS (Institut wallon de l’évaluation, de la prospective et des statistiques) assisted by external consultants, and was executed in conjunction with the Walloon socio-economic civil society players (social partners, beneficiaries, managements).

Furthermore, the Walloon Government envisions the development of a participatory approach in all policy domains during the legislature 2009-2014. Exceptionally, citizen panels will be convened to discuss major, prospective challenges of the Marshall plan 2.Vert, which will be implemented on the basis of collective mobilisation of citizens and socio-economic, educational and association players. These groups will be consulted during the development phase of the plan.
1. Macroeconomic stability

Like the other European economies, the Belgian economy suffered a severe contraction at the end of 2008, under the effects of the intensification of the financial crisis and the collapse in international trade.

Having gradually slowed its increase, GDP registered a sharp fall of 1.7% in the fourth quarter 2008, compared to the previous quarter. Overall, GDP increased by only 1.1% in 2008, against a growth rate of 2.8% in 2007 and 3% in 2006.

After a marked drop in activity in the first quarter of 2009 - GDP contracted again by 1.7% - the decline was lower in the second quarter, with a weakening of GDP of 0.3%. A return to mildly positive growth rates is expected for the second half of 2009, essentially boosted by exports. The economic recovery should be gradual. The latest indicators seem to indicate that the recovery could prove to be faster than expected. The latest projections by the Federal Planning Bureau (FPB), of September 2009, predict a contraction of GDP of 3.1%, which is nevertheless the largest annual weakening registered since the Second World War. GDP growth should rise to 0.4% of GDP over the whole of the year for 2010 and should be supported by household consumption, as well as by investment by businesses and public authorities.

In comparison, GDP for the euro area will weaken by 4% in 2009, according to the European Commission’s autumn 2009 interim forecasts. The recovery in economic activity should be faster compared to the spring forecast, with the return of positive growth during the second quarter 2009. The average annual decrease in GDP for 2009 has, however, been maintained at 4%, as forecast in the spring, owing to a more marked weakening in GDP than initially expected in 2008 and the first quarter of 2009. Furthermore, the differences between the cyclical profiles of each country have increased.

The sudden increase in the decline of the economic environment is reflected in the confidence indicators: the BNB business barometer and the household confidence index plunged in the autumn of 2008 and, at the beginning of 2009, reached the lowest level observed in their current form. These indicators have recovered gradually since April 2009, whilst staying at a relatively weak level, confirming the gradual improvement in the cyclical outlook.
In 2008, the main components of demand were affected by the deterioration in general economic conditions.

Business investment remained at a high level until mid-2008, before experiencing a sharp fall. Its annual growth rate even reached 7.4% in 2008. The sharp reduction in the use of production capacity, the unfavourable demand outlook, difficulties in external financing - in particular the tightening of credit terms, and the drop in profitability should lead to a noticeable drop in investment, valued at 4.9% in 2009 by the FPB. The gradual disappearance of these negative factors should lead to a recovery in productive investment in the course of 2010. The annual trend for investment should, however, remain negative (-1.2%).

Housing investment increased by only 1% in 2008. In a climate of weak economic activity and increasing unemployment, it should decline in 2009 (-3.2% according to the FPB) and probably further in 2010 (-4.6%).

Household disposable income in real terms remained stable in 2008, despite the trend for employment. This evolution reflects especially the brisk acceleration of inflation, in particular the strong increase in oil prices, which are not included in the health index from which wages and social security benefits are indexed. Furthermore, the indexation operates with a time lag. Faced with the stagnation of their disposable income, private individuals have only slightly increased their consumption expenditure, which was 0.9% in 2008, as against 2.1% in 2007, despite seeing a reduction in their savings interest rate from 13.7% in 2007 to 13.2% in 2008.

In 2009, the real disposable income of households should increase by 1.5%, according to the FPB’s forecasts. Unlike the previous year, the indexation of income will be higher than headline inflation, following the fall in energy prices, and private sector employees will benefit from the carry-over effect of the indexation. Furthermore, taxes should go down owing to tax reductions decided on by the public authorities and social security benefits will increase. Nevertheless, in the context of a deteriorating employment market and a sluggish economic climate, household consumer expenditure will decline by 0.9%. It will improve only weakly in 2010, in line with the limited evolution of purchasing power.

Because of the uncertainty regarding the economic outlook and negative wealth effects caused by the drop in their financial assets, households will increase their precautionary savings; their rate of saving will therefore in-
crease from 13.2% in 2008 to 15.1% in 2009. This rate should fall marginally in 2010.

Only public expenditure will support domestic demand in 2009. The growth in public investments, like that of public consumption, will reach 1.9%. In 2010, the growth in public investment will be particularly strong (6.3%), while the evolution in public consumption will be more moderate (1.4%).

Exports have been affected by the collapse in international trade. They only grew by 2.2% in 2008 and should experience a spectacular fall in 2009, evaluated at 15.1% by the FPB. Under the effects of the global economic recovery, global markets should recover gradually and exports should experience a slight increase of 1.5% over the whole of 2010. Imports, influenced by the drop in demand, have also experienced a recession, although less strongly, with a fall in the order of 13.7% in 2009. From then on, the contribution of net exports to growth will be negative in 2009 (-1.2%). It will be slightly positive in 2010.

Inflation, measured by the national consumer price index, reached a peak in July 2008, settling to 5.8% in comparison with a year earlier. The evolution of energy product prices and, to a lesser extent, of food prices explains this rise in inflation, as well as its fall in the second half of 2008. Inflation even became negative between May and August 2009. This situation should only be temporary and follows essentially from underlying effects related to the high level of market prices for oil products during the summer of 2008. Inflation will again be positive at the end of 2009, following the disappearance of these underlying effects. Annual inflation will be zero in 2009, after a rise of 4.5% in 2008. The rise in prices will reach 1.5% in 2010, given the increase in oil product prices.

The level of inflation will then return to close to that of the euro area average: movement in the harmonised consumer price index will settle at 0% in 2009 and at 1.2% in 2010, as against 0.4% and 1.2%, respectively, in the euro area, according to the European Commission’s spring forecast.

Traditionally, employment reacts to fluctuations in the economy only with a time lag. Whilst growth is already experiencing a weakening, the pace of job creation maintained a relatively high level at the beginning of 2008 and then began to slow down. This trend was stressed in the fourth quarter, with a halt to employment growth. Annually, employment grew by 1.6% in 2008, i.e. 71,200 units, and the employment rate went from 63.1% to
63.6%. The unemployment rate, using harmonised Eurostat figures, fell from 7.5% to 7%.

In response to the weakening in economic activity, firms firstly turned to various adjustment mechanisms that allowed them to adapt their use of labour to production needs whilst keeping manpower within the businesses. In particular, firms reduced overtime or made use of the temporary unemployment system for blue-collar workers. In addition, exceptional crisis measures were taken to allow firms to reduce employees’ working time.

Despite these flexibility levers, the size and the duration of the recession will lead to a noticeable deterioration in the job market in 2009 and undoubtedly more so in 2010. Employment will decline by 0.8% in 2009, which will correspond to a net loss of 34,600 jobs. The employment rate will fall to 62.7% in 2009 and will fall further to 61.5% in 2010. Combined with a rise in the active population, the reduction in employment will give rise to an increase in the harmonised unemployment rate to 8.2% in 2009. This rate will increase further in 2010 to reach 9.4%. Since the breakout of the crisis, the rise in total unemployment in Belgium has, up to now, been lower than the average rise in the EU27 (or the euro zone), and is even one of the lowest in the 27 Member States.

The degree of uncertainty attached to economic forecasts remains high, however. Systematically, from the autumn of 2008 to mid-2009, projections have had to been revised appreciably downwards owing to the worsening of the economic and financial crisis. Several signs currently suggest a stabilisation or even improvement in the economic environment. Downward risks persist, nonetheless. In particular, the situation on the financial markets remains fragile and adjustments in terms of employment and investment, made necessary by the size of the recession, could limit the size of the recovery in economic activity. In addition, the current recovery is, in part, influenced by the support measures adopted by the political authorities. It is, at present, difficult to estimate the size of the recovery once these effects are screened out, all the more since the rise in the deficit in the public finances has strongly reduced the options for adopting further action.

**Macroeconomic policy**

The two main challenges of macroeconomic policy identified in the 2005-2008 national reform programme are:

- on the one hand, the pursuit of a responsible budgetary policy aimed at the gradual creation of budget surpluses, in order to prepare for the
consequences of population aging. This policy is also proactive, including a wide programme of reforms to stimulate economic activity and employment, as well as to strengthen the social security system.

- on the other hand, the strengthening of business competitiveness, in particular cost competitiveness, by means of a suitable wage policy, a policy of easing the burdens on labour, and, more generally, by improving the tax and regulatory framework.

These aims have had to be adapted in the light of the economic and financial crisis but they have been kept. In order to mitigate the impact of the crisis and to support activity, the Government has chosen to implement a counter-cyclical policy, leaving the economic stabilisers to play their part and adopting measures for economic recovery, in line with the recommendations by the European Council. This policy involves a provisional softening of the budgetary policy: it has therefore been decided to allow a temporary deficit. The Government is nevertheless committed to returning to longer-term budgetary objectives as soon as the economic situation allows, in order to respond to the challenge of population aging.

Beyond the aim of stabilising the financial sector, the recovery plan adopted in December 2008 aims to stimulate the economy while supporting business competitiveness, employment and the population’s purchasing power. Furthermore, the plan includes, as an essential component, the measures from the intersectoral agreement of 2009-2010. In addition, this agreement aims to achieve a balance between a responsible evolution of wage costs, the well-being and maintenance of purchasing power of workers and social harmony.

These recommendations are in addition to the reform measures developed previously, in particular in the 2009 budget, to support business competitiveness – in particular through reductions in burdens and the improvement of the economic environment – as well as to maintain a high-level social protection system.

The relatively modest size of the recovery plan (representing 0.6% of GDP at the federal level and 0.3% at the regional level in 2009) is due to the high level of the public debt and Belgium’s status as a small open economy, which reduces the national impact of a recovery plan. This rather modest nature should, furthermore, be considered in the light of the considerable role of the economic stabilisers (approximated at about 2.5% of GDP in 2009), the expansionist measures previously adopted, operations for sup-
porting the financial system, as well as by the additional employment measures adopted in March 2009, described in detail in Chapter 3.

### Table 1: Structural macroeconomic indicators

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<tbody>
<tr>
<td>Per capita GDP in SPP</td>
<td>120.7</td>
<td>114.6</td>
<td>113.2</td>
<td>110.8</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Labour productivity per person employed</td>
<td>131.9</td>
<td>124.7</td>
<td>110.9</td>
<td>109.8</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Rate of inflation</td>
<td>1.9</td>
<td>4.5</td>
<td>2.1(^1)</td>
<td>3.3(^1)</td>
<td>2(^2)</td>
<td>3.7</td>
</tr>
<tr>
<td>Public balance (% of GDP)</td>
<td>-0.3</td>
<td>-1.2</td>
<td>-2.8</td>
<td>N.A</td>
<td>-2.9</td>
<td>-2.3</td>
</tr>
<tr>
<td>Public debt (% of GDP)</td>
<td>94.4</td>
<td>89.6</td>
<td>63.3</td>
<td>N.A</td>
<td>62.2</td>
<td>61.5</td>
</tr>
</tbody>
</table>

| Tax rate on low salaries     | 85           | 83           | 74.2       | 74.64      | 74.13      | 74.63      |
| Low salary trap (single without children)\(^3\) | 85           | 83           | 74.2       | 74.64      | 74.13      | 74.63      |
| Tax rate on low salaries     | 48.9         | 49.6         | 40.2       | 40.5       | 40.3       | 40.5       |
| Rate of taxation on the cost of labour\(^4\) | 44           | 42.3         | 38.5       | 38.7       | 36.2       | 36.5       |
| Implicit tax rate on labour\(^1,5\) | 4.9          | 4.8          | 4.9        | 4.9        | 4.8\(^6\)  | 4.8        |
| Unequal income distribution  | 3.9          | 3.9          | 4.8        | 4.8        | 4.8\(^6\)  | 4.8        |
| Poverty risk after social transfers | 14           | 15           | 17         | 17         | 16\(^6\)   | 16         |

1: The reference is the Euro area and not the EU-15
2: For the year 2004, the reference in the EU-15
3: 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).
4: Tax on gross remunerations and social security contributions paid by the employee and the employer, expressed in % of the total salary cost.
5: Ratio of taxes and social security contributions withheld on salaried work income in the total remuneration of salaries.
6: For the year 2004, the reference is the EU25.

### 1.1. The financial sector

#### 1.1.1. Rescue operations for the financial sector

As from the autumn of 2008, the Belgian authorities took several measures to preserve the stability of the financial system, to guarantee the continuation of credit activity and to insure citizens’ savings, in order to support confidence in the financial sector.

The Belgian authorities firstly undertook the recapitalisation of financial institutions with a systematic role and gave guarantees to assets and debts.
The recapitalisation operations involved Fortis Bank Belgium, Dexia, KBC and Ethias.

On 28 September 2008, in coordination with the Dutch and Luxembourg Governments, the federal Government injected 4.7 billion euro into Fortis Bank Belgium, in exchange for 49% of its capital.

On 6 October 2008, the federal Government decided to acquire the balance of the shares that Fortis Holding held in Fortis Bank Belgium for the sum of 4.7 billion euro, bringing the share of the Belgian State in Fortis Bank to 99.93%.

The Belgian State also agreed with BNP Paribas to hand over almost 75% of its holding in Fortis Bank – while keeping a blocking minority – against 121.2 million shares issued by BNP Paribas. The agreement also provided for the acquisition by BNP Paribas of the Belgian insurance activities of Fortis Holding. Furthermore, a portfolio of Fortis Bank Belgium structured products had to be transferred to a new financial structure (Special Purpose Vehicle - SPV).

After various intermediary steps, a final agreement, modifying the October 2008 protocol, was concluded on 6 March 2009 between the Belgian State, Fortis Holding and BNP Paribas, and was approved by the majority of shareholders during meetings at the end of April 2009.

This agreement confirms the transfer of 75% of the Belgian State’s holding in Fortis to BNP Paribas. The agreement also provides for the acquisition by Fortis Bank of 25% of Fortis Insurance Belgium, the financing of which is underwritten by BNP Paribas, and a revision of the provisions for transferring the portfolio of structures products to the SPV.

In exchange for the reduction in its holding in the SPV, the State provided a guarantee limited to 1.5 billion euro on the portfolio of structured equities held in Fortis Bank (the first losses being borne by Fortis Bank for up to 3.5 billion euro). Fortis Bank also received the option to make a capital increase, to which the State could subscribe for a maximum amount of 2 billion euro over a period of three years.

3. Following the acquisition by the Dutch Government of the banking and insurance activities of the Fortis Group in the Netherlands on 3 October 2008, the Belgian and Dutch entities of Fortis were separated and the Dutch part of the intervention was cancelled.
On 30 September 2008, in coordination with the French and Luxembourg Governments, the Belgian authorities invested 3 billion euro into Dexia. The federal Government, the three Regions and the institutional shareholders, (Holding Communal, Arcofin and Ethias) each contributed an amount of up to 1 billion euro. The support from the Regions breaks down as an amount of 500 million euro from the Flemish Region, 350 million euro from the Walloon Region and 150 million euro from the Brussels Capital Region. Furthermore, the Belgian and French Governments decided on 14 November 2008 to guarantee the asset portfolio of Dexia’s American subsidiary, FSA Asset Management.

On 27 October 2008, the federal Government injected 3.5 billion euro into the core capital of KBC, by buying non-transferable and non-voting shares. On 22 January 2009, the Flemish Government also decided to inject 2 billion euro into KBC’s primary capital on similar terms and provided for a supplementary capitalisation facility of 1.5 billion euro. The capitalisation was completed on 20 July 2009.

On 13 May 2009, the federal Government reached an agreement with KBC, providing for coverage of losses sustained by KBC on a portfolio of structured loans. The nominal value of the financial instruments covered does not exceed 19.97 billion euro. A first tranche of losses, of 3.16 billion, is borne by KBC. On a second tranche of 1.97 billion, 90% of losses may be covered by a cash contribution from the State in return for the issuing of shares or securities that make up KBC’s own statutory funds. For up to 90% of the balance, the losses are borne by the State.

On 20 October 2008, the federal Government, the Flemish Region and the Walloon Region each recapitalised the company, Ethias, for up to 500 million euro, for a total amount of 1.5 billion euro.

Belgium granted a loan of almost 160 million euro to the Grand Duchy of Luxembourg in the framework of saving Kaupthing Bank Luxembourg. This loan aims to avoid the insolvency of Kaupthing Bank Luxembourg (KLux), the Luxembourg subsidiary of the Icelandic bank of the same name, which was active in Belgium and Switzerland via a branch. This bank had around 20,000 Belgian clients. The Belgian and Luxembourg Governments wished to promote the recovery trajectory and to intervene directly in saving the bank, as was done for Fortis and Dexia. Finally, the accounts of the Belgian clients in Kaupthing were taken over by Keytrade Bank.

A system of temporary guarantee by the State was also set up to facilitate the refinancing of the financial institutions on the interbank markets and with the institutional counterparties. Participation was on a voluntary basis.

The guarantee was granted for the whole of the finance raised by the institutions concerned in order to refinance themselves with credit establishments and institutional counterparties, as well as for bonds and debt instruments, insofar as they mature before 31 October 2014. Also covered are interbank deposits by trusts, central banks and institutions, commercial paper, deposit certificates, and medium-term negotiable bonds if they are taken out or renewed between 9 October 2008 and 21 October 2010. This guarantee is provided in exchange for payment of a commission that corresponds to the financial benefit that the institution gains\(^5\).

Finally the ceiling for the cover offered by the deposit guarantee was increased from 20,000 to 100,000 euro. Insurance companies also received the possibility to offer a similar guarantee for certain Branch 21-type insurance products by affiliating themselves voluntarily to the system.

### 1.1.2. Towards a more effective regulatory framework for the financial sector

The Belgian authorities are actively supporting the many initiatives developed at the international and European level for reforming and improving the regulation and supervision of the financial sector.

As regards the European level, the Government entirely supports the recommendations for reform of the de Larosière Group report, currently being translated into concrete legislative proposals by the European Commission. The Government considers essential the creation of new supervisory institutions on the model of the de Larosière report and wishes to see a rapid implementation of reforms.

At the Belgian level, in December 2008 the Government set up a high-level committee for a new financial structure. Its mandate was to formulate recommendations in order to strengthen the governance of the financial system at the Belgian, European and international levels. This committee

\(^5\) This guarantee has already been granted to Dexia. Furthermore, the amount of the guarantee is limited to a sum of 91 billion euro in the case of Dexia (out of a total of 150 billion euro for the French and Luxembourg Governments jointly) and of 150 billion euro in the case of Fortis. This latter institution has not used this guarantee.
published a final report in June 2009 in order to advise the Government on these questions.

In particular, the Government considers that the committee’s recommendations constitute a reference point for all reform and strengthening of the Belgian system of financial supervision. These recommendations will be analysed and discussed with all the stakeholders. A roadmap should be drawn up at the end of 2009 to put a new supervisory system in place by the end of 2010.

1.2. A responsible budget policy

1.2.1. The 2008 budget

In 2008, the budget deficit incurred by all public authorities amounted to 1.2% of GDP. Under the 2008-2011 stability programme, the Belgian authorities had planned to achieve budgetary balance.

Economic factors partly explain this deficit. Indeed, 2008 was marked by a sudden and sharp deterioration in the economic environment because of the intensification of the economic and financial crisis.

The macroeconomic theories of the first budget, drawn up in March 2008, had already been adapted during the budget review of July 2008: by then the GDP growth rate had fallen from 1.9% to 1.7% and the rate of inflation had moved from 3% to 4.6%. The target of budgetary balance had been kept.

As a result, these economic forecasts were further reviewed downwards. During the drafting of the 2009 budget, the budgetary provisions for 2008 were updated, leading to an estimate of a deficit of 0.3% of GDP. The Government decided to move away from its original target, given that achieving a balance would have required recourse to one-off measures or budgetary restrictions of a kind that would further reinforce the slowdown in economic activity. Finally, economic growth reached only 1.1% in 2008, whereas it amounted to 2.8% in the preceding year.

The economic slowdown was more noticeable than expected and had a negative impact on tax revenue, in particular for VAT and advance payments by companies and the self-employed. The lower growth in tax revenue is also due to the partial anticipation of the indexation of tax scales.
Regarding expenditure, a particularly large deferral of expenditure was recorded at the end of 2008.

The level of indebtedness of the public authorities increased, passing from 84% of GDP at the end of 2007 to 89.7% of GDP at the end of 2008. This rise is due to the impact of measures supporting the financial sector (injections of capital and granting of loans) carried out in 2008. These measures, which represent 6.4% of GDP, also limited the reduction in the burden of interest on the debt. Without these interventions, the level of indebtedness would have continued to fall and would have reached 83.4% of GDP. The expected revenues from the guarantee premiums and dividends amount to more or less 750 million euro in 2009. Taking into account that the State agreed to an average financing tariff of 3.35% to finance its investments, with an original investment amount of 15.1 billion euro, the debt service comes to more or less 500 million euros. So, for the 2009 budget, the bank operations contribute with a profit of 250 million euro. This amount is a reasonable compensation for the underlying risk on these investments. The final surplus value of the bank operations depend on the underlying risk and the price of the realised assets. At this moment, the value of the assets is 14.9 billion euro.

1.2.2. Predicted short- and medium-term developments in the budget position

The 2009-2013 stability programme presented in April 2009 and the supplement to this programme of September 2009 set out the major Belgian budgetary policy guidelines. These aim to go back to the long-term budgetary aims when economic activity revives.

The April 2009 programme was drawn up on the basis of the opinion of the High Council of Finance (HCF) of March 2009 and the macroeconomic forecasts available at the time. The Belgian authorities submitted a supplement to the stability programme in September 2009, as part of the extension of the initial programme. This supplement included a revision of the assumptions and macroeconomic data, leading to an update of the budgetary trajectory. The adapted strategy is based on the September 2009 opinion of the HCF, expressly formulated to prepare this supplement to the stability programme.

Before describing this strategy, it is essential to place the 2009 budget in its economic context. As is usual practice, the initial budget was based on the FPB’s forecasts of September 2008 for the economic budget. These started
from the assumption that the financial crisis would lead to an economic slowdown that would reduce GDP growth to 1.2% in 2009. A budgetary balance for all of the public administrations was therefore accepted on that basis. Over time, it has, however, become obvious that the weakening of the economy will be more marked than expected and that a recession scenario will materialize.

Taking into account the rapid and pronounced decline in the economic environment, the Government decided to anticipate the traditional budget review in February 2009. The budgetary parameters were updated in accordance to new economic forecasts and the measures of the December 2008 recovery plan were included. In the context of the economic crisis, the Government judged that a temporary deficit was acceptable in order to let the economic stabilisers play their part and to promote the economic recovery through discretionary measures. On the basis of an assumption of -1.9% growth, the deficit was estimated at 3.4% of GDP.

Since then, the assessment of the macroeconomic environment has become clearly worse. In May 2009, the FPB reviewed it forecast downward, predicting an average annual decline in GDP of 3.8%. Based on developments observed in the second quarter and on the improvement in expectations, the economic budget published in September by the National Accounts Institute forecasts a decline in GDP of 3.1% from now on. The public finances are clearly affected by these developments in the economy. Fiscal revenues registered a strong drop, principally for withholding tax on dividends and advance payments by businesses, while unemployment expenditure rose considerably. The HCF based its September opinion on a deficit of 5.9% of GDP for the whole of the public authorities in 2009.

According to this opinion, with an unchanged policy scenario, even assuming a strong, stable recovery from 2010, the public deficit would develop rapidly to a level of 7% of GDP, around which level it would stabilise until approximately 2015. The forecast cyclical budgetary surpluses would not be sufficient, on their own, to absorb the structural rise in the budgetary cost of aging, as well as the increases in interest costs linked to the restarting of the “snowball effect” from 2010.

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6. Two economic budgets were drawn up: a first one on 29 January 2009 and an update on 11 February 2009. The economic budget of January forecast economic growth of -1.7%, which was then brought down to -1.9%. In order to avoid unnecessarily extending budgetary control, the Government decided to integrate the impact of the difference between these two forecasts into the budget via a correction of the overall economy.
Faced with these endogenous developments, the HCF recommends maintaining a return to balance in 2015, provided for in the stability programme of April 2009. Furthermore, the HCF estimates that, in order to not hinder the recovery, the budgetary consolidation effort should not go beyond 1.5% of GDP throughout 2010-2011 cumulatively.

The Government then adapted its budgetary strategy to these new parameters, in order to return to budgetary balance and to guarantee the long-term sustainability of the public finances. Following the recommendation of the Council of the European Union, the Government intends to take advantage of the recovery in growth to consolidate the public finances from 2010 and to continue these efforts in the following years.

In accordance with the opinion of the HCF, the Belgian authorities intend to make an effort on the primary balance of 0.5% of GDP in 2010 and 1% of GDP in 2011. Owing to this strategy, and according to the macroeconomic assumptions made, the deficit will pass under the threshold of 3% of GDP in 2013 and will reach a balance in 2015. The level of indebtedness will increase at a slowing pace from 2009 to 2012, reaching 104.2% of GDP, before gradually falling and reaching below the threshold of 100% of GDP from 2015.

The positions defined in the supplement to the stability programme will be detailed further when the multi-year budget is set for 2010 and 2011. These details will concern, in particular, the breakdown of the effort to consolidate revenues and expenditure. Furthermore, the conclusion of a new cooperation agreement between the different levels of Government will allow the distribution of the budgetary effort between entities to be specified.7

1.2.3. Challenges of an aging society

The Belgian authorities have developed a comprehensive and coherent strategy to address the challenges of population aging.

In addition to fostering economic activity and employment, the budget policy is an essential part of this strategy. This policy intends to build up budgetary surpluses gradually and to reduce the level of indebtedness of the public authorities. The reduction in the burden of interest on the debt provides a margin for absorbing the cost of aging.

7. Even so, the directions of the various Government agreements allow the objectives defined in the programme to be reached.
The concentration of budgetary policy on short-term issues in the context of the economic and financial crisis does not, however, detract from long-term objectives. Indeed, reconnecting with a trend of gradual formation of budget surpluses is anticipated once economic activity resumes.

In its June 2009 report, the Study Committee on Aging (SCA) assessed the budgetary cost of population aging at 8.2% of GDP for the period 2008-2060. This cost was estimated at 6.3% for the period 2007-2050 in the previous SCA report.

Three factors explain this upward revision. First, the impact of the financial and economic crisis on GDP entails an additional rise of 1.2% of GDP in the cost of aging. Next, the downward revision of the long-term annual productivity growth estimate (from 1.75% to 1.5%) in the reference scenario implies a faster development of this cost by 0.9% of GDP. This assumption takes into account the uncertainties weighing on the economic outlook and corresponds to the average productivity gain observed for the last 30 years. Finally, the extension of the projection period explains an additional increase of 0.2% of GDP.

Over the period 2008-2014, the cost of aging should increase to 3.2% of GDP, i.e. a rise of 2.1% of GDP compared to previous forecasts. The excess should appear during the period 2008-2010, essentially because of a denominator effect, following lower growth in GDP in the context of the financial crisis.

This increase in the budgetary cost of aging make the pursuit of a diversified strategy more necessary than ever in order to absorb this cost. To this end, two sensitivity studies were carried out in order to measure the budgetary impact of changing the reference scenario parameters and so to hint at possible ways of limiting the cost of aging. These parameters are: the adjustment to prosperity of benefits; and the evolution of the employment rate.

The cost of aging was reduced to 0.9% of GDP while the calculation of the adjustment to prosperity parameters took better account of the assumption for the real evolution of wages. This fall is particularly marked for pension expenditure, given that the lowest adjustment to prosperity concerns a large number of beneficiaries. However, the SCA points out the effects of such a policy on the social level, because of the fall in the benefit ratio (relationship between the average pension and the corresponding average wage).
In the scenario of raising the over-55s’ employment rate to the 2008 average for the Scandinavian countries (i.e. a rise of 14 percentage points), the cost of aging goes down to 1.2% of GDP. In this scenario, the reduction in the structural unemployment rate creates a more sustained economic growth rate and consequently, a greater economic base.

In addition, alternative scenarios were developed regarding the 1.5% long-term annual productivity growth assumption in the reference scenario. If productivity growth is weaker and is established at 1.25%, the cost of ageing will weigh down at 1.2% of GDP, if productivity grows by 1.75%.

In compliance with the Government agreement, a national Conference for pensions was launched in January 2009 aiming to reform and strengthen the pension scheme, to initiate reflection on pension calculation methods, on obstacles to mobility between various pension schemes, on adapting to new 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.

1.3. Business competitiveness, a guarantee for greater employment

Business competitiveness is strengthened by reducing labour taxes, a responsible evolution of wage costs and improving the fiscal and regulatory environment for business.

1.3.1. Reduction in the cost of work

Continuing the policy to reduce taxation on labour, particularly on low- and medium-level incomes, is a key element of the federal Government’s socio-economic policy. The reduction in the fiscal and parafiscal burden on work is also part of the recommendations of the Council in its 2008 progress report.

Several initiatives have been developed to meet this objective in the framework of the 2009 budget and the recovery plan. Beyond helping to stimulate participation in the job market, these measures also strengthen the purchasing power of households and, as a result, support economic activity.
These steps consist of general reductions in contributions or reductions that focus on target groups. These measures concern employees as much as employers.

Firstly, employees have benefited from an increase in their net income owing to the October 2008 anticipatory indexation by 2% of the tax scales for the withholding tax on earned income. Maintaining full indexation of these scales in 2009, based on the high inflation recorded for 2008, also led to an increase in net income. The budgetary impact of these measures amounted to 87.6 million euro and 1.1 million euro, respectively.

Furthermore, following on from increases made in 2006 and 2007, the first bracket of the deductible lump sum professional expenses was increased again in 2009 by 1.5 percentage points. The ceiling for deductible expenses was also raised by the same amount. These measures also allow the net income of employees to be increased at no extra cost to the employer. They were implemented during the withholding tax on earned income calculation of May 2009. Their cost is 85 million euro.

In addition, it was decided to double, as from 2009, the basic allowance for employers’ reimbursements of the cost of travel between home and the place of work.

The Flemish Region has increased and extended to all workers the lump sum reduction in income tax, introduced in 2007 for workers resident in this Region. In 2009, the allowance was granted to all workers, with a stronger emphasis for low incomes. The amount of the benefit is 250 euro for all workers and 300 euro for low-income workers. The budget set aside for this measure is 710 million euro. In 2010, the allowance will only be targeted at low-wage workers and will be 125 euro.

The federal Government has also increased several reductions in employers’ contributions, in order to implement the 2009-2010 intersectoral agreement between the social partners, the essentials of which are included in the recovery plan.

At the time of the previous intersectoral agreement, a general reduction in charges was established to limit the Belgian wage handicap (the “intersectoral structural wage adjustment”). This measure exempted employers from paying a part of the withholding tax on earned income of up to 0.25%, so benefiting them with a reduction in their total wage costs of 0.15%. This measure was reinforced by raising the exempt percentage to 0.75% in June
2009 and to 1% from January 2010\textsuperscript{8}. The budgetary impact is 233 million euro in 2009 and 590 million euro in 2010.

Also to reduce the Belgian wage handicap, in June 2009 the Government increased the amount of the exemption from payment of the withholding tax for night work and shift work from 10.7\% to 15.6\%. This reduction in contributions represents 160 million euro in 2009 and 311 million euro in 2010.

Furthermore, the maximum number of overtime hours that are eligible for tax benefits has been increased, from 65 hours to 100 hours in 2009 and to 130 hours in 2010. These tax incentives consist of an exemption from payment of the withholding tax for the employer and a reduction in taxation for the employee. The budgetary cost of the measure amounts to 23 million euro in 2009 and 45 million euro in 2010\textsuperscript{9}.

The system of redistributing social security costs from small businesses to large businesses was also revised by introducing from 2010 a ceiling for the compensatory payment made by large businesses. The cost of this revision is 70 million euro.

The social partners also developed a framework for simplifying the contributions reduction system. Various reductions for “target groups” will therefore be abolished at the federal level and the reduction for low incomes will be further increased since this measure is expected to have the greatest effect on employment. The Flemish authorities have, for their part, increase the bonus that aims to encourage businesses to employ workers aged 50 or over; because of this, the number of bonuses applied for has also continued to grow in 2009. More that 8,000 jobseekers aged over 50 have found work again because of this bonus.

In addition, the federal Government encourages research and development\textsuperscript{10} by granting employers a reduction in the withholding tax paid on researchers’ salaries. After the harmonisation of the rates for different cat-

\textsuperscript{8} Furthermore, for the private non-market sector, the increase in the general reduction in contributions will be dedicated to financing the Maribel social fund in order to support job creation in this sector.

\textsuperscript{9} These three latter tax reductions are also extended to publically-owned enterprises that are subject to competition (Belgacom and SNCB from 2009 and The Post Office from 2010). This extension has a net budgetary impact of 24.1 million euro in 2009 and 56.6 million euro in 2010.

\textsuperscript{10} Chapter 2 (section 2.1) contains a thorough analysis of the research and development support measures adopted by the different levels of Government.
egories of researchers to the minimum rate of 65% in July 2008, this rate was increased to 75% in January 2009, in particular to avoid the crisis having a negative impact on employment of researchers. The cost of this increase amounts to 85 million euro.

In addition, the exemption from social security contributions on single innovation grants was extended for the period 2009-2010. This measure, which applies to all employees, aims to foster the development of new ideas within businesses.

1.3.2. **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 1996 law 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 also on more structural questions related to the functioning of the labour market, such as worker training and the 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 to be made. 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.

The intersectoral agreement for 2007-2008 fixed a nominal indicative wage norm of 5% for these two years. This norm is based on the assumption of inflation and on a health index rise of 3.9% and of hourly wage cost developments in the reference countries of 5.5%. This norm should enable Belgium to reduce its wage cost handicap by 0.5%.

According to the November 2008 report of the Central Economic Council (CEC), Belgian hourly wage costs have actually increased by 7.6% over the period 2007-2008, as against 5% in the neighbouring countries\(^\text{11}\). In total,

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\(^{11}\) This report includes a detailed analysis of the evolution of wage costs in Belgium and in the neighbouring countries.
from 1996 to 2008, the evolution of wage costs in Belgium was 4.1% higher than the average recorded in the reference countries.

The increase beyond the wage norm for the period 2007-2008 is to a large extent due to inflation and, because of that, wage indexation that was higher than forecast. Inflation rose to 6.7% for the two years and the health index went up to 6.1%, instead of the 3.9% expected\textsuperscript{12}.

Although inflation determines wage formation in almost every country, there are, however, differences in the time lag with which this influence is felt: in Belgium, wages for most workers are automatically indexed to the evolution of the smoothed health index; in other countries inflation is taken into consideration during the collective negotiations that are part of a general agreement on the nominal change in wages. Consequently, an increase in wages can occur with a certain delay.

In accordance with the 2008 report of the CEC, the average evolution of the hourly wage cost in the three reference countries, like the rise in the Belgian salary cost due to indexation, was 5.1% over the period 2009-2010. Despite forecasts of a decline in inflation, the increase in inflation in 2009 will influence strongly the formation of wages in Belgium in 2009 again because of the delay mechanism of the different indexation systems. In effect, in several sectors, wages are only adapted to the evolution of the health index on a fixed date, once a year or every six months.

The intersectoral negotiations for 2009-2010 were particularly delicate from then on, not only because of this absence of a wage margin outside indexation, but also because of the sudden decline in the economic cycle.

The social partners reached an intersectoral agreement for this period at the end of December 2008, and it was then approved by the various unions and employer associations. It intends to achieve a fair balance between supporting business competitiveness, employees’ purchasing power and employment.

In the absence of a wage margin, the social partners did not specify a maximum percentage increase in the wage cost; however, along with the Government, they released an exceptional envelope for negotiation. In line

\textsuperscript{12} This indexation led to a rise of 4.6% in wage costs. Even so, the carry-forward effect used by several indexation systems meant that wages only went up at the beginning of 2009. The increase over the norm in 2007-2008 is also due to upward wage drift (wage scale increases and promotions) of 2.3% and an increase in real wages of 0.7%.
with this envelope, the different sectors can give workers maximum net benefits of 125 euro in 2009 and 250 euro in 2010, in addition to the indexation mechanism and wage scale increases. These benefits will also be net of all additional contributions by the employer. They could, in particular, consist of providing “eco-vouchers”, a rise in the face value of luncheon vouchers or even an increase in the maximum travel allowance.

In addition, the Government has supported business competitiveness by strengthening several reductions in contributions included in the recovery plan and described in the previous section. The exemptions from payment of the withholding tax are, however, considered as subsidies in the national accounts and not as contribution reductions. These measures are therefore not taken into account in calculating wage costs, despite their real impact in reducing these costs.

1.3.3. The fiscal and regulatory environment for businesses

The development of a fiscal and regulatory environment that is favourable for business is an essential priority. Such an environment fosters job creation, innovation and investment and, as a result, improves economic growth potential.

Over the past few years, the fiscal framework has become more attractive, due notably to the introduction of the notional interest deduction and the deduction for patent revenues. In addition, at the request of the Regions, the federal Government will investigate the possible introduction of a carry back system, so that businesses can offset their losses against previous profits.

The Belgian authorities have taken additional initiatives to meet the challenges faced by businesses in light of the economic crisis.

In this context, specific measures have been adopted to limit liquidity problems for businesses, which can benefit from easing of payment terms during the first 3 quarters of 2009, by postponing tax payments (VAT and withholding tax on earned income) and having easier access to payment plans for social security contributions. The system for monthly repayments of positive VAT balances will also be extended to all the sectors concerned.

13. This topic is covered in depth in Chapter 2 (point 2.2), with a presentation of initiatives developed by the Region, especially those that are part of their recovery plans (amongst others, easing access to credit, supporting energy-saving investments and simplifying administrative procedures).
This system was also made more flexible to ensure faster repayments. Furthermore, the authorities are committed to paying their invoices more quickly.

The construction sector is particularly sensitive to the economic cycle. To support this sector, the Government has reduced VAT rates for 2009 for the construction of new housing (up to a limited value of invoices) and public social housing, as well as for major reconstructive renovation of homes. In addition, the tax incentives for energy-saving investments have been increased (extending tax reductions, tax credit and credit for loan interest payments). These benefits also allow households to reduce energy bills and encourage sustainable development.

Finally, to support exports, the 9.25% tax on credit insurance contracts for commercial risks and country risks was abolished in April 2009. A complementary Government guarantee (Belgacap) was also set up in August 2009.

As detailed in Chapter 2, various simplification measures have also been taken to reduce the administrative burden for companies. Small and medium enterprises have received particular attention, with the adoption of the new federal SME action plan. Furthermore, specific measures have been taken to reduce the impact of the financial crisis on the access of SMEs to credit and to help them make investments.

In addition, as a small open economy, Belgium faces intense competition in the 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 European objective of allocating 3% of GDP to R&D, the public authorities will make a greater effort to bring their R&D expenditure to 1% of GDP. For their part, companies will strive to better convert their R&D expenditure into innovations that can be brought to the market place. It will also be necessary to better disseminate knowledge and best practices among the economic actors.

1.4. Stronger social protection

In addition to promoting employment and Belgian economic competitiveness, developing a high-quality social protection scheme is a priority area in the federal Government’s socio-economic policy. This scheme is intended to ensure well-being, prosperity and solidarity among citizens, as well
as to fight poverty. This system contributes, moreover, to supporting economic activity as it guarantees that households and, in particular, low-income households enjoy a sufficient level of income.

These aims seem even more relevant in the currently more difficult economic climate. Many initiatives have been developed, within the available limits of the budget, in order to upgrade a number of social allowances, and particularly pensions. Efforts to improve access to health care are also ongoing, while keeping the social security finances balanced.

1.4.1. Measures to improve pensions

Raising pensions is a major goal of the Belgian authorities. In accordance with the biennial mechanism introduced with the Generation Pact, a special budget was allocated for the partial adjustment to prosperity of the pensions of private sector workers and of the self-employed for the period 2009-2010\textsuperscript{14}. Complementing this adjustment to prosperity, the Government set aside resources in addition to the rise in pensions in 2009, again prioritising the oldest and lowest pensions.

For the salaried workers’ scheme, pensions that have been in force for more than 15 years were increased by 2% and minimum pensions were raised by 3% in June 2009. The minimum entitlement per year of work went up by 3%. The other categories of pension also benefited from a rise of 1.5% in June 2009.

The minimum pension for the self-employed was increased by 20 euro per month in May 2009, in order to reduce the gap with salaried worker pensions. The minimum pension was also increased by 3% on 1 August 2009. On the same date, other pensions were increased by 1.5%. Furthermore, the adjustment of pension penalties was abolished in 2009 in the case of early retirement after working for 42 years.

Moreover, following on from the measures adopted in 2007 and 2008, pensions of salaried workers and the self-employed that took effect in 2004 were adjusted to prosperity by 2% in September 2009.

\textsuperscript{14} In accordance with this mechanism, specific amounts were set aside for the adjustment to prosperity of all social security payments over the period 2009-2010. The Government’s decision on the exact distribution of this budget between the different payments (pensions, allowance, etc) has taken into account the views of the social partners.
In compliance with the Government agreement, a national Conference for pensions was launched in January 2009 aiming to reform and strengthen the pension scheme, to initiate reflection on pension calculation methods, on obstacles to mobility between various pension schemes, on adapting to new 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. The work of various working groups will take place over the course of 2009. The main themes addressed will be on the modernization and simplification of the different pension schemes, the statutory pension, supplementary pensions and the place of the elderly in society.

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

Control over health care expenditure aims to guarantee the sustainability of the financial balance of the social security system. In addition, it is part of the policy to strengthen a high-quality social protection 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. The guidelines of this strict cost control policy have since been reaffirmed.

Pursuing this policy has made it possible to maintain the costs increase below the real growth objective of 4.5% between 2005 and 2007. According to available projections, the increase in health care expenditure in 2008 should remain within this norm.

The 2008 health care budget should remain within the 4.5% real growth norm. This budget was set in nominal terms on the basis of 2.6% inflation. This inflation assumption however seems to be overestimated in light of the most recent forecasts for inflation, which should be zero according to the September 2009 budget.

Structural economic measures were adopted to release resources, within the norm, for new actions and for the Fund for the future of health care.

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15. These measures particularly concern the medication, implants and the hospital environment sector.
Among these initiatives are improved access to health care, the promotion of general practice, refunding of hospitals, as well as developing a plan to attract people to the nursing profession. In addition, additional funds have been allocated to the implementation of the Cancer Plan and the setting up of a multi-year plan to improve coverage of the specific needs of chronically ill patients.

In addition, the preventative strategy developed for health care has been continued. In 2009, 306.6 million euro\(^\text{16}\) was allocated to the Fund for the future of health care, intended to compensate, from 2012 on, for increased medical costs resulting from the ageing population.

Moreover, priority is given to guaranteeing the sustainable management of expenditure, giving increased responsibility to the different actors, as well as efficient allocation of the available resources. With this in view, a task force will be charged with proposing structural measures for ensuring the financial sustainability of the health care system.

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

In parallel to the increase in pensions, prosperity adjustments were made to the allowance scheme.

In accordance with the Generation Pact law, an additional funding envelope, starting in 2009, was allocated for an adjustment to prosperity for social assistance allowances\(^\text{17}\). The Government decided to use this envelope to increase the integration allowance by 2% and the income replacement allowance for the disabled from June 2009, as well as to increase the minimum guaranteed income for the elderly (grapa) by 0.8% in June 2009 and by 0.6% in 2010.

Special attention has been paid to strengthening the purchasing power of families. The family allowances supplement for low-income single-parent families was increased again in October 2008. The income ceiling for entitlement to the benefit was also raised. The age supplement for young people between the ages of 18 and 25, planned for 2010, was introduced early

\(^{16}\) This amount is in addition to the 615 million allocated in previous years: in 2007, the Fund was supplied with 309 million euro and, during the budget review of July 2008, the Government decided to pay 306.3 million euro into the Fund.

\(^{17}\) In accordance with this law, this envelope must correspond at least to the estimated amount of expenditure from an adaptation to prosperity of 1% of these allowances.
in 2009. In addition, an age supplement of 25.50 euro is now paid for children from 0 to 5 years old. The amount of family allowances for the first child of self-employed workers was again increased in January 2009. Furthermore, since 2009, maternity leave for self-employed workers has been made more flexible (leave by the week) and maternity assistance (domestic services vouchers) is now paid from the day after the birth. Because of an increase in their use, this strengthens social protection.

Several measures were taken to lower the energy bill of households, especially the lowest-income households. These can benefit from the lowering of social pricing on gas and electricity and intervention from the heating oil social fund. In addition, social pricing for gas and electricity has been granted automatically since July 2009. A single lump-sum reduction on gas and electricity bills is available for low-income households that are not entitled to social pricing. These households also have the right to call upon the heating oil social fund.

The income threshold under which a payment by the heating oil social fund can be requested was lifted again in 2008 as a new category of beneficiaries was created. The amount paid was also increased. In 2009, the income ceiling for the new category of beneficiaries was increased and a minimum intervention was paid to other categories. In addition, there are plans to harmonise the beneficiary categories and the gas, electricity and heating oil payments.

Furthermore, as provided for in the recovery plan, a single reduction of 30 euro on electricity bills was granted automatically to all households in 2009.

In the Walloon Region, the measures adopted in August 2008 to support household purchasing power were implemented at the end of 2008 and the beginning of 2009. In particular, these measures include 0% interest loans for energy-efficiency renovations, lower costs for family assistance, abolition of the radio tax, reduced public transport costs, an increase in the general budget for study grants, a reduction in the cost of nurseries and children’s centres, etc. Complementary measures were adopted in November 2008: the reduction of registration fees for “social” loans and the freezing of public transport fares in 2009.

In addition, the Walloon Region decided to strengthen the follow-up of its measures against serious poverty and extended until 2010 the framework
agreement for the project "Vers une Wallonie sans pauvreté d’ici 2025" ("A poverty-free Wallonia by 2025").

The Governmental agreement of the Flemish Government provides various measures for implementing an innovative social policy. This policy is as much for the very elderly - notably integrating the maximum billable amount for home care as well as the cost of care given in residential homes - as for invalids and young people. Furthermore, regarding the integration of new arrivals and the learning of Dutch, actions will be taken to eliminate the gap seen in the level of employment, education and society. These measures will be undertaken in the course of the parliamentary term. Meanwhile, as part of the crisis policy, measures were taken in favour of sheltered and social workshops in order to safeguard employment. In 2008, concrete measures were also undertaken to encourage the sustainable use of energy by people with low incomes, and particularly by people who do not pay tax.
2. Promoting productive economic growth

In a globalised world, long-term wealth creation requires a policy that creates the micro-economic requirements for sustainable growth, without jeopardising the environment for future generations. The Lisbon Strategy wants to change the European economy into a competitive, knowledge-based economy by means of a policy that supports innovation, gives new activities the chance to succeed, improves the functioning of the market – particularly in sectors that provide essential public goods – and encourages the sustainable use of natural resources.

In March 2009, the European Council drew up integrated recommendations to Belgium on two important points: the relatively low expenditure on Research & Development (R&D) by the Belgian economy, and the poor level of competition on the gas and electricity market, which became evident in 2008 in a higher-than-usual price increase compared to those in the rest of the EU (See Table 2). In this chapter, a number of important measures are described that are intended to deal with both issues.

In this chapter, special attention will be given to measures which try to alleviate the impact of the global crisis, ranging from tax measures for new and accelerated investments in research, to initiatives that have to guarantee the financing of companies with liquidity problems. We wish to emphasise that the aim of a policy in times of crisis is not only to solve the short-term impact, but also to guarantee the long-term health of the economy.

Authoritative research suggests that recessions impede the R&D investment plans of companies facing financial difficulties, and thus endanger long-term growth. The measures in this chapter serve to prevent these negative effects.

Table 2: Structural indicators for the fields of innovation, research, economic reforms and the environment

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>**Gross domestic expenditure on R&amp;D</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of GDP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>1.84</td>
<td>1.88</td>
<td>1.87</td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>1.88</td>
<td>1.92</td>
<td>1.93</td>
<td></td>
</tr>
<tr>
<td>EU-27</td>
<td>1.82</td>
<td>1.85</td>
<td>1.85</td>
<td></td>
</tr>
<tr>
<td>**Youth education attainment level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% 20-24 year-olds obtaining a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>certificate of secondary education)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>81.8</td>
<td>82.4</td>
<td>82.6</td>
<td>82.2</td>
</tr>
<tr>
<td>EU-15</td>
<td>74.7</td>
<td>75</td>
<td>75.2</td>
<td>75.8</td>
</tr>
<tr>
<td>EU-27</td>
<td>77.5</td>
<td>77.9</td>
<td>78.1</td>
<td>78.5</td>
</tr>
<tr>
<td><strong>Comparative price level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(EU-27 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>106.4</td>
<td>106.7</td>
<td>106.3</td>
<td>110.7</td>
</tr>
<tr>
<td>EU-15</td>
<td>104.8</td>
<td>104.9</td>
<td>104.7</td>
<td>104.3</td>
</tr>
<tr>
<td>EU-27</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Business investments (% of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>18.6</td>
<td>19.4</td>
<td>20</td>
<td>21.1</td>
</tr>
<tr>
<td>EU-15</td>
<td>17.7</td>
<td>18.2</td>
<td>18.6</td>
<td>18.4</td>
</tr>
<tr>
<td>EU-27</td>
<td>17.7</td>
<td>18.2</td>
<td>18.8</td>
<td>18.5</td>
</tr>
<tr>
<td><strong>Greenhouse gas emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1990 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>97.4</td>
<td>93.7</td>
<td>90.1</td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>97.1</td>
<td>96.5</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>EU-27</td>
<td>91.9</td>
<td>91.8</td>
<td>90.7</td>
<td></td>
</tr>
<tr>
<td><strong>Energy intensity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(gross inland consumption oil –</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equivalent per 1000 euro GDP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>224.16</td>
<td>215.04</td>
<td>198.76</td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>162.87</td>
<td>157.54</td>
<td>151.66</td>
<td></td>
</tr>
<tr>
<td>EU-27</td>
<td>181.51</td>
<td>176.06</td>
<td>169.39</td>
<td></td>
</tr>
<tr>
<td><strong>Freight transport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(tonne kilometres/GDP) (2000 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>84.7</td>
<td>82.3</td>
<td>78.3</td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>103.5</td>
<td>104.4</td>
<td>104.9</td>
<td></td>
</tr>
<tr>
<td>EU-27</td>
<td>105.4</td>
<td>106.3</td>
<td>106.8</td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurostat

In the framework of the National Reform Programme 2008-2010, the Governments took various initiatives as part of the transposition and execution of European legislature. The Belgian Governments are striving to reach the European norm of 1% of non-transposed directives. Directives that have to be implemented before 30 April 2010 will be followed up in the normal way by the consultative committee.

### 2.1. An innovative economy

As mentioned in the National Reform Programme 2008-2010, increasing the R&D intensity in the Belgian economy has become a priority for the various Governments in our country. This policy focuses on increasing public credit for R&D, stimulating private research by means of subsidies and tax measures, encouraging the knowledge transfer and the economic exploita-
tion of research results, mobilising human capital and strengthening the ICT capacity of the population and business.

2.1.1. Fostering R&D

Public and Private R&D investments

At the moment, reliable figures for gross domestic expenditure in 2008 on R&D are not available. Provisional (not published) data from the Federal Science Policy Office show that the figures for Belgian are improving. Due to outbreak of the financial crisis later that year, it would be unwise to draw any definitive conclusions from these provisional data.

It is to be feared that the current crisis will have a negative effect on investments in R&D. Companies are struggling to get credit and Governments have less room for manoeuvre in their budgets. Nonetheless, the new regional Governments committed themselves to take further steps to aspire to the 3% rule. For the federal Government, the R&D budget credits between 2008 and 2009 rose significantly from 463 million to 514 million euro.

The Flemish multi-annual budget 2006-2009, which comes to an end in 2009, saw a total net increase of 525 million euro in public money for science policy during this period. In 2008, the Flemish Government realised an additional increase of 25.5 million euro in addition to the reported structural and one-time increases from the previous NRP of 120 million euro.

This extra increase was due to a restructuring of the budget in the autumn of 2008, which led to a total increase of 145.6 million euro that year. The focus of these additional funds in 2008 was on enhancing the research environment, innovation via in-house R&D projects, cooperation between businesses and knowledge centres, and implementing the research career action plan. In 2009, the net increase was 64 million euro, of which 29 million euro was structural and 35 million euro was a one-time capital participation in IMEC. The total credit for the science policy amounted to 1,804 million euro in 2009, of which 1,147 million euro was earmarked for R&D.

On the legal level, a decree for innovation was approved, which fixed the number of structural partners and amount of repeat budgets.

Apart from the funding for research in the “Priority Action Plan” – namely 270 million euro for 2006-2009 – the regular budgets for research in the Wal-
loon Region in 2009 were raised to 177 million euro. Compared to 2008, this means an increase of 18 million euro. Within the framework of the Structural Fund, an amount of 63 million euro was approved for R&D projects in 2009; measures have also been implemented to support R&D in SMEs. On the legislative level, the new Decree on Research came into force at the end of 2008, making numerous new support measures possible (amongst others, for new innovating enterprises, technology partnerships, etc.).

The French Community made an additional 11.2 million euro available for basic research in 2009, the largest part of which will go to the National Fund for Scientific Research.

The budget for applied research of the Brussels-Capital Region for 2009 amounts to 38,814 million euro. The new ordinance for research was approved. Thereby support is now primarily given to smaller firms. Four types of support are distinguished: support to innovative start-ups; support for process and organisational innovation in the service sector; support for innovation advisory services and for services dealing with innovation support and assistance for the temporary employment of highly qualified personnel.

In Brussels, a new ordinance for research was also approved, which is currently being translated into implementation decisions.

**Networking and internationalisation of research**

The policy that aims to bring together innovation actors takes place, by and large, by means of competence poles. For an overview of the progress in this regard, see the paragraph on industrial policy (2.2.4).

This year we were able to take stock of Belgium’s participation in the 6th EU Research Framework Programme, which ran from 2002 to 2006. The table below shows the most important figures, for the whole of Belgium as well as for the Regions²⁹.

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²⁹. For Brussels, it should be mentioned that the universities and colleges in the Brussels Region are included in the two major language Communities, which fall under the respective Regions.
Table 3: Participation of Belgium and the Regions in the 6th EU Framework Programme

<table>
<thead>
<tr>
<th></th>
<th>Participations</th>
<th>%</th>
<th>Participants</th>
<th>Projects</th>
<th>Grant</th>
<th>%</th>
<th>Return^a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>2856</td>
<td>100</td>
<td>1170</td>
<td>1860</td>
<td>660.61</td>
<td>100</td>
<td>3.98%</td>
</tr>
<tr>
<td>Flanders</td>
<td>1342</td>
<td>47</td>
<td>422</td>
<td>1051</td>
<td>352.29</td>
<td>53</td>
<td>2.12%</td>
</tr>
<tr>
<td>Brussels</td>
<td>807</td>
<td>28</td>
<td>503</td>
<td>622</td>
<td>148.82</td>
<td>23</td>
<td>0.90%</td>
</tr>
<tr>
<td>Wallonia</td>
<td>700</td>
<td>25</td>
<td>238</td>
<td>556</td>
<td>156.08</td>
<td>24</td>
<td>0.94%</td>
</tr>
<tr>
<td>Not awarded</td>
<td>7</td>
<td></td>
<td>7</td>
<td>3</td>
<td>3,42</td>
<td>1</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

^a. The country/regional return refers to the share in the grant for the respective geographical unit in the total budget of the Framework Programme.

Source: ‘Flanders in the sixth European Framework Programme for research’, EWI, 2009

The total Belgian contribution amounted to 3.98% of the total funding for the 6th FP; while the amount for the 5th FP was 4.42%. From an international point of view, Belgium did not score too badly, especially if the number of participants, or the contribution relative to GDP or the number of inhabitants is used as the criterion. When looking at the number of participants, only the Scandinavians did better than Belgium. As regards the relationship of the contribution to GDP and the number of inhabitants, some Scandinavian countries and the Netherlands outperformed Belgium.

In the 6th FP, Flanders participated in 24 ERA-NETs via different participants. Some are ongoing or will possibly be extended in the 7th FP. Wallonia took part in 10 ERA-NET projects, of which some will be extended or negotiated. In addition, since December 2008 Wallonia has been taking care of the costs involved in applying for European projects via the instrument “Horizon Europe”.

Since the end of 2008, both Flanders and Wallonia have participated in European initiatives for Joint Programmes (Art. 169) and Joint Enterprises or Joint Technology Initiatives (Art. 171). In the framework of ESFRI, Flanders is involved in the preparatory phase of six projects. Agreements with the UN were made for 2009-2014 that aim to set up a Science Trust Fund that will support the activities of UNIDO in industrial bio-technology.

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20. ERA-STAR Régions, CORNET, MATERA, MNT, EUROTRANSBIO, MANUNET, EURONANOMED, COMPERA, LEAD ERA, TRANSNASEC, AIRTN, ERA-SME.
21. For Flanders these are: ARTEMIS, ENIAC, EUROSTARS, Ambient Assisted Living (AAL), IMI. In Wallonia, the Walloon Region participates in EUROSTARS and, via the competitiveness poles, in JTI CLEANSKY and in IMI.
22. This concerns SHARE, PRINS, CLARIN, LIFEWATCH, ICOS, ESS. The Flemish Government decided to subsidise the Flemish partners involved in preparing the following ESFRI dossiers: LIFEWATCH (biodiversity) and CLARIN (language technology).
as well as for 2009-2013 for phase III of the Flemish UNESCO Fund for the Science.

In Wallonia the Technological Promotion Agency (Agence de Stimulation Technologique) brings various players in business into a network. The approved research centres (‘centres de recherché agréés) were further restructured, with a view to strengthening synergies and cooperation possibilities.

**Transferring knowledge and promoting the economic exploitation of research**

Based on an advisory note from the social partners, the results of a study on the strengths and bottlenecks in the exchange between science and industry were presented this year. This study shows that Belgium performs well in business financing of the scientific world for research, cooperation on R&D projects, and businesses’ use of scientific publications. As requested by the social partners in their final advisory opinion, the emphasis will stay on the following: increasing mobility of researchers between private and public institutions; improved agreements between the various Governments of the country concerning innovation policy; and supporting the collective centres in their role as innovation driver for technology and standards.

In Belgium, the federal Government is responsible for intellectual property rights matters and the policy that companies – especially SMEs – have to be assisted to patent their innovative ideas. The regional Governments focus on financial support of initiatives that stimulate the transfer of knowledge between business and research.

To help companies save costs when patenting an idea, the federal Government cut the investigation fee from 887 to 300 euro, as from 1 January. In exchange for this reduced amount, the applicant receives a report about previous research and the state of the technology, and an opinion is formulated on whether or not to grant the patent request. Based on early estimates, this measure has led to an increase of 15% in the number of patents in 2008.

The London protocol, which serves to limit translation costs involved in obtaining an international patent, was submitted to Parliament in September 2008.
To help SMEs in obtaining a patent, in 2008-2009 the Government developed, in conjunction with the European Patent Office, a Belgian Pre-Diagnostic Service for Intellectual Property, based on the model of the French ‘Institut National de la Propriété Industrielle’. This is a service to create awareness amongst SMEs in obtaining and applying intellectual property rights, in partnership with the sectoral patent units.\(^23\)

Another measure to improve the quality of the Belgian patent system is to abolish the “short patent”. This patent could be granted without a research report and was for a maximum period of six years. The abolition came into force on 8 January 2009.

The aim of modernising the law on discovery patents is to amend Belgian patent rights so that it conforms with the Treaty on Patent Law (PLT) of 1 June 2000, and the revised version of the European Patent Convention of 29 November 2000.

The Flemish Government supports the economic exploitation of research results by means of various instruments, amongst others, the programmes for Strategic Basic Research (SBO), Applied Bio-Medical Research (TBM), the VIS programme, the Baekelandt Fund, the grants for specialisation in IWT, the Industrial Research Fund (IRF), university interface activities and the TETRA fund for colleges. In 2008 the interface activities and the Industrial Research Fund were evaluated, which resulted in new resolutions in 2009.

Moreover, the application area of the IRF will be expanded. The Flemish Government’s contribution to four strategic research centres\(^24\) was increased by 10.4 million euro in 2008 (compared to 2007), and by 4 million euro in 2009 (compared to 2008), which brings the total amount to 152.86 million euro. Additionally, another 8 million euro was earmarked for infrastructure investments in VITO in 2008. In 2009, a once-off amount of 35 million euro was granted to build a new ‘clean room’ at IMEC.

\(^{23}\) The patent units (octrooicellen/cellules brevets) are groups of experts who inform and make companies aware of the importance of the optimal use of intellectual property. Up till now, three sectors have a patent unit: building, metal and textile. A study showed that three more sectors (wood, chemistry and food) are interested, while an expansion of the existing units from 2010 to 2012 was suggested. The Government will finance 75% of the cost of qualified staff who will be employed in the new patent units, as is already done for the existing units.

\(^{24}\) IMEC (nano technology and – electronics), VIB (bio-technology), VITO (energy, environment, materials, earth observation) and IBBT (broadband).
New research centres include “Strategic initiative materials” (15.23 million euro for 2009-2010) and the centre, “Translational biomedical innovation”, which still has to be set up. The Flemish Government also approved the network initiative which supports the Strategic Multidisciplinary Joint Platform “Neuro-Electronics Research Flanders” (NERF), a similar cooperation between IMEC, VIB and KU Leuven, and the second phase of the Environment and Energy Technology Innovation Platform (MIP2) (see later).

The new Flemish Government wants to encourage the economic exploitation of the research results by closing innovation agreements with knowledge centres. Here, financial support depends on the cooperation results, especially with SMES.

The Walloon Government supports the economic exploitation of applied knowledge in universities by means of mobility programmes and excellence programmes.

In 2009, for the research branch of the mobility programmes, in addition to the six projects selected (for 7,9 million euro) from the first two calls, six new projects were selected, for an amount of 5,7 million. For the energy branch, there are 15 projects with a total budget of 8.2 million. After the fifth call in 2008, as part of the competitive poles, 18 projects were selected based on a cooperation agreement with universities (with a budget of 30 million euro). The Walloon Region also founded a research institute for biosciences and biotechnology (WILL).

More specific projects dealing with knowledge transfer and intellectual property rights, started under the guidance of the Technology Promotion Office (‘Agence de Stimulation Technologique’) (supported by the ESF). These are Pi² Wallonie, (operator specialised in intellectual property matters), Innovatech AL (networking of economic exploitation services for universities and colleges). As part of the support given to spin-offs and spin-outs, the following results are available: by means of Invests, 82 investments for an amount of 19.5 million euro was realised, 47 projects for an amount of 9.9 million euro via FIRST spin-off and 11 projects for 1.65 million via FIRST spin-out.

The Brussels Capital Region installed two new incubators, the Brussels Life Science Incubator (for 2.5 million euro) and the EEBIC (for 3 million euro).

Both in Flanders and Wallonia, support mechanisms for R&D in SMEs were simplified. The Walloon Government decided – as part of its anti-crisis
plan – to increase the working capital for a subsidised research project by 50%, to give SMEs with financial difficulties two years postponement of payment, and to simplify a number of procedures for awarding grants to streamline the competence poles.

Having carried out in 2007 a thorough examination of its innovation support instruments, the Flemish Region significantly simplified in 2008 its R&D and innovation support mechanism for SMEs, called the SME Programme.

Since 2009, five types have been combined into one single project type, two types have been integrated and aligned with the Technology exploration pillar, the SME Feasibility Study and two types have been integrated into and aligned with that of the amended SME Entrepreneurship portfolio. In the period 2004-2008, the Flemish Government granted 79.28 million euro via the SME Programme, and 404.6 million euro for R&D support to companies.

Regarding standardisation, there are now 20 standards units (normen-antennes/antenênes-normes). An expansion of the standards units is being considered (2010 to 2012), not only in collective research centres but also in sectors that do not have one, namely the packaging sector, the graphic communication sector, and electrical fittings companies and various chemistry sub-sectors such as plastic and detergents.

The measure concerning the innovation premium whereby the remuneration that the employer pays employees for a creative idea in the company is completely tax exempt. This measure will be extended for 2009 and 2010 with a view to improving efficiency.

2.1.2. Boosting R&D human resources

As the structural indicator for human indicator at the beginning of the chapter shows, Belgium does not score too badly when it comes to its population’s level of education.

For R&D, it is not so much the number of people with a secondary diploma that is as important, but that of continuing education. The table below presents a number of additional indicators.

When one considers the number of people with a tertiary degree, Belgium scores above the EU average. When one looks at the number of graduates
and PhDs in the applied sciences, it seems that Belgium has to improve considerably.

Table 4: Indicators on the supply and application of human capital

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Belgium</th>
<th>EU-27</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population holding a tertiary qualification (% of 24-64 year-olds)</td>
<td></td>
<td></td>
<td>31.0</td>
<td>31.8</td>
<td>32.1</td>
</tr>
<tr>
<td>Graduates in sciences and technical subjects (% 20-29 year-olds)</td>
<td></td>
<td></td>
<td>10.9</td>
<td>10.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Doctors in sciences and technical subjectsa (% 25-34 year-olds)</td>
<td></td>
<td></td>
<td>0.89</td>
<td>0.94</td>
<td>1.04</td>
</tr>
</tbody>
</table>

a. Including the social sciences.

Source: Eurostat and European Innovation Scoreboard

In Belgium, the Communities and Regions have competence on the policy that is to stimulate human capital in research. However, the federal Government plays a role in this regard, via its tax policy for instance by increasing the exemption for companies for tax on the wages of researchers from 65% to 75% from January 2009.

The Communities’ instruments to support fundamental research are the FWO25 and BOF, and FNRS (the Flemish and Walloon Communities, respectively). Within these funds, both Communities developed initiatives to support long-term, high-quality research (such as Methusalem in Flanders) or to bring back international top researchers to their Community (Odysseus in Flanders and Ulysse in Wallonia).

The Brussels Region finances a similar programme (Brains Back to Brussels), renewed in 2009 and with a budget of 2 million euro. Moreover, the Regions support R&D and innovation in aide of the business world, the non-market sector and Government via IWT (Flanders) and FRIA (Wallonia).

For Flanders, the basic BOF subsidy in 2009 amounted to 104.59 million euro, from the Education budget; and the budget for scientific policy and innovation provided structural increases for the Methusalem programme; extra ZAP mandates (Zelfstandig Academisch Personeel) (for Self-Employed Academic Personnel) and the tenure track system26.

For 2009, the subsidy for the FWO amounted to 122.85 million euro. Extra funds were provided to the FWO for additional post-doctoral mandates, funding for post-graduate education and supplementary funding for academic means. The total structural increase of policy funding comes to 13.47 million euro.

The Walloon Region supports the employment of researchers by means of its FIRST measures (by paying the salary of a young researcher for two years). At the end of 2008, four streams of calls were made (Spin-offs, higher education schools, Post-Doctorate and DOC.A). The FIRST measures for Doctor in Business came into force at the beginning of 2009.

At the end of 2008, the French Community set up a research fund for higher education schools, allocating 250,000 euro per year, to enable them to replace project leaders who were posted somewhere else by the FIRST higher education schools. The Scientific Research Fund budget was increased by 5.4 million euro in 2009 (total: 86.65 million euro). This enables the fund to allow an increase in mandates and researchers and to further enhance the mechanisms to attract international talent (Ulysse mandate, etc.). In this regard, it should be mentioned that the Priority Action Plan target was met, namely to increase the number of FRIA PhD bursaries to 600.

### 2.1.3. Distribution and use of ICT

#### Table 5: Indicators of computer ownership and use

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households’ access to the Internet</td>
<td>Belgium</td>
<td>50</td>
<td>54</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>EU-15</td>
<td>53</td>
<td>54</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>EU-27</td>
<td>48</td>
<td>49</td>
<td>54</td>
</tr>
<tr>
<td>Rate of penetration of broadband</td>
<td>Belgium</td>
<td>17.4</td>
<td>20.7</td>
<td>23.9</td>
</tr>
<tr>
<td>(in lines per 100 inhabitants)</td>
<td>EU-15</td>
<td>12</td>
<td>16.5</td>
<td>20.8</td>
</tr>
<tr>
<td>% of individuals that have used a PC</td>
<td>Belgium</td>
<td>69</td>
<td>72</td>
<td>74</td>
</tr>
<tr>
<td>(in the last year)</td>
<td>EU-15</td>
<td>64</td>
<td>66</td>
<td>68</td>
</tr>
<tr>
<td>Availability of e-government</td>
<td>Belgium</td>
<td>47</td>
<td>60</td>
<td>56</td>
</tr>
<tr>
<td>(% of basic services online)</td>
<td>EU-15</td>
<td>56</td>
<td>68</td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurostat and NIS.

26. By introducing the tenure track system, a limited number of post-doctoral researchers have the possibility to do independent research for five years at the grade of a lecturer. This can then be extended by means of a ZAP grant.
Amongst the indicators in Table 5, the relative strong distribution of broadband stands out, from an international perspective. Despite the high level of penetration of computers and the Internet with households, the use of ICT amongst certain sub-groups is rather low. Computer usage is limited amongst older people, economically inactive people and those with a low educational level. In 2007, only 24% of the aged 65+ group and half of those with a low educational level used a computer.

To close the digital divide, the federal Government launched the campaign, “Internet for Everyone” in 2006, followed by a plan to stimulate the use of PCs and the internet (Start2Surf) in 2009.

The plan entails three tracks:
- **PC at Home**: every Belgian – tax payer and non-tax payer alike – can buy a computer package (PC, broadband connection for a year, software, peripherals and software) and deduct the VAT from her income taxes.
- **PC Bonus**, whereby employers can include in the company’s accounts some of the cost of a PC for employees with a low income\(^\text{27}\), and so reimburse the employees.
- **PC Recup**, whereby written-off computers from the federal Government are made available to people who receive social benefits.

Belgium is making progress in terms of making its e-government available. From November 2009, every Belgian will have an electronic identity card (e-ID). The introduction of an e-ID serves to simplify and modernise the administration of all civil services. It allows a citizen to communicate electronically with civil services, private businesses or organisations in a secure way. Children younger than 12 years receive a Kids-ID. It serves as an identity and travel document for children in all EU countries. Moreover, children (from six years upwards) can use it for safe surfing and chatting on the Internet.

Other federal measures:
- The regulator BIPT is given more power, by granting it the possibility to take strong action against operators with considerable market power.
- A think tank was set up to investigate the administrative, budgetary and legal implications of fibre optic networks. It has also been charged with increasing the Internet speed of multimedia and other online services, as well as developing applications.

\(^{27}\) An employee with a salary below 29,900 euro per year.
The Vlaanderen i2010 action plan aims to maximise the use of ICT in innovation processes and to equip researchers at Flemish institutions with high performance infrastructure. At the end of 2008, the i-City test field, for wireless broadband applications for urban uses, was incorporated into the IBBT, and received an endowment of 6.2 million euro. To expand ‘capacity computing’ and ‘capability computing’ for the Vlaams Supercomputer Centrum, (Flemish super computer centre), the association of universities and higher education schools (Associaties Universiteiten - Hogescholen) received a one-off, additional investment subsidy of 5.2 million euro from the FFEU28. This brings the total financing to 21.6 million euro for 2009-2010.

The Agence Wallonne des Télécommunications is responsible for executing the Walloon policy on ICT. Regarding e-business, a network for professional exchange (Club PME 2.0) was implemented, aimed at exchanging best practices, and an awareness-raising campaign among SMEs on the use of ICT (“Je suis fantasTIC”) was launched.

The e-learning initiative is continuing and the initiatives of the ICT & e-learning programme (dating from July 2008 and supported by the European Structural Fund) were implemented (training, awareness, etc.). On the subject of access to broadband, it should be mentioned that the Cyberclasses programme had handled 589 dossiers from 3,300 educational institutions by mid-2009. For the academic year 2009-2010, the objective of one PC per 15 learners has to be reached. An ICT incubator was set up in Mons. In Transinnes the WSLux incubator, which is linked to the ESA station, was set up.

For the 2009-2014 regional legislature, the Brussels CIBG/CIRB drew up an action plan with 34 measures related to ICT in Brussels.

2.2. Creating new business activity: fostering entrepreneurship and industrial competitiveness

2.2.1. Towards better regulation and simplified administration

Under the coordination of the Administrative Simplification Agency (ASA), the federal Government launched a broad programme of administrative simplification. In 2008, the administrative burdens weighing on citizens and businesses were reduced by 92.87 million euro. About 88% of the re-

28. Financieringsfonds voor Schuldafbouw en Eenmalige Investeringsuitgaven (Financing fund for debt relief and one-time investment expenditure)
duction came from introducing or modifying regulatory measures and the remaining 11.8% were from some applications of e-government. In July 2009 the federal Government adopted a new administrative simplification action plan for the period 2009-2011.

Launched in 2006, The Round Table on the modernisation of the regulations of Belgian economic law has entered the codification phase and should, in the autumn of 2009, lead to a uniform regulation that is flexible and provides an answer to the fragmentisation of economic laws. Once it has been drawn up, the project will, of course, be subject to democratic debate.

Since 30 June 2009, all Belgian economic activities (including the liberal professions, intellectual professions and services providers) have been included in the Crossroads Bank for Enterprises (CBE). The data on the practising professions included in the CBE is checked and corrected in collaboration with the professional bodies and institutes concerned. In addition, a CBE bill was drawn up by the Parliament and intends to valorize the possible outcomes of simplifying the CBE.

The qualitative and quantitative increase in the available data will allow a better mapping out of the Belgian economic operators and noticeably improve the on-line information for businesses as much as for the general public. Frequent inspections have allowed a reduction in the time taken by the Enterprises Counters for the complete processing of a file. Most registrations take place on the same day as the application. In addition to the duties that are entrusted to them by the federal Authority, from 28 December 2009 the Enterprises Counters will assume the tasks of the Single Point of Contact, both federal and regional, as provided for in the Services Directive. The Enterprises Counters will in this way be the point of contact par excellence for Belgian businesses as much as for foreign ones. They will receive increasing powers, suitable to this same principle of a Single Point of Contact. The federal entities will also be required, as part of the implementation of the Services Directive, to pass on certain duties to the Single Point of Contact and, as a minimum, provide information on each authorisation procedure covered by the Directive.

Concerning the administrative burdens linked to statistics gathering, throughout 2008 the Belgian statistics office reduced by 25% the sample of businesses questioned as part of the PRODCOM investigation. Three actions were planned to reduce the burden linked to completing the questionnaire: the introduction of a rotation system that will reduce the number of businesses questioned by 35% by the end of a provisional period of 3 years; the
simplification of the various questionnaires; and pre-filling these using Government data. The project began on 1 August 2008 and will end on 31 December 2010.

Flanders took several measures to reduce the mountain of paper even further and to improve the quality of regulations.

Concerning the quality of regulation, the regulations impact analysis (RIA), the timetable for regulations, and the ‘Quality of law’ units as well as the ‘compensation rule’ underwent an in-depth assessment in 2008-2009 that was the subject of discussions within the Flemish administration. The new Flemish Government will therefore be able to take a decision on this.

The Flemish inter-institutional agreement on the joint approach for the application of the regulation impact analysis was signed 4 February 2009 by the Flemish Government, the Flemish Socioeconomic Committee, the Flemish Consultative Committee on Administrative Affairs and the Flemish Parliament. It has now been submitted for signature to other strategic advisory committees.

In 2009, new legislative modules were organised and, in the context of ‘Wisselleren’ (knowledge-sharing), longer-term means of developing their training were examined.

In January 2009, a study was launched to reinforce the policy on enforcing Flemish regulations. At the end of 2009, a study will be started to assess the law in general and the specific methodology of the Regulation Impact Assessment (RIA/RIE) in particular.

In 2009, a central web site will be set up in order to make Flemish regulations and their related procedures more accessible. An inquiry dedicated to the regulations communication code will be launched.

As regards administrative simplification, in 2008 and 2009 the administrative burden continued to be measured (discussion panels with the target group) thanks to initial measurements. This operation should lead on to action plans, simplification projects and reduction targets for each policy area. From now until the end of 2009, all policy areas will have completed this measurement, set a reduction target and drawn up an action plan. The final goal is still a noticeable reduction in the burden by 2012. The ‘Wetsmatiging’ (law reduction service) carries out an annual follow-up of these action plans via a progress report. The action plans give priority to projects that are within the scope of the European Services Directive. The service
will also develop its own action plan, which will be drawn from simplification projects that cover several areas and run across the different levels of competence.

Once the first pilot project – which consists of measuring the administration costs borne by the authority – has finished, new pilot projects will take off in 2009 in order to refine the analytical methodology.

The improvement of external forms continued in 2009. In September a system that allows the linguistic quality and management of regulations to be monitored will be developed. In particular, this will monitor compliance with the principle of asking for data only once.

Regarding the local authorities, in September 2009 a study began on the situation and requirements at the level of regulations administration. This study will allow recommendations to be drawn up to provide strategic support.

Concerning monitoring, a general report, “Flemish Regulation 2008” was drafted in 2009. In September, a study was launched to refine and extend the current indicators for regulation management in Flanders.

Both the Flemish recovery plan and the Flemish Government’s new agreement intend to simplify procedures. The Flemish recovery plan, “Herstel het vertrouwen” (Restore trust), of 14 November 2008 aims to accelerate and build up public and private investments. One of its measures that should make this acceleration possible was the use of simplified procedures. As for the 2009-2014 Government agreement, it provides for the establishment of a sustainable investment plan that aims to speed up the procedures for obtaining licences. In particular, it endeavours to speed up investment in renewable energies and in energy transport infrastructure. The major measures provided for in this plan are the following: to make it easier to carry out infrastructure works without a project execution plan (PEP), to apply the EIA rules more effectively, to examine how a decree on infrastructure could create an efficient framework for granting permits more quickly for projects that require an EIA, to relax the administrative procedures required during a compulsory purchase, etc.

In the Walloon Region, the policy on administrative simplification and for better regulation was followed in 2008-2009 via the action plan “Plan d’ac-

29. Environmental Impact Assessment (Milieueffectenrapportage)
tion simplification administrative, e-gouvernement et lisibilité 2005-2009” (2005-2009 action plan for administrative simplification, e-government and clarity), coordinated by EASI-WAL. The aim is to finalise the planned actions by the end of the year. This policy will be followed under a new plan, “administrative simplification and e-government, 2009-2014”. The results are as follows: 197 obsolete texts abolished, 250 simplification recommendations issued (since January 2006), 235 Kafka tests performed (since May 2007), simplification of forms and provision of interactive forms via the “forms” portal.

The public procurement Portal registered a large number of visits in 2008 (about 95,000), 55% additional market surveys were published as compared to 2007, 294 contract award notices were posted (since the end of March 2008) and 23 contracts managed electronically (in 2008). The Digi-flow application has, moreover, reduced businesses’ requests for various certificates.

As part of the anti-crisis plan, steps were taken to simplify and speed up the procedures for paying the Region’s debts. Measures to relax requirements for assistance for R&D and for investment were also adopted.

On 13 December 2007, the Brussels-Capital Region Parliament approved an institutional ordinance on promoting aid for economic expansion that unifies in a single institutional text all the assistance measures for businesses. These were previously scattered between different legislative and regulatory texts, some of which dated back to the end of the 1970s. This ordinance therefore simplifies and modernises the existing assistance measures, shortens the time for processing applications and introduces new kinds of aid that are better adapted to the current needs of urban businesses.

2.2.2. Support services for companies

In order to stimulate the creation of new companies, the federal Government created an SME action plan on 10 October 2008. It contains 40 measures that are inspired by the “Think Small First” approach of the Small Business Act. The action plan breaks down into several axes of intervention: stimulating business creation, increasing entrepreneur security, improving the social security status of the self-employed, improving the SME-public authority relationship, and specific initiatives.
Stimulating business creation rests on expanding the duties and reinforcing the legal framework of the appointed Enterprises Counters to make them a single point of contact and to take on the function of a Single Point of Contact as provided for by the Services Directive.

Since 30 June 2009, the liberal and intellectual professions (non-business) have also been included in the Crossroads Bank for Enterprises (see 2.2.1.) via the appointed Enterprises Counters.

On entrepreneur security, the practice of a liberal profession as a company – as provided for by the law of 15 February 2006 on exercising the profession of architect as a legal person – offers the entrepreneur the possibility for the legal responsibility attached to this to be assumed by the company, and so contributes towards increasing his legal security. The federal Plan for SMEs extends this option to all the liberal professions. The project is divided into 4 phases: economic, accounting, legal and medical professions.

A new form of company for starters, formalised in a draft law that was approved by the Council of Ministers of 23 April 2009, intends to create in Belgian law a form of company that is more accessible to entrepreneurs who are starting out, without, however, abandoning every guarantee for creditors and consumers.

The capital of the Starter company will be between 1 euro and the minimum statutory capital of a limited company (BVBA/SPRL), with the requirement to increase this capital within five years of the creation of the company to the minimum amount required for a limited company.

A finance plan developed with the help of an accounting professional (accountant, auditor, etc.) will be required in order to avoid early bankruptcies caused by lack of experience.

Measures to improve the financing of SMEs (see 2.2.3) and to simplify the administrative burden linked to VAT reimbursements (1 May 2009) were taken. A draft bill will introduce into the legal Code a summary procedure for a payment injunction.

The principal Government decisions in favour of the social security status of the self-employed concern the increase in the minimum pension of self-employed workers, making maternity leave more flexible, assistance for new mothers via the use of domestic services vouchers, the upgrading of invalidity and incapacity benefits, the reduction of the differences in family al-
lowances for employed and self-employed workers, and the increase in social security payments in case of bankruptcy.

With a view to improving its relationship with SMEs, the public authorities have taken measures regarding public procurement in order to conform to European law (directive, etc.) and to simplify the administrative burden for SME bidders.

In order to apply the ‘think small first’ principle, the Government has developed an SME impact sheet, which will be completed before the development of any of its legislative and regulatory acts. This is a simplifying measure taken from the structural enquiry that businesses have to answer.

Finally, specific measures have been passed for the retail sector.

The first was the modernisation of the law on indemnification of victims of road works. Practice has shown that in fact this law quickly appeared to be very difficult to apply, particularly because of the complexity of the indemnification procedure that it provided for, the difficulty of applying its financing mechanism on the ground, the limited nature of the indemnity provided for and a several unclear areas. An allocation of 1 million euro was made in the 2009 budget to finance the measure. The law of 3 December 2005 was adapted by the law of 22 December 2008, while the new measures came into force on 1 January 2009.

The second was to reform the conditions and procedure for recognition of local areas as centres of tourism. The conditions and certain of the procedures for recognising these centres of tourism have to be simplified, harmonised and adapted. The Royal Decree of 16 June 2009 was adopted to this end.

In Wallonia, the Economic Stimulation Agency (ESA) is now fully operational, with a budget of 14.3 million euro. Through its “Walloon Programme – Spirit of Entrepreneurship” (Esprit d’Entreprendre), a true quality mark was put in place and some of the awareness-raising actions of Spirit of Entrepreneurship that were given the seal of approval by the ESA are already recognized as ‘good practice’ by the European Commission (‘Cré active toi’, Cap’ten and ASE’s team of awareness-raising officers). A media campaign was launched at the start of the school year in 2008 and the activities and innovative projects reached almost 33,000 young people in 2008, more than 2,500 teachers were involved and 64% of Walloon educational establishments were covered. The projects were implemented
with the financial support of the Walloon Region, the French-speaking Community and the ESF.

The ESA also implemented a network of business support services. Their projects are financed by the European Fund and their projects are structured in a multi-year programme organised around 5 axes (know, create, differentiate, develop and coordinate). Since 2008, its actions have been implemented by operators under the guidance of the ESA. 6 new pilot projects have been selected in this way for an amount of 84,000 euro.

Together with the ESA and the various operators, a multi-year plan, “Creation of activities” (Creation d’activités), is being developed. Since 1 January 2009, the ESA has been managing several direct aid programmes (provisions for pre-activity grants and non-technological innovation by SMEs, made permanent by decrees in October 2008 and amounting to 12,500 euro for each one). 67 Innovation grants have been made to innovative projects. The ESA also manages the implementation of the “Best practice” vouchers to help businesses implement innovative new internal practices.

A “Strategic Intelligence” programme for Walloon SMEs organised around different axes (awareness-raising, mentoring, training, networking and experience-sharing) was developed, a specific web site was created, and, through a pilot project launched by the ESA “Think I”, 25 business directors have already been able to benefit from this training in March 2009.

In the matter of visibility, promotion and administrative simplification, the ESA should soon launch an enterprise portal in collaboration with EASI-WAL and other organisations connected to businesses. Moreover, the ESA has published an inventory on Female Entrepreneurship.

Finally, concerning business handovers, the ESA is continuing its operational partnership with SOWACCESS. The ‘matching’ platform for sellers and buyers has allowed 9 transactions to be finalised to date (for a total amount of 3.8 million euro and involving 50 jobs) and about thirty negotiations are underway.

In the Flemish Authority, the Vlaams Agentschap Ondernemen (VLAO) and the Agentschap Economie were merged on 1 April 2009 to form the Agentschap Ondernemen (AO).

In the spring of 2008, the Flemish Authority also started the Enterprise Europe Network (EEN), a network that provides Flemish businesses with in-
formation, mediation, promotion and advice services. If also provides information on the European regulations and subsidy mechanisms via the different programmes implemented by the EU. Entrepreneurs are also helped when they are looking for partners in other Regions and in establishing international synergies at the international synergies.

Measures for innovation, entrepreneurship and internationalisation taken by the IWT (innovation), the AO (economic support) and FIT (Flanders Investment and Trade) are better connected since the adaptation of the SME Programme and the Entrepreneurship Portfolio (see above).

Assistance for sponsorship programmes in 2009 amounted to 3 million euro. Regarding the Economy-Education bridging projects (partnership between education and businesses), 3 million euro were provided for the 2008 call (specific purpose, “business and technology in pre-school and primary education”) and 12 projects were approved in total. In the autumn of 2008, a Business Action Plan was drawn up, which brought together the main initiatives for raising awareness and promoting entrepreneurship, with a special accent on the first stages of a business’s life – the pre-start and the launch phase. The Economy-Education bridging projects resumed with the “call to entrepreneurship” as well as a series of other initiatives (existing or new) in this new Business Action Plan. It includes an analysis of entrepreneurship in Flanders based on the available facts and figures, establishes the link between the authorities’ aims (Flemish, federal, European) for this and sets outs the general targets, namely: to encourage more people to become entrepreneurs, to equip entrepreneurs in order to increase their competitiveness and to develop a consolidated model of data for entrepreneurship. In 2009 a total amount of 7.55 million euro was provided for initiatives that aim to stimulate entrepreneurship.

After a comparative study of preventative policy regarding businesses in other European countries, the Enterprise Agency proposed a concrete approach for Flanders to stimulate support and favour financially healthy businesses. In addition to raising awareness in businesses and developing follow-up schedules for firms with continuation problems, an auto-diagnostic instrument and first-line advice source for businesses were developed (“quickscan”). The preventative policy for businesses was continued in 2008: the type of support from the Flemish Authority is given according to the size of the business (priority was given to companies with between 20 and 100 employees). For companies with less than 20 employees, a special awareness operation was implemented; it included both sponsorship
projects and an additional specific call for entrepreneurship (EFRO) in SMEs and gives particular attention to the problem of continuation.

In the Brussels-Capital Region, three initiatives should be underlined regarding the stimulation of entrepreneurial spirit. Firstly, the development of a business mentoring programme aims to offer support for entrepreneurship for young people and reinforce the leadership qualities of the ‘seniors’ who become their mentors. Next, the Brussels Enterprise Agency (BEA) will launch an Internet site that groups all the initiatives for schools, teachers, pupils, universities and students and that aims to promote an entrepreneurial spirit among young people. Finally, the project, “Stimulating entrepreneurial spirit in the Priority Intervention Zone”, aims to raise awareness of the entrepreneurial spirit among young people who go to school in the Priority Intervention Zone.

2.2.3. Access to funding

In the framework of the federal Government’s SME Plan, various measures have been implemented by the Participation Fund in order to improve the simplified access of SMEs to capital.

The measures taken by the federal Government in the framework of the recovery Plan as well as in its SME Plan, with the assistance of the Participation Fund, are of two kinds: one is the creation of new financial products within the Participation Fund specifically dedicated to improving the access of SMEs to capital, the other reinforces the missions of the BeCeFi. The goal is to improve the simplified access of SMEs to capital.

The financial products developed within the Participation Fund are the following:
- The INITIO subordinated loan, granted as a complement to bank loans and the specific character of which is to invert the usual demand mechanism: the applicant entrepreneur introduces an application directly to the Participation Fund. Then, provided with an agreement-in-principle from the fund, he or she contacts the banking institution of his or her choice. The amount granted by the Fund is limited to 100,000 euro, 5 times the amount of the entrepreneur’s personal contribution and 50% of the total amount of the investment. The inverted application mechanism allows the applicant entrepreneur to go to the bank with backing from of a public institution, which reinforces the guarantee for the bank.
- The CASHEO loan, which is to mobilise debts held by SMEs on the public authorities as well as on companies in which the State has a majority shareholding: The debts are taken on by the Participation Fund, which advances up to 80% of these to the SME, with the remaining 20% being cleared when the principals have paid their debts. CASHEO is primarily intended to bridge liquidity problems that an SME might face, by significantly accelerating the time taken to receive payment in public contracts.

- The Starter Loan II debenture loan, launched by the federal Government on 23 March 2009, intends to provide the Participation Fund with additional means of up to 100 million euro to give credit to SMEs via a neutral budget technique. In addition, it allows applicants to benefit from a tax deduction identical to that of the first band, i.e. 5%, up to a maximum of 290 euro per person and 580 euro per household.

- BELGACAP complementary cover supplements credit insurance for up to 50% of the risk. This cover is given by the credit insurer and guaranteed by the State and is managed by the Participation Fund. This complementary cover can be granted to any business that has its registered office based in Belgium and whose cover is being reduced or has been reduced by their insurer since 1 January 2009. It allows many businesses, especially exporters, to better deal with the crisis. BELGACAP covers supplier credits given by businesses established in Belgium to creditors from the European Economic Area (EEA). It cannot be used at the same time as another equivalent system. However, until there is a new official opinion from the Belgian State, the system can only be used for the Belgacap limits on domestic risks (Belgian clients). As soon as the European Commission has declared Belgacap to be compatible with the single market, the BELGACAP limits will be able to be requested and given on EEA clients other than Belgian ones.

As regards the BeCeFi, from 12 February 2009, it has a credit Mediator who is available for any business, professional, trader, tradesman or sole businessperson who falls into financial difficulties and cannot resolve them. In six months of operation, the credit Mediator service had 180 cases referred to it, representing an outstanding credit amount of 56 million euro. 27 cases were declared irrecoverable; 93 cases were able to be closed with a success rate of 72%, allowing 93% of jobs to be saved, out of a total of 1 828 full-time equivalent jobs involved. In parallel, the federal Government asked it to set up a credit barometer in order to carry out a constant monitoring of the terms under which businesses can access credit. The barometer shows that setting up financial products that are specifically to tackle the credit crunch can only bear fruit if credit terms (PGI – credit price, guarantees and level
of information required by the credit organisation) do not further limit access to credit. The principal function of the credit barometer is therefore to allow the Government to act more quickly when necessary.

The *prompt payment of invoices by the federal authorities* was included in the Government’s recovery plan with a circular requiring the federal Administrations to pay their invoices on time. A special “invoice” unit was created to supervise this, with a budget of 400 million euro. The number of invoices paid on time is increasing (currently 66% as against 60% in the last quarter of 2008) and the number of payment defaults has reduced from 23% to 5%. The target is to reduce payment default completely by the end of 2009.

For the Walloon Region, the main developments for 2008-2009 are on economic recovery measures as well as activating the measures co-financed by the FEDER.

During the last quarter of 2008, the *first anti-crisis measures* were adopted and intend to back up financial tools for SMES through several measures: enlargement of the scope of SOWALFIN to retail, services and the professions; raising the limit up to which a guarantee can be authorised; expanding the concept of a guarantee; and expanding the action of INVEST. Financial resources were also increased by developing *specific short-term products* within the 9 Walloon INVESTs with a regional guarantee of up to 50% and the *expansion of short-term guarantees* given by SOWALFIN. In addition, since January 2009, the Walloon Region has had an SME credit mediator within SOWALFIN in order to promote SMES’ access to bank credit.

Among the other recovery plan measures, a “*Walloon investment fund*”, funded by a public offering, was created with a view to supporting investment in businesses (principally SMES and businesses active in the sustainable development sector). The public offering closed in mid-June and has raised 81.6 million euro (12,000 subscribers). In addition, a *guarantee mechanism* has been put in place in favour of large businesses (for bank credits and for companies that wish to expand abroad or develop their export activities). Finally, measures were taken to support exporting industries, such as enlarging the SOFINEX guarantee for large businesses, increasing the SOFINEX funds for SMES (from 20 to 50 million euro) and extending the maximum ratio of intervention to cover bank loans linked to export (from 50 to 70%).

As regards *measures co-financed by the FEDER on risk capital*, specific agencies were created at the beginning of 2009 with particular attention to very
small enterprises, young innovative businesses and to innovative projects. Meanwhile, the guarantee measure implemented through SOCAMUT began and a “Call for innovative projects” measure, which intends to boost innovation efforts by SMES, was included in the 2007-2013 FEDER programmes (with a total budget of 46 million euro and a maximum intervention of 500,000 euro per project in the form of a subordinated loan).

In Flanders, most financing instruments are offered within the same umbrella structure, the ParticipatieMaatschappij Vlaanderen (PMV - Participation Company Flanders). This is done to increase transparency and to facilitate access to them easier, particularly for SMES.

The majority of these essential funding instruments include subordinated loans, credit guarantees and the supply of risk capital. The budgets planned for these measures have increased.

In the wake of the crisis, the Flemish Government took decisions that extend, modify or abolish the scope of a range of instruments offered by the PMV. As regards the guarantee rules fixed by the Crisis Act (Urgentiebesluit) of 21 November 2008, the budget and the scope were broadly expanded, several conditions were relaxed, some limits were abolished and in addition to the pillar for SMES, a pillar was created for large businesses and a separate pillar now gives ad hoc guarantees to SMES, taking into account the temporary easing of the European rules on State aid announced by the Commission in the autumn of 2008. Several tools have also been updated to help businesses directly. These take the main Lisbon objectives into account: fostering innovation, increasing the growth capacity of companies (SMES in particular) on a basis on sustainable development, the granting of sufficient space to invest, the provision of training, the fostering of exports, and the globalisation of companies.

The VINNOF has also been reformed as it is now only used as a trade mark for seed capital investments (the amount of seed capital was increased and the target group expanded to older companies). The VINNOF start-up capital is now provided by the IWP. The “Project financing” pillar was taken from the VINNOF to be placed under the new PMV-Mezzanine scheme, which is based on quasi-capital. The NRC fund, which had only limited availability, was abolished. At the end of 2008, the Authority also decided to create a new fund for large businesses, the XL-fund. This fund will invest in large businesses with a financial value of between 75 million euro and 750 million euro and that start up with an issued capital of at least 500 million euro. A new element is the InVita Life Science fund intended for in-
vestment in life sciences. Payment of tranches of certain aid measures has also been accelerated.

During 2008, the ecology bonus was reformed to become a system based on competitive calls for projects, with increases in the percentage of assistance and the maximum amount available. The growth bonus was abolished and the budget for this was added to that of the ecology bonus, which is now at 120 million euro per year. For 2008, 3 consecutive calls were planned as well as an annual budget of 75 million euro. Solar panels have had great success and there has been great demand for these. Several other criteria applied to calls made in 2009:

1. The percentages of assistance have doubled, going from 10 to 20% for large businesses and from 20 to 40% for SMEs;
2. The maximum amount of aid has gone up from 1.5 million euro to 1.75 euro per request and per call;
3. The investments can now be financed via a holding company if this is part of the same group as the company requesting the assistance;
4. To help businesses deal with the crisis, an accelerated rate of payment applies and the investment period has gone from 3 to 5 years.

Funding from European sources also targets these objectives.\textsuperscript{30}

As part of its management of the crisis, the Brussels-Capital Region adopted two important measures intended to allow all stakeholders in the Brussels economy to deal with the financial crisis. The Brussels Regional Investment Company (SRIB/GIMB) and all its subsidiaries (with the exception of Brinfin, Sofibru and Sfar) were authorised to grant short-term loans and to cover part of the risks linked to these loans via the Brussels Guarantee Fund guarantee. Also, the Brussels Guarantee Fund developed a new product called the “crisis guarantee”, bringing the maximum amount of credit guarantee from 150,000 euro to 250,000 euro, with a coverage rate that went from 65 to 80%, with no change to the commission rate. Furthermore, conditions for obtaining the guarantee were relaxed. The Brussels Guarantee Fund budget for this purpose was increased from 62 to 80 million euro.

These exceptional measures will only apply for the period from 1 January to 31 December 2009.

\textsuperscript{30} See also the chapter “Structural funds”
Furthermore, as regards business support, the Centre for Businesses in Difficulty (CED/COM) has been strengthened. The task of this Centre is to help self-employed persons and heads of companies to identify their difficulties, and to put them into contact with legal or financial experts who can help them think of and implement scenarios for escaping crisis. This additional support translates, among other things, into the grant of additional resources of up to 150,000 euro and, regarding the actions taken, by giving free access to the services of an accounting and tax expert (pro deo accountant).

2.2.4. Industrial policy

An active cluster and competence pole\textsuperscript{31} policy plays an important role in industrial policy in both Flanders and Wallonia. The grouping of all stakeholders and the creation of networks allows competitiveness to be strengthened.

In the three Regions, the structural funds focus on the main Lisbon objectives: fostering the knowledge and innovation economy, promoting entrepreneurship, the improvement of spatio-economic factors and the promotion of urban development.

Several conventions containing competence poles reached their term in 2008-2009 in Flanders. After assessing their operation, the lines of assistance were renewed and often increased\textsuperscript{32}. On 15 May 2009, the Flemish Government approved finance for two new competence poles: Flanders’ Synergy and Flanders’ Plastic Vision. The round table method applied in recent years has allowed the Flemish and federal decision-makers and the intermediaries to discuss the needs of industry together. In 2007-2008, a methodology was put in place to structurally integrate these meetings.

After chemistry, the car industry and life industries, a round table was launched in December 2008 with the Flemish textile, wood and metal industries. Following on from one of the consultation activities that the European Commission held in the framework of the Globalisation Fund, financial support for the textile sector was pledged. As regards life scienc-

\textsuperscript{31} See also point 2.1.1.
\textsuperscript{32} This is the case for the Flanders Mechatronics Technology Centre Plus (FMTC Plus), the Flanders Materials Centre (Flamac), Flanders InShape (development of products and industrial design), the Vlaams Instituut voor de Logistiek (VIL – Flanders Institute for Logistics), Flanders’ FOOD, the Vlaams Instituut voor Mobiliteit (VIM – Flanders Institute for Mobility), IncGEO, and Flanders DRIVE II.
es, at the beginning of December 2008, an agreement was signed between FIT and the sectoral association, Essencia.

The previous year, the car industry had been the object of intense negotiations. On 3 December 2008, a round table ended with the announcement that the Flemish Government and the federal Government wish to take measures to deal with the economic problems that cut across this industry. On 2 February 2009, a new round table took place (the third). The aim was to discuss the crisis in the automobile sector and to draw up a joint approach to the current problems. The evolution within the sector is being followed closely.

Within the competence pole Flanders’ Drive, the innovation centre for the automobile industry in Flanders, 2009 saw the start of a gathering of all the scientific and industrial knowledge on “the car of tomorrow”, with a view to developing scenarios for Flanders to follow so that it can participate in the development toward hybrid vehicles. In the context of the case of Opel, the Flemish authorities shall, assisted by the federal authorities, implement the necessary initiatives for the competent bodies to ensure a level playing field and for the application of the regulations regarding State aid.

In the Walloon Region the clustering policy is intended to develop (trans-) sectoral company networks. Currently, there are 14 clusters recognised (73% of members are SMEs), including one new one since the beginning of this year, Plastiwin (plastics and elastomers innovations). These clusters have developed many inter-cluster and inter-national partnerships.

Concerning the policy on the competitiveness poles, a fifth call for projects was launched in November 2008 with the result that 5 poles and 24 projects were chosen and approved by the Government in June 2009 (5 without conditions and 19 with conditions). For the first four calls, 120 projects were supported by a public budget of 240 million euro. In addition, in 2009 the Walloon Region took measures to register its industrial policy on a more lasting track, creating an inter-cluster platform (TWEED, CAP 2020, Eco-construction, Val+) and launching a technological innovation partnership in the area of sustainable construction. The Government envisages launching a sixth pole dedicated to new environmental technologies.

33. The Agoria data concerning the 4 automobile assembly plants (Audi-Volkswagen Forest, Ford Genk, Opel Anvers et Volvo Gand) which together assembled almost 689,000 vehicles in 2008, i.e. 13% less than in 2007, show that the automobile industry is in difficulties. For 2009, Agoria expects a further fall of 20%. These four plants (3 in Flanders and 1 in the Brussels-Capital Region) employed about 15,100 people last year, i.e. 10% less than in 2007.
2.3. Improving market functioning

2.3.1. A strengthened competition policy

In March 2009, the federal Government extended the missions of the National Accounts Institute (NAI) to the analysis and observation of prices, which translates into the publication of three quarterly reports, one annual report, papers on important topics in the area of prices, and occasional analyses at the request of the competent Ministers. Studies have been carried out on the beef meat industry, the milk industry and the pork meat industry. The Government is currently improving the transparency of price formation and margins in these crisis-hit industries. The Belgian Authorities have also developed a methodology for monitoring markets, in close partnership with the European Commission. The analysis of prices and the monitoring of the sectoral markets has reinforced the effectiveness of the Belgian Competition Authority’s investigations, which can be present on the ground through a team of inspectors in charge of market surveillance.

The General Directorate for Competition noticed an increase in the number of cases and decisions as well as a substantial reduction in the time taken to process them. Already in 2008 and even more so in 2009, the competition services were strengthened by the recruitment of economists and a chief economist. In addition, various training courses were organised with the federal police – on interrogation techniques – and with the European Commission on forensic ICT. Because of these informal contacts that the DG has almost daily with the different players, it can, in the framework of decisions taken with the Commission and the Competition Council, apply the competition rules directly. Its services also involve formalising its collaboration with the regulators. It is however unwise to define a timing, given this collaboration, and it is preferable to set this first with the BIPT. At the level of training as well as that of cases, this synergy works well. The Belgian General Directorate for Competition is actively working with the activities of the European Commission.

The Walloon Region is gradually adapting its assistance instruments to a new European framework or along European guidelines. So, at the beginning of 2009, the investment assistance measures were adapted in order to bring them in line with the requirements of the new regulation for general exemption by category. In November 2008, the Commission also approved a system for assistance in favour of alternative transport modes than roads (2008-2013).
2.3.2. Electricity and gas

In January 2009, the federal Government set up an “Energy observatory” that is responsible for gathering and processing all useful information on energy with the purpose of in-depth and targeted analyses.

In order to ensure lower energy bills for households, the various Belgian authorities concerned (federal Government, Regions, National Bank of Belgium, energy sector regulator, Federal Planning Bureau) took part in a technical screening organised by the federal Government on energy prices (evolution, components and outlooks). A sectoral inquiry among the providers was started to further analyse margins and to consider specific measures. Also, as part of the goal to reduce households’ energy bills, the Government voted a single reduction of 30 euro on 2009 electricity bills as part of its recovery plan.

In 2009, a third energy producer (EON) came onto the Belgian market following a ‘SWAP’ operation between Electrabel (the historical operator) and EON for a production capacity of 1,700 MW. This agreement should allow GDF Suez to meet its commitments to the Belgian Government (Pax Electrica). Also regarding electricity, the licence for under-exploited sites is now in force and Belpex has become one of the most profitable exchanges in Europe: the volume negotiated on the Belpex DAM (day ahead market) in 2008 was 11.1 TWh, which corresponds to about 12.6% of Belgian energy consumption, while it was 7.6 TWh in 2007 (an increase of 46% in 2008 compared to 2007) and 8.5% of consumption.

Regarding nuclear energy, Electrabel committed itself in March 2008 to hand over 10% (635 MW out of ±6,000) of its nuclear capacity to the second largest Belgian electricity producer (SPE), this is in the framework of commitments made by Suez at the end of 2006 to promote competition in the Belgian electricity market. 15% of the market is affected by the steps underway.

Still in the interest of greater competition, the share of Suez in Distrigas was handed over to Eni at the end of May 2008. In July 2008, the share of GDF in SPE was sold to Centrica and the share of Suez in Fluxys went up to 44.75%. Meanwhile, to reduce the share of the historical operator (Electrabel) to below 25% in the Transmission System Operator (TSO), the bill of 25 July 2009 has now been approved by the Chamber and will be with the Senate until the end of the scrutiny period (period d’évocation).
However, regarding the separation of the activities of the gas TSO (Fluxys) into three distinct entities, a procedure for designating these three management bodies is underway. As regards corporate governance for the gas TSO, a bill introducing the provisions that already exist for electricity has now been approved by the Chamber and will be with the Senate until the end of the scrutiny period.

The new competencies devolved to the federal regulator (CREG) for price control and supervision of competition on the electricity and gas markets were established by the law of 8 June 2008 on various measures. Additionally, to make the inspections carried out by CREG more effective, the law of 22 December 2008 gave the members of the board and the staff of CREG the legal status of a police officer.

The full liberalisation of the Walloon energy markets has been a reality since 1 January 2007. However, a number of legal modifications have been adopted to bring continuous improvement to market operations and support measures for the benefit of consumers (modifying decrees of 17 July 2008) and to overcome the remaining difficulties, particularly in invoicing and when changing operators. Also, a regional mediation service is being implemented within the CWaPE, the Walloon market regulation authority. Other accompanying measures will be taken together with the CWaPE and the Ministry for energy (which monitors electricity and gas prices, simulates tariffs, and follow up on the players). The result, two years after the market was opened up, is that two out of three gas customers have signed a contract with a supplier of their choice and the number of new entrants is increasing. On the non-residential gas market, competition is strong and there are currently nine suppliers. On the electricity market, 59% of customers (residential and professional) have signed a contract and two new supply licences were granted in 2008.

The Flemish energy market has been fully liberalised since 2003. The new Flemish Government met to create a Flemish energy company (VL.energie) so that it can make maximum use of green energy technology opportunities. This Flemish company will, in particular, be involved in producing green energy, invest in innovative projects for energy efficiency, take part in international projects on the climate in order to acquire Kyoto units as well as in projects that aim to facilitate and finance energy efficiency measure in the Flemish Government’s buildings.

Furthermore, the 2009-2014 Flemish Government Agreement provides that energy meters should be modernised and energy networks optimised,
smart meters and smart grids. A large-scale pilot project came into operation during this legislature. These meters must not only make the network more intelligent but must also increase the comfort of users, reduce consumption and help improve the functioning of the energy market.

2.3.3. Rail and postal sectors

The royal decree transposing directive 2007/58 into Belgian law was promulgated:
- It defines the concept of an international passenger transport service as well as the rights attached to it
- It grants the operator access to the Belgian rail network
- It regulates the framework agreements by which the infrastructure operator guarantees the capacity of the infrastructure to the operator.
- It introduces an assessment of the international character of the passenger transport services by the railway transport Regulation service.

The transposition of the directives on the certification of staff, interoperability and railway safety (2007/59, 2008/57 and 2008/110) is also underway. The structure of the SNCB Group (holding, infrastructure, transport) was profoundly changed in order to better guarantee the independence of the entities.

With respect to the postal services, the federal Government is currently preparing for the transposition of the third directive in order to enable effective competition. In December 2008, an agreement was reached for the transposition of the directive along broad lines. An important element is the respect of certain conditions by the new competitors. These are notably required to cover 80% of the territory in each of the three Regions and to ensure two deliveries per week, both after 5 years of activity. The decision on offers will be made in 2009 and 2010. As part of this new liberalization, De Post/La Poste is actively continuing the modernization started in 2002. This process has already brought about a reduction in personnel, a modernization of sorting centres and an improvement in returns and profitability. As regards human resources, De Post/La Poste will progressively apply a new status to postal workers. These will be taken on at a lower grade but will benefit from full status as a contracted worker. This latter point is important to avoid social dumping. On the other hand, postal workers will have fewer duties and responsibilities. This new status will be applied to new employees only. Following its merger with Posten AB of Sweden, the shareholder Post Danmark has transferred its shareholding in De Post/La Poste to CVC Capital Partners, which already owned a share in
De Post/La Post since 2005 and has now extended this to 50%-1 share. The collaboration with Post Danmark has been kept.

2.3.4. The Services Directive

Work on transposing the Services Directive continued under the coordination of a steering Committee put in place by the Government in March 2008. The legislative screening and the administrative simplification screening were finished at the federal level. The laws for transposing the Services Directive were lodged. The explanatory reports are available. The exercise is still ongoing at the regional level.

The federal and regional Governments decided to entrust the tasks of Single Point of Contact to the appointed Enterprises Counters. The legislative changes are being made that will allow these Counters to function as the sole point of contact for all services providers and to give information and assistance to businesses for all relevant procedures. A cooperation agreement is currently being developed. A specific portal was developed, intended to supply all the information that should be made available for foreign providers and, eventually, for all businesses active on Belgian territory, including in the sectors not covered by the Services Directive. Furthermore, identification of the administrations and other Government organisations that are affected by the administrative cooperation between the Member States and, specifically, by the use of Internal Market Information system (IMI) is underway.

The socio-ecosnomic effects of the implementation/transposition of the directive have been assessed. They should be equivalent, according the National Bank of Belgium and the Federal Planning Bureau, to about 1% of Belgium’s GDP. An extensive information campaign will ensure the distribution of the necessary information and will highlight the opportunities offered by this internal market for services.

At the Flemish level, preparation for the transposition of the Services Directive reached optimum speed in 2007. In particular, meetings have taken place with the Federation for Flemish towns and local authorities and the screening of the regulations started by seeing which decrees, court decisions, etc. should be adapted. A first list of regulations for examination was recorded in the minutes of the Flemish Government of 18 July 2008. The Flemish authorities also developed an instrument called the specifieke Dienstenimpacttoets (DIT – specific impact notice), which allows determination of whether the non-discrimination criteria enacted by the Services Directive
regarding non-discrimination, necessity and proportionality are met. This is inspired by the RIA analytical method applied in Flanders for regulation. Furthermore, a strategy was developed by the Agentschap Ondernemen for the “Middle Office” function of the Single Point of Contact. The Flemish Government judged the transposition of the European Services Directive to be very important: the Flemish recovery plan, “Herstel het Vertrouwen” (Restore Trust) of 14 November 2008 stipulates that in order to strengthen competitiveness in the Flemish economy, the Services Directive must be transposed in its entirety and as quickly as possible.

The Walloon Government, using a “2010 Services Task Force” and a single contact point (SPOC) chosen by the Walloon Region in November 2008, held a screening that closed at the end of April 2009 and that picked out 175 texts out of 1,816. Among these, 22 needed modifications or explanations regarding the free circulation of goods, 43 regarding freedom of establishment, 65 regarding authorisation procedures and/or conditions for conferral and none required modifications or explanations regarding multidisciplinary activities. In total, 81 texts contained provisions that required explanations and/or modifications and 1,735 texts needed no modification. The main areas concerned were the environment, employment, professional training and social affairs. Changes began to be introduced in June 2009 and work is ongoing for the implementation of the Single Point of Contact within the framework of the changes made as part of the administrative simplification (in collaboration with EASI-WAL), and the implementation of an IMI network and an “alarm” network.

2.3.5. Law on fairer commercial practices and consumer protection

A bill for carrying out a thorough reform of the provisions of the law of 14 July 1991 was approved by the Council of Ministers on 10 July 2009. This bill aims to modernise the law to respond to the requirements of the economic and social situation of businesses and to put Belgian law in conformity with the existing European provisions. Among the regulations in the current law that have been fundamentally modified are those for joint offers to the consumer, the pre-sales period and distance selling. Under these changes, tied sales will be allowed (except for financial services) as long as they do not sell at a loss and do not constitute disloyal commercial practice. For distance selling, the ban on payment before the end of the cooling-off period has been abolished but the cooling-off period has been extended (from 7 working days to 14 calendar days). Finally, the two sales periods will be kept but the pre-sales period (period in which a shop cannot announce price reductions) has been reduced from six to three and a half
weeks. This bill consequently intends to reconcile fairly the expectations of consumers with the needs of the self-employed and SMEs within market competition conditions.

2.3.6. Telecommunications sector

For the telecommunications sector, the powers of the BIPT are very widely reinforced by the law of 18 May 2009: in particular, the possibility to adopt decisions with retroactive effect in case of annulment of a previous decision, the power to impose more rapidly fines on which the threshold has been raised, or even the power to adopt exceptional measures. This law is designed to reassure investors and will allow better competitive pressure to work on prices. The BIPT has put on-line a chart of internet, mobile and telephone prices (www.barometredesprix.be), which shows a considerable downward trend in prices (between -17% and -35% in one year on Internet offers, between -16 and -31% in only 3 months on mobile calls). The BIPT has also launched a tariff comparison site, which has been a great success (www.meilleurtarif.be).

The Government has also named a completely new BIPT Council, which should, as its priority; focus on areas such as the drop in MTR to bring them into line with the European average or the regulation of broadband in Belgium. In addition, after receiving several indications of interest, the Government has chosen to put on the market a fourth mobile licence. It has also been decided that the discussions with the federal authorities on the future of the digital dividend will begin in the autumn of 2009. Regarding fixed line, the regulation of the fibre optic network (NGN) is one of the most advanced in Europe.

It is also worth noting that the BIPT, as well as the Competition Council, have imposed their first fines on the historical operator of 3 million euro and 66.7 million euro, respectively.

2.4. Investments

The Belgian authorities contribute to realising production capacity in two ways: on the one hand, by investing in infrastructure; and, on the other hand, by encouraging private individuals to invest. Special attention is paid to the sustainability of the investment, including from an ecological point of view.
2.4.1. Infrastructure

Belgium committed itself to preparing and executing the priority European TEN projects. The following were realised in 2008-2009:

- In 2009, preparatory steps were taken to construct a direct connection with the German electricity network, in addition to the existing indirect connection via the Netherlands.

- Work is still being done to significantly expand the capacity on the east-west axis of the gas transport network, while the capacity expansion on the cross-border north-south axis is being prepared. Commissioning is foreseen for 2010 and 2013, respectively.

- The high speed lines to Amsterdam and Cologne were first commissioned in 2009.

- A subsidy was applied for at the European Commission to realise a part of the Eurocaprail, thereby upgrading the connection from Brussels to Strasbourg via Luxembourg.

- The upgrading of the Seine-Schelde connection to a class Vb waterway was approved and being prepared. On the Flemish side, a subsidy was approved and activities were to start in the autumn of 2009. An important link in the route, a second sluice, was first used at Evergem (near Ghent) in June 2009.

In the context of the four new Schelde agreements with the Netherlands, the deepening of the Westerschelde to 13,10 m will make sailing possible at all tides. In 2008, the Beneden-Zeeschelde (lower part), especially, was expanded (on the Belgian side). In principle, the deepening on the Dutch side should have started in 200934.

With regard to the Antwerp harbour, the Flemish Government investigated the possible construction of a second sluice at the Waasland harbour. On land, an extensive investment plan will enable the expansion of the railway capacity to the harbours, especially the construction of a second tunnel under the Schelde River.

Owing to pre-financing by the Flemish Region, the execution of the project was accelerated. In 2009, the Flemish Region also prepared for the introduction of the inland navigation information services on its waterway network, called River Information Services (RIS). Moreover, the expansion of the Albert canal, including widening and raising the bridges, will stimu-

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34. The Council of State in the Netherlands suspended on 28 July 2009 the ‘tracébesluit’ decree decision and also one of the permits for the implementation of “Verruiming vaargeul Westerschelde”. (Expansion of the channel Westerschelde).
late inland navigation.

Finally, Flanders Logistics united various logistic policy initiatives of the Flemish Government to turn Flanders into a sustainable centre for the transport of goods. Flanders is also playing a leading role in the North Sea branch of the European programme ‘Motorways of the Sea’. This programme aims to promote inter-modality by means of projects that encourage the subsidising of the transport of goods by sea.

The Walloon Region has a pro-active policy to encourage inland navigation. The entails, amongst others, the development of logistical and multimodal platforms, modernising the fleet and improving the facilities for loading and unloading.

In November 2008, the European Commission approved a new support measure for alternative modes of road transport in 2008-2013. The implementing decree was published in March 2009. The investment programme of the Société Wallonne des Aéroports was used to equip the airport in Liège with modern infrastructure. One of the future projects is the construction of a high speed goods terminal.

The Flemish Region split the management structure of the regional airports of Ostend, Antwerp and Kortrijk-Wevelgem into a public airport development company (LOM) as the owner of the sites and a private network operator (LEM) which is responsible for the financial running the airports.

With regard to the transport of people, the Brussels suburban rail network is being upgraded to a fully regional express network. The most important aspect is the construction of a few, four-track routes, whereby the suburban and the long-distance traffic can effectively be separated.

This would make it possible to have a high frequency suburban service for up to 30 km around the city. The START35 and Diabolo projects provide for better connections to the national airport. The third line – which is under construction – in combination with a new, fast Brussels-Mechelen connection, will guarantee good connections in all directions from 2012. Like the airport in Liège, the airport in Charleroi will be modernised. The extension of the airstrip will be completed in 2009-2010; the connection to public transport will be improved (extension of the tram line and construction of

35. Strategic Action Plan for Reconversion and Employment of the Airport Region.
a rail station on-site). The privatisation of the airport management company is nearly completed.

Finally, the road network has to serve both the transportation of goods and of people. The Flemish Region continues to invest in reducing the missing links.

The building of a second connecting road to the national airport and changing the motorway conjunction in Lummen (Limburg) are fully contracted and currently underway. The Master Plan Antwerp will be continued. It entails projects such as the Oosterweel connection, the extension of the tram lines and the modernisation of the waterways and sluices. As part of the anti-crisis measures, the Walloon Region invested in sustainable transport (710 million euro) and in maintaining the road and highway network (600 million euro).

Figure 1 shows the share of public investment in GDP, based on the national accounting system. Until 2012 these will increase greatly, in particular because of the investments by local Governments, which will lead to the stimulation of economic activity. As part of the regional recovery plans, various projects in the form of public-private partnerships are envisaged. In the national accounting system, these are not considered as public investment, although they do contribute to the capital stock of the country. Various fiscal and subsidy measures are also provided for, which will influence positively investments in housing.

**Figure 1:** Public investments as a share of the gross domestic product

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2.4.2. Business investment

In the autumn of 2007, the first call for business centres and transit buildings was approved by the Flemish Government under the new resolution. The new support measure was aimed at three types of business centres: centres with basic services, strategic business centres and specific business centres. To construct these business sites and the re-utilisation of industrial sites, an increase of 1.4 million euro (compared to 2008) was provided in 2009. In 2008, an analysis was made to determine the need for additional or supplementary legal instruments to speed up the time it would take to complete the sites, and to stimulate a qualitative and careful utilisation of the space. In 2008, the first call for transit buildings was evaluated and a new call launched, with a budget of 1 million euro; this amount was doubled in 2009.

As part of the Brownfield decree from 2007, the Flemish Government set up a Brownfield unit which started with their activities in 2008. This unit serves as a link in re-utilising existing, under-utilised business terrains (Brownfields) instead of newly developed terrains (Greenfields).

Based on their advisory opinions, a number of Brownfield covenants were agreed upon in 2009; the remainder are still under negotiation. The official procedures surrounding the other dossiers were completed and the covenants will be closed as soon as possible. Investors and project developers who close such a covenant with the Flemish Government can take advantage of various attractive legal-administrative and financial benefits.

In the Walloon Region, the measures for investment support taken in 2004 are an important instrument to encourage business investments. The texts dealing with these measures were amended at the end of 2008 in order to align them with the stipulations of the new group exemption regulation. In addition, as part of the anti-crisis plan, specific easing measures to apply support measures were approved, namely an extension of the period in which conditions must be met, and an increase of the amount for the first payment tranche.

With reference to the resolution of 2007 to make 5,000 ha available to businesses, the Region will continue with projects intended to make new business sites available. Of the 5,000 ha, 1,000 ha will be made available to Plan d’Actions Prioritaires. As part of the anti-crisis plan, the Government approved measures in December 2008 to simplify and accelerate administrative procedures concerning various infrastructural projects, namely by
increasing the advance on subsidies from 30% to 75%; urgent measures to speed up compulsory purchase and purchasing.

The financial means of AWEX\textsuperscript{36} were increased to promote the international profile of Wallonia, and to attract more foreign investors, specifically for the competitiveness poles. Within the framework of the poles, 33 dossiers were processed, with an investment of 173 million euro, and resulting in 600 new jobs.

2.5. Stimulating sustainable use of energy and protecting the climate

The responsibilities that result from the Kyoto protocol and the EU Climate and Energy package (approved in December 2008) form the golden thread of the environment, climate and energy policy in Belgium.

To conform to the Kyoto protocol, the objective for Belgium is a fall of 7.5% in the average emissions of greenhouse gases in the period 2008-2012, in terms of the reference level\textsuperscript{37}. Based on the most recent emissions inventory figures, the emission of greenhouse gases was 10% below this reference level\textsuperscript{38} in 2007. In order to ensure that these emissions stay sufficiently below this reference level in the coming years, extra reduction measures were taken.

The Flemish Region provided an extra 50 million euro – in addition to the 1.3 billion euro in the Climate Policy Plan for 2006-2012 – for its policy on rational use of energy in homes. Furthermore, 55 million euro will be made available to buy emission permits. In the autumn of 2008, the Flemish allocation plan related to these permits was approved. In Flanders, 170 businesses took part in the European system for trading in emission permits. Preparatory studies were started relating to the drafting of a climate change adaptation plan by 2012. The electricity decree was amended to increase the green electricity objective to 13% of consumption covered by “green electricity” certificates by 2020. The regulation of domestic energy performance was tightened. From 2020, the aim will be to strive for E80 in-

\textsuperscript{36} AWEX = Agence wallonne à l’Exportation.
\textsuperscript{37} The reference level refers to the level of emissions of greenhouse gas calculated for the reference year in the Kyoto protocol, namely 1990 for the emission of CO\textsubscript{2}, CH\textsubscript{4} en N\textsubscript{2}O, and 1995 for the level of emissions of fluorinated hydrocarbon compounds (HFC, PFC, SF\textsubscript{6}).
\textsuperscript{38} Source: Belgium’s Greenhouse Gas Inventory (1990-2007), National inventory report submitted under the UNFCCC, April 2009.
stead of E100; the Flemish Coalition Agreement 2009-2014 states that by 2012 the E60 level will become obligatory for newly built homes if investigation shows its feasibility. According to the coalition agreement, all roofs will have to be insulated by 2020. The Flemish Government will provide 460,000 euro to three UNIZO projects related to energy management for SMEs.

The Air-Climate Plan of the Walloon Region has a budget of 200 million euro at their disposal in 2008-2009. Recently, a number of new measures were approved that intend to contribute to realising the plan. The budget for energy premiums for renewable energy and energy savings was increased to 5.5 million euro per year. The Ecotechnopôle project, which entails the development of various projects related to the capture of CO2, became operational. 600,000 euro was made available for the period 2008-2010 for developing the production of biomethane gas in agriculture. On sites – run by SOFICO – next to highways and rivers, the possibility was created to give parts of the sites in concession for the production of renewable energy. A concession for the production of energy based on water power was granted. In March 2009, the Sustainable Management of Energy Plan (“Plan pour la Maîtrise Durable de l’Energie”) was launched to respond to the European Energy and Climate package. In September 2008, a call for projects – with a value of 32 million euro – was launched to encourage energy efficient public buildings. New standards were determined regarding heating devices. Three million euro was awarded to FOREM to develop a training offer for energy consultants and other professions that deal with energy efficiency. As part of the “energy” mobility programme, 12.7 million euro was spent on R&D projects concerning renewable energy and energy saving, in 2008-2009.

In the context of the anti-crisis plan, a mechanism was developed to help third investors in renewable energy to penetrate the private home market. Finally, at the start of 2009, a measure pertaining to green loans (a loan at 0% for families with a modest income who invest in energy saving) was introduced. The 2009-2014 regulation allows for the continuation of an ambitious Air, Climate and Energy plan as an extension of the Air-Climate Plan and the Sustainable Energy Management Plan.

The Brussels Capital Region wishes to commit itself to reducing greenhouse gases by 30% by 2025 (compared to 1990), taking the related problems into account, such as air quality, air pollution, and energy. In this regard, domestic sources of renewable energy will be developed to their
maximum. These challenges will be included in the new Regional Plan for Sustainable Development.

To support and give a framework for the ambitions of the Region, a bill for a ‘Brussels Air, Climate and Energy Code’ will be proposed before 2010.

Moreover, the Brussels Region launched two calls for “Model buildings” projects in 2007 and 2008. In total, 76 projects – which cover an area of 200,000 m² with model buildings – were selected, and will be achieved by 2010 and 2011 through financial support (13.4 million euro) from the Region.

More than 160 passive homes (20,000 m²) will shortly be completed, as well as offices, schools and crèches (39,000 m²) and numerous other buildings. A third call for the “Model buildings” project was launched in 2009, with more or less the same modalities as in the past. Between 2004 and 2009, the Brussels Region increased its annual budget for energy premiums 12-fold (from 1.1 million in 2004 to 14 million euro in 2009) for private individuals, collective accommodation, the tertiary sector and local authorities.

2.6. Encouraging a sustainable use of resources and enhancing synergies between growth and environmental protection

There are two ways in which environmental protection can support the economy. First, a more efficient use of natural resources, such as by using new technologies, generates savings for companies and consumers, without having a negative impact on their production or consumption. This encourages competitiveness. Second, environmental protection creates new markets and jobs.

The social partners have an important advisory role to play in the field of energy and climate via the Central Council for Business (Centrale Raad voor het Bedrijfsleven/Conseil Central de l’Economie). In this regard, it should be mentioned that the most recent inter-professional agreement, 2009-2010, makes it possible to pay employees with eco cheques, which can be used to purchase certain ecological products and services. Under certain conditions, these can be exempted from tax and social security contributions.

In the Flemish Region, a transition to a sustainable material policy was initiated. The basic idea – the integrated management of materials chains – is
to make the potential materials cycles in various types of production and consumption as closed as possible.

Ecological innovation and a cradle to cradle approach play an important role, but product-service combinations and other innovative business models also contribute significantly. Meanwhile, two processes were started, one related to sustainable material management, and another related to sustainable building and living. As part of the latter process, a local sustainable building council will be set up, which should lead to an objective measuring and certification instrument to evaluate all aspects of the sustainability of buildings and their surroundings.

Within the eco-efficiency programme, 330 companies will again be screened in 2009. The idea is to screen 1,000 companies in total over three years. For projects that are part of the regional partnerships and/or Flemish urban economic policy, a grant of 3.3 million was made available for 2009. This includes subsidies for grey water suppliers to develop grey water circuits to protect vulnerable aquifers.

In 2008, in the framework of the Environmental Innovation Platform (EIP), the execution of the Flemish Action Plan Environment and Energy Innovation was started. On 8 May 2009, the Flemish Government approved the support granted for the first two working years of the Environment and Energy Technology Innovation Platform.

In the Walloon Region, an inter-cluster platform was set up to structure the various sectors of green business activities (formed by the TWEED, CAP2020, Eco-construction and Val+ clusters).

In total, 25 of the projects that were presented by these clusters and competitiveness poles as part of the “Sustainable development” call for projects of February 2008 were approved (with a budget of 42 million euro).

The budget for subsidies for environmental business investments, which was initially 10 million euro for 2009, was increased by 4 million euro. The Walloon Investment Fund (“Caisse Wallonne d’investissement”) will focus its investments on businesses that are active in sustainable development.

The Brussels Capital Region wishes to adapt its economy on a large scale in order to minimise its ecological footprint and to develop employment sectors connected to green activities.
An initial opportunity to create economic opportunities and jobs relates to the economic exploitation of the potential in improving the environment in the construction sector. In this regard, an action programme will be set up between the Government and the relevant sectors to stimulate and structure the offer in sustainable building.

The Brussels Capital Region will support innovation, development, manufacturing and commercialisation of products and services with a high environmental value (especially in the waste, water and soil decontamination sectors).
3. Flexicurity as a balanced approach to an inclusive labour market with more and better jobs

From the autumn of 2008 the labour market policy of the various Belgian authorities was faced with the consequences of the worldwide financial crisis, which also led to a recession in the Belgian economy. The unemployment level rose from 6.9% in June 2008 to 8.1% in April 2009 and has stabilised since then thanks to different measures that were taken. It is, however, possible that it will increase further to 9.4% in 2010. The employment rate is due to fall from 62.4% in 2008 to 59.8% in 2010, while the number of jobs available also recorded a substantial drop, with the level down from 2.1% in May 2008 to 1.7% in June 2009.

Maximum efforts were made during the crisis to safeguard jobs and to provide counselling support and guidance for those having lost their jobs due to the economic difficulties.

The High Employment Council monitors constantly the impact of the crisis on the labour market and recommends measures. These also find their origin in best practices in other EU-member states. Two reports of the High Council have already been presented in March and June.

The awareness remains that the long-term challenges facing us have not fundamentally changed. Demographic developments, globalization, technological advances and the need to move towards an eco-efficient, low-CO₂, green economy call for a broadly based employment strategy more than ever. A broader-based, more inclusive labour market allied to a rediscovered, stable macro-economic growth path, profitable product markets, a firmly established social security system and an ambitious environmental policy will also need to make an essential contribution towards the lasting development of the Belgian economy over the period 2010-2020 and thereafter. This approach must lead to increased labour market involvement, particularly for the most vulnerable groups, in continuation, therefore, of the employment policy outlined in the 2008-2010 National Reform Programme.

The smooth access to available jobs, positive transitions within the labour market enabling everyone to fulfil his or her potential and the opportunity for people to reconcile work with private life to a greater extent than today,
thus enabling them to remain active for a longer time, are crucial factors in the equation. The common principles of flexicurity provide a clear guideline for steering our labour market in the direction needed for these ambitions to be realised. The essence of the Belgian flexicurity approach, the need for which is emphasised in the recommendations to the European Council, lies in a policy aimed at raising and extending the level of qualifications for the whole population, since good qualifications will enable future economic recovery to be reflected as soon and as widely as possible in both job growth and optimum take-up of employment opportunities in the long term.

In that connection, last year witnessed the development initially of training proposals in response to the crisis. The aim was particularly to use periods of unemployment or low employment in order to upgrade workers’ qualifications, thereby boosting their longer term employability. Steps were also taken to prevent the situation where company and worker training efforts would be scaled back in the wake of economic difficulties, along with further measures to develop a professional framework of competence for the various forms of education and training.

The other pillars of our flexicurity model are greater guidance for job seekers, well-structured social support for the various transitional stages forming the nucleus of the diversified career model such as that experienced on the labour market today by both men and women and continuing attention paid to groups finding it harder to get a job.

In particular, young people in unemployment, and above all most of those with only a low level of education, are very vulnerable. This fact is underlined once again by the economic problems and has induced the various Regions and Communities to step up the level of guidance and support for young job seekers tailored as far as possible to the job seekers’ own capabilities.

The crisis has made it necessary for moves to prevent dismissals in times of temporary economic difficulty to be stepped up and extended. Corresponding social security rights are also being adjusted so that the consequences of a period of crisis remain limited for workers and support is provided for purchasing power. At the same time, greater protection is provided for those who have lost their jobs by raising unemployment benefits during the initial period, thus further refining the already firmly established social protection system.
As is once again clear from the rapid approach to the consequences of the economic crisis, the various authorities are assuming their responsibilities under the terms of Belgian employment policy and its strict gender mainstreaming, every time in close cooperation with both sides of industry. Although the search for an optimum discharging of duties and responsibilities will continue at every level, the Lisbon Strategy framework does enable a coherent approach, whereby everyone lines up behind community aims with an eye to his or her own specific situation, to be adopted in our country too. Furthermore, major steps have been proposed in recent years in the area of mutual cooperation between regional and community employment services. The active encouragement of work seekers to take up job vacancies in other Regions and the joint action to support the various services are clearly beginning to bear fruit.

Although the consequences of the economic crisis mean that it is not so easy to set the results of labour market policy in 2008 in a long-term context, it does make sense to continue monitoring developments in the direction of objectives in order to stress the importance of a structural approach which is already forward looking.

Table 6: Structural employment indicators. Evolution and objectives

<table>
<thead>
<tr>
<th>Target</th>
<th>Belgium</th>
<th>EU-27</th>
<th>Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The employment rate for the total population (15-64) must be at least 70%</td>
<td>60.9%</td>
<td>60.5%</td>
<td>62.4%</td>
</tr>
<tr>
<td>The employment rate for the female population (15-64) must be at least 60%</td>
<td>51.9%</td>
<td>53.0%</td>
<td>56.2%</td>
</tr>
<tr>
<td>The employment rate for the older working population (55-64) must be at least 50%</td>
<td>25.0%</td>
<td>30.1%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>

39. The indicator for the exit age is no longer included in this table. Over the years, the consensus has grown at the European level that the figures, as calculated on the basis of the Labour Force Survey, are unreliable for small countries.
25% of all long-term unemployed must take part in an active employment measure

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A route agreement must be offered to all unemployed young people, especially those out of work for six months</td>
<td>not in favour not in favour not in favour</td>
<td></td>
<td></td>
<td>The objectives were well exceeded</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A route agreement must be offered to all unemployed adults, especially those out of work for twelve months</td>
<td>not in favour not in favour not in favour</td>
<td></td>
<td></td>
<td>The objectives were not achieved, particularly in Wallonia and Brussels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Childcare is available to at least 33% of children younger than 3</td>
<td>28.0% 27.2% 30.4%</td>
<td></td>
<td></td>
<td>The number of available places is up in recent years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The share of early school leavers must be lower than 10%</td>
<td>12.5% 11.9% 12.0% 17.6% 15.8% 12.1% (2007)</td>
<td></td>
<td></td>
<td>Current method</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>85% of young people between 20 and 24 must have successfully completed their secondary education</td>
<td>81.7% 81.8% 82.2% 76.6% 77.1% 78.5%</td>
<td></td>
<td></td>
<td>The objective is nearly achieved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Each month, 12.5% of adults (25-64) participate in lifelong learning</td>
<td>6.2% 8.6% 6.8% 7.1% 9.3% 9.6%</td>
<td></td>
<td></td>
<td>Although the methodology used for this indicator is not optimal, the reduction observed requires that measures be taken</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 out of every 2 workers follows an education or training course every year</td>
<td>32.3% 32.7% 33.2% (2007)</td>
<td></td>
<td></td>
<td>The objective is not achieved and headway is extremely limited</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
a. The methodology for this indicator is currently being reviewed.
b. I.e. averaged over the four reference weeks of the labour force survey
c. The table compares inhabitants of Belgian and non-EU nationality.

In a European connection it is also agreed that progress in the area of every Member State’s flexicurity will be monitored on the basis of a specific set of indicators featured in three graphs illustrating the situation in each Member State on the basis of the same scale. The first two graphs compare the position in relation to the previous year and the last refers to transitions. The first graph describes input indicators and shows that our country is investing increasingly in an active labour market policy. The process indicators in the second graph support the findings: the number of work seekers participating in an active arrangement is increasing. The third graph reflects the results of the policy.

**Graph 2: Flexicurity indicators**

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure on unemployment benefits per person wanting to work</td>
<td>Expenditure for labour market policy per person wanting to work</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Access to flexitime 2004 (% of employees)</th>
<th>Government expenditure on education 2005 &amp; 2006 (% of GDP)</th>
<th>Expenditure for labour market policy per person wanting to work</th>
<th>Expenditure on unemployment benefits per person wanting to work</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE 2007</td>
<td>-</td>
<td>31,7</td>
<td></td>
</tr>
<tr>
<td>BE 2006</td>
<td>5,95</td>
<td>6,00</td>
<td></td>
</tr>
<tr>
<td>5211</td>
<td>6197</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9251</td>
<td>7166</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Process

<table>
<thead>
<tr>
<th>Metric</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees in permanent contracts or voluntary part-time or fixed-term (%)</td>
<td>91.6</td>
<td>92.0</td>
</tr>
<tr>
<td>Participation in education and training (% of adult population)</td>
<td>7.5</td>
<td>7.20</td>
</tr>
<tr>
<td>Number of participants in regular activation per 100 persons wanting to work</td>
<td>62</td>
<td>88</td>
</tr>
<tr>
<td>Unemployment benefit recipients per 100 persons wishing to work</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Output

<table>
<thead>
<tr>
<th>Metric</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment security up or constant</td>
<td>87.2</td>
<td>90.2</td>
</tr>
<tr>
<td>Employment status and pay security up or constant</td>
<td>79.3</td>
<td>84.2</td>
</tr>
<tr>
<td>Transition to employment 6 months after training measure</td>
<td>72.0</td>
<td>78.5</td>
</tr>
<tr>
<td>Not-at-risk of poverty rate (% of unemployed)</td>
<td>68.8</td>
<td>65.8</td>
</tr>
</tbody>
</table>
3.1. Better labour market guidance and counselling

Many firms were forced to restructure or were even faced with closure as a result of the economic crisis. The number of job-seekers has consequently risen in recent months. Moreover, it is not easy for those now entering the labour market (especially young people) to find a job. The employment services were also faced with a challenge.

3.1.1. Guidance and counselling tailored to suit all job-seekers

In 2004 it was decided that all firms undergoing restructuring and, therefore, wishing to implement early retirement for their workers must establish an employment unit. Workers losing their jobs would be given intensive guidance and counselling within the unit by the employment services for six months. Even if there is no obligation to do so, such a unit may be set up at the instigation of the Government or the firm. Thus 4,419 workers in Wallonia received such guidance and counselling in 2008, with the units recording a 73.1% work return rate. In Flanders approximately one half of the 7,063 dismissed workers receiving guidance and counselling were registered at an employment unit and 55% were working again after six months. In Brussels (BCR) the number of workers receiving guidance and counselling between 2006 and 2008 stood at 4,482 and at 38 in the German-speaking Community, with a return to work rate of 47%. If a firm undergoes restructuring with consequences for more than one Region, the services also set up a unit together. This has happened 24 times to date.

In 2009 the federal Government decided to extend the obligation to establish an employment unit to include all restructurings involving more than 20 workers. At least 30 hours of outplacement must be prescribed for the under 45 year olds and at least 60 hours for the over 45s. Workers finding a new job through an employment unit acquire the right to a temporary reduction in their social security contributions. Their new employers also pay lower contributions over a number of quarters. This right was also been extended in 2009 to workers who, due to their firm’s closure or bankruptcy, have received no guidance or counselling in an employment unit.

In times of recession it is very often casual workers and other temporary staff who are the first to lose their jobs. In order to facilitate their integration on the labour market, the federal government has widened the access to the help offered in the employment units. Also, Wallonia was quick to fol-

40. For those who participated in outplacement activities with support from the Re-employment Fund, the return to work amounted to 80%.
follow up this situation by introducing personalised guidance and financial support for them in their venture into the workplace. The aim is to ensure optimum possible protection of their employability and to assist them in finding a new job at the earliest opportunity. Meanwhile, this system is being introduced into the workings of the employment units. Flanders too is supporting the idea of extra follow-up action and guidance for dismissed temporary workers.

For most of the workers who lost their jobs, an active participation in outplacement (via the employment units) is a condition for receiving an unemployment allowance.

The restructuring card for workers who lost their jobs is temporarily widened during the second semester of 2009 to workers who have lost their jobs in the context of a bankruptcy, a liquidation or the closing-down of a company. This measure might be prolonged till 30 June 2010, depending on how the economy evolves. The employer who employs someone with such a card receives a temporary reduction of employers’ contributions. The employee himself receives a higher net wage, thanks to a reduction in the employees' contributions to social security.

The 2004 agreements on follow-up action in support of job-seekers by the Federal Employment Service and guidance and counselling provided by the Regions and Communities have meanwhile been implemented further and negotiations on possible adjustments to these agreements have been taken a stage further. In 2008, 130,495 evaluation discussions at federal level ultimately led to 24,102 restrictions on or exceptions to the right to benefit payments. The Regions invested primarily in a speedier and more strongly personalised form of guidance. Thus, in both Flanders and Wallonia, job vacancies were quickly channelled towards work seekers, the latter being thereafter asked to explain how they had been used. Any failure by the work seekers to cooperate resulted in a signal from the Regions to the Federal Employment Service prompting the latter’s intervention. Work seekers left out in the cold may also count on additional guidance from regional employment services. Flanders accordingly holds out the prospect of a more differentiated and more individualised guidance model.

41. At the same time, “Speed coaching” was included in the operation of the employment cells.

42. Via “DirecT”
3.1.2. Better guidance for workers and the temporarily unemployed

Belgium has long since operated a system of temporary unemployment for workers\(^{43}\) to which firms may seek recourse in case of financial difficulty. In this way the worker can hold on to his/her job while the employer does not need to invest in unnecessary hire and fire procedures. Even the employment services are able to save time and money. Recourse to this system increased sharply on the first signs of an economic downturn. Furthermore, the federal Government decided, on a proposal from both sides of industry, to the temporary speeding up until the end of 2010 of benefits received by workers as from 1 January 2009 under the unemployment insurance scheme. Finally, the system is also open to temporary workers and to casual workers.

The first few months of 2009 witnessed the pressing need to devise a similar system for employees\(^{44}\) also. This system came into operation at the end of June and provides for workers to be able to suspend their employment contract wholly or in part over a certain period of time and to receive a benefit payment in the process, although strict conditions are imposed so as to ensure that only firms facing obvious difficulties can use the system. Provision is also made for the possible temporary switch to shorter collective working hours or, after talks with the worker, shorter individual working hours on a temporary basis\(^{45}\). All these measures are due to expire at the end of 2009 unless it is decided to extend them until 30 June 2010 due to the continuing crisis.

The aim of the Government here is to ensure that periods of unemployment are used as much as possible for further training purposes – the two sides of industry having already decided not to extend this option to employees for the time being. Moreover, Wallonia is introducing a specific training package being developed together with the firm on the basis of a survey of requirements, while in Flanders too all existing training initiatives for work seekers are being opened up to the temporarily unemployed. In Wallonia the temporarily unemployed receive the same financial support as work seekers in following training courses, such as, for example, hourly wages and reimbursement of travel expenses. Anyone in Flanders working fewer hours\(^{46}\) because of the crisis can count on temporary extra financial support which is even increased if the actual work

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43. I.e. the workers that mainly do manual work, the “blue collar workers”.
44. I.e. the workers that mainly do intellectual work, the “white collar workers”.
45. Via the crisis time-credit.
46. In a company with at least 20% loss of turnover.
shortfall is used to polish up skills. Provision is also made for increased assistance with loss of wages in the case of single adults.

In Flanders the provision of career guidance for all workers is also being stepped up. In 2008, 6,848 workers exercised the right once every six years to devise a personal development plan; this right will, moreover, be extended over the next few years. The opening up of all basic employment service services for workers gradually to include the whole of Flanders is also being developed.

In a number of cases the Regions also provide for guidance and counselling on the basis of “job coaching” for work seekers who find a new job even after they have actually started work, as is the case in Brussels (Brussels Metropolitan Region), for example, where, on the basis of a specific employment measure, work seekers are given guidance in moving to another job in order to ensure a smooth transition to the regular labour market.

3.1.3. Strong employment services in difficult times

Employment services perform their role of labour market director within the Regions and Communities, in collaboration with the various actors both in the commercial sector (including interim employment agencies) and with non-commercial initiatives. In the course of 2008 Wallonia thus paid out for guidance and counselling for 7,235 work seekers under a project aimed at both the market sector and non-profit organizations. Flanders developed the tendering procedure to include guidance and counselling for various poorly-employable target groups, enabling commercial and non-commercial third organizations to reach 25,000 work seekers in 2008. Brussels too (BRC), where the employment service has controlled a broad network for a number of years, launched new project proposals for, inter alia, guidance and counselling for groups on the margins of the labour market. Further interim employment centres were also set up and cooperation with the Community institutions in Brussels responsible for training was strengthened.

3.2. Lifelong learning

More than ever before, strong, relevant skills serve as the individual’s access ticket to the labour market of today and tomorrow. The economic crisis is both a threat and an opportunity: a threat because in companies, investments in training are often the first thing to be cut back when savings are required; an opportunity because the available time can be used to acquire
new qualifications. Moreover, the current recession necessitates an accelerated response to those sectors and professions that will offer the most opportunities in future, such as the care sector and the environmental economy. The development of the required skills has to be implemented today.

3.2.1. Learning for tomorrow’s society

In order to truly learn for life, one has to start at a very early age. Belgium has a relatively extensive, high quality network of childcare facilities and strong primary school education. The Communities encourage participation in these, before the compulsory school age, as well. Additionally, initiatives for accessible primary education were continued the past year; in Flanders, amongst others, by introducing a maximum bill for parents by means of school allowance for children in kindergarten and primary school.

In secondary education, the investments in technical and vocational education were carried out as planned, which entails an injection of about 25 million euro per year (with a significant contribution by the European Structural Funds).

Furthermore, work is carried out via specialised centres\(^{47}\) in which employment services and/or the social partners can participate. Setting up a system of higher vocational education in Flanders is linked to this action. In the French-speaking and German-speaking education, the common curriculum is strengthened: pupils up to age of 14 years receive a stronger, general education in order to avoid a premature choice of study.

By means of pupil guidance centres, pupils receive realistic information about the employment possibilities of the various courses. Internships are also increasingly being introduced to bring pupils into contact with the labour market, whereby the school cooperates with the sector. In Flanders, this resulted in 60,000 pupils from full-time secondary education being offered one or more internships in 2007-2008, thanks to the ‘bridge builders’, who can support schools and companies. In Brussels (COCOF), 150 supplementary Dutch language training courses were offered, while all pupils in secondary education in the German-speaking Community were offered an internship. The internship databases have not yet been successful.

\(^{47}\) In the French-speaking Community, and with support from the Walloon Region, the Brussels Capital Region and the COCOF, via the Centres de Technologie Avancées; in the Flemish Community via the Regional Technology Centres.
All employment services recognise the importance for job-seekers of gaining concrete work. This became evident the past year, as the system of vocational training was strengthened and more focused within companies\(^{48}\), despite the economic crisis that resulted in companies showing less interest. This prompted the German-speaking Community to introduce a system of short but free internships\(^{49}\). Wallonia expanded the possibility of gaining work experience outside its own Region (elsewhere in Belgium or abroad) – with very positive results in getting employment (80-85%).

The possibility to study part-time and work part-time is very important to counter early school-leaving and to ensure a smooth flow to the labour market. In Flanders, a new legislative framework was drafted, which guarantees, amongst other things, that pupils are active full-time – this has been the case for 76% of pupils. The French Community united the different statutes in one law, and provides, just like the German-speaking Community, a full secondary school certificate once a specific educational path has been completed. On the federal level, the social partners are working on a uniform social statute in the various systems (both on the level of labour law and social security) to encourage part-time studies.

### 3.2.2. Skills as key to an occupation

In the course of the past year, the Regions and Communities continued the development of competence profiles, which define which set of skills (qualifications) is required for each occupation. This was used as the frame of reference for drafting often module type of training paths. All projects conform to the European qualification framework, EQF. Furthermore, the PESs cooperate to ensure that these skill sets are comparable in order to promote inter-regional mobility\(^{50}\). The profiles are also used to recognise obtained skills, by issuing certificates of experience. The Regions and Communities are also working on expanding facilities for this purpose. In Flanders 2,086 recognition pathways were started in the period 2006-June 2009 (which resulted in 1,000 certificates of experience). In the French Community 1,402 pathways were started in the period 2005-2008. Brussels (BCR) uses the profiles to make information about the labour market more transparent by way of a specific website, constructed with the help of regional FSE\(^{51}\).

\(^{48}\) IBO/FPI/PIF/IBU
\(^{49}\) the Arbeitdsplatzerprobungspraktikum
\(^{50}\) By working together on the development of the ROME system of the French ANPE in conjunction with the Competence system of the VDAB.
\(^{51}\) imtb.actiris.be or iamb.actiris.be
The social partners reconfirmed their engagement to spending 0.1% of the total payroll on training of disadvantaged groups (as part of the broader commitment to spend 1.9% of the total payroll on training). The results of the sectoral reporting on this do not make it possible to verify if this was the case or not. This is the reason why the minister of employment will undertake an in-depth evaluation of their activity in favour of specific groups. Sectors that do not participate sufficiently might be sanctioned. The sectors often cooperate with the specialised centres of the employment services. These centres trained in 2008 101,359 people in Wallonia (job-seekers, employees and pupils). The training sessions are reoriented towards potential growth poles in the Walloon economy. In Flanders, agreements were made with sectors about the competence policy, whereby, amongst others, networks are created to help them in drafting training curricula (with support from the ESF). Moreover, additional financial support of 10 million euro was made available in 2009, in view of the economic crisis.

The Regions are encouraging training by offering training vouchers (the German-speaking Community works with direct co-financing of the training endeavours of companies). In Brussels (BCR), vouchers are aimed at newly hired employees and specific groups of job-seekers, and amongst others, specifically used to finance language training. In 2008 3,000 people made use of it. Annually, Flanders reaches about 180,000 employees with training cheques. In Wallonia 661,848 vouchers were issued in 2008, which supported 8,458 businesses. In total, 64,112 of these were vouchers specifically for language training, while 3,281 vouchers were issued as part of a new initiative to finance training aimed at emerging occupations in the field of energy efficiency. This fits in with the broader approach whereby the Walloon Government strengthens the training offer of the employment service within sustainable development (energy, water, etc.); and whereby more focused information on ‘green’ jobs can be disseminated.

Despite the economic crisis, many vacancies are not filled (at the end of June 2009, our country had 50,000 open positions). Analysis of the labour market shortages and adaptation of the training offer remain vital. In Wallonia a detailed analysis was made of 11 additional occupations, thereby searching for corresponding skills amongst job-seekers (as was done in previous years). Together with employers, they checked the extent to which the predetermined profiles are necessary to fill a position.

52. Skills centres and reference centres, which often operate with the help of The European Structural Fund.
53. Via the JobFocus programme.
3.3. A labour market that runs smoothly where everyone can find a job

By encouraging lifelong learning, and counselling job-seekers, a labour market supply is being created that could support the economy once it revives again. Obviously, there has to be a strong demand for labour too. Therefore, a macro economic policy has to be pursued that connects with economic growth as rapidly as possible. Also, product and service markets have to be organised in such a way as to create the maximum number of jobs. More importantly, the obstacles that prevent access to the labour market have to be removed, whether these are financial, geographical or linguistic barriers. If the quality of work is high, people will take on a job more readily.

3.3.1. Growth and jobs must go hand in hand

The effects of the economic crisis on the labour market will only be felt in the last months of 2009 and early 2010. Employment opportunities tend to react more slowly than the economic evolution, a trend that is strengthened by the measures that were taken to absorb the temporary loss of activity without having to lay off people. In practice this means that the economic revival, which is anticipated for towards the end of 2010, has to be turned into new jobs. This is the reason for a strong synergy between economic policy and employment policy, as they develop in the various Regions, whereby, amongst other things, optimal use is made of the European structural funds.

The employment policy contributes to a healthy economic fibre. This is realised by promoting the creation of entrepreneurship. In this regard, various initiatives were set up in the educational system to connect students with businesses, and to familiarise them with entrepreneurship.

Employment services support job seekers who wish to start their own business, by giving them the opportunity to test their project in a protected environment. Wallonia specifically supports job creation in the sustainable energy and insulation sector. The improvement of the social-security status of the self-employed in recent years obviously also contributes to making it more lucrative to run your own business. In reaction to the crisis, starters may temporarily request bankruptcy insurance, preventing them from going bankrupt. Furthermore, the jobseekers who wish to start their own company, can continue to receive their unemployment allowances, when-
ever they enroll in one of the specialised trainings\textsuperscript{54}. These trainings have a particular statute.

Finally, the non-profit sector offers a great many job opportunities. Therefore, the specific system for this sector\textsuperscript{55} for reducing social security contributions was further strengthened in 2009. This system had already been strengthened considerably in 2009, because reductions in indirect labour costs have been converted in the non-market sector by extra means for job-creation.

3.3.2. The exchange between Regions is reaching cruising speed

There are many imbalances on the Belgian labour market, which is proven by the existence of labour market bottlenecks – even in times of economic crisis. A significant geographical component marks these imbalances: job-seekers do not always find their way to those jobs that are suited to them. To counter this, the employment services in the Regions are closely cooperating with each other.

By way of the automatic exchange, whereby harmonised professional profiles are used, about 100,000 vacancies were transferred between the employment services in 2008. Besides this, information about vacancies in one Region is sent to specific job-seekers in other Regions.

In 2008 about 70,000 Walloon and more than 6,000 Brussels job-seekers were made aware of jobs in Flanders, which resulted in 2,666 job-seekers from Brussels getting a job in Flanders. Mixed teams – bringing together job coaches from the various services\textsuperscript{56} – help with the exchange. Extra measures were taken to ensure that job-seekers could easily follow training at an employment service other than their local service. For the German-speaking Community, this cooperation was extended to the neighbouring Region in Germany.

Special attention is paid to the Region around Brussels, where the imbalance is most felt.

\textsuperscript{54} Cooperatives of activities.
\textsuperscript{55} The “Social Maribel”
\textsuperscript{56} Via for example 3 joint projects van VDAB en FOREM in Sint-Pieters-Leeuw, Mouscron and Liège.
The Flemish and Brussels employment services run a bimonthly job fair\(^{57}\) to expose job seekers to vacancies in Flemish Brabant. Furthermore, a great amount of attention is given to language training courses.

As a result of modifications to the public transport network, inter-regional mobility is also encouraged. Wallonia decided to offer free inter-regional public transport to job-seekers.

From the side of the federal Government, job-seekers are encouraged to find a job elsewhere by specific premiums: a general mobility premium, a premium for inter-regional mobility and a language premium.

### 3.3.3. A responsible labour cost and wage policy

The policy of reduction of the tax burden on labour continued in 2009. See section 1.3.1 in the macroeconomic chapter for more detail.

As part of the wage policy, the fight against the gender pay gap is also being intensified. The federal Government put this topic, and in particular, the necessary modernising of occupational classifications in various sectors, on the agenda for the sectoral social negotiations. The social partners were requested to submit an action plan to guarantee the gender neutrality of the wage determination system by 2015. On their side, the Regions are taking various measures to prevent horizontal segregation (the under-representation of women or men in specific sectors). To increase the incentives to find a job, a premium is given to heads of family of one-parent families who find a job. This premium amounts to 75 euro and is allocated for 12 months.

### 3.3.4. Older workers are the labour reserve of the future

In order to stimulate the participation of older workers in the labour market, the Generations pact was introduced in 2005. As part of this, the federal Government announced that an awareness campaign will be run, with the support of ESF funding, thus emphasising the importance of older workers for the Belgian economy. A similar awareness campaign was also announced by the Flemish authorities. The social partners adapted their systems of wage determination in the sectors, in accordance to European directives, so that age is no longer a criterion. However, the effect of the frequent use of the seniority criterion as an alternative still remains to be seen.

\(^{57}\) Job dating
The social partners are calculating compensation for the loss of income for those who change from a well-paid job to a less strenuous but lesser-paid job. This compensation will take the form of a temporary lump-sum that will be paid by the Fund for professional experiences. The monthly amount from 75 to 125 euro will be calculated taking into account the age and will be given for a period from one to three years. The premium for taking-up work, that makes it possible to keep the unemployment allowance, is available for all unemployed over 50 years old. Beforehand, it was limited to workers with a 20 year seniority. The full federal policy on older workers will be evaluated at the Retirement conference which ends in late 2009. Policy recommendations will also follow.

The Regions and the Communities are also working on increasing the level of employment amongst older people. Wallonia is working, via an ESF project, on promoting an inter-generational policy in companies and creating additional opportunities for people older than 50 in all semi-public jobs. The German-speaking Community is doing the same, in addition to working on a specific matching model for older people. Brussels (BCR) is working along the same lines. Flanders has been prioritising this topic for a longer time, by means of specific training for older job-seekers, amongst other measures. The voluntary counselling, which showed very few results, was expanded with a compulsory element for the youngest target group (50-52 years). A more systematic screening process was also introduced, so that older job seekers with more complex issues (medical, psychological, social, etc.) can be counselled accordingly.

3.3.5. Avoiding sustained exclusion of young people

The high level of youth unemployment – which has been rising in our country - has been exacerbated by the economic crisis. First of all, we have to ensure that they have the right skills. This is being investigated in the context of the policy on education.

The Regions and Communities strengthened their counselling systems for young job-seekers in the past year. In 2007, Wallonia introduced intensive, personal counselling to low-skilled young job-seekers and guided 30,724 people in that year. This system was recently extended to medium-skilled people (with a diploma higher than secondary-school level) and the counselling was further adjusted to the different profiles in the target group to ensure a personalised service and thus to promote fast integration into the

58. Via the JobTonic counseling measure.
labour market. In 2008 34,557 young people were counselled in this way. Specific counselling of young people in problem areas with a high level of unemployment will be continued and expanded in future.

In Flanders a similar approach was taken, whereby low- and medium-skilled young people (and since last year, highly-skilled, too) can receive intensive counselling from the moment that they register, and then receive job offers that are suited to their profile. Depending on their employability (and no longer based on their level of education), they are included in counselling adapted to their needs. The flow from unemployment to employment after six months is about 70% (although this dropped in the short term due to the crisis).

Finally, Brussels (BCR) decided – like the other Regions – to sign a compulsory agreement with all young job-seekers in future, in order to give them tailor-made counselling. The Brussels regional Government had already agreed with the social partners to provide extra, first work experience positions for young people as part of the vocational training in companies. As was the case in Wallonia, the number of jobs in semi-public employment was increased, and it was made possible (more than before) to monitor if they move onto the regular labour market.

3.3.6. Social inclusion requires a broad labour market

To expand the labour market, the various Governments introduced an active policy on diversity, whereby companies are encouraged and supported in drawing up their diversity plans. In 2008, 572 Flemish and 11 Brussels (BCR) organisations agreed on a diversity plan, while in Wallonia, more than 100 companies signed the diversity pact.

Also, the employment services developed a specific risk group approach, in addition to a mainstream approach throughout their entire policy. Flanders developed a specific vacancy circuit, which helped 4,270 people (immigrants, those with a handicap or older than 50 years) in 2008.

Moreover, the employment service set up specific activation pathways for people with a handicap (9,000 in 2008) and for job-seekers with multiple problems (3,000 screenings per year, of which nearly half were absorbed into a care career path, a quarter were guided towards workplace health-

59. In the framework of fighting the crisis, implementing an additional expansion in the sustainable energy sector.
60. Job canal
care activities61, 14% found work in the regular or social labour market; 14% could not be helped). The German-speaking Community set up an agreement with relevant services for handicapped people and counselled 118 people in 2008.

In Brussels (BCR) the employment service continued its partnership approach for job-seekers who have most recently dropped out of the labour market. Brussels (BCR) is doing much in the fight against discrimination on the labour market, for which the legislative framework for 2008 was concluded. Moreover, the recruitment of handicapped people is supported by a specific website62.

Wallonia is working on a specific integration credit63 whereby the most hard-to-place job-seekers (such as low-skilled people, the long-term unemployed, welfare cases and non-Belgians) are counselled individually.

In 2008 3,170 job-seekers were followed up via a specific integration agreement. As part of the anti-crisis measures, it was decided to help job-seekers who agreed to take a low-paid job – after counselling – with continued work counselling and paying their childcare and transport costs.

The cooperation between the employment services and the local welfare services will be further strengthened. In this framework (within an ESF project), Brussels (BCR) counselled 10,255 people last year, and Wallonia 2,519. Via an ESF project, the federal Government set up a project to support the local welfare services more in establishing work paths. Flanders started a pilot project that should lead to greater cooperation between the employment service and welfare services.

The social economy and local services economy are also important when it comes to integrating disadvantaged groups into the labour market. The federal system of services vouchers was expanded to 103,437 employees in 2008. In 2009, their status was improved by several measures. Price-indexation of wages in the sector continued; companies in the sector are better controlled; the quality of contracts was improved (e.g. access to a long-term labour contract is eased); possibilities for training improved and access for potential users increased by putting in place a tax credit. In Brus-

61. Workplace healthcare is an unpaid form of work for people who need a tailor-made job but who cannot find a paying job. Care and work are combined.
62. www.wheelit.be
63. In the framework of Dispositif Intégré d’Insertion Socioprofessionnelle (DIISP).
sels (COCOF) focused training was offered to job-seekers who showed interest in the system.

In the context of the anti-crisis plan, the government has decided to allocate extra means to the social-Maribel of the private non-market sector. These means find their origin in the increase of the amount that companies do not have to pay as pay-as-you-earn wage withholding taxes (0.5% in 2009 and 0.75% in 2010). In this way these means will increase by about 28 million euro in 2009 and about 72 million in 2010 (i.e. an increase of 16% in their means). 3000 extra jobs could be created in this way.

The specific companies for risk groups 64 are increasingly successful in Wallonia. The social economy businesses are also playing an important role. Flanders increased support to activities aimed at saving energy.

Brussels (BCR) is creating many jobs by means of encouraging local initiatives; Wallonia is also supporting activities pertaining to the reuse and recycling of waste.

Traditionally, the Regions have provided handicapped people with specifically subsidised jobs, and those who choose the regular labour market receive a labour cost subsidy. In Flanders, a new system was introduced in this regard in 2008, which led to an increase in the number of premiums: 5,700 people are now getting support. In Wallonia, additional subsidised jobs were created with a view to creating a better flow to the regular market, which was successful for 130 people with a handicap.

On the federal level, the social partners supplement these initiatives via a specific collective bargaining agreement that aims to counter discrimination in all phases of the labour relation, and also one for the remuneration of handicapped people.

### 3.3.7. Focus on the integration problem

The federal Government decided in 2009 not to extend the measures that limit access to the labour market for workers from countries that became a member of the EU in 2004 65. For Romanians and Bulgarians, these temporary measures will remain in force till 2011. However, they can get a work permit via an accelerated procedure if they fill a vacancy in a shortage profession.

64. The start-up companies offering job opportunities to the unemployed.
65. With exception of Malta and Cyprus, for which there are no restrictions.
The economic crisis slowed labour immigration down further, but focuses attention on the difficult position of newcomers and immigrants who have lived in our country for some time. Specific language courses are provided for them by the Regions and Communities, as well as a broader integration path in Flanders.

Wallonia is also planning to undertake similar actions, but on a voluntary basis.

### 3.4. A more flexible labour market in which transitions will be supported and facilitated

A flexible labour market is essential to ensure that the right woman or man goes into the right position. Therefore, Belgium gives its first priority to internal flexicurity to support this, via the temporary unemployment scheme and via systems that help reconcile work and private life. In external flexicurity, it principally worked via an active restructuring approach and intensive support, as already stated. This policy was supported via an adjustment of the unemployment benefit.

#### 3.4.1. Flexibility, quality and security in a crisis period

In addition to the existing system of temporary unemployment for blue-collar workers, a similar system for white-collar workers was also set up, complete with all the possibilities for safeguarding as many jobs as possible via reduced working time (see under 3.1.2). During the discussion on this topic, the social partners expressed their intent to, in the event of an economic recovery, make new efforts to redress the issue of the different statuses of blue-collar and white-collar workers. Furthermore, measures were taken to safeguard the social security rights of employees who find themselves in one of the reduced working hours schemes. In this way, their rights related to accidents at work and occupational diseases and pensions are based on their volume of work than before the crisis measures.

The reconciliation of work and private life has long been supported in Belgium via the time credit and various leave schemes. The social partners are working toward an overall assessment of these schemes, so that, among other things, it is easier to increase the amount of work done during a career break.

Childcare facilities also play an essential role in combining a career and a family. In 2008, the Communities increased the number of available places
(to 109,117) and committed themselves to continue doing so in the coming years. Furthermore, a cost-cutting policy was pursued. Wallonia has strengthened its management structure for childcare and providing care for those in need such as the elderly and persons with a handicap, in order to increase the number of care places.

The various authorities and the social partners in Belgium have a long-standing interest in the problem of the quality of work, especially as regards welfare at work. The federal authorities therefore developed a strategy which must lead to a reduction of 25\% in the frequency of accidents at work by 2013, through awareness-raising, inspection and collaboration with the most sensitive sectors. The Flemish Government supports innovative types of organisation in companies. The federal social partners are developing, in their turn, a collective agreement on matters concerning prevention of alcohol and drug use at work.

3.4.2. Social security in a challenging period

The economic crisis forced the various Belgian authorities to take measures to support purchasing power, in particularly that of the weakest groups in society. In addition to the measures already mentioned above, amongst others, there was an increase in the income support benefit for the handicapped, an increase in the minimum pension and an increase in social benefits payments. In addition, social security played to the full its role of "automatic stabiliser", by which the effects of the economic crisis were slowed down. The two-yearly welfare adjustment of state benefits is a crucial part of that (see chapter 1.4).

Since 1 January 2009 unemployment benefits have been subject to a downward evolution after the first period of unemployment: the ceiling taken into account for the calculation of the benefit went down from 2,206.64 euro during the first six months of unemployment to 2,056.46 euro for the next 6 months and to 1,921.71 euro from the thirteenth month. The result is that the monthly payment from the benefit went down by 95 euro, on average, from the seventh month and again by at least 95 euro from the thirteenth month of unemployment. Consequently, a better balance is reached between the insurance aspect and the solidarity aspect of unemployment benefit, and the unemployed become more motivated to look actively for work.
4. European Structural Funds’ contribution to the implementation of the Lisbon Strategy in Belgium

4.1. Introduction

The cohesion policy 2007-2013 of the European Union was very closely linked in 2006 with meeting the Lisbon Strategy objectives, by concentrating the available funds on promoting sustainable growth and employment. In total 347 billion euro\(^{66}\) was made available for the European Cohesion Policy 2007-2013, and to this amount another 160 billion euro was added by means of national public and private co-financing. The Member States were also requested to put aside most of their financial allocations for investments that can greatly contribute to realising the Lisbon Strategy objectives.

According to the earmarking stipulations, the Member States of the EU-15 had to invest the largest part of their grant commitments, namely 60% of the funds for the convergence objective and 75% of their funds for the objective of regional competitiveness and employment, in categories that are vital to encourage growth and employment.

The Member States have to report yearly with regard to these earmarked investments, and additionally have to submit a report in 2009 and 2012 on the contribution of the cohesion policy to the Lisbon Strategy.

This chapter gives a synthetic presentation of the progress of the 2007-2013 programme at the Belgian level, as well as of how the Structural Funds contribute to the concretisation of the priorities of the NRP. In addition, the Cohesion Policy was mobilised, within the framework of the European Economic Recovery Plan, in order to bring about concrete, rapid responses to the crisis. The aspect is examined in point 4.4.

\(^{66}\) For objective 1 “Convergence” (funds from EFRD, ESF and Cohesion fund) an amount of 282.8 billion euro is available. For objective 2 “Regional Competitiveness and Employment” (funds from EFRD and ESF) an amount of 55 billion euro is available. For objective 3 “European Territorial Cooperation” an amount of 8.7 billion euro is available.
4.2. General principles (regarding implementation) of the Structural Funds by Communities and Regions (including areas and principles of operational plans)

In the period 2007-2013, Belgium will receive 2.258 billion euro in European regional support. The amounts will be allocated as follows: 638 million euro for the convergence objective, 1.425 billion euro for the regional competitiveness and employment objective, and 194 million euro for the objective regarding European territorial cooperation. Belgium plans to dedicate 77% of its “Convergence” budget and 84.7% of its “Regional Competitiveness and Employment” budget to the Lisbon priorities, so meeting the earmarking objectives.

The cohesion policy in Belgium will be implemented via 10 operational programmes which are financed by the European Fund for Regional Development (EFRD) and the European Social Fund (ESF). As mentioned in the National Strategic Reference Framework (NSRF) and the National Reform Programme, every Region worked out a strategy that is adapted to suit its own socio-economic characteristics. When priorities are being determined, the central principle proposed by the Commission should be taken into consideration, namely that only those elements that can contribute to the realisation of the agenda for European growth and employment should be included. The priorities have to match those of the European (and regional) policy objectives.

Table 7: Funds for Belgium in billions euro (2007-2013)\(^{67}\)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Fund</th>
<th>EU</th>
<th>National Government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convergence</td>
<td>EFRD</td>
<td>0.4</td>
<td>0.6</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>ESF</td>
<td>0.2</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total Convergence</strong></td>
<td></td>
<td>0.6</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td>Regional Competitiveness and employment</td>
<td>EFRD</td>
<td>0.6</td>
<td>0.7</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>ESF</td>
<td>0.9</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total regional competitiveness and employment</strong></td>
<td></td>
<td>1.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total European territorial cooperation (x)</strong></td>
<td>0.2</td>
<td>-</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.3</td>
<td>2.5</td>
<td>4.8</td>
<td></td>
</tr>
</tbody>
</table>

(x) Every territorial cooperation agreement has a minimum of 15% co-financing from every participating Member State.

\(^{67}\) http://ec.europa.eu/regional_policy/sources/docgener/informat/info_en.htm#mep
Below is a discussion of the most important principles of the 10 operational programmes (OP). There are two for Flanders, one for the federal Government, three for Wallonia, and two for Brussels Capital Region, and one for the Wallonia-Brussels Troika (COCOF) and one for the German-speaking Community. All programmes are based on the analysis and priorities agreed upon in the NSRF.

The ESF 2007-2013 “Regional Competitiveness and Employment” Operational Programme for the federal State (Federal OP) covers the national territory except for the province of Hainaut. The interventions implemented within the framework of the Federal OP are designed to be complementary to and coherent with the planned interventions at the level of the federal entities’ ESF programmes. Concretely, the general strategy of the federal Authority is structured in the OP around two axes: axis 1 “Fostering the routes to social and professional integration” and axis 2 “Promoting career development, job diversity in employment and fighting discrimination”. The transversal aspects of the OP are the following: partnership dynamic, innovation, and transversal gender mainstreaming.

In the Brussels-Capital Region, the implementation of the NRP, and therefore of the programmes supported by the European Structural Funds, is based on the strategy developed in the Contract for the Economy and Employment (C2E). 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 – people impacted by unemployment – and, at a territorial level, on the most disadvantaged social-economic area. The strategy used by these programmes provides direct support that complements the implementation of regional objectives with regard to cohesion, growth and employment.

In line with the National Strategic Reference Framework, (NSRF) the three operational programmes that arise from FEDER (1) or from the ESF Objective, “Regional Competitiveness and Employment” ((2), for the Brussels-Capital Region and for Wallonia-Brussels, COCOF)) contribute to the implementation of the objectives pursued for a total amount of 176 million euro. This amount is supplemented by national Government co-financing that also amounts to 176 million euro. It is expected that almost 86% ⁶⁸ of the European structural funds in the Brussels-Capital Region will contribute to the Lisbon Strategy objectives.

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⁶⁸. Estimate given in the NSRF.
The FEDER Operational Programme, “Objective 2013: Investing together in urban development!” approved by the European Commission in November 2007, is structured around three axes: axis 1 intends to “support territorial competitiveness”, axis 2 intends to “strengthen territorial cohesion” and axis 3 concerns technical assistance. Three transversal priorities are integrated into the programme: sustainable development; innovation and governance; partnership and equal opportunities.

The Operational Programme for the ESF Objective, “Regional Competitiveness and Employment” in the Brussels-Capital Region for the 2007-2013 programme managed by ACTIRIS was approved by the European Commission in December 2007. The programme is based on the use of its skills in employment matters. The priority axes defined in the framework of this OP are the following: axis 1 “Support for job-seekers to increase their opportunities for access to the labour market and improvement of the professional integration of people who are excluded or at risk of exclusion”, axis 2, “Increasing the participation of women in the labour market, in particular through better management of the work-life balance” and axis 3, “Coordination of the partnership approach and anticipation of needs”.

Flanders was allocated 319.50 million euro for the EFRD, split into Objective 2 "Regional competitiveness and employment" (200.9 million euro) and Objective 3 “European Territorial Cooperation” (118.5 million euro). The total, expected contribution from the programme up to the “earmarking” amounts to 70.79% (the joint contribution from the Flemish EFRD and ESD programme amounts to 88.4%).

The Flanders 2007-2013 Objective 2 “Regional competitiveness and employment”, Operational Programme (EFRD) was approved by the Flemish Government on 16 May 2007 and by the European Commission on 7 December 2007. The main objective of the OP is to promote the further development of Flanders to become one of the most competitive Regions, leading to sustainable economic growth, the creation of more and better employment, and the protection and improvement of the environment. The programme has four central topical priorities: (1) stimulating the knowledge economy and innovation; (2) encouraging entrepreneurship; (3) improving the basis for economic structuring and spatial planning; and (4) promoting urban development.

In addition to the topical focus on four priorities, the following transversal themes were integrated into the programme: the spatial dimension, sustainable development and environment, interregional cooperation and
equal opportunities. The programme became operational at the beginning of 2008. For the whole programme of Objective 2, up to mid-2009 92.9 million euro (or 46.2% of the available budget of 200.9 million euro for the entire period) was allocated to projects from partners from Flanders. Of this amount, 64.6 million euro (or 69.5%) was spent on initiatives related to all the objectives of the Lisbon Strategy. The execution of the programme is fully in line with the anticipated contribution to the earmarking in function of the Lisbon objectives. In concrete terms, the total available EFRD budget is: 15.71 million euro for priority 1 (1st call, end 2007), 10.06 million euro for priority 2 (1st call, beginning 2008), 20.03 million euro for priority 3 (ongoing call, approved end 2007).

The Operational Programme ESF ‘Regional competitiveness and employment’ was approved by the Flemish Government on 24 November 2006. The programme consists of three vertical priorities: (1) activating talent and sustainable integration on the labour market, (2) promoting social inclusion of risk groups via a more customised approach, and (3) focusing business and organisation culture on people and society. Attention to equal opportunities, that is specific for men and for women, thus forms a golden thread throughout the programme. Transnational cooperation and innovation are included as horizontal priorities in the Operational Programme.

The programmes related to the intervention of the European Structural Fund in the Walloon Region and in the French-speaking Community for the Convergence and Competitiveness Objectives (1 FEDER OP and 1 ESF OP for each Objective) were approved in December 2007 by the European Commission. Their implementation began in 2008. The priorities and the structure of the Operational Programmes for Objectives 1 and 2 for Wallonia are similar. The priority axes of these are the following: (1) creation of businesses and employment (FEDER and ESF), (2) development of human capital, knowledge, know-how and research (FEDER and ESF), (3) social inclusion (ESF) and (4) fair and sustainable regional development (FEDER).

A first call for projects was launched in the spring of 2007, which resulted in the approval of a certain number of projects in 2008 (see NRP). A second call for projects relating to axis 2 of the FEDER OP and the ESF OP was launched in June 2008, resulting in new decisions in 2009. Furthermore, various support measures for enterprises were activated in 2009. As regards financial matters, the vast majority of the budgets (100% for FEDER and 91% for the ESF) were allocated to projects following the calls for projects of 2007 and 2008. The level of expenditure is still relatively low, given the time lag in implementing projects.
On the basis of decisions introduced in 2008 and 2009, the targets for earmarking have still been met, at a rate of 76% in Convergence and 79% in Competitiveness. Using the earmarking categories defined by the Commission as a reference, the programmes that were co-financed by the Structural Funds in the Walloon Region and in the French-speaking Community essentially stressed priorities in RTD, innovation and entrepreneurial spirit, increasing adaptability of workers and enterprises, improvement of access to employment and of its sustainability, and improved social integration of disadvantaged persons.

The programme was approved on 27 September 2007 by the Government of the German-Speaking Community and on 18 December 2007 by the European Commission. Based on the experiences of the previous programme period and on the findings of the SWOT analysis, 5 priorities for the ESF in the German-speaking Community were determined: (1) improving the adaptability of employees and businesses with the possibility of professional training, support for older workers and assistance for business start-ups, (2) investing in active employment with training opportunities for the unemployed and measures to better reconcile work and family life, (3) promoting social integration and educational services for people who have serious difficulties and finding a job or assistance for people with disabilities or for immigrants, (4) structural measures that are organised in pilot studies on the development of the labour market in the German-speaking Community or better transition between school and professional life, and (5) technical assistance to monitor and evaluate implementation.

4.3. Discussion on the implementation of the Structural Funds

4.3.1. “Convergence” objective

The Province of Hainaut benefits from transitional support (statistical phasing out) as part of the “Convergence” Objective. The rest of the Belgian territory is eligible for the “Regional Competitiveness and Employment” Objective.

As that the priorities and structure of the operational programmes for the “Convergence” and “Regional competitiveness and employment” Objectives are similar for Wallonia, these programmes will be discussed together.
4.3.2. “Regional competitiveness and employment” Objective

For various operational programmes, the NSRF acts as the starting point for formulating priorities. Despite the variety and specific emphases in the operational programmes, we can distinguish a number of themes. Consequently, the contribution of the operational programmes to the Lisbon objectives also becomes clear. The idea is not to give a detailed overview of the various projects. For that, please refer to the annual reports of the structure funds.

Research and development and technological innovation

In the Operational Programme Objective 2 “Regional competitiveness and employment”, Flanders 2007-2013 has set its priority 1 to “Stimulating the knowledge economy and innovation”. An example is the project “Prodem”, which was established by the Vlaamse Instelling voor Technologisch Onderzoek (VITO) (Flemish Institution for Technological Research). This project aims to actively inform Flemish SMEs of the potential of environmentally- and energy-friendly technology and management and to familiarise them with the use and economic benefits of this. PRODEM² builds on first-line assistance which SMEs get via intermediaries such as the Agentschap Ondernemen (Entrepreneurship Agency), their local contact point and the Innovation Centres.

The project actions focus on developing concrete designs for feasible scenarios for environmentally- and energy-friendly management tailored to the needs of the SME. As a result of this approach, SMEs absorb knowledge much more quickly and directly, and it reduces their resistance to sustainable investments. This project started on 1 July 2008 and will run to the end of June 2010. To finance this project 400,000 euro from EFRD funds are provided (total cost: 1,043,287 euro)

In the Brussels-Capital Region, axis 1 of the Objective 2013 FEDER programme intends to support the development of technological and economic solutions to the environment challenges of the Region. These solutions must be able to integrate themselves into the more general project of a pole that specialises in the economic sectors of the urban environment. The Strategic Development Plan project in the environmental economic sectors, led by the ABE and Brussels Environment and agreed upon in 2008, fall within the scope of this objective with particular attention to the eco-construction sector and the energy performance of buildings as well as to the renewable energies sector.
In The Walloon Region and in the French-Speaking-Community, R&D and innovation are supported through the “Development of human capital, knowledge, skills and research” axis of the programmes co-financed by the Structural Fund. Measures for assisting SMEs and supporting non-technological innovation are developed in these with the support of FEDER, as are collaborative research projects. The ESF puts the accent on knowledge transfer and the commercial exploitation of research (in particular via the Innovatech and Pi² Wallonie projects) and on the networking of actors (closely in line with the strategy developed by the Technology Stimulation Agency). The building up of R&D human resources is also supported by the two Funds through specific FIRST measures.

The R&D assistance measures for SMEs, with a budget allocated of 63 million euro for the period 2007-2013 (FEDER and Walloon Region), came into effect in January 2009:

- “technological services vouchers” (12 million euro): these allow SMEs to launch themselves in a technological innovation process by helping them call on the services of research centres for technological services in the exploratory, technical feasibility or development phases.
- ACQUI TECH (5 million euro): intends to promote the acquisition from outside the company of patents, licences and know-how by giving loans for the fees.
- RETECH (33.6 million euro): encourages SMEs to implement or pursue R&D programmes with a view to developing processes, products and new services, via subsidies or advances.
- STIMULE (10 million euro): encourages SMEs to economically exploit research results within 24 months from the end of a research programme that has benefited from a loan.

For Hainaut only, FIRST enterprise Doctor (2.5 millions euro), which intends to encourage businesses to employ research personnel who have doctorates with the aim of leading or participating in a research programme developed by the business.

Furthermore, in April 2009, a second wave of “research” project portfolios was selected (9 in Convergence and 6 in Competitiveness) for a budget of 34 million euro (FEDER and the Walloon Region). These concern projects that intend to put the skills of research centres at the service of businesses so that they assist them in their technological development procedures. The projects are particularly intended for the ITC, environment and nanotechnology sectors. ESF projects relating to the networking of players in technological innovation were also chosen in April 2009, for a budget of 2 million euro.
Entrepreneurship and support for businesses

Projects are financially supported from EFRD and ESF funding to encourage entrepreneurship.

In the Operational Programme Objective 2 ‘Regional competitiveness and employment’, Flanders 2007-2013 has chosen as its priority 2 to focus on encouraging entrepreneurship. An example of this is the project “HUMIN”. It is aimed at SMEs and start-up businesses, especially in the region of Genk and Kortrijk, and uses its innovation instruments to stimulate and strengthen entrepreneurial skills. This programme introduces new working methods that focus on the end user, the heart of the business’s nourishment. This approach has been applied successfully and led to good results for innovative products and services. This project runs from 4 May 2009 to 30 May 2011. A budget of 1.1 million euro will be made available, of which 0.5 million euro come from EFRD funding. While entrepreneurship is one of priorities for the Flemish EFRD programme, for the “Regional competitiveness and employment” Objective, training of entrepreneurs is a part of the Flemish ESF programme 2007-2013. The follow-up and coaching phases - after entrepreneurial training - are also part of the ESF and can be requested up to a year after the founding of the company. Under priority 1, ESF funding (totalling broadly half a million euro) was made available for management training in 2008 and awarded to two calls for projects: Entrepreneurial training for disadvantaged groups, and Counselling for job-seekers interested in entrepreneurship.

At the level of the “Business creation and employment” axis, programmes implemented in the Walloon Region and in the French-speaking Community supported projects that should support the policy of assistance for SMES and the development of entrepreneurship. This is in connection with the strategic programme of the Agency for economic stimulation, (via the FEDER programmes for economic development, and the ESF programmes supporting entrepreneurial spirit and the social economy), and via specific measures for developing risk capital for SMES (via SOWALFIN). These latter measures were activated in February 2009. Almost 200 million euro will be dedicated to the financial engineering measures of the Invests over the period of the programme, with particular attention to VSE, to young innovative companies and to innovative projects. The budget provided for the implementation guarantee measure via SOCAMUT is in the order of 16 million. Furthermore, a second wave of ESF projects related to this axis were chosen in April-May 2009 for a budget of 8.8 million euro, in addition to the budget already allocated during the first call for projects. A specific measure for business investment support is also supported by FEDER. On
30 June 2009, 52 dossiers benefited from an intervention (43 in the area of Convergence, 9 in the area of Competitiveness), for a public budget of 67.5 million euro, and a total investment of 308.4 million euro.

In the Brussels-Capital Region, following the call for projects launched in the framework of the ESF “Regional Competitiveness and Employment” Objective OP, 5 partners specialised in guidance for creating self-employment were supported by the programme in 2008. This partnership led to 672 guidance procedures in 2008 (see also the previous points).

Axis 1 of the FEDER Objective 2013 programme intends to continue to support the dynamic of economic development that was already financed by the structural fund between 1996 and 2006. This dynamisation occurs particularly by supporting the maintenance of businesses established in the zone, by making the management of the reception and advice for businesses in the zone more professional, by supporting investment and access to capital and by raising the awareness of future initiators of entrepreneurial projects. For example, the programme has made support for the “Brusoc project possible, granting micro credit, start-up funds and cash loans to (V)SMES for a total amount of 5.6 million euro. The “Boost entrepreneurial spirit in the ZIP” project (1.5 million euro) also began its activities in 2008. It offers a programme for young people in schools in the ZIP that raises awareness of entrepreneurial spirit. Its ambition is to make 2,000 pupils aware of entrepreneurship each year.

**Supporting a dynamic economy**

Urban development, the improvement of the environmental infrastructure and creating a source of business units contribute to the attractiveness of the Region and generates a dynamic economy in the Region.

In the Brussels-Capital Region, urban development is one of the principal means of implementing the FEDER “2013 Objectif: Investing together in urban development!” OP. This OP is as much within Axis 1 “Supporting territorial competitiveness”, where the infrastructure allows employment to be created, as within axis 2 “Strengthening social cohesion”, where the infrastructure will contribute to improving the priority intervention zone’s image, the revitalisation of the zone, and also the establishment of child-care and information centres.
Seven infrastructure projects were approved in 2008: three child-care centres, two information centres, a local renovation project, and a commercial routes revitalisation project for a total budget of 14.4 million euro.

A second call for projects was launched in 2008 and focused on axis 1 “Supporting territorial competitiveness”. In line with the funds available, four of the five selected projects concerned urban development and infrastructure. This represented a total budget of 32.8 million euro. Among the projects selected, the Brussels Green Fields project (14.95 million euro) intends to develop economic activities by regenerating 60 polluted sites in the zone, covering more 117,000 m². It consists of a mechanism for technical and administrative support and for financial support in the form of subsidies for initiators of economic projects that will provide jobs and who intend to establish their activities on a site with soil pollution and which is therefore currently frozen. In addition, three projects for creating spaces for new or expanding businesses will allow a total surface area of 17,400 m² to be constructed or renovated. This will provide sites for about 60 businesses that will create jobs that match the qualifications of the inhabitants of the priority intervention zone (ZIP). The amount granted to these three projects is 17.9 million euro.

In the Walloon Region and in the French-speaking-Community, the axis, “Fair and sustainable regional development” of the Structural Fund programme, developed within the FEDER programmes, allows support for investment projects for structuring in economic development. This might be on the level of business areas, transport, or even the attractiveness of the Region to investors (science and logistics parks, multi modal platforms, etc.). Furthermore, pilot projects in the field of energy are also being supported. It should be remembered that the challenges in energy and that are linked to sustainable development are integrated transversally in the programme, which is particularly reflected at the level of support measures for research and for investment, and of training measures. Finally, integrated projects on urban regeneration are also developed within this axis.

In Flanders, the project “Action for starters” should be mentioned. This project, as part of priority 3 (Improving the basis for economic structuring and spatial planning) in the Flemish EFRD programme in the Province of West Flanders and West Flanders POM (Provinciale Ontwikkelingsmaatschappij), form the tangible component of a broad, integrated action at the provincial level to create a starter-friendly business climate. It aims to develop a provincial network of urban business centres and facilities for start-ups, with specific incubation facilities for new social economy companies
and creative starters. These facilities will be connected by an effective ICT network, whereby the expert networks, the starter services and the SME One-Stop Business Shop in the province (intangible component of the integrated action) can be linked. A budget of 13 million euro was made available for this project, of which EFRD will provide 2.4 million euro. This project runs from 15 April 2009 to 14 April 2011. An example of an urban development project in Flanders is the project “Benedenstad herleefd” (Downtown revived/s). With this integrated urban project (as part of priority 3, Urban development), the city of Mechelen wishes to run a number of sub-projects, which deal with specific bottlenecks, and will lead to broader planning which is important for the entire city centre. These sub-projects concern mainly the upgrading and strengthening of the central business district and spaces for businesses in the city, and the accessibility and attractiveness of the cultural heritage. Actions related to quality and quality of life are also envisaged, as well as a number of peripheral matters (child care, problem of mobility). The project runs from 01 September 2008 to 31 August 2010. A budget of 4 million euro was made available for this project, of which EFRD will provide 1.7 million euro.

**Access to the work process**

Increasing the level of employment, by stimulating access to the labour market, is an important priority in the various operational programmes, with or without a specific target audience in mind.

Therefore, the 2007-2013 programme of the federal ESF emphasises axis 1, “Stimulating the routes to social and professional activity”, and specific interventions that better take account of the needs of several at-risk groups among the users of the Social Public Action Centres (CPAS/OCMW), for whom the integration actions are less successful. This includes young people from 18 to 25 years, heads of single parent families, foreign nationals or persons of foreign origin, and also people over 45 years old. For this project, 10 million euro was set aside in 2008 (of which ESF contributed 4.7 million euro). In total, 66 projects (42 for social-professional integration, and 24 for pre-career guidance) were approved. These projects reached out to 838 people on minimum wage. In 2009, 14 million euro was made available for 64 projects. Preference is given to a multidimensional approach in Axis 1 with the aim of eradicating poverty. This kind of approach to social as well as professional integration also takes into account problems of health, housing, and illiteracy, psychosocial problems and also sociocultural needs. Its goal is the social stabilisation of individuals and translates into
the new programme as experimentation with innovative “pre-routes” for integration that are implemented upstream from integration pathways.

In Flanders, more than 65% of all allotted ESF funding for 2008 was used for projects that promote access for job-seekers to the labour market. These projects fall mainly under priority 1, and more specifically the section that promotes the transition from inactivity/unemployment to employment. This includes a large section of counselling and improving the skills of job seekers. In 2007, 18.9 million euro was reserved for this project. In 2008, the budgets (37.7 million in total) for both years (2008 and 2009) were allotted. With this funding (which is awarded via closed calls to the VDAB management), 5,790 starting counselling actions (broad and intensive assistance) are organised annually. Moreover, 3,870 skill-enhancing actions (goal-orientated actions for job seekers who are over represented in a Region) are set up, aimed at the four priority disadvantaged groups in third organisations.

As part of the objectives pursued by the NRP for preventative and active policies for increasing access to employment, the ESF programme, as implemented by ACTIRIS in the Brussels-Capital Region, supports the implementation of support activities for job-seekers at risk of experiencing exclusion from the labour market. This support is most often at an individual level in order to accelerate job-seekers professional transition via an offer of support in job-seeking or in creating their own jobs (see point on entrepreneurship). In 2008, some 57% of these participants were experiencing socio-professional exclusion at the start of the action. This type of intervention is also part of the deployment of actions for better socio-professional inclusion (see below).

56.5% of the expenditure estimated for 2008 was dedicated to the first priority of the ESF OP. This priority intends to support of job-seekers or people who are excluded or threatened with exclusion with a view to increasing their opportunities to access the labour market and to improve their capacity for professional integration (covering guidelines for employment, 17 to 19). During the course of this year, 19,738 participants have been helped in this way (target of 17,500 beneficiaries per year fixed in the OP).

The “Social inclusion” axis of the Structural Fund programme in the Walloon Region and the French-speaking Community, developed via the ESF programmes, allowed a range of socio-professional integration projects to be supported, particular in training. These are managed by the players in integration pathways (CPAS, EFT/OISP, neighbourhood councils, CRIE, actors
in the social economy, FOREM, MIRE, etc.). Projects specifically for priority beneficiary groups are particularly developed here (for job-seekers that are distanced from the job market, especially those who with few qualifications, handicapped persons, beneficiaries of social integration income, persons of foreign origin). In addition, actions were developed for guidance towards and on the labour market, in particular for young people and older workers. All of these projects are within the scope of the NRP regarding improvement of labour market functioning, integration and diversity within it. A second wave of social inclusion projects (ESF) was selected in April-May 2009, for a total amount of 37 million euro (ESF+WR/FC). The projects bore on socio-professional integration activities, support and guidance for job-seekers in and for employment, and literacy.

The German-speaking Community made 1,992,324.24 euro available for priority 2, of which 972,924.08 euro was from the ESF, 976,795.83 euro from the German-speaking Community and 42,604.33 euro privately funded. An example of one of these projects is the training of family carers and child minders. In 2008, 22 people were trained, most of whom were long-term unemployed. The quality of training was so good that more than 90% of the participants found a job after completion.

Career policy and improving training and individual skills

Axis 2 of the 2007-2013 programme of the federal ESF, “Promoting career development, job diversity in employment and fighting discrimination” again contains the promotion of development for the whole of a career. The aim of this priority is to contribute to the strengthening of the mechanism implemented within the framework of the Generation Pact and so help create a framework that is favourable to improving the employment of older people, young people and women. 7 projects were approved in the framework of axis 2 of the OP in 2008, for 2009 there are 3 projects. The budget is of 2.8 million euro (of which 1.3 million come from the ESF) for 2008.

The project consists in the development of a coherent multiannual plan organising the implementation of awareness campaigns in order to lastingly change mentalities. This programme intends to increase the rate of employment of older workers and to raise the age at which they leave the labour market in order to meet the Lisbon objectives. The proposal of pathways and the highlighting of factors that block or ease the path of an older worker will be made use of to make them attractive and concrete.
According to the Lisbon codes, career policy falls under code 63, and thus under the theme “Improving the adaptability of employees". In Flanders, a large amount of ESF funding was made available for the “Career guidance” calls in 2007 (5 million euro in 2007). In 2008, a call for career guidance was made but with only Flemish funding.

**Lifelong learning and improving the adaptability of employees and companies**

In Flanders, nearly 10% of all funding for 2008 (about 7 million euro) was spent on improving the adaptability of employees and companies. Most of the funding supported projects that deal with the challenge to realise talent and skill development in Flanders. Included in these calls are those projects that deal with the adaptability of employees, such as the transition from one job to another, under priority 1 of the Flemish ESF programme. Another example is that of *Training for people working from home*. In 2007, 11 million euro was made available for projects in 2008 and 2009. In 2008 no new calls were launched, but were again in 2009, for an amount of 6.8 million from the ESF budget. The funding has not yet been awarded. The first axe of priority 1 of the Flemish ESF programme is aimed at the transition from school to work. In 2008, 7% of the total budget was spent on this. This refers to the closed calls to the Flemish Employment and Training Service in the Department of Education and Training, specifically work-linked training, bridging and pre-career counselling (6.75 million euro in 2007 and 5.5 million euro in 2008). Concerning the improvement of access to the labour market, the calls *certificates for vocational training* had funding for 1.2 million euro in 2007, and 2.1 million euro in 2008. In 2009, new call for testing experience was launched, with an ESF call budget of 1.6 million euro. No funding has yet been awarded. Also, the calls for *career guidance* aim to improve the adaptability of employees. These were already presented under the theme “career policy”. Regarding the calls that relate the adaptability of companies, calls from priority 3 should be mentioned, namely *the calls for skills policy sectors and sectoral training funds* (1.2 million euro in 2007 and 0.3 million euro in 2008) as well as the *calls for Social Innovation and Corporate Social Responsibility*.

In the German-speaking Community the following subsidies were approved for ESF projects for 2008-2009: 1,325,815.42 euro for priority 1, of which 598,523.90 euro was from the European Union (ESF), 598,523.90 euro from the German-speaking Community (DG) and 128,767.62 euro privately fi-

69. See the Flemish ESF projects to improve the adaptability of employees and companies.
70. This call is again relevant under the theme ‘social innovation’.
nanced. Particular focus goes to a project under Priority 1 *Guidance on setting up and developing a business*; in addition to guiding starters, the emphasis is on helping them to secure the future of their business and giving follow-up advice. The last two points are important for SMEs as key challenges for the German-speaking Community. In 2008 a total of 325 consultations were launched, of which 57 led to concrete businesses.

Within the framework of the “Development of human capital, knowledge, know-how and research” axis of the programmes co-financed by the Structural Funds in the *Walloon Region and the French-speaking Community*, are projects that aim to develop life-time training. This particularly concerns the development of *skills centres* and *advanced technology centres* (via FEDER for infrastructure, via the ESF for training activities), the implementation of the mechanism for skills validation and evaluation of experience, the development of work-linked training and of job-focused training, as well as the e-learning strategy (the responsibility of the AWT).

A second wave of projects related to this axis was approved in April-May 2009. At the level of the ESF, these were to do with job-related training activities, validation of skills, and evaluation of experience. A total budget of 65 million euro was allocated (ESF+WR/CF). Furthermore, 10 new FEDER projects on equipping *Skills centres* and *advanced technology centres* (CTA) were chosen, for a total budget of 30.2 million euro (WR+FEDER).

In addition, with the support of the ESF, training activity programmes were developed in the framework of the “Job and business creation” axis. These programmes aim to fulfil the demand for skills from businesses (through skills centres) and are in the scope of the industrial policy and the networking of the Region (competitiveness poles and clusters). A second wave of ESF projects related to this priority was selected in April-May 2009 for a budget of 15.6 million euro, in addition to the budget already allocated during the first call for projects.

The “Strengthening territorial cohesion” axis of the FEDER Objective 2013: “Investing together in urban development!” OP of the Brussels-Capital Region - more precisely the its operational group “Strengthening local infrastructures in connection with employment and training” - intends to adapt training tools to technological developments. In 2008, two training centres (6.2 million euro) and six advanced technology centres were able to be approved (6.1 million euro). The FEDER financed equipment in them together with the French-speaking Community, as well as the adaptation of the infrastructure.
Social inclusion of disadvantaged groups

The level of employment amongst disadvantaged groups is lagging behind in Belgium in comparison to the rest of the world. By means of various projects, one wants to support the integration of risk groups into the labour market. Often, they form a specific target group for the objective of improving access to the labour market.

Priority 2 of the Flemish ESF programme is dedicated to the social inclusion of disadvantaged groups. These are persons with a handicap, immigrants, older people, under-qualified people and the long-term unemployed, but the list is not conclusive. Within this priority, specific instruments are being developed to make the integration of these people into the labour market possible. The focus is on work experience, adjusted guidance for disadvantaged groups, and working on the development and flow in the social economy. In 2008, 13 million euro (16% of all funding for the year) was made available for this project. The largest budgets were spent on the calls Work experience (8.1 million euro in 2007 and 7.8 million euro in 2008) and Special actions for priority risk groups (1.65 million euro in 2007 and 3.3 million euro in 2008 for both 2008 and 2009).

In Brussels, the programme for the ESF “Regional Competitiveness and Employment” Objective contributes to the implementation of regional and European priorities regarding cohesion and the social inclusion of people in a “fragile position” on the labour market (linked to lack of qualifications, foreign nationality or foreign origin, a physical handicap, etc.) through support for guidance activities for professional integration of the creation of one’s own job (see entrepreneurship point). In this way, the ESF programme tends to facilitate the integration/professional transition process. So, without being exhaustive, one notes that the integration units of the 19 CPAS of the Region have helped 10,435 job-seekers benefiting from the RIS (or similar). In parallel, the programme intends to encourage the implementation of measures the aim to improve that management of human resources working for a business (anti-discrimination measures). It should be noted that 14 charters related to diversity in companies were signed in 2008 (see point on equal opportunities).

The German-speaking Community made 3,490,276.00 euro available for priority 3, of which 1,592,561.18 euro was from the ESF, 1,600,239.47 euro from the German-speaking Community and 297,475.35 euro privately funded.

71. 8,814 distinct beneficiaries.
Since July 2007, the German-speaking Community restructured the integration track for disadvantaged persons and introduced new pre-emptive and integration measures. As part of the four pilot projects, 115 people were supported during 2008. The ESF made 251,504 euro available for these projects. In the long term, this restructuring will lead to an improved transition from measures and personal coaching.

As indicated above, projects specifically for groups of priority beneficiaries are supported in the framework of the “Social inclusion” axis of the ESF Walloon Region/French-speaking Community programmes.

**Equal opportunities and diversity**

Equal opportunities and diversity are horizontal priorities in all the ESF programmes of Flanders, the federal Government, Brussels Capital Region and the German-speaking Community. Wallonia uses this as a selection criterion for all calls for projects. Also, project proposals in the German-speaking Community have to indicate which specific measures are taken to ensure equal opportunities. Some projects focus on this topic.

The project Expert by Experience in poverty and social exclusion (part of the ESF programme) has to give federal Government services an insight into the lives of the poor and social exclusion. Based on this insight, they want to improve the service offer to this target group, who are often excluded. In the same way, every citizen is better served. To meet these objectives, Experts by Experience are seconded to various Government services: the national employment service (RVA), the Service for child benefits of Employees (RKW), the Sickness and Invalidity Insurance Fund (HZIV), the National Pensions Office (RVP), the Crossroads Bank for Social Security (KSZ), the Department of Justice, the Department of Public Health, the Department of Finance, the Department of Social Security, the Department of Economic Affairs, the Department of Home Affairs, National office for annual vacation (ONVA), UMC Sint-Pieter hospital and SELOR. These experts have to improve how people are received, stimulate the target audience and adapted communication, improve the comprehensibility of documents and brochures, and flag frequent bottlenecks for this target group. The “Equality-Diversity label” project is dedicated to targeting the employment capacity of the world of business towards diversity, the fight against discrimination and an inclusive labour market.

In Brussels, more than a quarter of the funding goes to the ESF programme for equal rights for men and women and a policy of equal rights on the la-
bour market. It concerns a problem that is very evident in the Brussels-Capital Region. An important measure in this regard is child care for children of job seekers. Job seekers from Brussels have to cope with a serious shortage of child care which prevents them from looking for a job, going on training courses or taking a job. With Day nurseries and A partnership with crèches in Brussels, places for children of job seekers are created. The ACTIRIS children’s centre (maison d’enfants) has opened a second site with a capacity of 48 places in June 2007. The number of places available for parents who have found a job again or who are regularly looking for work has gone from 58 (annual average) in 2007 to 78 places in 2008. The call for projects on childcare (0 to 3 years) for job-seekers launched in 2008 has led to a slight reduction in available places in the partner child-care centres for job-seekers who are following a socio-professional integration activity. In effect, as the Dutch-speaking crèches have new structural opportunities for finance, they no longer applied, as was the case with some former French-speaking partners. At the end of 2008 78 places were available in the partner network. In addition, as indicated previously, the fight against all forms of discrimination in employment and, more generally, for promotion of diversity constitutes a challenge that is essential for a multicultural municipality/Region such as Brussels. 3% of the programme’s budget is dedicated directly to this type of intervention, which is based around both awareness-raising and assistance in developing concrete actions in the professional environment.

The FEDER programme of the Brussels-Capital pursues, in axis 2, the aim of making access to integration training easier for the inhabitants of the priority intervention zone. This is, in particular, by increasing the number of childcare places for young children. The FEDER will contribute to this by co-financing childcare infrastructure. Three childcare facilities were approved in 2008 (out of eight selected), aiming to create 152 places with a budget of 4.6 million euro.

The management of work-life balance and equal opportunities are priorities supported in the framework of the “Social inclusion” axis of the ESF programmes of the Walloon Region and the French-speaking Community. Particular support is given for projects for childcare.

Social innovation

Innovation was included as a horizontal priority in the Flemish ESF programme. Horizontal priorities are especially calls that serve to strengthen and cover vertical priorities. Under the innovative calls Social inclusion and
Activating the labour market, which strengthen the capacities of service providers for transfers of unemployed and employed people, respectively, projects are approved that are relevant to all of the Lisbon codes. These innovation calls for the first phase, in 2008, had funding available of 0.3 million euro. In 2009, the budgets for the second phase were awarded (2 million euro). Due to the need for knowledge development and knowledge sharing under the “Competence policy” theme, the innovative calls Learning networks competence management were launched (1.9 million euro in 2008). Under Lisbon code 63, the design and distribution of innovative and more productive work organisation methods are included. This deals with the calls, Social Innovation and Corporate Social Responsibility, with a combined budget of almost 2 million euro. The calls are not part of priority 4, “Innovation”, but of priority 3 “Business and organisational culture focus on people and society”; the reason being that since the previous programme period, this project had evolved from its pilot phase.

Good management and working as partners

Good project management and working as partners are used as quality-criteria for all applications to Flemish ESF projects. By doing so, both elements are guaranteed throughout all the priorities of the Flemish ESF programme. Due to the defining role of pilots and officers in charge of the Operational Programme, all labour market actors are actively involved in the design, follow up and execution of the programme.

In 2008, innovation in the framework of the ESP OP of the Brussels-Capital Region - of which governance and partnership is one of the transversal priorities - is principally at the level of partnership reform, as much at the level of the contents of the programmes as of their assessment. 14.5% of the estimated expenditure in 2008 was dedicated to the axis of intervention on strengthening the coordination between the partner networks and the prospective approach for the analysis of the needs of the labour market (fully within the scope of the 20th guideline for employment). In 2008, there were four themed networks, and 157 partners involved in one or several of these networks, of which 24 were institutional actors (including social interlocutors). The financial procedures were also reviewed. The methodologies were (re-)examined overall in order to determine the possible problems in functioning and to reposition the indicators. Thus, the contents of the Guidance/RAE operations (principally group formulae) for Outreach for beneficiaries of social integration income (the financing of which was re-centred on the regional authorities) and of Outreach for creation of self-employment (restructuring of the socio-profession integration process) were
reviewed and adapted in 2008. The calls for projects (or equivalent procedure) launched in the first quarter of 2008 also allowed new operators to be selected for the implementation of these three actions, as well as the Partnership aspect of childcare (priority 2). Some of these operators were therefore able to diversify the beneficiaries of these actions, given the specific audiences that they were responsible for, and better distribute the offer of these actions across the different geographical zones of the BCR.

Furthermore, the role given to the “ENIAC expert” of the BRC since 2001 has also allowed a connection to be established between the operations co-financed by the ESF, the actions carried out by the different authorities in the framework of the national reform programme (NRP), and the European Strategy for employment as well as the interactions between the different mechanisms (including the other OPs active in Brussels). In addition, the forward analysis of the context and needs of the labour market should, at the end of the procedure, allow a better adaptation of the behaviour of the actors concerned by these developments as well as the implementation of themed partnerships. This is especially so as it is supplemented by the publication of information that is as useful for job-seekers as for employers and partners active in the Brussels labour market. In terms of new actions carried out on this plan in 2008, the realisation of a labour market information site (IMT-B) is noteworthy. Finally, the network for partners established by the regional Pact for the employment of Brussels citizens is a kind of innovative “laboratory” for labour market intermediation matters.

For the ESF in the German-speaking Community 465,255.32 euro was allocated for priority 4, of which 243,899.03 euro was from the ESF, 219,200.66 euro from the German-speaking Community and 2,155.63 euro privately financed. Due to the nature of the labour market in the German-speaking Community, a project on monitoring the labour market was launched. In addition to the preparation of statistics, thematic analyses will be made, for example a monitor for a demographic assessment of the possible consequences on the labour market. For priority 5 335,360.42 euro was made available, of which 50% was financed by the ESF and the German-speaking Community. In the first years, the administrative authority financed the monitoring of the implementation.

The programme in the Walloon Region and French-speaking Community is guided by a concern for concentrating means as much on the geographical as the thematic level. This is in order to generate leverage, synergies and critical mass effects. With this in mind the notion of the “e-projects portfolio” was developed, which intends to encourage partnerships and syner-
gies between operators and projects. At the level of project selection, the Governments have implemented an open and objective procedure. The projects submitted in the framework of calls for projects launched by the Government are evaluated by an independent Task Force made up of university professors and representatives from the world of business.

4.3.3. Objective “European Territorial Cooperation”

Regarding the objective “European Territorial Cooperation”, the Communities and Regions are participating in three types of cooperation: cross-border cooperation, transnational cooperation, and inter-regional cooperation. Regarding cross-border cooperation, the following programmes deserve mentioning: Border Region Flanders–the Netherlands (Interreg IV A), Euregio Meuse-Rhein (Interreg IV A), Flanders-Wallonia-France (Interreg IV A), Grand Région (Interreg IV A), Two Seas (Maritime border Region: England-France-Flanders-the Netherlands (Interreg IV A). Regarding transnational cooperation, the following are important: North Sea Region (Interreg IV B) and North-West Europe (Interreg IV B). Finally, regarding inter-regional cooperation, the following programmes are significant: INTERACT II, URBACT II, ESPON/ORATE, INTERREG IV C.

Below are given the programmes participated in for each Region. To illustrate this, some projects will be discussed in more detail.

Brussels-Capital Region

As part of the European Union’s 2007-2013 Cohesion Policy, the Brussels Capital Region is eligible for three programmes implemented under the European Regional Cooperation Objective: (1) Crossborder Cooperation: Interreg IV B North-West Europe (ENW), (2) Crossborder Cooperation: Interreg IV C and (3) Towns Network: Urbact II.

To this end, it should be noted that the MVIB/STIB is taking part as Lead Partner in the Tramstore 21 project (FEDER payment of 5.36 million euro), for implementing priority 2 (Connectivity) of the Interreg IV B ENO programmes. The operation is part of the Göteborg strategy’s objective of the widespread use of new, environmentally-friendly technologies in the transport sector. Indeed, it involves partner municipalities in the objective of together resolving a challenge that is typical of urban areas: the development at the least nuisance (especially environmental) of the infrastructure needed for the operation and development of public transport.
Concerning the municipalities network – Urbact II, the regional development agency (ADT)\textsuperscript{72}, is a member of the Joining Forces working group, which extends its focus to the City-Regions as motors for competitiveness and sustainable development.

**Flanders**

Similar to the EFRD projects that are part of the “Regional competitiveness and employment” objective of the EU’s cohesion policy, those in the “European Territorial Cooperation” objective adhere largely to the Lisbon Strategy for growth and jobs. More specifically, the focus is on stimulating research, improving innovative applications, and diverse support of the economy (with an emphasis on strengthening the industrial foundation of the transition to a sustainable economy).

Flanders participates in the following programmes:
- cross-border cooperation: Border Region Flanders-the Netherlands (Interreg IV A), Euregio Meuse-Rhein (Interreg IV A), Flanders-Wallonia-France (Interreg IV A), Two Seas (Maritime border Region: England-France-Flanders-the Netherlands (Interreg IV A).
- trans-national cooperation: North Sea Region (Interreg IV B) and North West Europe (Interreg IV B).
- inter-regional cooperation, the following programmes are significant: INTERACT II, URBACT II, ESPON/ORATE, INTERREG IV C.

All the priority 3 programmes, except the maritime programme, were approved by the European Commission in the spring of 2009. An important project is the “Bio Base Europe”. On 12 December 2008 the EU, Flanders and the Netherlands agreed, by means of the Interreg IV-project, to combine forces on this and to award 21 million euro to the project.

The “Bio Base Europe” project entails building a multipurpose pilot plant for industrial bio-technology and bio-refining in Ghent (Flemish contribution), and a training centre for process operators in Terneuzen (Dutch contribution), with co-financing of 7 million euro. The cooperation agreement between Ghent Bio-Energy Valley and Biopark Terneuzen will lead to the building of research and training facilities for bio-processes to accelerate the development of a sustainable bio-based economy in Europe. Bio Base Europe has to become the most important centre for the bio-based econo-

\textsuperscript{72}. Formerly (until 2008 inclusive) the Secrétariat Régional pour le Développement Urbain (SRDU).
my in Europe, and the first open innovation and training centre for the bio-based economy.

The pilot plant in Ghent “Bio Base Europe Pilot Plant” will work primarily with second generation technologies and provide test facilities which would enable the upgrading of new bio processes to an industrial level. The plant has to be operational by the end of 2009. The cost is estimated at 13 million euro. The Bio Base Europe Training Center in Terneuzen will focus its attention on the shortage in the industry of expert process operators and technical maintenance specialists, especially for the bio-based economy. An investment of 8 million euro was allocated for use in 2010.

Wallonia

This Region also benefits from the intervention of FEDER in the framework of the Regional Cooperation Objective. This is via various programmes: France – Wallonie – Flandre, Grande Région, Euregio Meuse-Rhein (INTERREG IV A), North-West Europe (INTERREG IV B) and the interregional section (INTERREG IV C).

The programmes were approved by the European Commission between September and December 2007. Their implementation began in 2008. At the level of implementation, the Walloon Region wished to develop a complementarity with its programmes on Convergence and Regional Competitiveness and employment.

The link with the Lisbon Strategy is especially assured through priorities in competitiveness, innovation, development of human resources and sustainable development that have been developed in the different programmes: support for technological cooperation, cross-border access to risk capital, cooperation in training and education, support for international networking (particularly in connection with the competitiveness poles), development of renewable energies, etc. The projects supported therefore contribute directly to realising the different priorities of the NRP, notably on support for R&D, networking and internationalisation of research and business actors, knowledge transfers and the economic exploitation of research, promoting entrepreneurship, development of SMEs (financing, support services) and their networking, lifetime learning, entering the labour market, support for mobility, etc.
The German-speaking Community

As part of objective 3 “European Territorial Cooperation”, the German-speaking Community is involved in two operational programmes involved in this: “Euregio Maas-Rhein” and “Greater Region”.

The INTERREG IV A programme of the Euregio Meuse-Rhein was approved by the European Commission on 18 September 2007. The total budget for the programme amounts to 144.08 million euro: the maximum amount of 72.04 million euro came from the ERDF. The Operational Programme is focused on three priorities: strengthening the economic structure, promotion of knowledge, innovation and creation of more and better jobs, nature and environment, energy, natural resources and mobility and quality of life. In November 2008, the first 12 projects with an ERDF share of 18.4 million euro were approved. It is worth mentioning that the project “Sustainable Industrial Sites (sis)” is under the auspices of the Business Development Corporation of East Belgium in cooperation with partners from Germany, Belgian and Dutch Limburg and Liège. The aim of the project (with ERDF funding of 856,780 euro) is the development of cross-purpose tools for the design of sustainable and renewable energy specialising in industrial real estate.

For the “Greater Region” project, a budget of 106 million euro is available for the period 2007-2013 from the European Regional Development Fund (ERDF). In 2008, 51 projects were approved by the Steering Committee with an ERDF volume of 42,976,683 million euro. This represents a commitment of over 40% of the available ERDF funds. The project Enerbiom brings together partners from Rhineland-Pfalz, Lothingen, Luxembourg, Wallonia and the German-speaking Community of Belgium (Agra-East) with the aim of testing the energy generation from plants. For this project, the Steering Committee made approximately one million euro ERDF funding available. This project fully meets the criteria of code 11 of the integrated Lisbon Strategy for sustainable resource management.
4.4. Contribution of the cohesion policy to fighting the economic crisis

In a communication by the European Commission\(^73\) at the end of 2008, the importance of the contribution of the cohesion policy to fighting the economic crisis was discussed. The communication elaborates on the European Recovery Plan (26 November 2008), which mentions that the Structural Funds have to be implemented faster in order to stimulate the economy. In addition to a number of amendments to the law, the European Commission also put forward various principles and actions, and encourages the Member States to: set up actions for smart investments, utilize the possibilities of innovative financing for SMEs, optimize existing opportunities, accelerate programmes, and maintain Government investments.

In February 2009, the European Commission decided to make the Structural Funds more flexible. The term within which the Member States have to use their allocation for the financing period 2000-2006, has been extended by six months (to 30 June 2009).\(^74\) At the end of May 2009, an extensive set of measures came into force related to the cohesion policy to help Europe deal with the crisis.\(^75\) This set of measures includes a massive injection of money in the form of extra advances from the structural funds (6.25 billion euro for the 27 Member States), the possibility to get immediate financing for major projects, the simplification system for advances, the simplification of the reimbursement system, facilitating management of financial engineering-systems (ERFD/ESF) by means of grants and loans, and the possibility for Member States to use ERDF funds (up to 4% of their allocation) for energy-efficiency improvements and renewable energy measures in housing.

Below follows a description of how each Region uses the increased flexibility in the framework of the Structural Fund.

4.4.1. Brussels-Capital Region

The effects of the crisis have been particularly felt in the regional budget. The Brussels-Capital Region therefore faced a reduction in its revenues compared to those expected, which had two consequences for the implementation of the OP. On the one hand the co-financing capacity of the Re-

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74. Decision by the European Commission of 11 February 2009.
75. “Road to recovery: Cohesion Policy will help Europe to get out of the crisis”, Document IP/09/703, 05/05/2009.
region was weakened. On the other hand, the possibilities for making payments to certain selected projects to allow them to start up were reduced. Unlike the other two Regions, the Brussels-Capital Region does not have a real recovery plan, outside of the measures for assisting businesses, as the Brussels budget does not allow any financing of new measures. The priority for the regional action is to avoid new job losses by improving the coordination between the players and by a preventative approach (without, however, neglecting the fight against socio-professional exclusion).

The additional advance of 2.5% of the total amount paid by the European Union in 2009 allowed 25 financing agreements to be concluded and payment of the full amount of the advances in order to allow the most advanced projects to progress as quickly as possible. The option to extend until 30 June 2009 the eligibility date for expenditure for the 2000-2006 programme was requested and obtained from the Commission by the supervisory authorities for the ESF Objective 3 for the Brussels-Capital Region DOCUP as well as for the FEDER DOCUP.

As required by the regulations, a strategic report is being drawn up. This report will take into account the effects of the evolution of the socioeconomic context and will formulate specific recommendations if necessary. The conclusions of this report will show whether or not there should be changes to the OP in order to adapt it to socioeconomic changes and so to modify the scope of action if necessary. The option offered to all the Member States to dedicate FEDER funds (up to 4% of the maximum funds that are attributed to them) to measures to improve energy efficiency and access to renewable energies in homes is being studied to see if it would require a modification of the OP.

The possibilities to implement a JESSICA fund are being studied in the Brussels Region to be able to meet the liquidity difficulties of certain project holders in implementing their projects.

ACTIRIS sees its mission of supporting job-seekers and businesses confirmed towards both stronger individualisation and towards a much greater diversification of its service offer. This operates in part via the decentralisation of its own activities and in part toward the increasingly greater development of collaborations and partnerships with all the operators that are active in the field of intermediation on the labour market. The audience that is targeted by the operational programme is that which is most at risk of professional exclusion because of its “discriminatory” personal characteristics. Consequently, the programme tends to complement
and/or reinforce the social service’s actions. In addition, the target public has been expanded to include job-seekers who have been unemployed for at least two years and unemployed job-seekers who are over 45 years old.

4.4.2. Flanders

Regarding the programme period 2000–2006, as regards EFRD, an extension of six months was given to the eligibility period for the expenditure for various Flemish programmes (objective 2 and Urban), until 30 June 2009. For the programme 2007-2003 programme, there is no immediate need for fundamental, intrinsic changes, considering the high degree of utilization To facilitate a smoother execution of the programme by means of reducing red tape for project monitors and the managing authority, the possibility to accept certain expenses on a flat-rate basis (and no longer based on receipts being submitted) was chosen.

In response to the economic crisis, the ESF Agency took up the offer of the European Commission to extend the period of validity of expenses for the programme period 2000-2006. By means of a one-off call, projects of about 12 million euro were approved which could run until the end of June 2009. For the time being, the possibility to request additional advances from the ESF has not been investigated. In view of the economic crisis, there is no need to determine new priorities for the ESF programme. The OP is sufficiently broad to allow for intrinsic amendments without changing the priorities.

4.4.3. The Walloon Region and French-speaking Community

Various regulatory provisions or modifications provided for in the European Recovery Plan to mobilise the European Structural Fund to support investment were used in the Walloon Region and in the French-Speaking Community for the 2000-2006 programme as well as for the 2007-2013 programme.

At the level of the 2000-2006 programmes, the option to extend the eligibility of expenses to 30 June 2009 was used for a certain number of cases, including aid schemes. At the level of the ESF, this allowed the reinforcement of activities that had been approved in 2004-2006 (representing a budget in the order of 6.3 million euro for Objective 3 and 2.5 million euro for Objective 1). It also allowed identification of those Government-run training projects that are most able to respond to urgent needs (notably via the retraining units, and the business-education partnerships for social advance-
ment) that could benefit from the 2000-2006 amounts that would be freed by the end of June 2009.

In addition, within the FEDER programmes, the Walloon Government also took advantage of the 11 February 2009 Commission decision on guidelines for the end-of-year accounts. This decision now allows an over-run of 10% per axis (instead of 2%), as long as the overall budget is kept to.

At the level of the 2007-2013 programme, the possibility given by the new FEDER regulation (n°397/2009), which now allows expenses to be approved on the basis of an allowance and not a real costs basis, was passed on to the beneficiaries. The modification of article 55 of the general regulations, abolishing the audit of receipts for projects with a total cost of less than 1 million euro was also included into the eligibility rules set by the Government.

4.4.4. The German-speaking Community

The global crisis on the financial market, which led to a global economic crisis, has also had an impact on the labour market in the German-speaking Community, although the effects were not felt immediately. Thus, the unemployment rate rose to 7.9%, in June, considerably more than last year. In the German-speaking Community the first Programmes were determined, to be implemented by a new call for projects from May 2009. The aim here is primarily to take demographic change into account, improve social inclusion, promote innovation and improve the integration opportunities for women. In this way, the negative impact on a vulnerable group will be limited.
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